DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS

FOR HILLCREST MEADOWS

THIS DELARATION is made on the date hereinafter set forth by HILLCREST PROPERTIES, LTD., a Texas limited partnership, hereinafter referred to as the "Declarant".

WITNESSETH

WHEREAS, the Declarant is the owner of certain real property in the City of Frisco, Collin County, Texas, (sometimes referred to herein as "the City") which is described in Exhibits "A" and "B" attached hereto and made a part hereof (the "Property").

WHEREAS, Declarant desires to create an exclusive planed community known as HILLCREST MEADOWS on the Property and such other land as may be added thereto pursuant to the terms and provision of this Declaration;

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

ARTICLE I
DEFINITIONS

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

Section 2. "Association" shall mean and refer to the Hillcrest Lebanon Homeowner's Association, Inc., a Texas not-for-profit corporation established for the purpose set forth herein.

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

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

Section 5. "Owner" shall mean and refer to the record owner, whether one or more persons or entities, of the fee simple title to any Lot, including contract sellers, but excluding those having an interest merely as security for the performance of an obligation.

Section 6. "Declarant" shall mean and refer to HILLCREST PROPERTIES, LTD., its successors and assigns who are designated as such in writing by the Declarant, and who consent in writing to assume the duties and obligations of the Declarant with respect to the Lots acquired by such successor or assign. Except for HILLCREST PROPERTIES, LTD., no Declarant may designate any person or entity as a Declarant or assign its rights or obligations as a Declarant as provided herein.

Section 7. "Common Area" shall mean and refer to that portion of the Property, if any, conveyed to the Association for the use and benefit of the Owners. Common area shall include any recreational facility or amenities, owned by the Association, which may be constructed for the use and benefit of the Owners.

Section 8. "Common Maintenance Areas" shall mean and refer to the Common Areas, if any, and the entrance monuments, drainage facilities, detention ponds, right-of-way landscaping, and such other areas lying within dedicated public easements or right-of-way as deemed appropriate by the Board of Directors of the Association for the preservation, protection and enhancement of the property values and the general health, safety or welfare of the Owners.

Section 9. "Declaration" shall mean and refer to this Declaration of Covenants, Conditions and Restrictions for, and any amendments, annexations and supplements hereto made in accordance with its terms.

ARTICLE II
Hillcrest Lebanon Homeowner's Association, Inc.

Section 1. Establishment of Association. The formal establishment of the Hillcrest Lebanon Homeowner's Association, Inc. will be accomplished by the filing of the Articles of Incorporation of the Hillcrest Lebanon Homeowner's Association, Inc. with the Secretary of State for the State of Texas and the subsequent issuance by the Secretary of State of the Certificate of Incorporation of the Homeowner's Association.

Section 2. Adoption of By-Laws. Bylaws for the Hillcrest Lebanon Homeowner's Association, Inc. will be established and adopted by the Board of Directors of the Hillcrest Lebanon Homeowner's Association, Inc.

Section 3. Membership. The Declarant and every other Owner of a Lot shall be a member of the Association. Membership shall be appurtenant to and shall not be separated from ownership of any Lot. Every member shall have the right at all reasonable times during business hours to inspect the books of the Association.

Section 4. Funding. Each Owner of any Lot by acceptance of a deed therefore, whether or not it shall be expressed in any such deed or other conveyance, covenants and agrees to pay to the Association: (i) annual assessments or charges; (ii) special assessments for working capital fund as well as capital improvements; and (iii) special individual assessments. Such assessments (collectively, the "Assessments") are to be fixed, established and collected as provided herein. Assessments, together with such interest thereon and costs of collection thereof, as hereinafter provided, shall be a charge on the Lot and shall be secured by a continuing lien created in the Hillcrest Declaration and impressed for the benefit of the Association upon the Lot against which each such Assessment is made. It is specifically acknowledged and agreed by all Owners that the continuing lien securing payment of Assessments against each and all Lots was validly created and existing from and after the recording date of the Hillcrest Declaration or, with respect to those lots made subject to the Hillcrest Declaration subsequent to such recording date, has been created and validly existing from and after the recording dates of Cecile Place Annexation and the Smith Estates Annexation by which additional real property has been annexed and merged into the Property and thereupon became subject to the Hillcrest Declaration and any amendments or restatements thereof. Each such Assessment, together with such interest costs and reasonable attorney's fees shall also constitute a personal obligation of the person or entity who was the record Owner of such Lot at the time of the Assessment.

Section 5. Assessments.

(a) Units Owned by Class A Members. Subject to the terms of this Article, each Lot is hereby subject to an initial maximum maintenance charge of $20.00 per month or $240.00 per annum unless and until such maintenance charges shall be increased by the Association. For the purpose of accumulating such charges, a fund shall be designated and known as the "maintenance fund," to which annual maintenance charges or assessments will be paid by the Owner or Owners of each Lot in advance in monthly, quarterly, or annual installments. The Association may begin charging assessments after the first Lot is conveyed to a Class A Member. Assessments against a particular Lot shall be due and payable from the Owner of that Lot at the earlier to occur of the completion of a Unit on the Lot or six (6) months after the Lot is conveyed to the Class A Member, regardless of whether a Unit has been completed thereon. The rate at which each Lot will be assessed, and whether such assessment shall be payable monthly, quarterly, or annually, will be determined by the Board of Directors of the Association at least

thirty (30) days in advance of each affected assessment period. Said rate may be adjusted from time to time by the Board of Directors as the needs of the Association my, in the judgment of the Directors, require. The assessment for each Lot shall be uniform except as provided in Subsection (b) of this Section 5. The Association shall, upon written demand and for a reasonable charge, furnish a certificate signed by an officer of the Association setting forth whether or not the assessment has been paid for the assessment period.

(b) Units or Lots by Declarant. Notwithstanding the foregoing, the Declarant shall be exempt from any assessment charged to Owners so long as there is a Class B membership as set forth in Section 8. Declarant hereby agrees that for such period of time as there is a Class B membership in effect and Declarant's Lots are exempt from assessment as provided above, that in the event that the annual maintenance fund revenues are insufficient to pay the operating expenses of the Association, Declarant shall provide the funds necessary to make up the deficit, within thirty (30) days of receipt of request for payment thereof from the Association, provided that if the deficit is the result of the failure or refusal of an Owner or Owners to pay their annual maintenance assessments, the Association shall diligently pursue all available remedies against such defaulting Owners, including foreclosure of the lien for assessment charges and/or the immediate institution of litigation to recover the unpaid assessments, and shall reimburse the Declarant the amounts, if any, so collected.

(c) Purpose of Maintenance Fund. As described in Subpart (a) of this Section 5, the Association shall establish a maintenance fund. The Association shall use the proceeds of such fund in providing for normal, recurring maintenance charges for the Common Maintenance Areas for the use and benefit of all members of the Association, as set forth herein and in Article III, hereof. Such uses and benefits to be provided by the Association may include, by way of clarification and not limitation, any and all of the following: normal, recurring maintenance of the Common Maintenance Areas (including, but not limited to, mowing, edging, watering, clipping, sweeping, pruning, raking, and otherwise caring for existing landscaping) and the improvements to such Common Maintenance Areas, such as Sprinkler systems, and private streets, if any, provided the Association shall have no obligation (except as expressly provided hereinafter) to make capital improvements to the Common Maintenance Areas; payment of all legal and other expenses incurred in connection with the enforcement of all recorded covenants, restrictions, and conditions affecting the property to which the maintenance fund applies; payment of all reasonable and necessary expenses in connection with the collection and administration of policemen and watchmen, if any, caring for vacant lots; and doing any other thing or things necessary or desirable in the

opinion of the Board of Directors of the Association to keep the Property neat and in good order, or which is considered of general benefit to the Owners or occupants of the Property, it being understood that the judgment of the Board of Directors in the expenditure of said funds and the determination of what constitutes normal, recurring maintenance shall be final and conclusive so long as such judgment is exercised in good faith. The Association shall, in addition, establish and maintain an adequate reserve fund for the periodic maintenance, repair, and replacement of improvements of the Common Maintenance Area. The fund shall be established and maintained out of regular annual assessments.

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

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

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

(e) Special Individual Assessments. Special Individual Assessments may be assessed as follows:

(i) The Board may assess any individual Owner for the cost to repair any damage caused by such Owner, its family, guests or invitees to the Common Maintenance Areas as a Special Individual Assessment.

(ii) Cumulative of all other rights under the Hillcrest Declaration, including the imposition of violation fines, or otherwise permitted by judicial process, (including the award of civil damages for a

violation of the Hillcrest Declaration as set forth in Section 202.004(c) of the Texas Property Code), in the event an Owner fails to cure a violation of the Hillcrest Declaration, including any rule, regulation or Design Guideline of the Association after proper notice, and the Association incurs legal fees or any cost for the enforcement thereof, all costs incurred by the Association in connection therewith, including but not limited to attorneys fees and Court costs, shall be charged to the Lot and added to the Owner's assessment account as a Special Individual Assessment the payment of which shall e secured by the continuing assessment lien.

(iii) In the event an Owner fails to properly maintain his or her Lot including any improvements thereon, and the Association, after proper notice, is required to enter upon the Lot to perform such maintenance as required to bring the Lot or the improvements thereon up to the standards set forth in this Declaration including any rule, regulation or Design Guideline of the Association, such costs incurred by the Association shall be charged to the Lot and added to the Owner's assessment account as a Special Individual Assessment the payment of which shall be secured by the continuing assessment lien.

Section 6. Nonpayment of Assessments: Remedies of the Association.

(a) All payments of the Assessments shall be made to the Association at such place as the Association may direct or permit. Payment shall be made in full regardless of whether any Owner has a dispute with the Association, any other Owner or any other person or entity regarding any matter to which the Hillcrest Declaration relates or pertains. Payment of the Assessments shall be both a continuing, independent affirmative covenant personal to the Owner and a continuing, independent covenant running with the Lot.

(b) Any Assessment provided for in the Hillcrest Declaration which is not paid when due shall be delinquent. If any such Assessment is not paid within thirty (30) days after the date of delinquency, the Assessment shall bear interest from the date of delinquency (with no notice required to be given), until paid, at the rate of ten percent (10%) per annum or the maximum rate allowed by law, whichever is the lesser. The Association may, at its option, bring an action at law against the Owner personally obligated to pay the same, or , upon compliance with the notice provisions hereof, foreclose the lien against the Lot as provided in Subsection (d) hereof. There shall be added to the amount of such Assessment all

costs and fees incurred in such actions, and in the event a judgment is obtained, such judgment shall include interest and a reasonable attorneys' fees shall be chargeable to the Owner in default. Under no circumstances, however, shall the Association be liable to any Owner or to any other person or entity for failure or inability to enforce any Assessment.

(c) No action shall be brought to foreclose said assessment lien or to proceed under the power of sale herein provided in less than thirty (30) days after the date a notice assessment of lien is deposited with the postal authority, certified mail, postage prepaid, to the Owner or said Lot, and a copy thereof is filed by the Association with the Office of the County Clerk of Collin County; said notice of assessment lien must recite a good and sufficient legal description of any such Lot, the record Owner or reputed Owner thereof, the amount claimed (which may, at the Association's option, include interest on the unpaid Assessment at the maximum legal rate, plus reasonable attorney's fees and expenses of collection in connection with the debt secured by said lien), and the name of the Association.

(d) Any such sale provided for above is to be conducted in accordance with the provisions applicable to the exercise of powers of sale in mortgages and deeds of trust, as set forth in Section 51.002 of the Texas Property Code (as it may be amended from time to time), or in any other manner permitted by law. Each Owner by accepting a deed to a Lot, expressly grants to the Association a power of sale as set forth in said Section 51.002 of the Texas Property Code, in connection with the assessment lien. The Association, through duly authorized agents shall have the power to bid on the Lot at foreclosure sale and to acquire and hold, lease, mortgage and convey the same.

(e) Upon the timely curing of any default for which a notice of assessment lien was filed by the Association, the Association's attorney is hereby authorized to file or record, as the case may be, an appropriate release of such notice, upon payment by the defaulting Owner of a fee, to be determined by the Association, but not to exceed the actual cost of preparing and filling or recording the notice of lien and the release. The assessment lien and the right to foreclosure sale hereunder shall be in addition to and not in substitution of all other rights and remedies which the Association and its successors or assigns may have hereunder and by law, including the right of suit to recover a money judgment for unpaid Assessments, as above provided.

Section 7. Subordination of Lien to First Mortgages. The lien securing the Assessments provided for herein shall be expressly subordinate to the lien of any first lien mortgage on any Lot that was recorded before any assessment became delinquent under Section 6 above. The sale or transfer of any Lot shall not affect the Assessment lien.

However, the sale or transfer of title to a Lot pursuant to a decree of foreclosure or a non-judicial foreclosure under such first lien mortgage shall extinguish the lien but only as to payment thereof which became due prior to such sale or transfer. No such sale or transfer shall relieve such Lot from liability for any Assessment thereafter becoming due, in accordance with the terms herein provided.

Section 8. Voting Rights. The Association shall have two classes of voting membership:

(a) Class A. Class A Members shall be all Owners with the exception of Declarant and shall be entitled to one (1) vote for each Lot owned. When more than one person holds an interest in any Lot, all such persons shall be members, but the vote for such Lot shall be exercised as they among themselves determine, and in on event shall more than one (1) vote be cast with respect to any Lot.

(b) Class B. Class B members shall be the Declarant who shall be entitled to three (3) votes for each unoccupied Lot owned by it. The Class B membership shall cease and be converted to Class A membership one hundred (120) days after the conveyance of the Lot which causes the total votes outstanding in the Class B membership to be less than a majority of all votes, or upon Declarant's voluntary conversion from Class B membership to Class A membership, whichever occurs earlier. Class B membership may be reinstated (at the sole option of Declarant) at any time. Declarant's Class B status would again constitute a majority of all votes if additional Lots owned by Declarant are annexed to this Declaration.

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

Section 9. Notice of Quorum. Written notice of any meeting called for the purpose of taking any action authorized herein shall be sent to all members, or delivered to their residences, not less than thirty (30) days nor more than sixty (60) days in advance of the meeting. At any such meeting called, the presence of members or of proxies of Voting Representatives entitled to cast in excess of fifty percent (50%) of all the votes of each class of membership shall constitute a quorum. If the required quorum is not present, another meeting may be called subject to the same notice requirement, and the required quorum at such subsequent meeting shall be two-thirds (2/3) of the quorum requirement for such prior meeting. The Association may call as many subsequent meetings as may be required to achieve a quorum (the quorum requirement being reduced for each such

meeting). No such subsequent meeting shall be held more than sixty (60) days following the preceding meeting.

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

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

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

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

(c) The services of a professional person or management firm to manage the Association or any separate portion thereof to the extent deemed advisable by the Board (provided that any contract for management of the Association shall be terminable by the Association, with no penalty upon (90) days prior written notice to the managing party) and the services of such other personnel as the Board shall determine to be necessary or proper for the operation of the Association, whether such personnel are employed directly by the Board or by the manager.

(d) Legal and accounting services.

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

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

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

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

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

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

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

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

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

(e) To make reasonable rules and regulations for: (i) the operation and use of Common Maintenance Areas; (ii) the appearance and maintenance of any improvement on a Lot; (iii) the protection of the appearance and value of the Property and amend such rules and regulations from time to time.

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

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

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

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

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

Section4. Maintenance Contracts. The Board, on behalf of the Association, shall have full power and authority to contract with any Owner or other person or entity for the performance by the Association of services which the Board is not otherwise required to

perform pursuant to the terms hereof, such contracts to be upon such terms and conditions and for such consideration as the Board my deem proper, advisable and in the best interest of the Association.

Section 5. Insurance. The Association shall obtain and maintain at all times, as a Common Expense, such insurances as the Board of Directors may deem appropriate, including a casualty insurance policy or policies affording fire and extended coverage in an amount that at least equals the full replacement value of all structures within the Condominium and a liability insurance policy or policies in amounts not less than Five Hundred Thousand ($500,000.00) Dollars for injury, including death, to a single person; One Million ($1,000,000.00) Dollars for injury or injuries, including death, arising out of a single occurrence; and Fifty Thousand ($50,000.00) Dollars property damage, covering the Association, the Board of Directors, officers, and all agents and employees of the Association, and all Unit Owners and other persons entitled to occupy any Unit or other portion of the Condominium Property.

The improvements and betterments made by the individual Unit Owners shall be excluded from this required coverage, but each Owner shall have the right to obtain additional coverage for such improvements, betterments, or personal property at his own expense. The policies may contain reasonable deductibles, and the amount thereof shall be added to the face amount of the policies in determining whether the insurance equals at least full replacement cost.

In addition to the insurance required hereinabove, the Board shall, in its discretion, consider obtaining as a common expense:

(1) Workmen's compensation insurance if and to the extent necessary to meet the requirements of applicable law;

(2) Public liability insurance covering occurrences on the Common Areas, including, without limitation, any Community Recreation Facility, as defined below, and officers' and directors' liability insurance in such amounts as the Board may determine, but in no event less than One Million ($1,000,000.00) Dollars per occurrence. (Such insurance shall contain a cross-liability endorsement.);

(3) Fidelity bonds covering officers, directors, employees, and other persons who handle or are responsible for handling Association funds. If reasonably available, such bonds shall be in an amount at least equal to no less than three (3) months' operating expense plus reserves on hand as of the beginning of the fiscal year and shall contain waivers of any defense based upon the exclusion of persons serving without compensation; and

(4) Other insurance as the Board of Directors may determine to be necessary.

ARTICLE IV
TITLE TO AND USAGE OF COMMON AREAS

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

Section 2. Condemnation. In the event of condemnation or a sale in lieu thereof of all or any portion of the Common Areas, the funds payable with respect thereto shall be payable to the Association and shall be used by the Association to purchase additional Common Areas to replace that which has been condemned or to take whatever steps that it deems reasonably necessary to repair or correct any damage suffered as a result of the condemnation. In the event that the Board of Directors of the Association determines that the funds cannot be used in such a manner due to lack of available land for additional Common Areas or for whatever reason, any remaining funds may be utilized by the Association for the general maintenance fund.

ARTICLE V
RIGHTS AND RESTRICTIONS AFFECTING OWNERSHIP

Section 1. Association Existence, Lot Boundaries, and Common Elements. Regardless of any other provision in this Declaration to the contrary, unless at least two-thirds (2/3) of the first Mortgagees or Owners other than Declarant shall have given their prior written approval, neither the Association or any unit Owner shall:

(i) by act or omission seek to abandon or terminate the Association;

(ii) except as provided herein and in the Act for condemnation, substantial damage and destruction, and expansion of the Association, change the percentage interest in the Common Elements, or obligations for common expenses or votes in the Association of any unit;

(iii) subdivide, partition, or relocate the boundaries of any unit;

(iv) by act or omission, withdraw the submission of the subjected property, except as provided by the Association Instruments, or abandon, subdivide, partition, encumber, sell, or transfer the Common Elements (the granting of easements for public utilities or for similar purposes, including cable

television in the community, consistent with the intended use of the Common Elements by the Association or the Declarant shall not be deemed a transfer); or

(v) use hazard insurance proceeds for losses to any portion of the Property for other than repair, replacement, or reconstruction of such property, except as provided by statute for substantial loss to the units and/or common Elements.

The provisions of this subparagraph shall not be construed to reduce the percentage vote that must be obtained from first Mortgagees or Unit Owners when a larger percentage vote is otherwise required by the Act or the Condominium Instruments for any of the actions contained in this subparagraph.

Section 2. Liability for Unpaid Assessments. Each Owner, and each prospective Owner, is hereby placed on notice that the covenant to pay Assessments may operate to place upon him the responsibility for payment of Assessments which arose prior to the time of conveyance of the Lot and which may be due and payable at the time of conveyance. By voluntary conveyance, the purchasing Owner ("Grantee") is jointly and severally liable with the selling Owner ("Grantor") for all unpaid Assessments levied by the Association against Grantor or his Lot prior to conveyance of such Lot, without prejudice to Grantee's right to seek or obtain reimbursement from Grantor. Any prospective purchaser may request and is entitled to a statement from the Association stating the amount of unpaid Assessments against Grantor or his Lot. Grantee is not liable for any unpaid Assessments owed by Grantor in excess of the amount set forth in such statement; provided however, that Grantee is liable for any Assessments having a due date after the date of any such statement. Notwithstanding the foregoing, any foreclosure purchaser, other than Grantor, who obtains title to a Lot as a result of foreclosure by the Association of an assessment lien on such Lot shall not be liable for unpaid Assessments (in excess of the cash price paid by such purchaser as such foreclosure sale) which accrue prior to the time such foreclosure purchaser acquires title to the Lot.

Section 3. Mortgage Holder's Rights.

(a) Any holder of a first Mortgage shall be entitled, upon written request, to receive, within a reasonable time after request, an audited financial statement of the Association for the immediately preceding fiscal year, free of charge to the Mortgagee so requesting.

(b) Regardless of anything to the contrary contained in these documents, the provisions of this Declaration governing sales and leases shall not apply to impair the right of any first mortgagee to:

(i) foreclose or take title to a unit pursuant to remedies contained in any Mortgage; or

(ii) take a deed or assignment in lieu of foreclosure; or

(iii) sell, lease, or otherwise dispose of a unit acquired by the Mortgagee.

ARTICLE VI
EASEMENTS

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

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

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

Section 4. Entry Easement. In the event that the Owner fails to maintain the Lot as required herein, or in the event of emergency repairs and to do the work reasonably necessary for the proper maintenance and operation of the Property the Declarant and

Association reserves an easement of entry upon the Lot and any such entry thereon shall not be deemed a trespass, and the Association or Declarant shall not be liable for any damage so created unless such damage is caused by the Declarant's or Association's willful misconduct or gross negligence.

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

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

ARTICLE VII
USE AND OCCUPANCY

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

ARTICLE VIII
PROPERTY RIGHTS

Section 1. Owners' Easement of Enjoyment. Every Owner shall have a right and easement in and to the Common Areas and a right and easement of ingress and egress to,

from and through said Common Areas, and such easement shall be appurtenant to and shall pass with the title to every Lot, subject to the following provisions:

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

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

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

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

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

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

ARTICLE IX
CONSTRUCTION OF IMPROVEMENTS AND USE OF LOTS

Section 1. Residential Use. The Property and all Lots shall be used for single-family residential purposes only. No building shall be erected, altered, placed or permitted to remain on any Lot other than one (1) residence per Lot not exceeding two stories in height with a private garage as provided below. Each residence shall be constructed in conformance with minimum FHA and VA standards.

Section 2. Single-Family Use. Each residence may be occupied by only one (1) family consisting of persons related by blood, adoption, or marriage or no more than two (2) unrelated persons living together as a single house keeping unit, together with any household servants.

Section 3. Garage Required. Each residence shall have a garage suitable for parking not less than two (2) nor more than three (3) standard size automobiles, which garage conforms in design and materials with the main structure. No carports will be allowed within this subdivision.

Section 4. Restrictions on Subdivision. None of the lots shall be subdivided into smaller lots.

Section 5. Driveways. All driveways shall be surfaced with concrete or similar substance acceptable to the City.

Section 6. Types of Building Permitted. All lots shall be used for residential purposes only, and no building shall be erected, altered, placed, or permitted to remain on any lot other than one (1) detached, single family dwelling, not to exceed two (2) stories in height and a private garage for two (2) and no more than three (3) automobiles. Storage sheds are permissible so long as: (i) they are not visible from the front of the residence or any public street adjacent to the Lot upon which the shed is installed; (ii) do not exceed eight feet (8') in height from the ground level to its highest point; (iii) do not obstruct or interfere with drainage easements; (iv) are not used as a residence or domicile by any person or persons.

Section 7. Boats, Aircraft, Recreational Vehicles and Antique Vehicles. No boat, marine craft, personal water craft, hovercraft, aircraft, recreational vehicles, antique vehicles, pick-up camper, travel trailer, motor home, camper body or similar vehicle or equipment may be parked for storage in the front yard or parked on any public street within the Property, nor shall any such vehicle or equipment be parked for storage in the side or rear yard of any residence unless concealed from public view by a fence. No such vehicle shall be used as a residence or office temporarily or permanently. This restriction shall not apply to any vehicle, machinery, or equipment temporarily parked and in use for the construction, maintenance, or repair of a residence in the immediate vicinity.

Section 8. Trucks. Trucks with tonnage in excess of one (1) ton and any vehicle with painted advertisement shall not be permitted to park overnight on or facing public streets within the Property except those used in construction by a builder during the construction of improvements. Advertisement shall be defined as any decoration or company logo painted or affixed to the vehicle and may include telephone or other contact information. For the purposes of this restriction, the term "truck" shall mean and include pick-up trucks, panel delivery trucks, carry-all trucks and other such vehicles having an enclosed cab and an open bed or body, as well as any vehicle designed, used or maintained primarily for the transport of property, objects, or anything other than persons, or for city service. Such term does not, however, include vehicles such as Suburbans, Ford Explorers, and other such vehicles. Furthermore, the Board of Directors of the Association has the discretion and authority to determine what constitutes a truck under this provision and such determination shall be final and binding on all parties.

Section 9. Explosive Cargo. No vehicle of any size which transports inflammatory or explosive cargo may be kept in the Addition at any time.

Section 10. Temporary Structures. No structure of a temporary character, such as a trailer, basement, tent, shack, barn or other out-building shall be used on any property at any time as a dwelling house; provided, however, that any builder may maintain and occupy model homes, sales offices and construction trailers during construction period.

Section 11. Drilling. No oil drilling, oil development operation, oil refining, quarrying or mining operations of any kind shall be permitted in the Addition, nor shall oil wells, tanks, tunnels, mineral excavations or shafts be permitted upon or in any part of the Addition. No derrick nor other structure designed for using in quarrying or boring for oil natural gas or other minerals shall be erected, maintained or permitted within the Addition.

Section 12. Animals and Livestock. No animals, livestock or poultry of any kind shall be raised, bred or kept on any property in the Addition except that dogs, cats or other household pets may be kept for the purpose of providing companionship for the private family. Animals are not to be raised, bred or kept for commercial purposes or for food. It is the purpose of these provisions to restrict the use of the property so that no person shall quarter on the premises cows, horses, bees, hogs, sheep, goats, guinea fowls, ducks, chickens, geese, turkeys, skunks or any other animals that may interfere with the quietude, health, or safety of the community. No more than four (4) pets will be permitted on each Lot. Pets must be restrained or confined on the homeowner's back lot inside a fenced area or within the house. It is the pet owner's responsibility to keep the lot clean and free of pet debris. All animals must be properly tagged for identification.

Section 13. Trash. No Lot or other area in the Addition shall be used as a dumping ground for rubbish. Trash, garbage, or other waste shall not be kept except in sanitary containers. All incinerators or other equipment for the storage or other disposal of such material shall be kept in clean and sanitary condition. Materials incident to construction of improvements may be stored on Lots during construction so long as construction progresses without undue delay.

Section 14. Water. No individual water supply system shall be permitted in the Addition.

Section 15. Sewage. No individual sewage disposal system shall be permitted in the Addition.

Section 16. Temporary Occupancy. No garage, garage house or other out-building (except for sales offices and construction trailers during the construction period) shall be occupied by any owner, tenant or other person prior to the erection of a residence.

Section 17. Air-Conditioning. No air-conditioning apparatus shall be installed on the ground in front of a residence. No air-conditioning apparatus shall be attached to any front wall or window or a residence. No evaporative cooler shall be installed on the front wall or window of a residence.

Section 18. Antennas. The erection, construction, placement or installation of any television, radio, or other electronic tower, serial, antennae, satellite dish or device of any type for the reception or transmission of radio or television broadcast or other means of communication upon a Lot or upon any improvement thereon is prohibited unless located in the attic of a residence, except that this prohibition shall not apply to those antennae specifically covered by 47 C.F.R Part 1, Subpart S, Section 1.4000 (or any successor provision) promulgated under the Telecommunications Act of 1996, as amended from time to time. The Association shall be empowered to adopt rules governing the types of antennae that are permissible hereunder and establishing reasonable, non-discriminatory restrictions relating to safety, location and maintenance of antennae.

To the extent that reception of an acceptable signal would not be impaired or the cost of installation would not be unreasonably increased, an antenna permissible pursuant to rules of the Association may only be installed in a side or rear yard location, not visible from the street or neighboring property, and integrated with the dwelling and surrounding landscape. Antennae shall be installed in compliance with all state and local laws regulations, including zoning, land-use and building regulations.

Section 19. Business Use. Business, trade, manufacturing, commercial or similar activities are not allowed to be conducted on the Property or any Lot, except that an Owner or Occupant residing on a Lot may conduct business activities within the Lot so

long as: (i) the existence or operation of the business activities is not apparent or detectable by sight, sound or smell from outside the Lot; (ii) the business activity conforms to all zoning requirements for the community; (iii) the business activity does not involve regular visitation of the Lot by clients, customers, suppliers or other business invitees or door-to-door solicitation of residents of the Property; (iv) the business activity does not involve the repair or refurbishment of automobiles; and (v) the business activity is consistent with the residential character of the Property and does not constitute a nuisance, or a hazardous or offensive use, or threaten the security or safety of other residents of the Property, as may be determined in the sole discretion of the Board of Directors. Nothing in this subparagraph shall prohibit a builder's temporary use of a residence as a sales office until such builder no longer owns a Lot within the Property. Nothing in this Section 19 shall prohibit an Owner's use of a residence for quiet inoffensive activities such as tutoring or giving art lessons so long as such activities do not materially increase the number of cars parked on the street or interfere with the use and enjoyment of the adjoining Lots, including front and side yards, by the Owners' thereof.

Section 20. Sight Distance and Intersection. No fence, wall, hedge or shrub planting which obstructs sight lines at elevations between three (3) and six (6) feet above the roadway shall be placed or permitted to remain on any corner lot within the triangular area formed by the street right-of-way lines and a line connecting them at points ten (10) feet from the intersection of the street right-of-way lines, or, in the case of a rounded property corner, from the intersection of the street right-of-way lines as extended. The same sight-line limitations shall apply on any Lot within ten (10) feet from the intersection of a street right-of-way line with the edge of a private driveway or alley pavement. No tree shall be permitted to remain within such distance of such intersections unless the foliage line is maintained at sufficient height to prevent obstruction of such sight lines.

Section 21. Relocated Structures. Except for children's playhouses, dog houses and other small low visibility buildings, no building previously constructed elsewhere shall be moved onto any Lot, it being the intention that only new construction be placed and erected thereon.

Section 22. Interference with Utilities or Drainage Channels. Within easements on each Lot, no structures, planting or materials shall be placed or permitted to remain which may damage or interfere with the installation and maintenance of utilities, which may change the direction of flow within drainage channels or which may obstruct or retard the flow of water through drainage channels.

Section 23. Signs and Flags. No sign of any kind shall be displayed or installed on a Lot which is visible from any public street except:

(i) one (1) professional security system sign of not more than one (1) square foot:

(ii) one (1) sign of not more than five (5) square feet advertising the property for rent or sale;

(iii) one (1) fence company sign of not more than one (1) foot by six (6) inches that does not face a public street;

(iv) signs used by a builder to advertise the property during the construction and sales period

The Association and its agents shall have the right to remove any sign, billboard or other advertising structure that does not comply with the above, and in so doing, shall not be subject to any liability for trespass, conversion or any other liability in connection with such removal. The Association's cost to remove any sign which is prohibited hereunder shall be added to the Owner's assessment account as a Special Individual Assessment the payment of which is secured by the continuing assessment lien.

Section 24. Laundry. The drying of clothes in full public view is prohibited.

Section 25. Fires. Except within fireplaces in the main residential dwelling and except for outdoor cooking, no burning of anything shall be permitted anywhere in the Addition.

Section 26. Minimum Floor Area. The total air-conditioned living area of the main residential structure, as measured to the outside of exterior walls but exclusive of open porches, garages, patios and detached accessory buildings, shall not be less than the minimum habitable floor area as required by the City.

Section 27. Building Materials. The exterior wall area of each building constructed or placed on a Lot shall be constructed of materials as required by the City. Roofing shall be wood shingle or wood shake, composition, or other materials of a substance acceptable to all governing authorities, including but not limited to the City, VA and FHA.

Section 28. Side Line and Front Line Setback Restrictions. No dwelling shall be located on any lot nearer to the front lot line or nearer to the side lot line than the minimum setback line shown on the Plat or required by all governing authorities, including but not limited to the City, VA and FHA.

Section 29. Waiver of Front Setback Requirements. With the written approval of Declarant, any building may be located further back from the front property line of a Lot than provided above, where, in the opinion of Declarant, the proposed location of the

building will add to the appearance and value of the lot and will not substantially detract from the appearance of the adjoining lots.

Section 30. Fences and Walls. No fence, wall or hedge shall be erected or maintained on any Lot nearer to the street than is permitted by applicable city ordinance or regulation. All fences and walls shall be properly maintained in good condition by the Owner of the Lot upon which the fence or wall sits unless the maintenance thereof is specifically assumed by Declarant or the Association by written notice to Owner. Chipping paint, rotting wood, leaning portions or those portions in a state of disrepair shall be properly cared for, maintained and/or replaced by the Owner of the Lot upon which the fence or wall sits, all subject to the requirements of the Declarant or the Association.

Section 31. Sidewalks. All sidewalks shall conform to City specifications and regulations.

Section 32. Mailboxes. Mailboxes shall be constructed of a material and design acceptable to the all governing authorities including but not limited to, the City, VA and FHA.

Section 33. Type of Buildings Permitted. All Lots shall be used for residential purposes only, and no building shall be erected, altered, placed, or permitted to remain on any Lot other than one detached, single family dwelling, not to exceed two stories in height and a private garage for two or no more than three automobiles.

Section 34. Terrain and Lot Drainage. No planting, construction, or any other activity shall be undertaken which, in any way, alters or affects the drainage or natural flow of water from any of the lots.

Section 35. Development Activity. Notwithstanding any other provision herein, Declarant and its successors and assigns shall be entitled to conduct on the Property all activities normally associated with and convenient to the development of the Property and the construction and sale of the dwelling units on the Property.

Section 36. Residential Damage/Destruction. Any residence or improvement on any Lot completely or partially destroyed or damaged by fire, storm, or any peril shall be fully rebuilt or repaired (or the debris therefrom fully removed if not to be rebuilt or repaired) within a reasonable time not to exceed one hundred and eighty (180) days after the occurrence of such destruction or damage, unless a written extension is obtained by the Owner of such Lot from the Board of Directors. The requirement set forth herein also apply to and include fences, patio covers, awnings and trees.

Section 37. Improvements or Renovations. All additions, renovations or improvements to the exterior of a residence within the Property must be submitted to the Architectural Review Committee, as hereinafter defined, and approved by the Board of Directors prior to the start of construction. This includes new fences, changes in color or height of fences, walls, patio covers, awnings, additions to the residence such as sunrooms, roofing, and painting. This Section 37 does not apply to walls of less than two feet (2') high constructed for the purpose of bordering flower beds, patios, decks, or swimming pools. This Section 37 does not apply to landscaping changes unless drainage of neighboring Lots is materially affected by such changes.

Section 38. Maintenance of Improvements. The Owner and occupant of each Lot shall maintain the exterior of all buildings, fences, walls, and other improvements on the Owner's Lot in good condition and repair, shall replace worn or rotten parts, shall regularly repair all painted surfaces, and shall not permit the roofs, rain gutters, down spouts, exterior walls, windows, doors, walks, driveways, parking areas or other exterior portions of the improvement to deteriorate. The Owner and occupant of a Lot shall be responsible for maintaining all trees thereon and replacing any tree or landscaping should the same become diseased or die. The Owner and occupant of a Lot shall also be responsible for maintaining all landscaping and grass in a neat, clean manner and appearance at all times including the removal of unsightly growth or weeds. Any object placed on the perimeter of a lawn to prevent construction traffic from damaging the lawn must be removed upon completion of construction on said Lot or any adjacent Lot. Upon the Owner's failure or the occupant's failure to maintain the improvements, trees, lawn or landscaping in accordance with this Section after the Association or its agents has sent the Owner a fifteen (15) day written notice regarding the performance of such maintenance or repair work, the Association and its agents shall have the right to enter upon such Lot, and is hereby granted permission by the Owner of such Lot, to perform the necessary maintenance or repair work without liability for trespass, wrongful entry, conversion, destruction of private property or any liability whatsoever to such Owner or occupant of such Lot or any person claiming by or through either of them. The Owner of such Lot shall be obligated, when presented with an itemized statement, to reimburse the Association for the cost of such work. The Association's cost to perform such work shall be added to the Owner's assessment account as a Special Individual Assessment and shall be secured by the continuing assessment lien.

Section 39. Construction Limitation. Construction of any kind, whether original or otherwise, shall only be permitted within the Property during the following time periods which must be strictly observed:

(i) Monday through Friday: 7:00 a.m. to dusk

(ii) Saturday: 9:00 a.m. to dusk

(iii) Sunday: 9:00 a.m. to dusk

Section 40. Imposition of Violation Fines.

(a) In the event that any person fails to cure (or fails to commence and proceed with diligence to completing) the work necessary to cure any violation of the covenants and restrictions contained herein or any Design Guideline within ten (10) days after receipt of written notice from the Board or its agents designating the particular violation, the Board shall have the power and authority to impose upon that person a reasonable fine (the "Violation Fine") not to exceed five hundred dollars ($500.00). If after the imposition of the Violation Fine, the violation has not been cured or the person has still not commenced the work necessary to cure such violation, the Board shall have the power and authority, upon ten (10) days written notice, to impose another Violation Fine which shall also not exceed five hundred dollars ($500.00). There shall be no limit to the number or the aggregate amount of Violation Fines which may be levied against a person for the same violation. The Violation Fines, together with interest at the highest lawful rate per annum and any cost of collection, including attorney's fees, shall be a continuing lien upon the Lot against which such Violation Fine is made and shall be considered a Special Individual Assessment the payment of which is secured by the continuing assessment lien.

(b) Upon notification of a violation of the Hillcrest Declaration or any Design Guideline, the Board of Directors will issue written notice to the Owner of such violation as provided by this Section 40.

(c) Whenever an Owner, upon curing a violation of the Hillcrest Declaration or any Design Guideline after receiving written notice thereof as described in (b) above, receives written notice for the second time detailing a separate violation of the same provision of the Hillcrest Declaration or the Design Guidelines, with eighteen (18) months from the date the Owner received the first written notice, such second notice shall also advise the Owner that they are subject to the automatic imposition of Violation Fines as set forth in (d) below.

(d) If a subsequent and separate violation of the same restriction or covenant contained in the Hillcrest Declaration or the same Design Guideline by the same Owner is noted, that being the third violation within eighteen (18) months from the date the Owner received the first written notice, then the Owner will automatically be assessed a Violation Fine in an amount not to exceed Five Hundred Dollars ($500.00) as provided and authorized by this Section 40 without the necessity of providing the Owner with written notice requesting corrective action described in Section 40 (a) – (c) above.

(e) The Board of Directors is hereby granted the authority to promulgate policies and procedures which will provide greater detail in establishing the notice of violation hearing, and enforcement procedures to be followed in handling violations of the Hillcrest Declaration and the Design Guidelines.

ARTICLE X
ANNEXATION

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

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

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

Section 3. No Duty to Annex. Nothing herein contained shall establish any duty or obligation on the part of the Declarant or any other member to annex any property to this Declaration and no owner of property excluded from the Declaration shall have any right to have such property annexed thereto.

Section 4. Effect of Annexation on Class B Membership. In determining the number of Lots owned by Declarant for the purpose of Class B Membership status according to Article II, Section 6, the total number of Lots covered by the Declaration including all Lots annexed thereto shall be considered. If Class B Membership has previously expired but annexation of additional property restores the ratio of Lots owned by Declarant to the number required for Class B Membership, such Class B membership shall be reinstated.

ARTICLE XI
GENERAL

Section 1. Rights. For so long as Declarant shall own any of the Lots contained with the Property as it currently exists or as such properties shall have been annexed to be governed by these Declarations and continuing until such date as Declarant no longer owns any Lot contained within the Property (or such Property as may be annexed pursuant of these Declarations), Declarant shall have the sole and exclusive right to establish the Homeowner's Association contemplated by these Declarations and Declarant shall be under no obligation to establish such Homeowner's Association or to perform any of the duties and obligations set forth herein except as required by the City. In the event Declarant shall elect, in Declarant's sole and exclusive discretion, to establish the Homeowner's Association made reference to herein, Declarant shall be relieved of all rights and obligations (except those specifically applicable to Class B Membership) and then only to the extent Declarant is a Class B Member and only to the extent such rights and obligations are imposed upon Declarant by these Declarations and such obligations shall, from the formation of such Homeowner's Association forward, become the obligations of the Homeowner's Association.

Section 2. Remedies. In the event of any default by any Owner under the provisions of the Declarations, By-Laws or rules and regulations of the Association, the Association and any Owner shall have each and all of the rights and remedies which may be provided for in this Declaration, the By-Laws and said rules and regulations, and those which may be available at law or in equity, and may prosecute any action or other proceeding against such defaulting Owner and/or others for enforcement of any lien, statutory or otherwise, including foreclosure of such lien and the appointment of a receiver for the Lot and ownership interest of such Owner, or for damages or injunctions, or specific performance, or for judgment for the payment of the money and collections thereof, or for any combination of the remedies, or for any other relief. No remedies herein provided or available at law or in equity shall be deemed mutually exclusive of any other such remedy. All expenses of the Association in connection with any such actions or proceedings, including court costs and attorney's fees and other fees and expenses, and all damages, permitted by law but, with reference to any Lots financed by FHA insured loans, not in excess of the maximum rate of FHA loans at the time of delinquency, from the due date until paid, shall be charged to and assessed against such defaulting Owner, and shall be added to and deemed part of respective maintenance assessment (to the same extent as the lien provided herein for unpaid assessments), upon the Lot and upon all of the additions and improvements thereto, and upon all of his personal property upon the Lot. Any and all of such rights and remedies may be exercised at any time and from time to time, cumulatively or otherwise, by the Association or any Owner.

Section 3. Term. The covenants and restrictions of the Hillcrest Declaration and any amendments thereof or supplements thereto shall run with and bind the Property, and shall inure to the benefit of and be enforceable by the Association, or the Owner of any Lot subject to the Hillcrest Declaration, their respective legal representatives, heirs, successors and assigns, for a term of twenty-five (25) years from the date the Hillcrest Declaration is recorded, after which time said covenants shall be automatically extended for successive periods of ten (10) years, unless by vote, of the then Owners of 75% of the Lots agree in writing to terminate the Hillcrest Declaration in whole and such writing is recorded in the Real Property Records of Collin County, Texas. Such terminations shall be effective two (2) years from the date such writing has been recorded.

Section 4. Amendment.

(a) The Hillcrest Declaration may be amended or modified upon the express written consent of no less than sixty-five percent (65%) of all the votes held by Owners. Owners may vote for amendments at meetings, either in person or by proxy, or by written ballot. Any and all amendments, if any, shall be recorded in the office of the County Clerk of Collin County, Texas. Notwithstanding the foregoing, the Association shall have the right to execute and record amendments to the Hillcrest Declaration without the consent or approval of any other party if the sole purpose of the amendment is for the purpose of correcting technical errors or for purposes of clarification.

(b) The Association intends that the Hillcrest Declaration may be amended to comply (if not in compliance with all requirements of the Federal Home Loan Mortgage Corporation ("FHLMC"), Federal National Mortgage Association ("FNMA"), FHA and VA. Notwithstanding anything to the contrary contained herein, if the Hillcrest Declaration does not comply with FHLMC, FNMA, VA or FHA requirements, the Board shall have the power in its discretion (on behalf of the Association and each and every Owner) to amend the terms of the Hillcrest Declaration or to enter into any agreement with FHLMC, FNMA, VA, and FHA, or their respective designees, reasonably required by FHLMC, FNMA, VA or FHA to allow the Hillcrest Declaration to comply with such requirements. Should the FHLMC, FNMA, VA or FHA subsequently delete any of their respective requirements which necessitate any of the provisions of the Hillcrest Declaration or make any such requirements less stringent, the Board, without the approval of the Owners, may, upon reasonable justification, cause an amendment to the Hillcrest Declaration to be executed and recorded to reflect such changes.

Section 5. Severability. Invalidation of any one of these covenants or restrictions by judgment or court order shall in no way affect any other provisions which shall remain, in full force and effect.

Section 6. Rights and Obligations. The provisions of this Declaration and the Articles of Incorporation and By-Laws and the rights and obligations established thereby shall be deemed to be covenants running with the land and shall inure to the benefit of, and be binding upon, each and all of the Owners and their respective heirs, representatives, successors, assigns, purchasers, grantees and mortgagees. By the recording of the acceptance of a deed conveying a Lot of any ownership interest in the Lot whatsoever, the person to whom such Lot or interest is conveyed shall be deemed to accept and agree to be bound by and subject to all of the provisions of this Declaration and the Articles of Incorporation and By-Laws, whether or not mention thereof is made in said deed.

Section 7. Indemnification of Declarant. Except to the extent of Declarant's gross negligence or willful misconduct, the Association shall indemnify and hold harmless Declarant from any and all claims, actions, debts, demands or causes of action which may be brought against Declarant and arising in any way in connection with the Association.

Section 8. Miscellaneous Provisions. Any provisions of this Declaration or of the Articles of Incorporation and By-Laws to the contrary notwithstanding, the following provisions shall control:

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

Section 9. Headings. The headings contained in this Declaration are for reference purposes only and shall not in any way affect the meaning or interpretation of this Declaration.

Section 10. Conflicts. In the event of conflicts between the terms of this Declaration and the By-Laws, rules, regulations or Articles of Incorporation of the Association, this Declaration shall control.

Section 11. Failure of Association to Perform Duties. Should the Association fail to carry out its duties as specified in this Declaration, the City or its lawful agents shall have the right and ability, after due notice to the Association, to remove any landscape systems, features or elements that cease to be maintained by the Association; to perform the responsibilities of the Association if the Association fails to do so in compliance with any of the provision of this Declaration or of any applicable town codes or regulations; to access the Association for all costs incurred by the City in performing said responsibilities if the Association fails to do so; and/or to avail itself of any other enforcement actions available to the City pursuant to state law or Federal codes and regulations. Should the City exercise its rights as specified above, the Association shall indemnify and hold harmless the City from any and all costs, expenses, suits, demands,

liabilities or damages, including attorney's fees and costs of suit, incurred or resulting from the City's removal of any landscape systems, features or elements that cease to be maintained by the Association, or from the City's performance of the aforementioned operations, maintenance or supervision responsibilities of the Association due to the Association's failure to perform said duties.

Section 12. Notices to Member/Owner. Any notice required to be given to any member and/or Owner under the provisions of the Hillcrest Declaration shall be deemed to have been properly delivered forty-eight (48) hours after deposited in the United States Mail, postage prepaid, certified mail, and addressed to the last known address of the person who appears as member or Owner on the records of the Association at the time of such mailing.

Section 13. No warranty of Enforceability. While the Association has no reason to believe that any of the restrictive covenants or other terms or provisions contained in the Hillcrest Declaration, as amended from time to time, are or may be invalid or unenforceable for any reason or to any extent, the Association makes no warranty or representation as to the present or future validity or enforceability of any such restrictive covenants. Any Owner acquiring a Lot within the Property in reliance on one or more of such restrictive covenants, terms or provisions shall assume all risks of the validity and enforceability thereof and, by acquiring the Lot, agrees to hold the Association and the Committee harmless therefrom. The Association shall not be responsible for the acts or omissions of any individual, entity or other Owners.

ARTICLE XII
ARCHITECTURAL REIVE COMMITTEE

Section 1. Architectural Review Committee. The Board of Directors shall establish an Architectural Review Committee (the "Committee") comprised of no less than three (3) and no more than nine (9) volunteer resident members of the Association provided, however, that one member of the Board of Directors shall serve on the Committee. In the event there are not enough volunteers to fill three (3) positions on the Committee, the Board of Directors is authorized to appoint enough individuals to serve on the Committee to meet the three (3) member minimum requirement. All members of the Committee shall serve for a term of one (1) year. The Board may promulgate policies and procedures governing the operations of the Committee. Acting in accordance with the provisions of the Hillcrest Declaration, the By-Laws, and resolutions the Board may adopt, the Committee shall be the hearing tribunal of the Association. The Committee will also review all requests for changes or improvements as outlined under Article IX, Section 37 hereof, requests for variance and make recommendations to the Board of

Directors regarding approval or disapproval of such requests. The Board of Directors shall retain final authority regarding approval or disapproval of all such request. Violations of the Hillcrest Declaration, rules and regulations of the Association and the Design Guidelines shall be reviewed by the Committee and action regarding any such violation shall be referred to the Board of Directors. The Committee will have the discretion to recommend amendments to the rules and regulations of the Association and the Design Guidelines to the Board of Directors.

Section 2. Procedure for Approval. Any original construction or a change to the exterior portion of any improvement on a Lot which is visible from a public street or neighboring residence, and deemed material by the Board of Directors, must receive written approval from the Board of Directors of the Association. All changes must be submitted prior to start of such changes or improvements in writing to the Committee via an ARC Request form. This form is to be completed by the Owner or occupant and include all details available including materials to be used, shape, height, elevations (where applicable), color, and location of the proposed improvement. Any additional information required by the Committee is to be promptly provided by the Owner or occupant. The Committee will review the request and make its recommendation to the Board of Directors, who will retain final authority on any improvement requested. Conditional Approval by the Board of Directors may be granted, but the conditions stated in the approval must be strictly complied with by the Owner submitting the request in order for the approval to become final. Failure to follow the conditions for final approval shall constitute non-compliance with the requirements contained herein and subject to enforcement measures by the Association. Any request which is not approved will be returned to the Owner or occupant, marked "Disapproved" and shall be accompanied by a written statement of the reasons for the disapproval. Any modification by the Owner or occupant of approved plans must again be submitted to the Committee for review. Approval or Disapproval by the Board of Directors, as required herein, shall be in writing. At no time will verbal approval or disapproval by the Board of Directors constitute a final or binding decision. If the Board of Directors fails to approve or disapprove any written request within thirty (30) days from the Board of Directors' receipt of such request, written approval of the matters submitted shall be deemed to have occurred. In the case of dispute about whether the Board of Directors responded within such time period, the person submitting the plans shall have the burden of establishing the date the Board received a complete set of plans along with a proper ARC Request Form. In the event a majority of the Committee cannot reach an agreement on any matter submitted for approval, the matter shall be submitted to the Board of Directors for resolution. The decision of the Board of Directors regarding the disputed matter shall be binding on the Committee and the Owner submitting the plans.

Section 3. Variances. Upon the submission of a written narrative request for same, the Committee may, from time to time, recommend to the Board of Directors that the Owner be permitted to construct, erect, install improvements which are in variance from the requirements set forth in the Hillcrest Declaration or the Design Guidelines. Such variances shall be in basic conformity and shall blend effectively with the general architectural style and design of the community. No member of the Committee or the Board of Directors shall be liable to any Owner or other person claiming by or through, or on behalf of any Owner, for any claims, causes of action, or damages arising out of the granting of, denial of, or the failure to act upon any variance request by an Owner. Each request for variance submitted hereunder shall be reviewed separately and apart from other such requests and the grant of a variance to any Owner shall not constitute a waiver of the Committee's or Board of Directors' right to strictly enforce the Hillcrest Declarations or the Design Guidelines against any other Owner. Each such written request must identify and set forth in narrative detail the specific restriction or standard from which a variance is sought. Any grant of a variance of the Board of Directors must be in writing and identify in narrative detail both the standard from which a variance is being sought and the specific variance being granted. The Board of Directors' failure to approve, deny or respond to any request for a variance shall never, under any circumstances, constitute deemed approval of the variance sought.

Section 4. Design Guidelines. The Committee, with approval of the Board of Directors, is authorized to promulgate and revise, from time to time, architectural standards or design guidelines to provide greater detail and clarification of approved construction or modification standards for improvements and landscaping or maintenance requirements. Such guidelines or standards shall be fair, reasonable and uniformly applied and shall carry forward the spirit and intent of these covenants and restrictions.

Section 5. Committee Members' Liability. Neither the Association, the Board, the Committee nor any employees, officers, directors, agents, or members thereof shall be liable for damages or otherwise to anyone submitting plans and specifications for approval, or to any Owner affected by the Hillcrest Declaration by reason of mistake of judgment, negligence or nonfeasance arising out or in connection with the approval or disapproval or failure to approve or disapprove any plans or specifications. Any errors in or omissions from the plans or the site plan submitted to the Committee shall be the responsibility of the Owner of the Lot to which the improvements relate, and neither the Committee nor the Board shall have any obligation to check for errors in or omissions from any such plans, or to check for such plan's compliance with the general provisions of the Hillcrest Declaration, City codes, state statutes or the common law, whether the same relate to Lot lines, building lines, easements or any other issue.

Except as modified herein, the Hillcrest Declaration, the Cecile Place Annexation, the Smith Estates Annexation and the First Amendment shall remain in full force and effect, and the Property shall hereinafter be owned, occupied, transferred and conveyed subject to the terms and conditions of this Second Amendment to the Declaration of Covenants, Conditions and Restrictions for Hillcrest Meadows.

EXECUTED the 19th day of MARCH, 2001.

HILLCREST MEADOWS PHASE I
LEGAL DESCRIPTION

WHEREAS, HILLCREST PROPERTIES, LTD., is the owner of a tract of land situated in the Z. Burris Survey, Abstracts No. 74, in the City of Frisco, Collin County, Texas, being part of a 44.7363 acre tract, as described in Clerks File No. 97-0042847, in the Deed Records of Collin County, Texas, and being more particularly described as follows:

COMMENCING, at a 5/8 inch iron rod found at the intersection of the south line of Bocage Lane (50' R.O.W.) and the east line of Hillcrest Road (50' R.O.W), being the southwest corner of Plantation Resort Phase IA, an addition to the City of Frisco, as described in Volume H, Page 288, in the Map Records of Collin County, Texas;

THENCE, North 00°08′43″ East, with the east line of Hillcrest Road and the west line of said Phase IA, for a distance of 351.64 feet;

THENCE, South 89°38′30″ West, departing the east line of Hillcrest Road for a distance of 50.00 feet to a 1/2 inch iron rod set at the POINT OF BEGINNING, being in the west line of Hillcrest Road;

THENCE, South 00°08′43″ West, with the west line of Hillcrest Road for a distance of 1,253.39 feet to a 1/2 inch iron rod set;

THENCE, North 89°50′37″ West, departing the west line of Hillcrest Road and with the south line of said 44.7363 acre tract for a distance of 1355.77 feet to a 1/2 inch iron rod found at an angle point;

THENCE, North 77°03′43″ West, continuing with said south line for a distance of 233.82 feet to a 1/2 inch iron rod found at the southwest corner of the 44.7363 acre tract;

THENCE, North 12°56′17″ East, with the east line of the 44.7363 acre tract for a distance of 48.93 feet to a 1/2 inch iron rod found at the point of curvature of a curve to the left, having a radius of 390.00 feet, a central angle of 13°17′47″, and a tangent of 45.46 feet;

THENCE, along said curve to the left and continuing with said west line for an arc distance of 90.51 feet (Chord Bearing North 06°17′24″ East – 90.53 feet), to a 1/2 inch iron rod found at the point of tangency;

THENCE, North 00°21′30″ West, continuing with said west line for a distance of 464.07 feet to a 1/2 inch iron rod set;

THENCE, North 89°38′30″ East, departing said west line for a distance of 190.00 feet to a 1/2 inch iron rod set;

EXHIBIT A

THENCE, South 00°21´30″ East, for a distance of 19.06 feet to 1/2 inch iron rod set;

THENCE, North 89°38´30″ East, for a distance of 146.25 feet to a 1/2 inch iron rod set at the point of curvature of a curve to the right, having a radius of 1484.00 feet, a central angle of 06°13´58″, and a tangent of 80.79 feet;

THENCE, along said curve to the right for a distance of 161.43 feet (Chord Bearing South 87°14´31″ East – 161.35 feet), to a 1/2 inch iron rod set at the point of reverse curvature of a curve to the left, having a radius of 516.00 feet, a central angle of 14°28´14″, and a tangent of 65.51 feet;

THENCE, along said curve to the left for an arc distance of 130.32 feet (Chord Bearing North 83°38´21″ East – 129.97 feet), to a 1/2 inch iron rod set at the point of reverse curvature of a curve to the right, having a radius of 984.00 feet, a central angle of 17°11´40″, and a tangent of 148.27 feet;

THENCE, along said curve to the right for an arc distance of 295.30 feet (Chord Bearing South 89°59´56″ East – 294.19 feet) to a 1/2 inch iron rod set at the point of reverse curvature of a curve to the left, having a radius of 716.00 feet, a central angle of 16°36´28″, and a tangent of 104.50 feet;

THENCE, along said curve to the left for an arc distance of 207.54 feet (Chord Bearing South 89°42´21″ East – 208.82 feet), to a 1/2 inch iron rod set at the pint of reverse curvature of a curve to the right, having a radius of 984.00 feet, a central angle of 08°09´18″, and a tangent of 70.15 feet;

THENCE, along said curve to the right for an arc distance of 140.06 feet (Chord Bearing North 86°04´04″ East – 139.94 feet), to a 1/2 inch iron rod set at the point of tangency;

THENCE, South 89°51´17″ East, for a distance of 62.26 feet to a 1/2 inch iron rod set;

THENCE, North 00°08´43″ East, for a distance of 326.66 feet to a 1/2 inch iron rod set;

THENCE, South 89°51´17″ East, for a distance of 177.00 feet to a 1/2 inch iron rod set;

THENCE, North 00°08´43″ East, for a distance of 300.50 feet to a 1/2 inch rod set in the north line of the aforementioned 44.7363 acre tract;

THENCE, North 89°38´30″ East, with said north line for a distance of 60.00 feet to the POINT OF BEGINNING and continuing 24.975 acres of land.

EXHIBIT A

HILLCREST MEADOWS PHASE II
LEGAL DESCRIPTION

WHEREAS, HILLCREST PROPERTIES, LTD., is the owner of a tract of land situated in the Z. Burris Survey, Abstracts No. 74, in the City of Frisco, Collin County, Texas, being part of a 44.7363 acre tract, as described in Clerks File No. 97-0042847, in the Deed Records of Collin County, Texas, and being more particularly described as follows:

BEGINNING, at a 1/2 inch iron rod found at the most westerly northwest corner of Hillcrest Meadows Phase I, an addition to the City of Frisco, being in the west line of the 44.7363 acre tract;

THENCE, North 00°21´30″ West, with the west line of the 44.7363 acre tract for a distance of 586.00 feet to a 1/2 inch iron rod found at the northwest corner of the 44.7363 acre tract;

THENCE, North 89°38´30″ East, with the north line of the 44.7363 acre tract for a distance of 1512.58 feet to a 1/2 inch rod found at the most northerly northwest corner of said Phase I, being in the west line of Hillcrest Road (120´ R.O.W.);

THENCE, South 00°08´43″ West, with the most northerly west line of said Phase I, being the west line of Hillcrest Road, for a distance of 300.50 feet to a 1/2 inch iron rod found at an Interior ell corner of said Phase I;

THENCE, North 89°51´17″ West, with a north line of said Phase I for a distance of 177.00 feet to a 1/2 inch iron rod found at a northwest corner of said Phase I;

THENCE, South 00°08´43″ West, with a west line of said Phase I for a distance of 308.66 feet to a 1/2 inch iron rod found at an interior ell corner of said Phase I;

THENCE, North 89°51´17″ West, with the most westerly north line of said Phase I for a distance of 62.26 feet to a 1/2 inch iron rod found at the point of curvature of a curve to the left, having a radius of 984.00 feet, a central angle of 08°09´18″, and a tangent of 70.15 feet;

THENCE, along said curve to the left and with said north line for an arc distance of 140.06 feet (Chord Bearing South 86°04´04″ West – 139.94 feet), to a 1/2 inch iron rod found at the point of reverse curvature of a curve to the right, having a radius of 716.00 feet, a central angle of 16°36´28″, and a tangent of 104.50 feet;

THENCE, along said curve to the right and with said north line for an arc distance of 207.54 feet (Chord Bearing North 89°42´21″ West – 206.82 feet), to a 1/2 inch iron rod found at the point of reverse curvature of a curve to the left, having a radius of 984.00 feet, a central angle of 17°11´40″, and a tangent of 148.77 feet;

EXHIBIT B

THENCE, along said curve to the left and with said north line for an arc distance of 295.30 feet (Chord Bearing North 89°59′56″ West – 294.19 feet), to a 1/2 inch iron rod found at the point of reverse curvature of a curve to the right, having a radius of 516.00 feet, a central angle of 14°28′14″, and a tangent of 65.51 feet;

THENCE, along said curve to the right and with said north line for an arc distance of 130.32 feet (Chord Bearing South 88°38′21″ West – 129.97 feet), to a 1/2 inch iron rod found at the point of reverse curvature of a curve to the left, having a radius of 1484.00 feet, a central angle of 06°13′58″, and a tangent of 80.79 feet;

THENCE, along said curve to the left and with said north line for an arc distance of 161.43 feet (Chord Bearing North 87°14′31″ West – 161.35 feet), to a 1/2 inch iron rod found at the point of tangency;

THENCE, South 89°38′30″ West, with said north line for a distance of 146.25 feet to a 1/2 inch iron rod found;

THENCE, North 00°21′30″ West, with said north line for a distance of 19.06 feet to a 1/2 inch iron rod found;

Thence, South 89°38′30″ West, continuing with said north line for a distance of 190.00 feet to the POINT OF BEGINNING and containing 19.778 acres of land.

DECLARATION OF ANNEXATION OF

CECILE PLACE PHASE II AND PHASE III WITH

HILLCREST MEADOWS

THIS DECLARATION is made on the date hereinafter set forth by HILLCREST PROPERTIES, LTD., a Texas limited partnership, hereinafter referred to as the "Declarant".

WITNESSETH:

WHEREAS, Hillcrest Properties, Ltd. is the owner of certain real property in the City of Frisco (the "City") in Collin County, Texas, known as Cecile Place Phase II and Cecile Place Phase III, which are more specifically described in Exhibits "A" and "B", respectively, which Exhibits are attached hereto and made a part hereof (the "Property"); and

WHEREAS, Hillcrest Properties, Ltd. is also the Declarant of an exclusive planned community known as Hillcrest Meadows which is adjacent to the Property; and

WHEREAS, the Declaration of Covenants, Conditions and Restrictions for Hillcrest Meadows are the Covenants which are imposed upon and intended to benefit and burden each lot and other portions of that property known as Hillcrest Meadows in order to maintain within Hillcrest Meadows a planned community of high standards; and

WHERAS, Hillcrest Properties, Ltd. desires to annex as Declarant the Property to become bound by all restrictions, covenants, and conditions of the Declaration of Covenants, Conditions and Restrictions for Hillcrest Meadows filed in the Collin County Deed Records on February 2, 1998; No. 98-009328 (the "Declaration").

NOW, THEREFORE, the Declarant, Hillcrest Properties, Ltd., hereby declares that the Property shall be held, sold and conveyed subject to the restrictions, covenants and conditions declared in the Declaration, and the Property is hereby annexed to Hillcrest Meadows for the purpose of being bound by the Declaration. Therefore, the Property described in Exhibits "A" and "B", attached hereto and incorporated herein by reference, known as Cecile Place Phase II and Cecile Place Phase III, henceforth shall be subject to the Declaration. Further, the entire Declaration and all of its provisions are hereby deemed to be covenants running with the land and imposed upon and intended to benefit and burden each lot and other portions of the Property in order to maintain within the Property a planned community of high standard. Such covenants shall be binding on all parties having any right, title or interest in the Property or any part thereof, as well as their respective heirs, representatives, personal representatives, successors and assigns, and shall inure to the benefit of each owner thereof. All owners of lots with the Property shall be subject to the membership requirements of the association as provided in Article II Section III of the Declaration. This Declaration of Annexation is specifically intended to comply

with Article X of the Declaration, and Article X along with the entirety of the Declaration is incorporated herein by reference as though fully set forth at length.

IN WITNESS WHEREOF, the Declarant, Hillcrest Properties, Ltd. caused this instrument to be executed on its behalf as of this __19th__ day of ___FEBURARY__ 1999.

LEGAL DESCRIPTION

WHEREAS, HILLCREST PROPERTIES, LTD., is the owner of a tract of land situated in the Z. Burris Survey, Abstracts No. 74, in the City of Frisco, Collin County, Texas, being part of a 42 acre tract, as described in Clerks File No. 98-0038095, in the Deed Records of Collin County, Texas, and being more particularly described as follows:

BEGINNING, at a 1/2 inch iron rod found at the southeast corner of Hillcrest Meadows Phase I, an addition to the City of Frisco, Texas, as described in Volume K, Pages 283-284, in the Map Records of Collin County, Texas being in the west line of Hillcrest Road (60´ R.O.W) also being the most easterly northeast corner of the 42 acre tract;

THENCE, South 00°08´43″ West, along the west line of Hillcrest Road for a distance of 978.04 feet to a "x" cut found at the southeast corner of the 42 acre tract, being in the north line of Lebanon Road (60´ R.O.W);

THENCE, North 76°45´01″ West, along the north line of Lebanon Road and with the south line of 42 acre tract, for a distance of 1445.18 feet to a 1/2 inch iron rod set;

THENCE, North 77°04´01″ West, continuing along said line for a distance of 312.46 feet to a 1/2 inch iron set;

THENCE, North 12°56´32″ East, departing the said lines for a distance of 477.23 feet to a 1/2 inch iron rod on a curve to the right, having a radius 250.00 feet, a central angle of 16°25´40″, and a tangent of 34.35 feet;

THENCE, along said curve to the right for an arc distance of 70.22 feet (Chord Bearing North 63°22´21″ West – 69.99 feet), to a 1/2 inch iron rod set at the point of reverse curvature of a curve to the left having a radius of 200.00 feet, a central angle of 21°43´55″, and a tangent of 38.39 feet;

THENCE, along said curve to the left for an arc distance of 75.86 feet (Chord Bearing North 66°11´28″ West – 75.40 feet), to a 1/2 inch iron rod set to the point of tangency;

THENCE, North 77°03´28″ West, for a distance of 50.00 feet to a 1/2 inch iron rod set;

THENCE, North 12°56´17″ East, for a distance of 171.00 feet to a 1/2 inch iron rod set;

Thence, North 77°03´28″ West, for a distance of 133.01 feet to a 1/2 inch iron rod set;

Thence, North 00°21´30″ West, for a distance of 344.57 feet to a 1/2 inch iron rod set;

Thence, North 89°38´30″ East, for a distance of 139.00 feet to a 1/2 inch iron rod set;

Thence, North 00°21´30″ West, for a distance of 155.00 feet to a 1/2 inch iron rod set;

EXHIBIT C

THENCE, North 89°38´ ″ East, for a distance of 170.00 feet to a 1/2 inch iron rod found at the northwest corner of said Hillcrest Meadows Phase I;

THENCE, South 00°21´30″ East, along the west line of said Hillcrest Meadows Phase I for a distance of 1050.07 feet to a 1/2 inch iron rod found to a point of curvature of a curve to the right, having a radius of 390.00 feet, a central angle of 13°17´47″, and a tangent 45.46 feet;

THENCE, along said curve to the right and with said west line for an arc distance of 90.51 feet (Chord Bearing South 06°17´24″ West – 90.30 feet), to a 1/2 inch iron rod found to the point of tangency;

THENCE, South 12°56´17″ West, continuing along said west line for a distance of 48.93 feet to a 1/2 inch iron rod found at the southwest corner of said Phase I;

THENCE, South 77°03´43″ East, along the south line of said Phase I for a distance of 233.82 feet to a 1/2 inch iron rod found;

THENCE, South 89°50´37″ East, continuing along said south line for a distance of 1355.77 feet to the POINT OF BEGINNING and containing 33.749 acres of land.

LEGAL DESCRIPTION

WHEREAS, HILLCREST PROPERTIES, LTD., is the owner of a tract of land situated in the Z. Burris Survey, Abstracts No. 74, in the City of Frisco, Collin County, Texas, being part of a 45 acre tract, as described in Clerks File, in the Deed Records of Collin County, Texas, and being more particularly described as follows:

BEGINNING, at a 1/2 inch iron rod found in the north line of Lebanon Road (50´ R.O.W.) and the southwest corner of Cecile Place Phase II, an addition to the City of Frisco, as described in Volume, Page, in the Plat Records of Collin County, Texas;

THENCE, North 77°04´011″ West, along the north line of said Lebanon Road for a distance of 1467.67 feet to a 1/2 inch iron rod set;

THENCE, North 12°56´17″ East, departing the said north line for a distance of 500.14 feet to a 1/2 inch iron rod set;

THENCE, North 49°46´43″ West, for a distance of 450.00 feet to a 1/2 inch rod set;

THENCE, North 40°13´17″ East, along the westerly line of the said 45 acre tract for a distance of 310.80 feet to a 1/2 inch iron set;

THENCE, North 41°20´17″ East, continuing along the said line for a distance of 627.06 feet to a 1/2 inch iron rod set;

THENCE, North 89°38´30″ East, departing the said westerly line and along the north line of the said 45 acre tract, for a distance of 1184.67 to a 1/2 inch iron rod found;

THENCE, South 00°21´30″ East, departing the said north line and along the west line of Hillcrest Meadows Phase II, an addition to the City of Frisco, as described in Volume K. Pages 446-447, in the Plat Records of Collin County, Texas, for a distance of 586.00 feet to a 1/2 inch iron rod found;

THENCE, North 89°38´30″ West, departing the said west line and along the west line to said Cecile Place Phase II, for a distance of 170.00 feet to a 1/2 inch iron rod found;

THENCE, South 00°21´30″ East, continuing along said west line for a distance of 155.00 feet to a 1/2 inch iron rod found;

THENCE, South 89°38´30″ West, continuing along the said west line for a distance of 139.00 feet to a 1/2 inch iron rod found;

THENCE South 00°21´30″ East, continuing along the said west line for a distance of 344.57 feet to a 1/2 inch iron rod found;

THENCE, South 77°03´28″ East, continuing along said west line for a distance of 133.01 feet to a 1/2 inch iron rod found;

THENCE, South 12°56´17″ West, continuing along said west line for a distance of 171.00 feet to a 1/2 inch iron rod found;

THENCE, South 77°03´28″ East, continuing along said west line for a distance of 50.00 feet to a 1/2 inch iron rod found at the point of curvature of a curve to the right, having a radius of 200.00 feet, a central angle of 21°43´55″, and a tangent of 38.39 feet;

THENCE, continuing along said west line and along the said curve to the right for an arc distance of 75.86 feet (Chord Bearing South 66°11´28″ East – 75.40 feet), to a 1/2 inch iron found at point of a reverse curve to the left, having a radius of 250.00 feet, a central angle of 16°05´40″, and a tangent of 35.35 feet;

THENCE, continuing said west line and along said curve to the left for an arc distance of 70.22 feet (Chord Bearing South 63°22´21″ East – 69.99 feet), to the 1/2 inch iron rod found;

THENCE, South 12°56´32″ West, continuing along said west line for a distance of 477.23 feet to the POINT OF BEGINNING and containing 53.662 acres of land.

DECLARATION OF ANNEXATION

OF SMITH ESTATES WITH

HILLCREST MEADOWS

THIS DECLARATION is made on the date hereinafter set forth by HILLCREST PROPERTIES II, LTD. AND HILLCREST PROPERTIES II, LTD, both Texas limited partnership, hereinafter referred to as the "Declarants".

WITNESSETH:

WHEREAS, Hillcrest Properties II, Ltd. is the owner of certain real property in the City of Frisco (the "City") in Collin County, Texas, known as Smith Estates, which is more specifically described in Exhibits "A", respectively, which Exhibits is attached hereto and made a part hereof (the "Property"); and

WHEREAS, Hillcrest Properties, Ltd. is the Declarant of an exclusive planned community known as Hillcrest Meadows and Cecile Place Phase II and Phase III which is adjacent to the Property; and

WHEREAS, the Declaration of Covenants, Conditions and Restrictions for Hillcrest Meadows are the Covenants which are imposed upon and intended to benefit and burden each lot and other portions of that property known as Hillcrest Meadows and Cecile Place Phase II and Phase III in order to maintain within these subdivisions a planned community of high standards; and

WHERAS, Hillcrest Properties, Ltd. desires to annex as Declarant the Property to become bound by all restrictions, covenants, and conditions of the Declaration of Covenants, Conditions and Restrictions for Hillcrest Meadows filed in the Collin County Deed Records on February 2, 1998; No. 98-009328 (the "Declaration"), and Hillcrest Properties II, Ltd. desires to become a Co-Declarant and is hereby declared a Co-Declarant by Hillcrest Properties, Ltd.

NOW, THEREFORE, the Co-Declarants, Hillcrest Properties, Ltd. and Hillcrest Properties II, Ltd., hereby declares that the Property shall be held, sold and conveyed subject to the restrictions, covenants and conditions declared in the Declaration, and the Property is hereby annexed to Hillcrest Meadows for the purpose of being bound by the Declaration and subject to the homeowners association known as Hillcrest Lebanon Homeowners Association, Inc. Therefore, the Property described in Exhibits "A", attached hereto and incorporated herein by reference, known as Smith Estates, henceforth shall be subject to the Declaration. Further, the entire Declaration and all of its provisions are hereby deemed to be covenants running with the land and imposed upon and intended to benefit and burden each lot and other portions of the Property in order to maintain within the Property a planned community of high standard. Such covenants shall be binding on all parties having any right, title or interest in the Property or any

part thereof, as well as their respective heirs, representatives, personal representatives, successors and assigns, and shall inure to the benefit of each owner thereof. All owners of lots with the Property shall be subject to the membership requirements of the association as provided in Article II Section III of the Declaration. This Declaration of Annexation is specifically intended to comply with Article X of the Declaration, and Article X along with the entirety of the Declaration is incorporated herein by reference as though fully set forth at length.

IN WITNESS WHEREOF, the Declarants, Hillcrest Properties, Ltd. and Hillcrest Properties II, Ltd., caused this instrument to be executed on their behalf as of this 30th day of DECEMBER 1999.

LEGAL DESCRIPTION

WHEREAS, HILLCREST PROPERTIES, LTD., is the owner of a tract of land situated in the Z. Burris Survey, Abstracts No. 74, and the M. Brown Survey Abstract No. 42, in the City of Frisco, Collin County, Texas, being all of that 51.0504 acre tract, as described in Clerks File, in the Deed Records of Collin County, Texas, and being more particularly described as follows:

BEGINNING, at a 1/2 inch iron rod found at the most westerly Southwest corner of Noel A. Smith Elementary School Addition, an addition to the City of Frisco, as described in the Plat Records of Collin County, Texas, said points being in the west line of Colby Drive and the north line of Prestmont Phase I, an addition to the City of Frisco, as described in said Plat Records;

Thence, South 89°36′22″ West, departing said west line and along said north line for a distance of 1176.53 feet to a 1/2 inch iron rod set on a curve to the left having a radius of 1050.00 feet, a central angle of 13°07′17″, and a tangent of 120.76 feet;

Thence, along said curve to the left for an arc distance of 240.46 feet (Chord Bearing North 19°24′30″ West – 239.93 feet), to a 1/2 inch iron rod set at the point of tangency;

Thence, North 25°53′06″ West, for a distance of 164.66 feet to a 1/2 inch iron rod set at the point of curvature of a curve to the right, having a radius of 1200.00 feet, a central angle of 51°09′27″, a tangent of 574.40 feet;

Thence, along said curve to the right for an arc distance of 1071.40 feet (Chord Bearing North 00°23′24″ West – 1036.20 feet), to a 1/2 inch iron rod set at the point of tangency.

Thence, North 35°11′19″ East, for a distance of 164.48 feet to a 1/2 inch iron rod set;

Thence, South 64°48′41″ East, for a distance of 450.81 feet to a 1/2 inch iron rod set;

Thence, North 25°11′19″ East, for a distance of 115.92 feet to a 1/2 inch iron rod set;

Thence, South 77°04′27″ East, for a distance of 87.06 feet to a 1/2 inch iron rod set;

Thence, North 12°55′33″ East, for a distance of 408.31 feet to a 1/2 inch iron rod set in the centerline of Lebanon Road;

Thence, North 77°04′01″ East, along said centerline, at 327.81 feet passing a 1/2 inch iron rod found at the southwest corner of Cecile Place Phase III.B, an addition to the City of Frisco, as described in said Plat Records, and continuing for a total distance of 748.87 feet to a 1/2 inch iron rod found at the northwest corner of said Noel A. Smith Elementary School;

Thence, South 12°55′33″ West, departing said centerline and along west line for a distance of 366.96 feet to a 1/2 inch iron rod found at the point of curvature of a curve to the left having a radius of 1060.00 feet, a central angle of 13°30′35″, and a tangent of 125.55 feet;

Thence, continuing along said west line and along said curve to the left for an arc distance of 249.94 feet (Chord Bearing South 06°10´15″ West – 249.56 feet), to a 1/2 inch iron rod found at the point of tangency;

Thence, South 00°35´02″ East, continuing along said west line for a distance of 1069.57 feet to the POINT OF BEGINNING and containing 51.062 acres of land.

EXHIBIT E-1

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

(a) All property subject to the Declarations of Covenants, Conditions and Restrictions for Hillcrest Meadows, recorded on February 2, 1998 under Collin County Clerk's Index No. 98-0009328 in the Land Records of Collin County, Texas; and

(b) All property subject to the Declaration of Annexation of Cecile Place Phase II and Phase III with Hillcrest Meadows, recorded on February 22, 1999 under Collin County Clerk's Index No. 99-0021145 in the Land Records of Collin County, Texas.

(c) All property subject to the Declaration of Annexation of Smith Estates with Hillcrest Meadows and Cecile Place Phase II and Phase III, executed by Hillcrest Properties, Ltd. and Hillcrest Properties II, Ltd., both Texas limited partnerships, and filed of record on or about March 13, 2000 under Collin County Clerk's Index No. 00-0024090 in the Land Records of Collin County, Texas.

SECOND SUPPLEMENTAL CERTIFICATE AND MEMORANDUM OF RECORDING OF ASSOCIATION DOCUMENTS FOR HILLCREST LEBANON HOMEOWNERS ASSOCIATION, INC

STATE OF TEXAS

COUNTY OF COLLIN

The undersigned, as attorney for the Hillcrest Lebanon Homeowners Association, Inc. for the purpose of complying with Section 202.006 of the Texas Property Code and to provide public notice of the following instrument affecting the owners of property described on Exhibits A – E-1, hereby states that the instrument attached hereto is a true and correct copy of the following:

Payment application Policy [effective January 1, 2002] (Exhibit1).

All persons or entities holding an interest in and to any portion of property described on Exhibit B attached hereto are subject to the foregoing policy until amended by the Board of Directors.

IN WITNESS WHEREOF, the Hillcrest Lebanon Homeowners Association, Inc. has caused this Second Supplemental Certification and Memorandum of Recording of Association Documents to be effective as the 13th day of November, 2001 and supplements that certain Certificate and Memorandum of Recording of Association Documents for Hillcrest Lebanon Homeowners Association, Inc. filed on December 30, 1999 and recorded in Volume 04572, Page 1223 et seq. of the Land Records of Collin County, Texas and the First Supplemental Certificate and Memorandum of Recording of Association Document for Hillcrest Lebanon Homeowners Association, Inc. (Smith Estates) filed on November 9, 2000 and recorded in Volume 04792, Page 2051, et seq. of the Land Records of Collin County, Texas.

HILLCREST LEBANON HOMEOWNERS ASSOCIATION, INC.

PAYMENT APPLICATION POLICY

Any payment received by the Hillcrest Lebanon Homeowners Association, Inc. from an Owner whose accounts reflects an unpaid balance shall be applied to the outstanding balance in the following order:

First	**-**	**Violation Fines**
Second	**-**	**Cost of Collection Including Attorney's Fees**
Third	**-**	**Late Charges**
Fourth	**-**	**Accrued but Unpaid Interest**
Fifth	**-**	**Special Individual Assessments**
Sixth	**-**	**Special Assessments**
Seventh	**-**	**Annual Assessments**

**This policy shall supersede any written or verbal instruction or direction received from an Owner as to the application of payments made to the Hillcrest Lebanon Homeowners Association.

EXHIBIT 1

**WAIVER OF NOTICE OF SPECIAL MEETING
OF THE BOARD OF DIRECTORS AND
UNANIMOUS CONSENT RESOULTION
OF SPECIAL MEETING FOR
HILLCREST LEBANON HOMEOWNERS ASSOCIATION, INC.**

The undersigned, being all of the Directors of Hillcrest Lebanon Homeowners Association, Inc., a Texas Non-profit Corporation, (the "Corporation"), do hereby waive any and all requirements for giving notice and calling of this special meeting and pursuant to Article 9.10B of the Texas Business Corporation Act and the By-Laws, do hereby consent to the following resolutions:

WHEREAS, the Board has received one or more complaints from Homeowners related to potential violations of the Declaration of Covenants, Conditions and Restrictions for Hillcrest Lebanon (the "Declaration"); and

WHEREAS, the Board desires to clarify the Association's understanding regarding Article IX, Section 21. Accordingly, it is herby

RESOLVED, that to clarify the Association's understanding regarding the definition of a "small building", the Covenant's Committee shall be advised that the Board, through its enforcement power and power to make rules and regulations, deems that so long as the type of relocated structure referenced in Article IX, Section 21, is not greater than 8 feet in height from the floor of the building to the peak of the roof and measures no more than 80 square feet in floor area; that such building shall qualify as "small"; however, the building must also be of "low visibility". "Low visibility" shall mean that such a structure is not visible from any street adjacent with the house. Notwithstanding, determination of the acceptability of any such structures including without limitation whether a structure is of low visibility, shall be made on a case by case basis; and

RESOLVED, that in the event any applicable Covenant's Committee deems it necessary to impose fines as a sanction for enforcement purposes, the Board hereby approves the range of fines, set forth in Exhibit A attached hereto and incorporated herein by reference that such fines shall be imposed by the Covenants Committee and reviewable within the discretion of the Board.

Effective this 31st day of December, 1999.

SCHEDULE OF FINES

1. Fines, which may be assessed, shall have a range between $25.00 to $250.00 per day of violation. Fines imposed shall be imposed with the first day of such fine beginning the date of the Covenants Committee hearing.

2. For subsequent violations of the same offence during any twelve-month period, fines can be multiplied up to two (2) times their original amounts. If a violation remains uncured for a period of thirty (30) days this may also be considered as a subsequent violation of the same offense.

All fines shall be due and payable within thirty (30) days of the invoice date. With respect to any appeal of the hearing, if the Board of Directors sustains the finding of the original hearing, any fine imposed shall be payable immediately together with all attorney's fee and other expenses that the Association may have incurred in connection with the hearing and appeal of any violation.

EXHIBIT A