

DECLARATION OF COVENANTS AND RESTRICTIONS

REGAL VILLAGE ADDITION

THIS DECLARATION, made this 29th day of October, 2002, by REGAL VILLAGE, LTD., a Texas limited partnership, hereinafter called "Declarant".

WITNESSETH:

WHEREAS, Declarant is the owner of the real property described below (which real property is included in and a part of what is hereinafter described as the "Property") and desires to create thereon a residential community with permanent open spaces and other common facilities for the benefit of the said community; and,

WHEREAS, Declarant desires to provide for the preservation of the values and amenities in such community and for the maintenance and improvement of the dwelling units, of said open spaces, and of other common facilities, now existing or hereafter erected thereon; and, to this end, desires to subject the Property to the covenants, restrictions, easements, charges and liens hereinafter set forth, each and all of which are for the benefit of the Property and such owners thereof; and,

WHEREAS, Declarant has deemed it desirable for the efficient preservation of the values and amenities in said community to create an agency to which should be delegated and assigned the powers of maintaining and administering the community properties and facilities, administering and enforcing the covenants and restrictions, and collecting and disbursing the assessments and charges; and,

WHEREAS, Declarant has incorporated under the laws of the State of Texas, as a non-profit corporation, known as Regal Village Homeowners Association, Inc., for the purpose of exercising the functions aforesaid;

NOW, THEREFORE, Declarant declares that it is the owner of the Property which has been subdivided into "Lots," and "Common Areas" (as defined below) under the name REGAL VILLAGE ADDITION, Lots One (1) through Sixty (60), Block One (1), A Planned Unit Development, pursuant to the plat thereof recorded under File No. 2002035905 of the Official Public Records of McLennan County, Texas, being a resubdivision of Lot Three (3) in Block "R" of the Royalton Addition, Part Thirteen (13), to the City of Waco, McLennan County, Texas. Declarant further declares that in addition to the easements shown on the aforesaid recorded plat, the "Common Areas," as defined in Section 1.1 below, may be used for public drainage and underground utility easements subject to the provisions concerning Architectural Committee review and approval contained in Article V below.

DECLARANT FURTHER DECLARES that the Property, subject only to the provisions of Section 3.3 below concerning Common Areas, is and shall be held, transferred, sold, conveyed and occupied subject to the covenants, restrictions, easements, charges and liens (sometimes referred to as "covenants and restrictions") hereinafter set forth, which shall run with such real property, and the Bylaws and/or Rules of the Association, and shall be binding on all parties having or acquiring any right, title or interest therein or any part thereof, and shall inure to the benefit of each owner thereof and such owner's heirs, devisees, personal representatives, trustees, successors, and assigns.

ARTICLE I

Definitions

Section 1. The following words when used in this Declaration or any Supplemental Declaration (unless the context prohibits) have the following meanings:

1.1 "Architectural Committee" means either the Declarant, the Board, or a designated architectural committee of the Board, at the times and for the purposes specified in Article V below.

1.2 "Association" means and refers to REGAL VILLAGE HOMEOWNERS ASSOCIATION, INC.

1.3 "Articles" means the Articles of Incorporation of the Association filed in the office of the Secretary of State of the State of Texas, as such Articles may from time to time be amended.

1.4 "Board" or "Board of Directors" means the Board of Directors of the Association.

1.5 "Bylaws" means the Bylaws of the Association which are or shall be adopted by the Board, as such Bylaws may from time to time be amended.

1.6 "Common Areas" means those areas of land designated on the recorded subdivision plat of the Property which are other than the lots designated on said plat, including but not limited to the Ingress & Egress Access, Utility and Drainage Easement reflected on the plat.

1.7 "Limited Common Areas" means those Common Areas which are reserved for the use of a certain Lot to the exclusion of other Lots which shall include but not be limited to the air conditioning pads, patios, porches, sidewalks, driveways and fenced in areas appurtenant to each Lot.

1.8 "Lot" means those tracts of land so designated upon the recorded subdivision plat of the Property.

1.9 "Member," "Class A Member," and "Class B Member" means those persons so defined in Article II below.

1.10 "Owner" means the record owner, whether one or more persons, of the fee simple title to any Lot, including contract sellers, but shall not include a mortgagee unless such mortgagee has acquired title pursuant to foreclosure; nor shall such term include any other who has an interest merely as security for the performance of an obligation.

1.11 "Person" means an individual, corporation, partnership, association, trust or other legal entity, or any combination thereof.

1.12 "Property" means the real property and all improvements located thereon which are subject to and covered by these covenants, conditions and restrictions, as described with particularity in Exhibit "A".

1.13 "Rules" means the rules of the Association adopted by the Board, as they may be in effect from time to time pursuant to the provisions hereof.

ARTICLE II

Membership and Voting Rights in the Association

Section 2.1 Membership. Every Owner of a Lot shall be a member (herein called "Member") of the Association. Except for the Declarant, the membership of an Owner shall become effective for all purposes upon the Owner's purchase of his Lot; provided, however, that any Owner may, prior to purchase, voluntarily commence payment of assessments hereunder and thereupon become a Member as fully, as of such first payment, as if purchase had occurred. The Declarant's membership became effective upon the creation of the Association.

Section 2.2 Voting Rights. The Association shall have two classes of Voting membership:

Class A. "Class A Members" shall be all Members other than the Declarant, who are owners of Lots situated upon the Property. Class A Members shall be entitled to one (1) vote for each Lot in which they hold the interests required for membership specified in Section 2.1. When more than one person holds such interest or interests in

any Lot all such persons shall be Members and the vote for such Lot shall be exercised as provided in the Bylaws, but in no event shall more than one (1) vote be cast with respect to any Lot.

Class B. The "Class B Member" shall be the Declarant which shall be entitled to three (3) votes for each Lot of which the Declarant is the Owner.

Section 2.3 Board of Directors. For so long as Declarant owns at least one Lot on which construction of a dwelling unit is not yet substantially complete, Declarant shall be entitled, but not obligated, to appoint representatives constituting the Board of Directors.

ARTICLE III

Property Rights in the Common Areas

Section 3.1 Members Easement of Enjoyment. Subject to the provisions of Section 3.3, every Member shall have a right and easement of enjoyment in and to the Common Areas and such easement shall be appurtenant to and shall pass with the title to every Lot. Such easement shall include the right of any Member to connect his residence with utility lines located upon the Common Areas provided that the location and design of such connections receive the prior written approval of the Architectural Committee, and further provided that the surface of the Common Areas be promptly thereafter restored to its original condition by the Member at his sole cost and expense. Should the Member fail to restore such surface satisfactorily as to which the judgment of the Architectural Committee shall be conclusive the Declarant, so long as the Declarant holds legal title to the portion of the Common Areas involved (subject to reimbursement by the Association) and thereafter the Association may restore such surface the cost of which will be assessed against the Member subject to lien in the same manner and with the same consequences as the assessments provided for in Article IV hereof.

Section 3.2 Title to Common Areas. The Declarant will convey to the Association legal title to the Common Areas. This conveyance shall occur at such time as Declarant shall determine but no later than Declarant's sale of all Lots.

Section 3.3 Limitations upon Members Easements. The rights and easements of enjoyment created hereby shall be subject to the following:

3.3.1 The right of the Association in accordance with its Articles and Bylaws to borrow money for the purpose of improving the Common Areas and in aid thereof to mortgage those portions of the Common Areas to which the Association has acquired legal title; and

3.3.2 The right of the Association to take such steps as are reasonably necessary to protect the above described properties against foreclosure; and

3.3.3 The right of the Association as provided in its Articles and Bylaws, to suspend the enjoyment rights of any Member for any period during which any assessment remains unpaid and for any infraction of its published Rules; provided however that the right of any Member to use the Common Areas for the purpose of ingress and egress to his Lot shall never under any circumstances be infringed; and

3.3.4 The right of the Association to charge the Members reasonable admission charges and other fees for the use of the Common Areas such charges and fees to be special individual assessments as herein provided; and

3.3.5 The right of the Declarant so long as it holds legal title thereto or the Association, to convey to any public agency, authority, or utility easements for drainage or underground utility purposes across any part of the Common Areas provided that the proposed design and location of each such drainage and underground utility facility to be first submitted in writing to and approved by the Architectural Committee (however such approval is not required for any utility and drainage facilities located in any easement designated on the recorded subdivision plat of the Property) and further provided that the Architectural Committee's approval shall be in writing and may be qualified upon the satisfaction of specified conditions but further provided that in the event the Architectural Committee fails to approve or disapprove such design and location within thirty (30) days after said plans have been submitted to it or in any case if no suit to enjoin the construction of the proposed facility has been commenced prior to the completion thereof approval will not be required and this condition will be deemed satisfied; and

3.3.6 The right of the Declarant, so long as it holds legal title thereto, or the Association to dedicate or convey all or any part of the Common Areas to any public agency, authority, or utility for such purposes other than those specified in Section 3.3.5 above, and subject to such conditions as may be agreed to by the Members provided that no such dedication or conveyance by the Association shall be effective unless an instrument signed by Members entitled to cast two-thirds (2/3) of the votes of the membership has been recorded agreeing to such dedication, conveyance, purpose or condition, and unless written notice of the proposed agreement and action thereunder is sent to every Member at least thirty (30) days in advance of any action taken.

Section 3.4 Rights of First Lien Mortgagee to Pay Taxes or Other Charges in Default. First lien mortgagees of Lots may, jointly or individually, pay taxes or other charges which are in default and which may or have become a charge against any

Common Areas and may pay overdue premiums on hazard insurance policies; or secure new hazard insurance coverage on the lapse of a policy; for making such payments first lien mortgagees shall be owed immediate reimbursement from the Association.

Section 3.5 Working Capital Fund. All first purchasers of a Lot shall pay to the Association at the time of purchase a sum equal to a two (2) month assessment. This assessment shall be deemed a contribution to a working capital fund and shall not be considered as advance payment of the monthly assessment or any special assessment, and is to be separately maintained for use by the Association for unforeseen expenditures and purchases of equipment or services.

Section 3.6 Right to Examine Books and Records on Common Area. First lien mortgagees shall have the right to examine the books and records as said books and records relate to the maintenance and operation of the Common Areas of the Association, the Declarant, or any other person or entity holding title to the Common Areas.

ARTICLE IV

Covenant for Assessments

Section 4.1 Creation of the Lien and Personal Obligation of Assessments.

4.1.1 The Declarant for each Lot owned by it within the Property hereby covenants on behalf of each subsequent Owner of each such Lot and each Owner of any Lot by acceptance of a deed therefor, whether or not it shall be so expressed in any such deed or other conveyance shall be deemed to covenant and agree to pay to the Association: (1) monthly maintenance assessments (2) special assessments, and (3) special individual assessments against a specific Lot or Lots and the Owners thereof as herein provided, all of which assessments are to be fixed, established and collected from time to time as hereinafter provided. These assessments together with such interest thereon and costs of collection thereof as hereinafter provided shall be a charge on the land and shall be a continuing lien upon the property against which each such assessment is made. Such lien shall be paramount and superior to any homestead or other exemption provided by law. Each such assessment together with such interest thereon and cost of collection thereof as is hereinafter provided shall also be the personal obligation of the person who was the Owner of such property at the time the assessment became due.

4.1.2 Furthermore, the Declarant hereby covenants in lieu of the payment of the assessments specified in the foregoing Section 4.1.1 to pay to the Association in a timely and appropriately periodic manners such monetary sums which, when added to assessments to be paid by other Owners, are necessary and

sufficient to provide for the financial viability of the Property and of the Association; provided however the Declarant further covenants to be fully liable and responsible for any and all assessments coming due pursuant to Section 4.1.1 with respect to any Lot owned by the Declarant which is occupied as a residence.

4.1.3 As to any Owner other than the Declarant, liability for assessments shall begin at that point when such Owner becomes a Member.

Section 4.2 Purposes of Assessments.

4.2.1 The monthly maintenance assessments and all special assessments levied by the Association shall be used exclusively for the purpose of promoting the recreation, health, safety and welfare of the residents in the Property and in particular for the improvement, maintenance and operation of the Common Areas and of the Property, the services and facilities devoted to the foregoing purposes and related to the use and enjoyment of the Common Areas and to the extent specified in Articles VI and IX hereof of the dwelling units situated upon the Property including but not limited to the payment for fire and extended insurance coverage on the structures located on the Property, for exterior repair, paint replacement and addition thereto as needed, for maintenance and repair of all private utilities and payment for maintenance and repair of all private streets, street or area lights, gated access to Property, Common Area security devices, drives, patios, porches, and walks, for maintenance, mowing, repair, relocation, removal, and improvements of all yards, landscaping, fencing, sprinklers, and landscape features, and for the cost of labor, equipment materials, management and supervision thereof.

4.2.2 Only the Declarant or its assigns, successors, agents, representatives or contractors shall be authorized to maintain or improve those parts of the Common Areas to which the Declarant still holds legal title.

Section 4.3 Monthly Maintenance Assessments.

4.3.1 Until changed by the Board of Directors pursuant to Section 4.3.2 the monthly maintenance assessment for each Lot shall be \$120.00.

4.3.2 After consideration of current maintenance costs and future needs of the Association the Board of Directors may from time to time, increase or reduce the monthly maintenance assessments..

4.3.3 Whenever there is a change in the amount of the monthly maintenance assessment, such change must be the same dollar amount for each Lot.

Section 4.4 Special Assessments. In addition to the monthly maintenance and assessments authorized by Section 4.3 hereof, the Association may levy 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 maintenance, construction or reconstruction, repair or replacement of any improvement upon the Common Areas including the necessary fixtures and personal property related thereto and to any improvement upon a Lot or Lots for which the Association has responsibility for maintenance as provided in Article VI hereof; provided that any such assessment shall be approved by two-thirds (2/3) of the vote of the Members who are voting in person or by proxy at a meeting duly called for this purpose, written notice of which shall be sent to all Members at least thirty (30) days in advance and which shall set forth the purpose of the meeting and be subject to the quorum provisions of Section 4.5 below.

Section 4.5 Quorum for Any Action Authorized Under Section 4.4. The quorum required for any action authorized by Section 4.4 hereof shall be as follows:

At the first meeting called as provided in Section 4.4 hereof, the presence at the meeting of Members or of proxies of Members entitled to cast sixty percent (60%) of all the votes of the membership shall constitute a quorum. If the required quorum is not forthcoming at that called meeting another meeting(s) may be called, subject to the notice requirement set forth in Section 4.4 and the required quorum at any such subsequent meeting shall be one-half (1/2) of the required quorum at the preceding meeting, provided that no such subsequent meeting shall be held more than sixty (60) days following the preceding meeting.

Section 4.6 Monthly Maintenance Assessments Due Dates.

4.6.1 The monthly maintenance assessments provided for herein shall commence for each Lot on the date said Lot is sold by Declarant, and if such date is other than the 1st day of the month, the amount of said first assessment shall be prorated. The maintenance assessments for each subsequent month shall become due and payable on the first day of each such month.

4.6.2 The due date of any special assessment provided for in Section 4.4 hereof shall be fixed in the resolution authorizing such assessment.

4.6.3 The due date for any given special individual assessment provided for in this Declaration will be the date written demand by the Association is made upon the Person responsible for the payment of the amount of that special individual assessment.

Section 4.7 Duties of the Board. With respect to assessments the Board shall:

4.7.1 Cause the Association to prepare, maintain and keep in the office of the Association which shall be open to inspection by any Owner the following: (i) a roster of Lots and the Owners thereof (ii) the assessments applicable thereto, if any, and (iii) the status of the payment thereof; and

4.7.2 Upon demand at any time furnish to any Owner liable for a given assessment a certificate in writing signed by an officer of the Association setting forth whether said assessment has been paid. Such certificate shall be conclusive evidence of payment of such assessment therein stated to have been paid.

Section 4.8 Collection and Enforcement for Non-Payment of Assessments.

4.8.1 If any assessment against a Lot is not paid on the date when due (being a date as specified in Section 4.6 hereof) then such assessment shall become delinquent and together with interest thereon and the cost of collection thereof as hereinafter provided shall thereupon be collectable through enforcement of the continuing lien on the Lot which lien binds such Lot in the hands of the then Owner, his heirs, devisees, personal representative, trustees, successors and assigns. The obligation of the then Owner to pay such assessment also shall remain his personal obligation and shall not pass to his successors in title unless expressly assumed by them. Any such assumption by a subsequent Owner or Owners shall be deemed to be for the benefit of the Association as well as for the former Owner or Owners and any obligation thereon may be enforced by the Association as well as by any other Person who has the right to do so.

4.8.2 If any assessment is not paid within ten (10) days from the due date thereof the same will bear interest from the due date until paid at the rate of fifteen percent (15%) per annum, and if placed in the hands of an attorney for collection or collected through probate or other judicial proceedings, there will be repaid to the Association its actual costs incurred in attorney fees and all related expenses. Such interest as it accrues and such fees and expenses as incurred are added to and become part of the assessments owing.

4.8.3 The Board of Directors shall take such action as it deems necessary to collect assessments and may settle and compromise the same if it is in the best interest of the Association. The liens in favor of the Association to secure payment of assessments and related amounts will be effective as and in the manner provided herein and will have the priorities established in this Declaration.

4.8.4 The Board of Directors may bring an action at law against any Owner personally obligated to pay an assessment or may foreclose the lien against

such Owner's Lot, or both, and interest, costs and reasonable attorney's fees of any such action will be added to the amount of such assessment.

4.8.5 To evidence the Association's lien securing payment of assessments the Board of Directors may, but is not required to, prepare written Notice of Lien setting forth (i) the amount of any unpaid indebtedness, including assessments, interest, late charges, costs, and reasonable attorney's fees; (ii) the name of the Owner of the Lot; and (iii) a legal description of the Lot. Such notice will be signed and acknowledged by an officer or duly authorized agent or attorney of the Association and will be recorded with the Clerk of McLennan County, Texas. The assessment lien will become enforceable from the date such assessments were due and will continue so until all sums owing have been fully paid or otherwise satisfied. Upon timely curing of the default for which a Notice of Lien was filed by the Association, the Board of Directors is authorized to cause to be recorded an appropriate Notice of Payment of such amounts. The cost of preparing and recording such Notice of Payment is the defaulting Owner's expense, which, as and when incurred, will become an assessment owing and as such will be subject to recovery in the manner provided herein for assessments.

4.8.6 By virtue of the ownership of each Lot, whether or not it is so expressed in the deed or other conveyance to any Owner of title to such Lot, there is hereby expressly granted to the Association, in connection with the assessment lien hereinabove created in and to each Lot, a power of sale to be exercised in accordance with Section 51.002 of the Texas Property Code, as amended or superseded from time to time referred to in this Declaration as the "Foreclosure Statute."

4.8.7 If the Association elects to pursue its lien rights pursuant to the private power of sale granted in the preceding Section 4.8.6, the Notice of Sale will be executed by the person designated by the Board of Directors to act on behalf of and for the benefit of the Association in accordance with requirements of the Foreclosure Statute. In this regard, each Owner hereby appoints and designates any trustee appointed by the Association and acknowledges that such trustee shall be vested with all powers afforded trustees under the Foreclosure Statute, as amended, and agrees that to the extent necessary, the Declaration shall constitute a contractual deed of trust lien on his Lot to secure all of Owner's obligations for assessments and otherwise as contained in this Declaration.

4.8.8 The assessment lien may be enforced by foreclosure of the defaulting Owner's Lot by the Association pursuant to the procedures of the Foreclosure Statute, as herein authorized, or by any other means to which the Association is entitled at law or in equity. Any such foreclosure pursuant to the Foreclosure Statute will be conducted by the Association's designated trustee or

agent in accordance with the provisions applicable to the express powers of sale as set forth in the Foreclosure Statute. In any foreclosure action, whether pursuant to the Foreclosure Statute or otherwise, the Owner is required to pay the costs and expenses of such proceedings, including reasonable attorneys fees. The Owner is also required to pay for the Association a reasonable rental for the Lot during the period of foreclosure and the Association is entitled to a receiver to collect same. The Association has the power to bid on the Lot at foreclosure sale and to acquire, hold, lease, mortgage, and convey same. The conveyance of a Lot to a purchaser will be with general warranty binding the defaulting Owner, his heirs and assigns. Out of the foreclosure sale proceeds, the Association shall pay (i) first, all the expenses of advertising the sale and making the conveyance including closing costs, real estate commissions, title policy premiums and similar charges; (ii) then, to the Association, the full amount of assessments, including all late charges, interest, collection fees and costs, attorney's fees, all as have become part of the assessment pursuant hereto, and other charges due and unpaid on said Lot; and (iii) then, the balance of the sales price, if any, will be paid to such Owner, his heirs or assigns. Recital in the conveyance to a purchaser will be full and conclusive evidence of the truth of the matters therein stated, and all prerequisites to such sale will be presumed to have been performed, and such sale and conveyance will be conclusive against such Owner, his heirs and assigns.

4.8.9 From and after any such foreclosure, the former Owner or Owners, their heirs and assigns, shall forthwith upon the making of such sale, surrender and deliver possession of the Lot so sold to the purchaser at such sale, and in the event of the failure of such former Owners to do so, they will thereupon from and after the date of such sale be and continue as the tenants at will of such purchaser, and in the event of the their failure to surrender possession of said Lot upon demand, the purchaser, his heirs or assigns, will be entitled to institute and maintain an action for forcible detainer of said property in the Justice of the Peace Court in the Justice Precinct in which such Lot is situated.

Section 4.9 Subordination of the Lien to Mortgages. The lien of the assessments provided for herein shall be subordinate to the purchase money lien of any mortgage or mortgages now or hereafter placed upon the properties relating to the purchase thereof; provided, however, that such subordination shall apply only to the assessments which have become due and payable prior to a sale or transfer of such property pursuant to foreclosure pursuant to the Foreclosure Statute or a decree of foreclosure, a deed in lieu of foreclosure, or any other proceeding or act in lieu of foreclosure. Such sale or transfer shall not, however, relieve such property from liability for any assessments thereafter becoming due, nor from the lien of any such subsequent assessment.

Section 4.10 Exempt Property. The following property subject to this Declaration shall be exempted from the assessments, charges and liens created herein:

4.10.1 All properties to the extent of any easement or other interest therein dedicated and accepted by the local public authority and devoted to public use; and

4.10.2 All Common Areas.

Section 4.11 Effect of Conveyance. 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. Whether by voluntary or involuntary 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 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 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 will not be liable for unpaid assessments (in excess of the cash price paid by such purchaser at such foreclosure sale) which accrue prior to the time such foreclosure purchaser acquires title to the Lot.

ARTICLE V

Architectural Control

Section 5.1 Submission and Approval.

5.1.1 Anything contained in this Declaration to the contrary notwithstanding, no erection of buildings or exterior additions or alterations to any buildings situated upon the Property nor erections of or changes or additions in fences, hedges, walls and other structures, nor construction of any improvements nor any changes in exterior color or materials of any building, structure, fence, wall or other improvement may be commenced, erected, or maintained until (i) a preliminary sketch showing the basic plan and general specifications of same will have been submitted to and approved by an Architectural Committee (hereinafter called the "Committee") as provided for in the following Section 5.2; and (ii) the final plans and specifications showing the nature, kind, shape, heights, materials, and location of the same will have been submitted to and approved in writing as to harmony of external design,

appearance and location in relation to surrounding structures and topography by the Committee. A copy of the approved plans and drawings and all related materials will be furnished by the requesting Owner to the Committee and will be retained by the Committee.

5.1.2 Plans and specifications submitted to the Committee are neither reviewed nor approved for engineering or structural design, quality or suitability of materials, or compliance with governmental codes, ordinances, and statutes, and by approving such plans and specifications neither the Committee, the members thereof, the Board of Directors, nor the Association assumes liability or responsibility therefor, nor for any defect or violation in any structure or improvement constructed from such plans and specifications. No improvement or additions or changes or alterations to any Lot will be constructed, erected, placed, altered, or maintained on any Lot which is in violation of any of the laws, ordinances, or codes of the City of Waco, Texas, or any other applicable governmental laws, rules, or regulations. Notwithstanding anything to the contrary herein contained, the Association, the Board of Directors or the Committee and the respective members thereof shall have no obligation to enforce or report the violation of any such law, ordinance, code, rule, or regulation.

5.1.3 In the event the Committee fails to approve or disapprove in writing such design and location within sixty (60) days after all plans, specifications and related materials requested by the Committee have been submitted to it, approval required under the preceding Section 5.1.1 will be deemed given by the Committee; provided, the failure of the Committee to approve or disapprove such plans and specifications within such sixty (60) day period will not operate to permit any structure to be commenced, erected, placed, constructed, or maintained on any Lot in the Property in a manner inconsistent with any provision of this Declaration.

5.1.4 The Association, the Board of Directors, the Committee, and the officers, members, employees, and agents of any of them, will to no extent be liable in damages to anyone submitting plans and specifications to any of them for approval or to any Owner of a Lot by reason of mistake in judgment, negligence, or nonfeasance arising out of or in connection with the approval or disapproval or failure to approve or disapprove any such plans or specifications. Every person who submits plans or specifications and every Owner of any Lot agrees that he or she will not bring any action or suit against the Association, the Board of Directors, the Committee or the officers, members, employees, and agents of them, to recover any damages and hereby releases, remises, and quitclaims all claims, demands, and causes of action arising out of or in connection with any alleged mistake in judgment, negligence, or nonfeasance and hereby waives the

provisions of any law which provides that a general release does not extend to claims, demands, and causes of action not known at the time the release is given.

Section 5.2 Committee Membership.

5.2.1 For so long as Declarant owns at least one Lot on which construction of a dwelling unit is not yet substantially complete, Declarant or its designated representative will, if Declarant so desires, serve as the Committee.

5.2.2 From and after the point in time when Declarant no longer serves as the Committee and subject to Section 5.2.3 below, the members of the Architectural Committee will be appointed by the Board of Directors in such number as the Board of Directors determines from time to time but in no event less than three (3) persons and will serve until replaced by the Board of Directors. The Committee, by majority vote, may designate a representative or representatives to act for it, and the term "Architectural Committee" as used herein will refer to the individuals appointed to the Committee or the Committee's designated representative(s). In the event of death or resignation of any member or members of the Committee, the Board shall appoint a successor member or members, and until such successor member or members have been so appointed, the remaining member or members will have full right, authority and power to carry out the functions of the Committee as provided herein or to designate a representative with like right, authority and power.

5.2.3 At the discretion of the Board, from time to time and in lieu of appointing members to the Committee, the Board may determine to function as the Committee and in so doing will discharge the Committee's duties and responsibilities hereunder.

5.2.4 Neither Declarant, the members of the Committee, nor of the Board of Directors when it is functioning as the Committee will be entitled to compensation for services performed pursuant to this Article V.

Section 5.3 Standards.

5.3.1 The exterior materials of any structure reconstructed on any Lot must conform to the initial structure on such Lot in terms of quality of construction, style, and building materials.

5.3.2 Without limitation of the powers herein granted and subject to the approval of the Board of Directors, the Committee will have the right to specify requirements for each Lot as follows: minimum setbacks; the location, height and extent of fences, walls or other screening devices; and the orientation of structures

with respect to garage access and major entry and frontage. The Committee also will have full power and authority to reject any plans and specifications that do not comply with the restrictions herein imposed or meet its minimum construction requirements or architectural design requirements or that might not be compatible, in the sole and final discretion of the Committee, with the design or overall character and aesthetics of the Property.

5.3.3 Over time and from time to time standards and criteria hereunder provided for as the basis for approvals by the Committee may vary and change, subject at all times to the requirements of this Declaration. The possibility of any such variations and changes is expressly provided for and established and will not be construed as events of selective enforcement or as waivers by the Association of its right to enforce the provisions of this Article V.

Section 5.4. Minimum Square Footage Within Improvements. The living area of any structure (exclusive of porches, patios and garages) which is reconstructed on any Lot will not be less than the total number of square feet located within the living area of the structure initially constructed on such Lot. The Committee, in its sole discretion, is hereby permitted to approve deviations in any building area herein prescribed in instances in which, in its sole judgement, such deviations would result in a more common beneficial use. Any such approvals must be granted in writing and when given will become part of these restrictions to the extent of the particular Lot involved.

Section 5.5 Maintenance of Additions. The nature of any addition or improvement to a Lot will determine the responsibility for the maintenance of such addition or improvement, as the term "maintenance" is prescribed by Section 6.1 of Article VI; namely, the Association is responsible in keeping with Section 6.1, Article VI where the nature of the addition or improvement is such that it is included in the Association's maintenance responsibility under Section 6.1, Article VI and the Owner of the Lot in question is responsible in keeping with Section 8.3, Article VIII where the nature of the addition or improvement is excluded from the Association's maintenance responsibility under Section 6. 1, Article VI.

ARTICLE VI

Maintenance and Repair

Section 6.1 Exterior Maintenance. In addition to maintenance upon the Common Areas, the Association shall provide all or any part of the following exterior maintenance upon such Owner's Lot which is subject to assessment under Article IV hereof: painting, repairing, replacing or caring for roofs, gutters, downspouts, exterior building surfaces, trees, shrubs, grass, lawns, walks, patios, porches, and other exterior building features and improvements, provided, however, the Owner of a Lot shall be responsible for any

maintenance, repair or replacement to entry doors and frames, window glass and frames, exterior hearting and air conditioning equipment, and chimney cleaning. Further, the Owner of a Lot shall be responsible for any maintenance, repair or replacement to the Common Areas, each Lot's Limited Common Areas, and to the improvements on his or any other Lot caused by the negligent or willful acts of omission or commission of the Owner, or the occupant of the Lot, or the Owner or the occupant's family, guest, employee, agent or invitee. The Association shall have no responsibility for the maintenance or repair of any item within any structure located on a Lot, to include without limitation, all systems, plumbing, utilities, heating and air conditioning, appliances and the like.

Section 6.2 Private Utility Maintenance. In addition to maintenance upon the Common Areas, the Association may at the request of an Owner provide all or any part of the maintenance necessary for the proper operation of the utilities located upon such Owner's Lot which is subject to assessment under Article IV hereof. Declarant and/or the Association shall be entitled to install or place meters on a Lot or attached to a structure on a Lot that meter utility services provided to other Lots. Further, Declarant and/or the Association shall be entitled to extend utility lines and service through attic space of a dwelling on a Lot to dwelling(s) on adjoining Lot(s).

Section 6.3 Special Individual Assessments for Maintenance Costs. In the event there arises the need for maintenance, repair, or replacement to any improvement on a Lot which is the responsibility of the Owner of such Lot or which, though otherwise the Association's responsibility, is a result of the negligent or willful acts of omission or commission on the part of the Lot's Owner, an occupant of the Lot, or the Owner or the occupant's family, guest, employee, agent, or invitee and in the event such needed maintenance, repair, or replacement is not timely and satisfactorily accomplished by or at the direction of such Owner after reasonable notice thereof to the Owner by the Association, the Association has the right, but not the obligation, to enter such Lot to cause to be accomplished such maintenance, repair, or replacement and to assess the Owner and the Owner's Lot for the costs of such maintenance, repair or replacement as a special individual assessment provided by Article IV herein, such special individual assessment being due, payable and collectable in all respects as provided by said Article IV.

Section 6.4 Access at Reasonable Hours. For the sole purpose of performing the maintenance authorized by this Article, the Association, through its duly authorized agents or employees, shall have the right, after reasonable notice to the Owner, to enter upon any Lot at reasonable hours on any day.

Section 6.5 Owner's Easement for Repair or Maintenance. Where necessary for the repair or maintenance of any structure of the Owner located upon any Lot, said Owner shall have an easement to use and enter upon the Lot of another Owner in order to

effect such repair or maintenance, for such time and in such manner as may be reasonable. Any dispute as to necessity or reasonableness shall, at the request of any Owner, be determined by the Board.

Section 6.6 Portions of Structures Common to More Than One Owner. Should any portion of a structure, such as a wall, foundation, roof, or any other portion of a structure whether enumerated specifically herein or not, be a common structure to the dwelling units located on Lots owned by two or more Owners, each such Owner shall have the duty to use, enjoy, and (subject to Section 6.1) maintain such part of the structure so as not to interfere with the use, enjoyment and maintenance of any other Owner or Owners of the common portion of the structure. Such common structure is referred to in this Section 6.6 as a "party wall" and is to be dealt with in accordance with the following:

6.6.1 *General Rules of Law to Apply.* Each party wall which is built as a part of the original construction of the dwelling units upon the Property and placed on the dividing line between the Lots will constitute a party wall, and, to the extent not inconsistent with the provisions of this Section 6.6, the general rules of law regarding party walls and of liability for property damage due to negligence or willful acts or omissions will apply thereto.

6.6.2 *Encroachment.* If by reason of construction, design or aesthetic considerations (such as attachment of brick veneer or masonry to a party wall), a portion of the party wall encroaches on a Lot, then such encroachment is hereby accepted as a part of the Lot so encroached; provided that any such encroachment shall not otherwise alter or affect the provisions of this Section 6.6 relating to party walls.

6.6.3 *Sharing of Repair and Maintenance.* Subject to Section 6.1, the costs of reasonable repair and maintenance of a party wall will be shared by the Owners who make use of the party wall in proportion to such use.

6.6.4 *Destruction by Fire or Other Casualty.* If the party wall is destroyed or damaged by fire or other casualty, any Owner who has used the wall may restore it, and if other Owners thereafter make use of the party wall, they shall contribute to the cost of restoration thereof in proportion to such use without prejudice, however, to the right of any such Owners to call for a larger contribution from the others under any rule of law regarding liability for negligence or willful acts or omissions.

6.6.5 *Weatherproof.* Notwithstanding any other provision of this Section 6.6, an Owner who by his negligence or willful acts causes the party wall to be

exposed to the elements shall bear the whole cost of furnishing the necessary protection against such elements.

6.6.6 *Right to Contribution Runs with Land.* The right of any Owner to contribution from any other Owner under this Section 6.6 will be appurtenant to the land and will pass to such Owner's successors in title.

ARTICLE VII

Permitted Uses, Occupancy, and Building Restrictions

Section 7.1 Permitted Uses and Occupancy.

7.1.1 *Residential Purposes Only.* Each Lot must be used exclusively for permanent residential dwelling purposes, provided, however, a Person who otherwise resides permanently in the dwelling unit located on a Lot may engage also, as an ancillary use to the habitation by such Person of the dwelling unit, in non-residential activities at the dwelling unit so long as such activities conform to zoning regulations and all other governmental ordinances and, further, are not detectable by sight, sound, or smell and do not increase traffic to and from the Lot or the Property in general.

7.1.2 *No Subdivision of Lots.* In no case may a dwelling unit ever be built upon a tract consisting of less than an entire Lot, nor may there ever be constructed more than one (1) dwelling unit on a Lot.

7.1.3 *Occupancy.* No dwelling unit may be occupied on a permanent basis by a greater number of persons, regardless of age, than two person per bedroom. For purposes of this Section 7.1.3, occupancy on a permanent basis is defined to consist of habitation of a dwelling unit for a period of thirty (30) days or more consecutively, but in any event for a total of thirty (30) days out of any one hundred eight (180) day calendar period.

7.1.4 *Rental of Lots.* Nothing herein will be deemed to prohibit the leasing of any Lot from time to time by the Owner thereof for periods of not less than six (6) months consecutively to the same tenant subject to all terms and provisions of this Declaration, the Rules, and the Bylaws.

Section 7.2 Building Restrictions.

7.2.1 *Minimum Size.* The minimum area for a dwelling unit on any Lot shall be 1,400 square feet, exclusive of garages.

7.2.2 *Height Regulations.* No building shall exceed two stories or twenty eight feet, nine inches (28'9") in height.

7.2.3 *Signs, Billboards, and Detached Structure.* No signs or billboards will be permitted upon the Common Areas or upon any Lot except (i) signs identifying the community, and (ii) signs, which do not exceed two (2) square feet in area, advertising the sale or rental of a structure, limited to one sign per said structure being advertised, and further limited to the sign being placed in a window of said structure. The restrictions contained in this Section 7.2.3 shall not apply to the Declarant.

7.2.4 *Grading and Excavation.* No building or other structure shall be constructed or maintained upon any Lot which would in any way impede natural drainage. No grading, scraping, excavation or other rearranging or puncturing of the surface of any Lot shall be commenced which will or may tend to interfere with, encroach upon or alter, disturb or damage any surface or subsurface utility line, pipe, wire or easement, or which will or may tend to disturb the minimum or maximum subsurface depth requirement of any utility line, pipe, wire or easement. Any such interference, encroachment, alteration, disturbance or damage due to the acts of an Owner or his agent, contractors, or representatives will be the responsibility of such Owner, and the Owner of the line, pipe, wire, or easement may effect all necessary repairs and charge the cost of the same to Owner interfering, encroaching, altering, disturbing, or damaging the line, pipe, wire or easement.

7.2.5 *Moving Existing Buildings Onto a Lot Prohibited.* No existing, erected house or detached structure may be moved onto any Lot from another location.

7.2.6 *Garage Enclosure Prohibited.* No garage may be enclosed or otherwise converted to create additional living space within a dwelling unit, and no garage may be used as dwelling space or quarters.

7.2.7 *Variances.* As to any Lot, the limitations and restrictions of Sections 7.2.1 through 7.2.6, inclusive, may be waived or modified by the Architectural Committee, to the extent permitted by law, upon written application made in advance by the Owner seeking a variance, as to which the judgment of the Architectural Committee shall be conclusive; provided, however, that if the Architectural Committee fails to approve or disapprove such application within ninety (90) days after its receipt, the application shall be deemed approved.

ARTICLE VIII

General Restrictions

Section 8.1 Animals. No animals, reptiles, birds, or fowl may be kept or maintained on any Lot or part thereof or on the Common Areas, except dogs and cats, both of breeds commonly recognized to be domesticated, and pet birds, all of which may be kept within a Lot in reasonable numbers as pets for the pleasure and personal use of the occupant of such Lot but not for any use or purpose intended for pecuniary gain of the occupant of such Lot. All pets must be kept indoors at night and when outdoors, must be on a leash and otherwise subject to the constant control and supervision of the Owner or occupant of the Lot. The Owner or occupant of the Lot must immediately clean and maintain the Common Areas free of any defecation, trash or other debris created or caused by the pets while outdoors. Nothing herein may be construed as permitting the keeping of animal, bird, fish, or reptile which, by its inherent nature or propensity or by its particular nature, is likely to be vicious, noxious, injurious, or otherwise a nuisance to any other occupant, Owner, invitee, or guest of or within the Property. The foregoing allows for the maintenance of animals within the Property in accordance with and subject to the Rules adopted and promulgated by the Board from time to time concerning the keeping and presence of animals within the Property pursuant to this Section 8.1.

Section 8.2 Nuisances. No noxious or offensive activity may be carried on upon any portion of the Property nor may anything be done thereon which may be or may become a nuisance or annoyance to the neighborhood as determined in the sole discretion of the Board.

Section 8.3 Lot Maintenance. Except for those portions of each Lot to which and to the extent that the Association is obligated to provide exterior maintenance in accordance with Section 6.1 of Article VI, each Owner shall at all times keep, maintain, and repair his Lot and the improvements located thereon, keeping same in good condition, utility and repair and in a sanitary, helpful, attractive manner. Owner shall be responsible for maintaining all flower beds, gardens and the like located within the fenced rear yard.

Section 8.4 Vehicles -- Parking, Storage and Maintenance.

8.4.1 Driveways, and parking spaces not otherwise designated must be used exclusively for the parking of currently licensed and operational passenger automobiles, motorcycles, sport utility vehicles, mini-vans, and pickup trucks up to three-quarters of a ton (individually and collectively deemed to constitute "passenger vehicles" for purposes of this Section 8.4).

8.4.2 Trucks larger than three-quarters of a ton, motor vehicles not currently licensed or not currently operational, trailers, campers, vans, motor homes, mobile homes, recreational vehicles, or any vehicle other than passenger

vehicles may not be parked on any Lot or elsewhere within the Property, except in a closed garage not visible from the exterior of such garage.

8.4.3 Vehicles of any sort or classification, including passenger vehicles (as defined herein), bearing or having affixed thereto, whether permanent or temporary, visible markings or signage relating to any governmental, business or commercial use, enterprise, or activity may not be parked on any Lot or elsewhere within the Property, except in a closed garage not visible from the exterior of such garage.

8.4.4 Passenger vehicles of guests of any Lot may be parked only in designated parking spaces located in the Common Areas or along the street in front of the Lot for a period not to exceed seventy-two (72) consecutive hours.

8.4.5 Boats, jet skis, and all other waterborne vehicles and trailers for the transporting of waterborne vehicles may not be parked, stored, kept, or maintained on any portion of the Property except in a closed garage not visible from the exterior of such garage.

8.4.6 No repair work including but not limited to oil changing and no dismantling or assembling of any component of motor vehicles or other machinery or equipment may be done or permitted on any portion of the Property.

8.4.7 Notwithstanding the foregoing allowance for the parking and storage of same, the use and operation of motor bikes, motorcycles, motor scooters, "go carts" and other similar vehicles within the Property is subject to the authority of the Board of Directors to deny or prohibit same if, in the sole judgment of the Board of Directors, such use or operation, by reason of noise or fumes emitted or by reason of the manner of use, constitutes a nuisance.

Section 8.5 Outbuildings, Storage Buildings, Sheds, Barns, Accessory Buildings. No outbuildings, storage buildings, sheds, barns, or accessory buildings may be constructed, moved onto, maintained, or kept on any Lot or any other portion of the Property.

Section 8.6 Storage and Waste. In no event may the Owner or occupant of a Lot use or allowed to be used any Lot for storage of materials and equipment, except for normal residential requirements incidental to the residential habitation of improvements thereon as herein permitted, or permit the accumulation of garbage, trash, or rubbish of any kind thereon. The burning or incineration of trash, rubbish or waste, including landscape waste, on any part of the Property is strictly prohibited.

Section 8.7 Garbage, Trash Containers and Collections. All refuse, including lawn and garden clippings and trash, must be kept in containers of types which must be approved by the Architectural Committee and which meet the requirements of the City of Waco, as such requirements may exist from time to time. All garbage, trash, and refuse containers are to be kept in garages except to make them available for collection, and then only for the shortest time reasonably necessary to effect such collection

Section 8.8 Fences and Walls No fences or walls of any height are permitted to be constructed, maintained, placed, or remain on any Lot unless otherwise specifically approved for a Lot by the Architectural Committee.

Section 8.9 Pools Recreation Equipment and Antennae. The following may not be installed, constructed, placed, or located in or on any Lots:

8.9.1 swimming pools or wading pools;

8.9.2 satellite dishes, radio or television antennae or similar structures.

Section 8.10 Vacant Lots. No trash, ashes or other refuse may be thrown or dumped on any vacant Lot. Each Owner of a vacant Lot is required to keep such Lot in presentable condition or the Association may, at its discretion, undertake whatever measures are necessary to make such Lot presentable and, if necessary, levy a special individual assessment upon such Lot and against its Owner for the cost involved, such special individual assessment being due, payable and collectable in all respects as provided by Article IV hereof.

Section 8.11 Outdoor Furniture, Firewood, Grills, etc. All outdoor furniture, flower-pots, cooking grills and the like and all firewood (which must be placed on an above-ground firewood rack) shall be stored either in the garage or on the rear patio appurtenant to the Lot.

Section 8.12 The Rules. As provided for in the Bylaws, it is within the responsibility and the authority of the Board to adopt and publish or cause to be published rules and regulations of the Association (the "Rules" as defined in Section 1.13) governing the use, occupancy, and enjoyment of the Property and the conduct thereon of the Owners, any occupant of an Owner's Lot, or the Owner or occupant's family, guest, employee, agent, or invitee, and each of the same shall abide by the Rules. The Board shall enforce compliance with the Rules pursuant to the provisions of Section 12.5, of Article XII of this Declaration, and an Owner determined in accordance with Section 12.5 of Article XII to be responsible for any violation of the Rules will be liable to the Association for all damages and costs, including attorneys' fees, to the extent and in the manner therein provided.

ARTICLE IX

Insurance

Section 9.1 Maintenance of Property Insurance. The Association shall be required to obtain, maintain, and pay the premiums upon, as a common expense, a policy or policies of property insurance covering (i) each dwelling located on each Lot within the Property, including without limitation, all built-in appliances, light fixtures, floor coverings, wall covering and other similar items that may be included in any such policy, and (ii) the Common Areas (except land, foundation, excavation and other items normally excluded from coverage) including the common facilities, fixtures, and building service equipment to the extent they are part of the Common Areas, as well as common personal property and supplies. The insurance policy or policies shall afford, as a minimum, protection against the following:

9.1.1 Loss or damage by fire or other perils normally covered by the standard extended coverage endorsement; and

9.1.2 All other perils which are customarily covered with respect to projects similar in construction, location and use, including all perils normally covered by the standard "all risks" endorsement, where such is available. The coverage shall be in an amount equal to one hundred percent (100%) of current replacement cost of each dwelling located on each Lot within the Property and the Common Areas, exclusive of land, foundation, excavation and other items normally excluded from coverage. The policy or policies may not be cancelled or substantially modified without at least thirty (30) days prior written notice to the Association.

Section 9.2 Maintenance of Liability Insurance.

9.2.1 The Board of Directors of the Association, on behalf of the Association, shall at all times, obtain, maintain and pay the premiums upon, as an expense of the Association, a policy or policies of comprehensive general liability insurance insuring the Association, Board of Directors, its individual directors, its officers, the Owners, and any management agent against any liability to the public or to the Owners (and their families, invitees or tenants) incident to the ownership or use of and covering the Common Areas, and the Lots, which insurance shall contain endorsements providing that the rights of the named insured shall not be prejudiced with respect to actions against other named insureds.

9.2.2 Coverage limits of such liability insurance shall be for at least One Million Dollars (\$1,000,000.00) for bodily injury, including deaths of persons,

and for damage to property arising out of a single occurrence. Coverage under such policy or policies shall include, without limitation, legal liability of the insureds for property damage, bodily injuries, and deaths of persons in connection with the operation, maintenance, or use of the Common Areas and legal liability arising out of lawsuits related to employment contracts of the Association. If such policy or policies do not include "severability of interest" in their terms, a specific endorsement must be obtained to preclude the insurer's denial of an Owner's claim because of the negligent acts of the Association or another Owner.

9.2.3 Such policy or policies shall provide that they may not be cancelled or substantially modified by any party without thirty (30) days prior written notice to the Association.

Section 9.3 Other Insurance The Association shall be entitled to obtain and maintain such other insurance coverage as it from time to time shall deem necessary and/or advisable, the premiums or other costs for which, shall be paid by the Association and shall be an expense of the Association.

Section 9.4 Governing Provisions. All insurance provided for shall be governed by the following provisions:

9.4.1 All hazard insurance policies shall (i) comply with the hazard insurance requirements of each first mortgagee as they apply to home loans; (ii) be written with a company licensed to do business in the State of Texas and holding a rating of "Class VI" or better by Bests' Key Rating Guide or other comparable rating; (iii) name as insured: "Regal Village Homeowners Association, Inc., for the use and benefit of the individual Owners;" and (iv) contain a standard mortgagee clause naming each first mortgagee and its successors and assigns. To the extent that the provisions of this Declaration with respect to the maintenance of insurance conflict with the hazard insurance requirements of any first lien mortgagee, the requirements of such mortgagee shall control and such requirements shall be complied with by the Board of Directors of the Association. All insurance policies shall be reviewed at least annually by the Board of Directors in order to ascertain whether the coverage contained in the policies is sufficient to make any necessary repairs or replacements of any portion of the Property which may have been damaged or destroyed.

9.4.2 Exclusive authority to adjust all claims under policies hereafter enforced on the Common Areas shall be vested in the Board of Directors or its authorized representatives.

9.4.3 In no event shall the insurance coverage obtained and maintained by the Board of Directors hereunder be brought into contribution with the insurance purchased by individual Owners or their mortgagees.

9.4.4 Each Owner may obtain additional insurance at his or her own expense; provided however, that no Owner shall be entitled to exercise his or her right to maintain insurance coverage in such a way as to decrease the amount which the Board of Directors, on behalf of all the Owners, may realize under any insurance policy which the Board of Directors may have in force on the Common Areas at any particular time.

9.4.5 The Board of Directors shall be required to make reasonable effort to secure insurance policies that will provide for the following:

9.4.5.1 A waiver or subrogation by the insurer as to any claims against the Association, the Board of Directors, the Owners, or any managing agent.

9.4.5.2 That the policy may not be cancelled, invalidated or suspended on account of the conduct of any officer or employee of the Board of Directors or any managing agent or on account of the conduct of any one or more individual Owners without a prior demand in writing that the Board of Directors, Owner(s) or any managing agent cure the defect.

9.4.5.3 That any "no other insurance" clause in the master policy excludes individual Owners' policies from consideration.

Section 9.5 Premiums. Premiums upon insurance policies purchased by the Board of Directors of the Association shall be paid by the Board of Directors as an expense of the Association; except that the amount of increase over the usual premium occasioned by the use, misuse, occupancy, or abandonment of a Lot or its appurtenances or the Common Areas by an Owner shall be assessed individually and specially against that Owner.

Section 9.6 Distribution of Proceeds. Proceeds of insurance policies received by the Board of Directors shall be distributed to or for the benefit of the beneficial Owners in the following manner:

9.6.1 If the damage for which the proceeds are paid is to be repaired or reconstructed, the proceeds shall be used to defray the costs thereof as provided in Article X hereafter. Subject to the provisions of Section 11.6 hereof, any proceeds remaining after defraying such costs shall be distributed to the

mortgagees of the Lots and the Owners affected by the damage, as their interest may appear. Remittances to Owners and their mortgagee shall be payable jointly to them.

9.6.2 If it is determined in the manner elsewhere provided that the damage for which the proceeds are paid shall not be reconstructed or repaired, the remaining proceeds shall be distributed to the mortgagees of the Lots and the Owners, affected by the damage, as their interest may appear. Remittances to Owners and their mortgagees shall be payable jointly to them.

9.6.3 Any deductible incurred as a result of a paid claim under any insurance coverage provided for hereunder will be the responsibility of the party on whose property or whose actions or conduct the underlying claim was paid; i.e., if the loss occurs on or to the Common Areas or as a result of the actions of the Board of Directors or the Association, the deductible will be the Association's liability and if the loss occurs on or to a Lot or as a result of an Owner's actions, the deductible will be such Owner's liability. Where the claim is paid for loss incurred both to the Common Areas and one or more individual Lots or incurred due to the actions both of the Association/Board of Directors and of one or more Owners, the deductible will be shared in proportion to the pro rata amount of the loss incurred by and to each party's property or as a result of each party's actions.

ARTICLE X

Damage and Destruction

Section 10.1 Reconstruction or Repair. In case of fire, casualty or other disaster, the insurance proceeds shall be applied to reconstruct the Common Areas or dwelling located on any Lot damaged. Reconstruction of the Common Areas or any dwelling located on any Lot, as the case may be, as used in this Article X means restoring the Common Areas or such dwelling, as the case may be, to substantially the same condition in which they existed prior to the fire, casualty or other disaster. Such reconstruction shall be caused to be accomplished by the Board of Directors of the Association.

Section 10.2 Sufficiency of Proceeds. If the insurance proceeds are insufficient to reconstruct a building or other portion of the Common Areas or any dwelling located on any Lot, damage to or destruction of such building or other portion of the Common Areas or any dwelling located on any Lot, as the case may be, shall nevertheless be promptly repaired and restored by the Board of Directors of the Association. In so doing, the Board shall first use all available insurance proceeds. The deficiency will be made up of contributions from all affected Lot Owners, and if applicable due to damage to the Common Areas, the Association, in amounts proportional to the pro rata costs of such repairs and reconstruction of each property owner's property in excess of the available

insurance proceeds. The Association's contribution for such excess costs will be an expense of the Association. The individual Owners' contributions will be payable by and collectable from each affected Owner in the nature and character of a special individual assessment pursuant to the creation and liability for same according to Article IV hereof. The Association shall have the right to require the individual Owners' contributions prior to the restoration or repair of the affected property.

ARTICLE XI

Rights of Mortgages

Section 11.1 Approval for Certain Acts. Any material change in this Declaration, the Bylaws or the Articles shall require a fifty-one (51%) approval by all mortgagees and/or any insurers or guarantors of first lien mortgages of dwellings on any Lots. In the event that any of the dwellings are mortgaged or financed through the Federal National Mortgage Association, then "material change" shall be as defined in the Lending Requirements of the Federal National Mortgage Association, now existing or as hereafter amended. For any action requiring the approval of first lien mortgages, if any such first lien mortgagees shall not have notified the Association in writing of its approval or disapproval within thirty (30) days after its receipt of the written request for same, then such first lien mortgagee shall be conclusively deemed to have approved of such action.

Section 11.2 Notice of Certain Action. Upon written request to the Association by any first lien mortgagee and/or insurers or guarantors of any first lien mortgages of any dwelling on any Lot requesting notification of any of the following enumerated items and which written request contains the name and address of such requesting party along with a description of the Lot subject to such mortgage, insurance or guarantee, the Association shall give timely notice to said requesting party of:

11.2.1 Any condemnation or casualty loss that affects either a material portion of the Property or specified Lot;

11.2.2 Any delinquency in the payment of assessments or charges owed by the Owner of such specified Lot, for which the Association is undertaking foreclosure procedures or has instituted legal proceedings for the collection thereof.

11.2.3 A lapse, cancellation or material modification of any insurance policy maintained by the Association.

11.2.4 Any proposed action which requires the consent of a specified percentage of first lien mortgagees.

ARTICLE XII

General Provisions

Section 12.1 Duration. The covenants and restrictions of this Declaration shall run with and bind the land, and shall inure to the benefit of and be enforceable by the Association, and/or the Owner of any land subject to this Declaration, and their respective legal representatives, heirs, devisees, personal representatives, trustees, successors, and assigns, for a term of twenty-one (21) years from the date this Declaration is recorded, after which time said covenants shall be automatically extended for successive periods of ten (10) years. However, the covenants and restrictions of this Declaration may be changed as provided herein.

Section 12.2 Covenant Running With Land. The provisions of this document are hereby declared covenants running with the land and are fully binding on all successors, heirs, and assigns of the Declarant and any Owner who acquire any right, title, or interest in or to the Property, or any part thereof. Any person who acquires any right, title, or interest in or to the Property, or any part thereof, thereby agrees and covenants to abide by and fully perform the provisions of this documents.

Section 12.3 Amendment of Declaration. The covenants and restrictions and other provisions and terms of this Declaration may be changed at any time by a vote of two-thirds(2/3) of the vote of the Members who are voting in person or by proxy at a meeting duly called for this purpose, written notice of which shall be sent to all Members at least thirty (30) days in advance and which shall set forth the purpose of the meeting. Notwithstanding the foregoing, no covenant or restriction affecting the maintenance obligations with respect to the Common Areas shall be made or effective without the prior written approval of the City of Waco. A quorum for such meeting shall be sixty percent (60%) of all the votes entitled to be cast. If the required quorum is not present at the first meeting, another meeting may be called not less than thirty (30) days from the date of the first meeting after giving the same notice provided for at the first meeting and the required quorum at such second meeting shall be one-half (1/2) of the required quorum at the preceding meeting and subsequent meetings in like manner may be called for this purpose, at each subsequent meeting the quorum being reduced to one-half (1/2) of the required quorum at the last preceding meeting.

Section 12.4 Notices. Any notice required to be sent to any Member or Owner under the provisions of this Declaration shall be deemed to have been properly sent when deposited in the United States mails, postpaid, to the last known address of the person who appears as a Member on the records of the Association at the time of such mailing.

Section 12.5 Enforcement.

12.5.1 Subject to the provisions of subsections 12.5.2 and 12.5.3, enforcement of these covenants, conditions and restrictions will be by proceedings at law or in equity against any person or persons violating or attempting to violate them, including recovery of damages arising therefrom.

12.5.2 In the event of default on the part of any Owner, an occupant of the Owner's Lot, or the Owner or occupant's family, guest, employee, agent, or invitee in observing the restrictions and obligations provided in this Declaration and the Rules, if such default continues ten (10) days after written notice thereof to the Owner and the responsible party, if other than the Owner, the Association may, without liability in trespass or otherwise to the Owner or the occupant of the Lot, or both, on which or from such action as is necessary to secure compliance with this Declaration and the Rules in order to cure any such default; where the default occurs or effects any other portion of the Property, the Association likewise may, without liability for conversion or otherwise to the responsible party, take such action or cause to be taken such action as is necessary to secure compliance with this Declaration and the Rules in order to cure such default. The Association shall charge the Owner of such Lot for the costs of any such action taken and work performed as a result thereof. The Owner of each Lot agrees, by the ownership of such Lot, to pay such costs immediately upon receipt of a statement for same. Such costs will be a special individual assessment against such Owner and upon his Lot secured by the lien described in Article IV of this Declaration, which assessment may be foreclosed in accordance with said Article IV.

12.5.3 Each party to any controversy or claim arising out of or relating to any covenant, condition or restriction in this Declaration or to any Rule, or other procedure of the Association predicated on this Declaration or to any Rule, or other procedure of the Association predicated on this Declaration or arising out of or relating to any alleged breach thereof, shall submit such controversy or claim to mediation before any party initiates a cause of action based upon that controversy or claim. The mediation process will consist of the selection by the parties of a third party neutral to serve as the mediator and will follow the then-current mediation rules and procedures of the McLennan County District courts.

12.5.4 In addition to any rights and remedies afforded the Association under this Section 12.5 and as a part thereof, the Association will be entitled to have and recover upon demand therefor from any Owner of any Lot all attorney's fees and related costs and expenses incurred and all other fees and charges paid or obliged to be paid by the Association to third parties as a result of and arising from any action taken or caused by the Association to be taken in the enforcement against such Owner, an occupant of the Owner's Lot, or the Owner or occupant's

family, guest, employee, agent, or invitee, or such Owner's Lot of the covenants, conditions, and restrictions of this Declaration and the Rules. The Owner of each Lot agrees, by his or her ownership of such Lot, to pay such fees, charges, costs, and expenses immediately upon receipt of a statement for same. Such amounts will be a special individual assessment against such Owner and upon his Lot secured by the lien described in Article IV of this Declaration, which assessment may be collected and foreclosed in accordance with said Article IV.

12.5.5 Failure of the Association to enforce any covenant, condition, or restriction herein contained or any rule or regulation promulgated hereunder will in no event be deemed a waiver of the right to do so thereafter. Failure of the Association to enforce any covenant, condition, or restriction shall not impose any liability on the Association or the Board of Directors, however any Owner may through legal proceedings compel the Association to cause such enforcement.

Section 12.6 Severability Invalidation of any of these covenants or restrictions by judgment or court order shall in no wise affect the remaining provisions which shall remain in full force and effect.

Section 12.7 Right to Assign. The Declarant may assign or convey to any person any or all of the rights, reservations, easements and privileges herein reserved by it, and upon such assignment or conveyance being made, its assignees or grantees may at their option exercise, transfer or assign such rights, reservations, easements, and privileges or any one or more of them, at any time or times in the same way and manner as through directly reserved by them or it in this instrument.

IN WITNESS WHEREOF, THIS DECLARATION is executed by the Declarant this 29th day of October, 2002.

REGAL VILLAGE, LTD.,
a Texas limited partnership

BY: REGAL VILLAGE GROUP, INC.,
General Partner

By: _____
Walter D. Keeler
Its: President

STATE OF TEXAS §
 §
COUNTY OF McLENNAN §

Acknowledged before me this _____ day of October, 2002, by Walter D. Keeler, President of Regal Village Group, Inc., a Texas corporation, on behalf of said corporation, General Partner of Regal Village, Ltd., a Texas limited partnership, on behalf of said partnership.

Notary Public in and for
The State of Texas

CONSENT AND JOINDER OF MORTGAGEE

The First National Bank of Central Texas, being the owner and holder of one certain Promissory Note in the original principal sum of \$750,000.00, dated March 25, 2002, executed by Regal Village, Ltd. and made payable to the order of The First National Bank of Central Texas, secured by a Deed of Trust recorded under File No. 2002010324, of the Official Public Records of McLennan County, Texas, against the real property and improvements identified in the Declaration of Covenants and Restrictions for Regal Village Addition, to which this Consent is attached, does hereby, as holder of the aforementioned Deed of Trust Lien, consent to and join in the Declaration of Covenants and Restrictions for Regal Village Addition.

This Consent and Joinder shall be binding upon The First National Bank of Central Texas, its successors and assigns.

IN WITNESS WHEREOF, The First National Bank of Central Texas, has caused this instrument to be executed in its name and on its behalf by the undersigned authorized officer this 29th day of October, 2002.

THE FIRST NATIONAL BANK OF
CENTRAL TEXAS

BY: _____

THE STATE OF TEXAS *
 *
COUNTY OF McLENNAN *

This instrument was acknowledged before me on the ____ day of October, 2002, by _____, _____ of The First National Bank of Central Texas, a banking association, on behalf of said association.

Notary Public in and for
The State of Texas