



**DECLARATION OF CONDOMINIUM REGIME
ARCH RAY CONDOMINIUMS**

DECLARANT:

Arch Ray Developments, L.L.C.,
a Texas limited liability company
312 Schmitzinsky Rd.
Fredericksburg, Texas 78624

THIS DECLARATION OF CONDOMINIUM REGIME FOR ARCH RAY CONDOMINIUMS (this "**Declaration**") is made by Arch Ray Developments, L.L.C., a Texas limited liability company ("**Declarant**"), and is as follows:

RECITALS:

WHEREAS, Arch Ray Developments, L.L.C., a Texas limited liability company ("**Declarant**"), is the owner of 119.54 acres of land, more or less, situated in Gillespie County, Texas, part of the Pedro Cabrera Survey No. 29, Abstract No. 106; said 119.54 acre tract of land is described by metes and bounds on Exhibit "A", attached hereto and made a part hereof (the "**Land**"); and

WHEREAS, the Land is hereby submitted to the terms and provisions of the Texas Uniform Condominium Act, Chapter 82 of the Texas Property Code, for the purpose of creating Arch Ray Condominiums.

NOW, THEREFORE, it is hereby declared that the Land, together with all Improvements thereon and all easements, rights, and appurtenances thereto (collectively, the "**Property**"), will be held sold, conveyed, leased, occupied, used, insured, and encumbered with this Declaration, which will run with the Land and be binding upon all parties having right, title, or interest in or to such property, their heirs, successors, and assigns and will inure to the benefit of each owner thereof.

ARTICLE 1 DEFINITIONS

Unless otherwise defined in this Declaration, terms defined in Chapter 82.003 of the Act have the same meaning when used in this Declaration. The following words and phrases, whether or not capitalized, have specified meanings when used in the Documents, as defined herein, unless a different meaning is apparent from the context in which the word or phrase is used.

"Act" means Chapter 82 of the Texas Property Code, the Texas Uniform Condominium Act, as it may be amended from time to time.

"Applicable Law" means the statutes and public laws and ordinances in effect at the time a provision of the Documents is applied and pertaining to the subject matter of the Document provision. Statutes and ordinances specifically referenced in the Documents are "Applicable Law" on the date of the Document and are not intended to apply to the Property if they cease to be applicable by operation of law, or if they are replaced or superseded by one or more other statutes or ordinances.

"Architectural Review Committee" and "ARC" means the "Declarant" under this Declaration during the Development Period. After the expiration or termination of the Development Period, the rights of the Architectural Review Committee will automatically be transferred to the Board.

"Assessment" means any charge levied against a Unit or Owner by the Association, pursuant to the Documents, the Act, or Applicable Law, including but not limited to Regular Assessments, Special Assessments, Individual Assessments, and Deficiency Assessments as defined in Article 6 of this Declaration.

"Association" means Arch Ray Condominium Association, Inc., a Texas nonprofit corporation, the Members of which shall be the Owners of Units within the Regime. The term "Association" shall have

the same meaning as the term "property owners association" in Chapter 82.003(3) of the Texas Property Code. The failure of the Association to maintain its corporate charter from time to time does not affect the existence or legitimacy of the Association, which derives its authority from this Declaration, the Certificate, the Bylaws, and the Act.

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

"Bylaws" mean the bylaws of the Association, as they may be amended from time to time.

"Certificate" means the Certificate of Formation of the Association filed in the Office of the Secretary of State of Texas, as the same may be amended from time to time.

"Common Element" means all portions of the Property save and except the Units. All Common Elements are "General Common Elements".

"Common Expenses" means the expenses incurred or anticipated to be incurred by the Association for the general benefit of the Regime, including but not limited to those expenses incurred for the maintenance, repair, replacement and operation of the Common Elements.

"Declarant" means Arch Ray Developments, L.L.C., a Texas limited liability company. Notwithstanding any provision in this Declaration to the contrary, Declarant may, by Recorded written instrument, assign, in whole or in part, exclusively or non-exclusively, any of its privileges, exemptions, rights and duties under this Declaration to any Person. Declarant may also, by Recorded written instrument, permit any other Person to participate in whole, in part, exclusively or non-exclusively, in any of Declarant's privileges, exemptions, rights and duties under this Declaration.

"Declarant Control Period" means that period of time during which Declarant controls the operation and management of the Association pursuant to this Declaration. The duration of the Declarant Control Period is from the date this Declaration is Recorded for a maximum period not to exceed six (6) months after title to seventy-five percent (75%) of the maximum number of Units that may be created hereunder have been conveyed to Owners other than Declarant.

"Declaration" means this document, as it may be amended from time to time.

"Development Period" means the three (3) year period beginning on the date this Declaration is Recorded, during which Declarant has certain rights as more particularly described in this Declaration, including rights related to development, construction, expansion, and marketing of the Property. The Development Period is for a term of years and does not require that Declarant own any portion of the Property. Declarant may terminate the Development Period by executing and recording a notice of termination.

"Documents" mean, individually or collectively as the case may be, this Declaration, the Plat and Plans, attached hereto as Exhibit "B", the Certificate, Bylaws, and the Rules of the Association, as each may be amended from time to time. An appendix, attachment, exhibit, schedule, or certification accompanying a Document is a part of that Document.

"Floodplain" is defined as the Federal Emergency Management Administration defines Floodplain.

"General Common Elements" means Common Elements designated on the Plat and Plans. General Common Elements refer to those portions of the Property that are designated as "GCE", "General Common Element", "General Common Area", "Common Area", or by the notation "General Common Elements", "GCE", "General Common Area", "Common Area", or "Common Areas" on Exhibit "B" attached hereto.

"Improvement" means every structure and all appurtenances of every type and kind, whether temporary or permanent in nature, including, but not limited to, outbuildings, storage sheds, patios, recreational facilities, hot tubs, spas, garages, driveways, parking areas and/or facilities, storage buildings, sidewalks, fences, gates, screening walls, retaining walls, stairs, patios, decks, walkways, landscaping, exterior air conditioning equipment or fixtures, exterior lighting fixtures, water softener fixtures or equipment, and poles, pumps, wells, tanks, reservoirs, pipes, lines, meters, antennas, towers and other facilities used in connection with water, sewer, gas, electric, telephone, regular or cable television, or other utilities.

"Limited Common Elements", if any, mean those portions of the Common Elements reserved for the exclusive use of one or more Owners to the exclusion of other Owners.

"Management Company" means a property management company appointed by Declarant.

"Majority" means more fifty percent (50%).

"Member" means a member of the Association, each Member being an Owner of a Unit, unless the context indicates that member means a member of the Board or a member of a committee of the Association.

"Mortgagee" means a holder, insurer, or guarantor of a purchase money mortgage secured by a Recorded senior or first deed of trust lien against a Unit.

"Occupant" means any Person, including any Owner, having a right to occupy or use all or any portion of a Unit for any period of time.

"Owner" means a holder of Recorded fee simple title to a Unit. On the date this Declaration is Recorded, the Declarant is the initial Owner of all Units. Mortgagees who acquire title to a Unit through a deed in lieu of foreclosure or through judicial or non-judicial foreclosure are Owners. Persons or entities having ownership interests merely as security for the performance of an obligation are not Owners. Every Owner is a Member of the Association.

"Permittee" means any Occupant and any officer, agent, employee, licensee, lessee, customer, vendor, supplier, guest, invitee or contractor of the Association, an Owner, or Declarant.

"Person" means any individual or entity having the legal right to hold title to real property.

"Plat and Plans" means the plat and plans attached hereto as Exhibit "B", as changed, modified, or amended in accordance with this Declaration or the Act.

"Property" means the Land, together with all Improvements thereon and all easements, rights, and appurtenances thereto, and includes every Unit and Common Elements thereon or therein.

"Record, Recording, Recordation and Recorded" means recorded in the Official Public Records of Gillespie County, Texas.

"Regime" means the Property, the Units, General Common Elements and Limited Common Elements that comprise the condominium regime established under this Declaration.

"Regulatory Floodway" is defined as the Federal Emergency Management Administration defines Regulatory Floodway.

"Rules" means rules and regulations of the Association adopted in accordance with the Documents or the Act. The initial Rules may be adopted by Declarant for the benefit of the Association.

"Unit" means each physical portion of the Property designated by this Declaration for separate ownership, the boundaries of which are shown on the Plat and Plans attached hereto as Exhibit "B" and as further described in Article 5.2 of this Declaration.

ARTICLE 2 PROPERTY SUBJECT TO DOCUMENTS

2.1 **Property.** The Property is held, transferred, sold, conveyed, leased, occupied, used, insured, and encumbered subject to the terms, covenants, conditions, restrictions, liens, and easements of this Declaration, including rights reserved by the Declarant under this Declaration, which run with the Property and bind all parties having or acquiring any right, title, or interest in the Property, their heirs, successors, and assigns, and inure to the benefit of each Owner. In addition to the terms and provisions of the Documents, the Property is also subject to any additional Recorded covenants, conditions, restrictions, and easements.

2.2 **Additional Property.** Additional real property may be annexed into the Regime and made subject to the Declaration and the jurisdiction of the Association on approval of Owners holding at least two-thirds (2/3) of the total votes in the Association, except that during the Development Period, Declarant may make additional property subject to the terms and provisions of the Declaration without the consent of the Owners or the Association. Annexation of additional property is accomplished by the Recording of a declaration of annexation, which will include a description of the additional real property. The declaration of annexation may include a description of the Units added to the Regime.

2.3 **Recorded Easements and Licenses.** In addition to the terms, covenants, conditions, restrictions, liens and easements contained in this Declaration, the Property is subject to all easements, licenses, leases, and encumbrances of Record, including those described on Exhibit "C," and any shown or referenced on a Recorded plat, each of which is incorporated herein by reference. Each Owner, by accepting an interest in or title to a Unit, whether or not it is so expressed in the instrument of conveyance, covenants and agrees to be bound by prior-Recorded easements, licenses, leases, and encumbrances. Each Owner further agrees to maintain any easement that crosses his Unit and for which the Association does not have express responsibility.

2.4 **Common Elements.** The Common Elements of the Property consist of all of the Property, **SAVE AND EXCEPT** the Units, and expressly include the land underlying the units. The designation of Common Elements is determined by this Declaration. The Declarant may install, construct, or authorize certain Improvements on Common Elements in connection with the

development of the Property, and the cost thereof is not a Common Expense of the Association. Thereafter, all costs attributable to Common Elements, including maintenance, insurance, and enhancements, are automatically the responsibility of the Association, unless this Declaration elsewhere provides for a different allocation for a specific Common Element. Declarant hereby reserves for the Declarant and Declarant's successors and assigns, the benefit a nonexclusive perpetual easement (the "Easement") over, across, under and upon the Common Elements for access, ingress and egress, and the construction, use, maintenance, repair and replacement of a right of way (the "Right of Way"). Declarant further reserves, for the benefit of Declarant and Declarant's successors and assigns, a non-exclusive easement over the Common Elements for the installation, construction, repair, maintenance, and replacement of utilities, lines, pipes, wells, drains, cables, equipment, apparatus, structures, roads, driveways, and other items for access and utility services of all kinds (including without limitation, water, sewer, gas, drainage, irrigation, fire protection, electricity, telephone, cable television, and trash disposal).

ARTICLE 3 PROPERTY EASEMENTS, RIGHTS AND RESTRICTIONS

3.1. In addition to other easements, rights and restrictions established by the Documents, the Property is subject to the easements, rights and restrictions contained in this Article 3.

3.2. **Owner's Easement of Enjoyment.** Every Owner is granted a right and easement of enjoyment over the General Common Elements and the use of Improvements therein, subject to other limitations, rights and easements contained in the Documents. An Owner who does not occupy a Unit delegates this right of enjoyment to the Occupants of the Owner's Unit and is not entitled to use the General Common Elements. In addition, every Owner is granted an easement over the Common Elements, to the extent necessary, to provide access to an Owner's Unit for utilities serving the Owner's Unit. The right of access for necessary ingress and egress to an Owner's Unit cannot be suspended by the Board for violations of the Documents or nonpayment of Assessments.

3.3. **Owner's Maintenance Easement.** Each Owner is hereby granted an easement over and across any adjoining Unit and Common Elements to the extent reasonably necessary to maintain or reconstruct such Owner's Unit, subject to the consent of the Owner of the adjoining Unit, or the consent of the Board in the case of Common Elements, and provided that the Owner's use of the easement granted hereunder does not damage or materially interfere with the use of the adjoining Unit or Common Element. Requests for entry into an adjoining Unit must be made to the Owner of such Unit in advance. The consent of the adjoining Unit Owner will not be unreasonably withheld; however, the adjoining Unit Owner may require that access to its Unit be limited to Monday through Friday, between the hours of 9 a.m. until 5 p.m., and then only in conjunction with actual maintenance or reconstruction activities. Access to the Common Elements for the purpose of maintaining or reconstructing any Unit must be approved in advance and in writing by the Board. The consent of the Board will not be unreasonably withheld; however, the Board may require that access to the Common Elements be limited to Monday through Friday, between the hours of 9 a.m. until 5 p.m., and then only in conjunction with actual maintenance or reconstruction activities. The Board may require that the Owner abide by reasonable rules with respect to use and protection of the Common Elements and adjacent Units during any such maintenance or reconstruction. If an Owner damages an adjoining Unit or Common Element in exercising the easement granted hereunder, the Owner will be required to restore the Unit and/or Common Element to the condition which existed prior to any such damage, at such Owner's expense, within a reasonable period of time not to exceed thirty (30) days after the date the Owner is notified in writing of the damage by the Association or the Owner of the damaged Unit,

as applicable. Notwithstanding the foregoing, no Owner, other than the Declarant, shall perform any work to any portion of his Unit or the Common Elements unless such work is approved in advance and in writing by the Architectural Review Committee.

3.4. **Owner's Ingress/Egress Easement.** Each Owner is hereby granted a perpetual easement over the private streets under the Common Elements, as may be reasonably required, for vehicular and pedestrian ingress to and egress from his Unit. Such easement shall be subject, in any event, to any Rules governing or limiting each Owner's right of ingress and egress granted hereby. Said easements shall be set forth in all instruments of conveyance to each Unit.

3.5. **Association Easement.** Each Owner, by accepting an interest in or title to a Unit, whether or not it is so expressed in the instrument of conveyance, grants to the Association an easement of access and entry over, across, under, and through the Property, including without limitation, all Common Elements and the Owner's Unit and all Improvements thereon for the following purposes:

- (i) To perform inspections, construction, and/or maintenance that is permitted or required of the Association by the Documents or by Applicable Law.
- (ii) To perform any maintenance, repair or removal of Improvements that is permitted or required of the Owner by the Documents or by Applicable Law, if the Owner fails or refuses to perform such maintenance.
- (iii) To enforce the Documents.
- (iv) To exercise self-help remedies permitted by the Documents or by Applicable Law.
- (v) To respond to emergencies.
- (vi) To perform any and all functions or duties of the Association as permitted or required by the Documents or by Applicable Law.

3.6. **Utility Easement.** The Declarant, until expiration or termination of the Development Period, and thereafter the Association, may grant permits, licenses, and easements over the Common Elements for utilities, and other purposes reasonably necessary for the proper operation of the Regime. Declarant further reserves unto itself and/or its assigns, an easement for drainage and utility purposes, five (5) feet wide on each side of all Unit boundary lines and ten (10) feet along the rear boundary line of each Unit, for the installation and maintenance of drainage facilities, electric, telephone and other utility lines and easements for anchor guy combinations wherever necessary. Declarant reserves the right to trim trees, which at any time interfere or threaten to interfere with the maintenance of such utility lines, with the right of ingress to and egress from and across said Units and Common Elements for employees of utility companies owning said utility lines. In addition, the Declarant hereby reserves the right to grant easements over and across the portion of the Unit reserved for utility and drainage purposes, as set forth herein, for drainage facilities and utilities necessary or required, as determined by the Declarant, to serve the Property or property adjacent to the Regime or property otherwise owned by the Declarant. The easements granted hereunder by the Declarant or the Association, as applicable, will not unreasonably interfere with the use of any Unit for residential purposes. A company or entity, public or private, furnishing utility service to the Property, is granted an easement over the Property for ingress, egress, drainage facility maintenance, meter reading, installation, maintenance, repair, or replacement of utility lines and equipment, and to do anything else necessary to properly maintain and furnish utility service to the Property; provided, however, this easement may not be exercised without prior notice to the Board. Utilities may include, but are not limited to, water, sewer, trash removal, electricity, gas, telephone, master or cable television, and security.

3.7. **Declarant Right of Ingress and Egress.** Declarant reserves for itself a perpetual easement for ingress and egress over the Common Area. Declarant hereby conveys to all Owners

3.8. **Drainage.** Declarant reserves easement for installation and management of drainage facilities.

3.9. **Private Streets.** Any private streets located within the Property are General Common Elements and are administered and maintained by the Association. The Association, acting through the Board, has the express authority to adopt, amend, repeal, and enforce Rules for use of private streets; including but not limited to: (i) identification of vehicles used by Owners, Occupants and their guests; (ii) designation of parking or no-parking areas; (iii) limitations or prohibitions on curbside parking; (iv) removal or prohibition of vehicles that violate applicable Rules; and (v) fines for violations of applicable Rules.

ARTICLE 4 DISCLOSURES

4.1. **Construction Activities.** Declarant will be constructing portions of the Regime and engaging in other construction activities related to the construction of Units and Common Elements. Such construction activities may, from time to time, produce certain conditions within the Regime, including, without limitation: (i) noise or sound that is objectionable because of its volume, duration, frequency or shrillness; (ii) smoke; (iii) noxious, toxic or corrosive fumes or gases; (iv) obnoxious odors; (v) dust, dirt or flying ash; (vi) unusual fire or explosion hazards; (vii) temporary interruption of utilities; and/or (viii) other conditions that may threaten the security or safety of Persons on the Regime. Notwithstanding the foregoing, all Owners and Occupants agree that such conditions on the Regime resulting from construction activities shall not be deemed a nuisance and shall not cause Declarant, or its agents, to be deemed in violation of any provision of this Declaration.

4.2 **Changes to Street Names and Addresses.** Declarant retains the right to change, in its sole discretion, the Regime's name and the street names and addresses in or within the Regime, including the street address of the Units before or after conveyance to any third-party.

4.3. **Plans.** Any advertising materials, brochures, renderings, drawings, and the like, furnished by Declarant to an Owner which purport to depict the Improvements to be constructed within the Property are merely approximations and may not reflect the actual as-built conditions of the same.

4.4. **Location of Utilities.** Declarant makes no representation as to the location of mailboxes, utility boxes, streetlights, drainage facilities, culverts, or basins.

4.5. **Streets, Driveways and Parking Areas.** Unless otherwise included within the boundary of a Unit, streets, driveway, and parking areas within the Property are maintained and administered by the Association. If a portion of a street, driveway, or parking area is included within the boundaries of a Unit, the Owner of the Unit is responsible for maintenance and repair. All other streets, driveways, and parking areas are maintained and repaired by the Association with the costs incurred by the Association discharged through Regular Assessments levied against Unit Owners in proportion to the Common Expense Liability assigned to each Unit in accordance with Article 5.4 below. No street, driveway, or parking area within the Property will be maintained or repaired by Gillespie County.

4.6. **Public Access.** Streets within the Property are private streets. Association may but has no obligation to control public access. Declarant and the Association have no liability for damages suffered by Owners related to proximity of the owners Unit to any nonresidential use within or outside of the Property.

ARTICLE 5 UNITS AND ALLOCATIONS

5.1. **Initial Submitted Units and Maximum Number of Units.** The Regime presently includes 244 Units. During the Development Period, Declarant has reserved the right to create additional Units. To add Units to the Regime, Declarant during the Development Period may, from time to time, execute and record an amendment to this Declaration creating such additional Units. An amendment creating additional Units will: (i) assign an identifying number to each new Unit; (ii) reallocate the Common Interest Allocation among all Units then existing within the Regime; and (iii) with respect to new Units, include the information required by Chapter 82.055 and Chapter 82.059(b) of the Act. No assurance is given as to the dispersion of new Units, total number of new Units, or size of such Units.

5.2. **Units.**

5.2.1. **Unit Boundaries.** The boundaries and identifying number of each Unit are shown on the Plat and Plans attached hereto as Exhibit "B". Ownership of a Unit includes all Improvements located within the Unit or serving the Unit exclusively.

5.2.2. Although a Unit resembles a platted lot: (i) a Unit does not include land; (ii) the conveyance of a Unit is not a metes and bounds conveyance of land; and (iii) the creation of a Unit does not constitute a subdivision of land. Instead, each Unit is the surface of a designated piece of land, and everything above the surface for twenty-five feet (25'), and infrastructure below the surface that serves or supports the above-surface Improvements.

5.2.3. If the foregoing description of Unit boundaries is inconsistent with the Plat and Plans on Exhibit "B", then Article 5.2 hereof will control. It is the express intent of the Declarant that the property described as being part of a Unit shall for all purposes herein be treated as and constitutes a lawfully described "Unit" as that term is defined in the Act. In the event that there is a final judicial determination by a court of competent jurisdiction that the boundaries of a Unit or any portion thereof are so indefinite and vague so as to not create a legally constituted "Unit" within the meaning of the Act, then that portion of the Unit that has not been adequately described shall be severed from the property deemed a part of the Unit (if the remainder of the Unit, excluding the severed portion thereof, constitutes a properly described "Unit" under the Act) and shall thereafter be deemed a Limited Common Element reserved to the exclusive use of said Unit, subject to the rights and obligations of other Owners with respect to said property.

5.3. **Common Interest Allocation.** The percentage of interest in the Common Elements (the "Common Interest Allocation") allocated to each Unit is set forth on Exhibit "D" and is assigned in accordance with a ratio of 1 to the total number of Units. The same formula will be used in the event the Common Interest Allocation is reallocated as a result of any increase or decrease in the number of Units subject to this Declaration. In the event an amendment to this Declaration is filed which

reallocates the Common Interest Allocation as a result of any increase or decrease in the number of Units the reallocation will be effective on the date such amendment is Recorded.

5.4. **Common Expense Liability.** The percentage of liability for Common Expenses (the "Common Expense Liability") allocated to each Unit and levied pursuant to Article 6 is equivalent to the Common Interest Allocation assigned to the Unit.

5.5. **Association Votes.** One (1) vote is allocated to each Unit. The one vote appurtenant to each Unit is weighted equally for all votes, regardless of the other allocations appurtenant to the Unit. In other words, the one vote appurtenant to each Unit is uniform and equal to the vote appurtenant to every other Unit.

5.6. **Floodplain and Regulatory Floodway.** Declarant recommends and assumes that all Unit Owner(s) will have a survey done of respective Units to determine the location of Floodplain and/or Regulatory Floodway on or within a Unit, if any, prior to commencement of construction of Improvements on a Unit. Declarant hereby discloses that construction on a Unit may be subject to flooding hazards due to its possible location in a Floodplain or Regulatory Floodway, as described in a Flood Insurance Rate Map ("FIRM") prepared by the Federal Emergency Management Agency. All construction of Improvements shall be undertaken by Owner(s) with full knowledge of the potential for flood-related damage. Owner(s) acknowledges and assumes the risk that the construction of Improvements may be subject to flood-related damage and each Owner elects to voluntarily proceed with construction with full knowledge that this may be hazardous to said Owner(s). Owner(s) assumes full responsibility for any risk of flood-related damage arising from construction on their Unit. Owner(s) unconditionally waives any and all flood-related damage claims asserting liability on the part of the Declarant. Owner(s) agrees to defend, hold harmless and indemnify the Declarant and its officers, employees and agents from and against any and all flood-related damage claims. Owner(s) intends that the Declarant be indemnified to the fullest extent permitted by law and, specifically, that any negligence on the part of the Declarant shall not bar indemnity, unless such negligence is found to have been the sole cause of the damage. Declarant does not warrant the location of any Floodplain or Regulatory Floodway, or lack thereof, on any particular Unit or on the Property.

**ARTICLE 6
COVENANT FOR ASSESSMENTS**

6.1. **Purpose of Assessments.** The Association will use Assessments for the general purposes of preserving and enhancing the Regime, and for the benefit of Owners and Occupants, including but not limited to maintenance of real and personal property, management, and operation of the Association, and any expense reasonably related to the purposes for which the Association was formed. If made in good faith, the Board's decision with respect to the use of Assessments is final.

6.2. **Personal Obligation.** An Owner is obligated to pay Assessments levied by the Board against the Owner or the Owner's Unit. Payments are made to the Association at its principal office or at any other place the Board directs. Payments must be made in full regardless of whether an Owner has a dispute with the Association, another Owner, or any other Person or entity regarding any matter to which this Declaration pertains. No Owner may be exempt from Assessment liability by such Owner's non-use of the Common Elements or abandonment of a Unit. An Owner's obligation is not subject to offset by the Owner, nor is it contingent on the Association's performance of the Association's duties. Payment of Assessments is both a continuing affirmative covenant personal to the Owner and a continuing covenant running with the Unit.

6.3. **Types of Assessments.** There are four (4) types of Assessments: Regular Assessments, Special Assessments, Individual Assessments, and Deficiency Assessments.

6.4. **Regular Assessments.**

6.4.1. **Purpose of Regular Assessments.** Regular assessments are used for Common Expenses related to the recurring, periodic, and anticipated responsibilities of the Association, including but not limited to:

- (i) Maintenance, repair, and replacement, as necessary, of the General Common Elements, and Improvements, equipment, signage, and property owned by the Association.
- (ii) Maintenance examination and report, as required by Article 9.2.
- (iii) Utilities billed to the Association.
- (iv) Services obtained by the Association and available to all Units.
- (v) Taxes on property owned by the Association and the Association's income taxes.
- (vi) Management, legal, accounting, auditing, and professional fees for services to the Association.
- (vii) Costs of operating the Association, such as telephone, postage, office supplies, printing, meeting expenses, and educational opportunities of benefit to the Association.
- (viii) Insurance premiums and deductibles.
- (ix) Contributions to reserves.
- (x) Any other expense which the Association is required by Applicable Law or the Documents to pay, or which in the opinion of the Board is necessary or proper for the operation and maintenance of the Regime or for enforcement of the Documents.

6.4.2. **Annual Budget.** The Board will prepare and approve an annual budget with the estimated expenses to be incurred by the Association for each fiscal year. The budget will take into account the estimated income and Common Expenses for the year, contributions to reserve funds, and a projection for uncollected receivables. The Board will make the budget or a summary of the budget available to the Owner of each Unit, although failure to receive a budget or budget summary will not affect an Owner's liability for Assessments. The Board will provide copies of the budget to Owners who make written request and pay a reasonable copy charge.

6.4.3. **Basis of Regular Assessments.** Regular Assessments will be based on the annual budget. Each Unit will be liable for its allocated share of the annual budget equal to the Common Expense Liability assigned to the Owner's Unit. If the Board does not approve an annual budget or fails to determine new Regular Assessments for any year, or delays in doing so, Owners will continue to pay the Regular Assessment as last determined.

6.4.4. **Supplemental Increases.** If during the course of a year the Board determines that Regular Assessments are insufficient to cover the estimated Common Expenses for the remainder of the year, the Board may increase Regular Assessments for the remainder of the fiscal year in an amount that covers the estimated deficiency. Supplemental increases will be apportioned among the Units in the same manner as regular Assessments.

6.5. **Special Assessments.** The Board may levy one or more Special Assessments against all Units for the purpose of defraying, in whole, or in part, Common Expenses not anticipated by the annual budget or reserves. Special Assessments may be used for the same purposes as Regular

Assessments. Special Assessments do not require the approval of the Owners, except that Special Assessments for the acquisition of real property by the Association must be approved by Owners representing at least a Majority of the votes in the Association. Special Assessments will be apportioned among the Units in the same manner as Regular Assessments.

6.6. **Individual Assessments.** In addition to Regular and Special the Board may levy an Individual Assessment against an Owner and the Owner's Unit. Individual Assessments may include, but are not limited to: interest, late charges, and collection costs on delinquent Assessments; reimbursement for costs incurred in bringing an Owner or the Owner's Unit into compliance with the Documents; fines for violations of the Documents; transfer-related fees and resale certificate fees; fees for estoppel letters and project documents; insurance deductibles; reimbursement for damage or waste caused by willful or negligent acts of the Owner, the Owner's guests, invitees or Occupants of the Owner's Unit; Common Expenses that benefit fewer than all of the Units, which may be assessed according to benefit received; fees or charges levied against the Association on a per-Unit basis; and "pass through" expenses for services to Units provided through the Association and which are equitably paid by each Unit according to benefit received.

6.7. **Deficiency Assessments.** The Board may levy a Deficiency Assessment against the Units for the purpose of defraying, in whole or in part, the cost of repair or restoration for the Common Elements if insurance proceeds or condemnation awards prove insufficient. Deficiency assessments will be apportioned among the Units in the same manner as Regular Assessments.

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

6.9. **Working Capital Fund.** Upon the transfer of a Unit (including both transfers from Declarant to the initial Owner, and transfers from one Owner of a Unit to a subsequent Owner of the Unit), a working capital fee in an amount equal to two (2) months of Regular Assessments will be paid from the transferee of the Unit to the Association for the Association's working capital fund. Each working capital contribution will be collected from the transferee of a Unit upon the conveyance of the Unit from one Owner (including Declarant) to another (expressly including any re-conveyances of the Unit upon resale or transfer thereof). Notwithstanding the foregoing provision, the following transfers of a Unit will not be subject to the working capital contribution: (i) foreclosure of a deed of trust lien, tax lien, the Association's assessment lien; (ii) transfer to, from, or by the Association; (iii) voluntary transfer by an Owner to one or more co-owners, or to the Owner's spouse, child, or parent; (iv) any grantee who is the domestic partner or former spouse of the grantor; (v) any grantee that is a wholly-owned entity of the grantor; and (vi) any grantee to whom a Unit is conveyed by a will or through the law of intestacy. In the event of any dispute regarding the application of the working capital contribution to a particular Owner, Declarant's determination regarding application of the exemption will be binding and conclusive without regard to any contrary interpretation of this Article 6.9. Contributions to the fund are not advance payments of Regular Assessments and are not refundable. Declarant may not use working capital fees collected hereunder to pay the operational expenses of the Association until the Declarant Control Period terminates. The Declarant during the Development Period, and thereafter the Board, will have the power to waive the payment of any working capital fund contribution attributable to a Unit (or all Units) by the Recordation of a waiver notice, which waiver may be temporary or permanent.

6.10. **Due Date.** Regular Assessments are due annually, with monthly installments of the total annual Regular Assessments to be paid on the first (1st) calendar day of each month or on such other date or frequency as the Board may designate in its sole and absolute discretion and are delinquent if not received by the Association on or before such date. Utility, Special, Individual, and Deficiency Assessments are due on the date stated in the notice of Assessment or, if no date is stated, within ten (10) days after notice of the Utility, Special, Individual, or Deficiency Assessment is given.

6.11. **Reserve Funds.** The Association will establish, maintain, and accumulate reserves for operations and for replacement and repair. The Association will budget for reserves and may fund reserves out of Regular Assessments or Special Assessments.

6.11.1. **Reserve Funds.** The Association may maintain reserves at a level determined by the Board to be sufficient to cover the cost of operational or maintenance emergencies or contingencies, including deductibles on insurance policies maintained by the Association.

6.11.2. **Replacement & Repair Reserves - Common Elements.** The Association will maintain replacement and repair reserves at a level that anticipates the scheduled replacement or major repair of components of the General Common Elements.

6.12. **Audited Financial Statements.** The Association shall have an audited financial statement for the preceding full fiscal year of the Association prepared and made available within one hundred and twenty (120) days after the Association's fiscal year-end.

ARTICLE 7 ASSESSMENT LIEN

7.1. **Assessment Lien.** Each Owner, by accepting an interest in or title to a Unit, whether or not it is so expressed in the instrument of conveyance, covenants and agrees to pay Assessments to the Association. Each Assessment is a charge on the Unit and is secured by a continuing lien on the Unit. Each Owner is placed on notice that title to the Unit may be subject to the continuing lien for Assessments attributable to a period prior to the date the Owner purchased the Unit. An express lien on each Unit is hereby granted and conveyed by Declarant to the Association to secure the payment of all Assessments.

7.2. **Superiority of Assessment Lien.** The Assessment lien is superior to all other liens and encumbrances on a Unit, except only for: (i) real property taxes and assessments levied by governmental and taxing authorities; (ii) a Recorded deed of trust lien securing a loan for construction or acquisition of the Unit; (iii) a deed of trust or vendor's lien Recorded before this Declaration; or (iv) a first or senior purchase money vendor's lien or deed of trust lien Recorded before the date on which the delinquent Assessment became due. The Assessment lien is also superior to any Recorded assignment of the right to insurance proceeds on the Unit, unless the assignment is part of a superior deed of trust lien.

7.3. **Effect of Mortgagee's Foreclosure.** Foreclosure of a superior lien extinguishes the Association's claim against the Unit for unpaid Assessments that became due before the sale but does not extinguish the Association's claim against the former Owner. The purchaser at the foreclosure sale of a superior lien is liable for Assessments coming due from and after the date of the sale.

7.4. **Notice and Release.** The Association's lien for Assessments is created by Recordation of this Declaration, which constitutes record notice and perfection of the lien. No other Recordation of a lien or notice of lien is required. However, the Board, at its option, may cause a notice of the lien to be Recorded. If the debt is cured after a notice has been Recorded, the Association will Record a release of the notice at the expense of the curing Owner. The Association may require reimbursement of its costs of preparing and recording the notice before granting the release.

7.5. **Power of Sale.** By accepting an interest in or title to a Unit, each Owner grants to the Association a private power of sale in connection with the Association's assessment lien. The Board may appoint, from time to time, any Person, including an officer, agent, trustee, substitute trustee, or attorney, to exercise the Association's lien rights on behalf of the Association, including the power of sale. The appointment must be in writing and may be in the form of a resolution recorded in the minutes of a Board meeting.

7.6. **Foreclosure of Lien.** The Assessment lien may be enforced by judicial or non-judicial foreclosure. A non-judicial foreclosure must be conducted in accordance with the provisions applicable to the exercise of powers of sale as set forth in Chapter 51.002 of the Texas Property Code, or in any manner permitted by Applicable Law. In any foreclosure, the Owner will be required to pay the Association's costs and expenses for the proceedings, including reasonable attorneys' fees. The Association has the power to bid on the Unit at foreclosure sale and to acquire, hold, lease, mortgage, and convey same.

ARTICLE 8 EFFECT OF NONPAYMENT OF ASSESSMENTS

An Assessment is delinquent if the Association does not receive payment in full by the Assessment due date. The Association, acting through the Board, is responsible for taking action to collect delinquent Assessments. From time to time, the Association may delegate some or all of the collection procedures and remedies, as the Board in its sole discretion deems appropriate, to the Association's manager, an attorney, or a debt collector. Neither the Board nor the Association, however, is liable to an Owner or other Person for its failure or inability to collect or attempt to collect an Assessment. The following remedies are in addition to and not in substitution for all other rights and remedies which the Association may have pursuant to the Documents or Applicable Law.

8.1. **Interest.** Delinquent Assessments are subject to interest from the due date until paid, at a rate to be determined by the Board from time to time, not to exceed the lesser of eighteen percent (18%) per annum or the maximum permitted by Applicable Law. If the Board fails to establish a rate, the rate is ten percent (10%) per annum.

8.2. **Late Fees.** Delinquent Assessments are subject to reasonable late fees, at a rate to be determined by the Board from time to time.

8.3. **Collection Expenses.** The Owner of a Unit against which Assessments are delinquent is liable to the Association for reimbursement of reasonable costs incurred by the Association to collect the delinquent Assessments, including attorneys' fees and processing fees charged by the manager.

8.4. **Acceleration.** If an Owner defaults in paying an Assessment that is payable in installments, the Association may accelerate the remaining installments on ten (10) days written notice

to the defaulting Owner. The entire unpaid balance of the Assessment becomes due on the date stated in the notice.

8.5. Suspension of Vote. Subject to the below-described limitations, if an Owner's account has been delinquent for at least thirty (30) days, the Association may suspend the right to vote appurtenant to the Unit during the period of delinquency. Suspension does not constitute a waiver or discharge of the Owner's obligation to pay Assessments. When the Association suspends an Owner's right to vote, the suspended Owner may nevertheless participate as a Member of the Association for the following activities: (i) be counted towards a quorum; (ii) attend meetings of the Association; (iii) participate in discussion at Association meetings; (iv) be counted as a petitioner for a special meeting of the Association; and (v) vote to remove a Director and for the replacement of the removed Director. If the number of suspended Members exceeds twenty (20%) percent of the total Members (co-owners of a Unit constituting one Member), all Members are eligible to vote. These limitations are imposed to prevent a Board from disenfranchising a large segment of the membership and to preserve the membership's right to remove and replace Directors.

8.6. Money Judgment. The Association may file suit seeking a money judgment against an Owner delinquent in the payment of Assessments, without foreclosing or waiving the Association lien for Assessments.

8.7. Notice to Mortgagee. The Association may notify and communicate with any holder of a lien against a Unit regarding the Owner's default in payment of Assessments.

8.8. Application of Payments. The Association may adopt and amend policies regarding the application of payments. After the Association notifies the Owner of a delinquency, any payment received by the Association may be applied in the following order: any assessments due and payable, Individual Assessments, Deficiency Assessments, Special Assessments and (lastly) Regular Assessments. The Association may refuse to accept partial payment, i.e., less than the full amount due and payable. The Association may also refuse to accept payments to which the payer attaches conditions or directions contrary to the Association's policy for applying payments. The Association's policy may provide that endorsement and deposit of a payment does not constitute acceptance by the Association, and that acceptance occurs when the Association posts the payment to the Unit Owner's account.

ARTICLE 9 MAINTENANCE AND REPAIR OBLIGATIONS

9.1. Association Maintenance. The Association's maintenance obligations will be discharged when and how the Board deems appropriate. Unless otherwise provided in this Declaration, the Association maintains, repairs and replaces, as a Common Expense, all General Common Elements. The Association also maintains, as a Common Expense, any component of a Unit delegated to the Association by this Declaration.

9.2. Owner Responsibility. Every Owner has the following responsibilities and obligations for the maintenance, repair, and replacement of the Property:

- (i) To maintain, repair, and replace such Owner's Unit and all Improvements constructed therein or thereon.

- (ii) To maintain, repair, and replace all portions of the Property for which the Owner is responsible under this Declaration or by agreement with the Association.
- (iii) To not do any work or to fail to do any work which, in the reasonable opinion of the Board, would materially jeopardize the soundness and safety of the Property, reduce the value thereof, or impair any easement or real property right thereto.
- (iv) To be responsible for the Owner's willful or negligent acts and those of the Owner or Occupant's family, guests, agents, employees, or contractors when those acts necessitate maintenance, repair, or replacement of Common Elements, the property of another Owner, or any component of the Property for which the Association has maintenance or insurance responsibility.

9.3. **Disputes.** If a dispute arises regarding the allocation of maintenance responsibilities by this Declaration, the dispute will be resolved by delegating responsibility to the individual Owners. Unit maintenance responsibilities that are allocated to the Association are intended to be interpreted narrowly to limit and confine the scope of Association responsibility. It is the intent of this Article 9 that all components and areas not expressly delegated to the Association are the responsibility of the individual Owners.

9.4. **Warranty Claims.** If the Owner is the beneficiary of a warranty against defects to the Common Elements, the Owner irrevocably appoints the Association, acting through the Board, as the Owner's attorney-in-fact to file, negotiate, receive, administer, and distribute the proceeds of any claim against the warranty that pertains to Common Elements.

9.5. **Owner's Default in Maintenance.** If the Board determines that an Owner has failed to properly discharge such Owner's obligation to maintain, repair, and replace items for which the Owner is responsible, the Board may give the Owner written notice of the Association's intent to provide the necessary maintenance at the Owner's expense. The notice must state, with reasonable particularity, the maintenance deemed necessary and a reasonable period of time in which to complete the work. If the Owner fails or refuses to timely perform the maintenance, the Association may do so at the Owner's expense, which is an Individual Assessment against the Owner and such Owner's Unit. In case of an emergency, however, the Board's responsibility to give the Owner written notice is waived and the Board may take any action it deems necessary to protect persons or property, the cost of such action being at the Owner's expense and being levied as an Individual Assessment.

ARTICLE 10 ARCHITECTURAL REVIEW

10.1. **General.** Because the Units are part of a single, unified community, the Architectural Review Committee has the right to regulate the appearance of all Improvements in order to preserve and enhance the Property's value and architectural harmony. The exterior of each Unit, all site work, landscaping, structures, improvements, additions, alterations, modifications and items placed on a Unit including without limitation, patio covers, decks, fencing, pergolas, and outbuildings (collectively, "Improvements") are subject to the written approval procedures set forth in this Article 10, as further governed by Tex. Prop. Code Chapter 82. The Architectural Review Committee has the right, but not the duty, to evaluate every aspect of the Unit and Improvements that may affect the general value or appearance of the Property. The Architectural Review Committee does not issue verbal approvals. An Owner is not permitted to begin construction or modification of Improvements without the Architectural Review Committee's prior written approval. Notwithstanding anything to the contrary

stated herein, Improvements constructed on the Property and all architectural modifications made thereto that are made by the Declarant or its permittees shall not be subject to approval pursuant to this Article.

10.2. Architectural Review Committee. Until expiration or termination of the Development Period, the Architectural Review Committee shall mean Declarant or its designee. Upon expiration of the Development Period, the rights of the Architectural Review Committee will automatically be transferred to the Board.

10.3. Architectural Control by Declarant.

10.3.1. Declarant as Architectural Review Committee. During the Development Period, the Architectural Review Committee shall mean Declarant or its designee, and neither the Association or the Board, nor a committee appointed by the Association or the Board (no matter how the committee is named) may involve itself with the review and approval of any Improvements. Declarant may designate one or more Persons from time to time to act on its behalf as Architectural Review Committee in reviewing and responding to applications pursuant to this Article 10.

10.3.2. Declarant's Rights Reserved. Each Owner, by accepting an interest in or title to a Unit, whether or not it is so expressed in the instrument of conveyance, covenants and agrees that Declarant has a substantial interest in ensuring that the Improvements within the Property do not impair Declarant's ability to market Units in the Regime. Accordingly, each Owner agrees that during the Development Period, no Improvements will be started or progressed without the prior written approval of the Architectural Review Committee, which approval may be granted or withheld at the Architectural Review Committee's sole discretion. In reviewing and acting on an application for approval, the Architectural Review Committee may act solely in its self-interest and owes no duty to any other Person or any organization.

10.3.3. Delegation by Declarant. During the Development Period, Declarant may from time to time, but is not obligated to, delegate all or a portion of its rights as Architectural Review Committee to the Board or a committee appointed by the Board comprised of Persons who may or may not be members of the Association. Any such delegation must be in writing and must specify the scope of delegated responsibilities. Any such delegation is at all times subject to the unilateral right of Declarant to:

- (i) revoke such delegation at any time and reassume jurisdiction over the matters previously delegated; and
- (ii) veto any decision which Declarant, in its sole discretion, determines to be inappropriate or inadvisable for any reason.

10.4. Architectural Control by Association. Upon Declarant's delegation, in writing, of all or a portion of its reserved rights as Architectural Review Committee to the Board, or upon the expiration or termination of the Development Period, the Association will assume jurisdiction over architectural control and will have the powers of the Architectural Review Committee hereunder and the Board, or a committee appointed by the Board, is the Architectural Review Committee and shall exercise all architectural control over the Property. If the Board appoints a committee, the committee must consist of at least three (3), but not more than seven (7), Persons who shall serve, and may be removed and replaced, in the Board's discretion. Committee members need not be Owners or

representatives of Owners and may (but need not) be professionals such as architects or engineers. The Association may compensate committee members in such manner and amount, if any, as the Board may determine appropriate.

10.5. Architectural Review Committee Discretion. The Architectural Review Committee exercises complete discretion with respect to taste, design, and all standards specified by this Declaration. The ARC may vary its interpretation and enforcement of construction specifications and use restrictions based, in part, on a Unit's location or visibility. If the Architectural Review Committee is Declarant, it may act solely in its self-interest and owes no duty to any other Person or organization in reviewing and acting on any application for approval or request for a variance.

10.6. Limits on Liability. Neither the Declarant, the Board, nor their directors, officers, committee members, employees or agents will have any liability for decisions made as Architectural Review Committee in good faith. Neither the Declarant, the Board, nor their directors, officers, committee members, employees or agents are responsible for:

- (i) errors in or omissions from the plans and specifications submitted to the Architectural Review Committee;
- (ii) supervising construction for the Owner's compliance with approved plans and specifications; or
- (iii) the compliance of the Owner's plans and specifications with governmental codes and ordinances, state and federal laws.
- (iv) Approval of a modification or Improvement may not be deemed to constitute a waiver of the right to withhold approval of similar proposals, plans or specifications that are subsequently submitted.

The Declarant, the Board, nor their directors, officers, committee members, employees or agents will have any liability for:

- (i) soil conditions, drainage, or other general site work on the Units;
- (ii) any defects in plans revised or approved hereunder;
- (iii) any loss or damage arising out of the action, inaction, integrity, financial condition, or quality of work of any contractor or its subcontractors, employees, or agents;
- (iv) any injury, damages, or loss arising out of the manner or quality or other circumstances of approved construction on, or modifications to, any Unit, or
- (v) any violation of the Rules or Design Standards by any Owners or any other Person. In all matters arising under this Article, the Association shall defend and indemnify the Board, committee, and the members of each, as provided in the Bylaws.

10.7. Fees. The Architectural Review Committee may establish and charge reasonable fees for its review of applications and may require that such fees be paid in advance. Such fees may also include reasonable costs incurred in having professionals review any application and/or conduct a final inspection of the Improvements for compliance with approved plans.

10.8. Design Standards. The Architectural Review Committee has the authority to develop and adopt "Design Standards" which may contain general provisions applicable to the Property, as a whole, as well as specific provisions that vary among uses or locations within the Property. The Architectural Review Committee may amend the Design Standards from time to time. The Design Standards are intended to provide guidance to Owners and contractors regarding matters of particular

concern to the Architectural Review Committee. The Design Standards are not the exclusive basis for the ARC's decisions, and compliance with the Design Standards does not guarantee approval of plans and specifications.

Declarant's right to amend the Design Standards during the Development Period as set forth in Article 19 shall continue even if it delegates its reviewing authority, unless Declarant also delegates in writing its power to amend the Design Standards. Upon termination or delegation of Declarant's rights to amend the Design Standards, the Board may amend the Design Standards, and if a committee is appointed, the committee may amend the Design Standards with the Board's consent.

Amendments to Design Standards shall apply prospectively only. There shall be no limitation on the scope of amendments to the Design Standards, and such amendments may eliminate requirements previously imposed or otherwise make the Design Standards less restrictive. Any amendment to Design Standards shall be effective upon recordation in the Records. In the event of any conflict between the terms and provisions of the Design Standards and the terms and provisions of this Declaration, the terms and provisions of this Declaration will control.

10.9. Requirements for Patios. Any patio or similar outdoor feature constructed upon any Unit must be authorized by the Architectural Review Committee.

10.10. Limitation on Unit Improvements. An Owner's addition of Improvements to a Unit must be approved by Architectural Review prior to installation.

10.11. Declarant Improvements. Any clearing, construction, or modification of Improvements by Declarant (or the Association during the Development Period) are not subject to Architectural Review Committee approval and are hereby deemed approved.

10.12. Prohibition of Construction, Alteration and Improvement. Without the Architectural Review Committee's prior written approval, no Person may commence or continue any construction, alteration, addition, Improvement, installation, modification, redecoration, or reconstruction of or to the Property, or do anything that affects the appearance, use, or structural integrity of the Property. Notwithstanding the foregoing, each Owner will have the right to modify, alter, repair, decorate, redecorate, or improve the interior of an Improvement, provided that such action is not visible from any other portion of the Property.

YOU CANNOT CHANGE THE EXTERIOR OF ANY IMPROVEMENTS WITHIN YOUR UNIT UNLESS YOU HAVE THE SIGNED CONSENT OF THE ARCHITECTURAL REVIEW COMMITTEE.

10.13. No Deemed or Verbal Approval. Approval by the Architectural Review Committee may not be deemed, construed, or implied from an action, a lack of action, or a verbal statement by the Declarant, Declarant's representative or designee or the Association, an Association director or officer, a member or chair of the Declarant or Board-appointed committee, the Association's manager, or any other representative of the Association. To be valid, approval of the Architectural Review Committee must be:

- (i) in writing;
- (ii) on a form or letterhead issued by the Architectural Review Committee;

- (iii) signed and dated by a duly authorized representative of the Architectural Review Committee, designated for that purpose;
- (iv) specific to a Unit; and
- (v) accompanied by detailed plans and specifications showing the proposed change.

If the Architectural Review Committee fails to respond in writing, negatively, affirmatively, or requesting information, within sixty (60) days after the Architectural Review Committee's actual receipt of the Owner's application, the application is deemed denied. Under no circumstance may approval of the Architectural Review Committee be deemed implied or presumed. If the Architectural Review Committee approves a change, the Owner or the Architectural Review Committee may require that the architectural approval be Recorded, with the cost of Recordation borne by the Owner. Architectural Review Committee approval of an architectural change automatically terminates if work on the approved Improvement has not started by the commencement date stated in the Architectural Review Committee's approval and thereafter diligently prosecuted to completion, or, if no commencement date is stated, within ninety (90) days after the date of Architectural Review Committee approval.

10.14. Application. To request Architectural Review Committee approval, an Owner must make written application and submit two (2) identical sets of plans and specifications showing the nature, kind, shape, color, size, materials, and locations of the work to be performed ("Site Plan"). The application must clearly identify any requirement of this Declaration for which a variance is sought. If the application is for work that requires a building permit from a municipality or other regulatory authority, the Owner must obtain such permit and provide a copy to the Architectural Review Committee in conjunction with the application. The Architectural Review Committee may return one set of plans and specifications to the applicant marked with the Architectural Review Committee's response, such as "Approved," "Denied," or "Submit Additional Information." The Architectural Review Committee has the right, but not the duty, to evaluate every aspect of construction and property use that may alter or adversely affect the general value of appearance of the Property.

10.15. Owner's Duties. If the Architectural Review Committee approves an Owner's application, the Owner may proceed with the Improvement, provided:

- (i) The Owner must adhere strictly to the plans and specifications which accompanied the application.
- (ii) The Owner must initiate, diligently prosecute, and complete the Improvement in a timely manner.
- (iii) If the approved application is for work that requires a building permit from a municipality or other regulatory authority, the Owner must obtain the appropriate permit. The Architectural Review Committee's approval of plans and specifications does not mean that such plans and specifications comply with a municipality or other regulatory authority requirements. Alternatively, approval by a municipality or other regulatory authority does not ensure Architectural Review Committee approval.

ARTICLE 11 CONSTRUCTION & USE RESTRICTIONS

11.1. Purpose. This Article sets forth the basic standards regarding the use and occupancy of Units. This Article also provides the procedure by which the Rules may be expanded and modified over time to address the particular needs and desires of the Association and Community.

11.2 **Residential Use.** Unless otherwise approved by the Declarant or, following the termination of the Declarant Control Period, by the Association, each Unit shall only be used for non-commercial single family residential purposes. Only single-family residential dwellings and appurtenances ordinary to residential living shall be permitted. To this end, without limitation, the following structures may not be built on any Unit: duplex or multi-family housing, mobile homes, manufactured homes, retail, wholesale or other business or commercial establishments of any kind, save and except those business which specifically comport with single family residential use such as long-term and short-term leasing.

11.3. **No Noxious Use.** No noxious or offensive trade or activity shall be carried on upon any Unit nor shall anything be done which may be or become an annoyance to other Owners.

11.4 **No Commercial Activities.** Unless approved in writing by the Declarant or, following the termination of the Declarant Control Period, by the Association, no commercial activity of any kind shall be conducted on any Unit. "Commercial activity" shall include but not be limited to, the offering for sale of any product or service, the manufacture or growth of any product for purposes of sale, without regard to whether such activities are conducted in or from a Unit or otherwise. The Declarant and/or Association shall have the right and power to stop or restrict any activity that the declarant and/or the Association deems to be a "commercial activity" or that it/they otherwise deem detrimental to the Regime. Long-term and short-term rentals are specifically excluded from this Paragraph 11.4.

11.5. **Association's Right to Promulgate Rules and Amend Community Manual.** The Association, acting through the Board, is granted the right to adopt, amend, repeal, and enforce reasonable Rules, and penalties for infractions thereof, regarding the occupancy, use, disposition, maintenance, appearance, and enjoyment of the Property. The Association, acting through a Majority of the Board, is further granted the right to amend, repeal, and enforce the Community Manual, setting forth therein such policies governing the Association as the Board determines. During the Development Period, any modification, amendment, or repeal to the Community Manual or the Rules, and each new policy or Rule, must be approved in advance and in writing by the Declarant.

11.6. **Rules and Regulations.** In addition to the restrictions contained in this Article 11, each Unit is owned and occupied subject to the right of the Board to establish Rules, and penalties for infractions thereof, governing:

- (i) Use of Common Elements.
- (ii) Hazardous, illegal, or annoying materials or activities on the Property.
- (iii) The use of Property-wide services provided through the Association.
- (iv) The consumption of utilities billed to the Association.
- (v) The use, maintenance, and appearance of anything visible from the street, Common Elements, or other Units.
- (vi) The occupancy and leasing of Units.
- (vii) Animals.
- (viii) Vehicles.
- (ix) Disposition of trash and control of vermin, termites, and pests.
- (x) Anything that interferes with maintenance of the Property, operation of the Association, administration of the Documents, or the quality of life for Occupants.

During the Development Period, all Rules must be approved in advance and in writing by the Declarant.

11.7. Use of Common Elements. There shall be no obstruction of the Common Elements, nor shall anything be kept on, parked on, stored on or removed from any part of the Common Elements without the prior written consent of Declarant (during the Development Period) and the Board thereafter, except as specifically provided herein.

11.8. Abandoned Personal Property. Personal property shall not be kept or allowed to remain for more than twelve (12) hours upon any portion of the Common Elements, without the prior written consent of the Board. If the Board determines that a violation exists, then, the Board may remove and either discard or store the personal property in a location which the Board may determine and shall have no obligation to return, replace or reimburse the owner of the property; provided, however, in such case, the Board shall give the property owner, if known, notice of the removal of the property and the disposition of the property within twenty-four (24) hours after the property is removed. Neither the Association nor any board member, officer or agent thereof shall be liable to any Person for any claim of damage resulting from the removal activity in accordance herewith. The Board may elect to impose fines or use other available remedies, rather than exercise its authority to remove property hereunder.

11.9. Prohibited Activities.

11.9.1. Parking.

- (i) The parking of any vehicle is prohibited on streets within the Property except for construction vehicles of the Declarant which may be parked in the streets of a construction area during the Development Period.
- (ii) The parking of commercial vehicles or equipment, Recreational Vehicles other than the one such Recreational Vehicle to be parked on the Unit of a Member, boats and other watercraft, trailers, dollies, stored vehicles or inoperable vehicles anywhere within the Property is prohibited except in parking or storage areas as may be designed by Declarant or the Board, provided, construction, service and delivery vehicles shall be excepted from this provision during daylight hours for such period of a time as is reasonably necessary to provide service or to make a delivery to a Unit or the Common Area, and boats may be parked in driveways for not more than 24 hours. The Board may consent to the parking of watercraft on a case-by-case basis, for a period of up to one (1) week. Any Unit Owner requesting to park a watercraft on the Property must receive prior written permission from the Board.
- (iii) The parking of passenger vehicles shall be limited to two (2) per Unit at any one time. In the event guest vehicles would cause the limitation of this provision to be exceeded, the guests may park in areas designated by the Board.
- (iv) Overnight parking is allowed only in designated areas by the Board.

11.9.2. Personal Property Maintenance. No Unit or Improvements located on a Unit shall be allowed to fall into disrepair, or to become unsafe, unsanitary, or unsightly. All Units and Improvements shall at all times be kept in good condition and repair and adequately painted or otherwise finished.

11.9.3. **Animals - Household Pets.** No animals, including pigs, hogs, swine, poultry, fowl, wild animals, horses, cattle, sheep, goats, or any other type of animal not considered to be a domestic household pet within the ordinary meaning and interpretation of such words may be kept, maintained, or cared for anywhere on the Property (as used in this paragraph, the term "domestic household pet" shall not mean or include non-traditional pets such pot-bellied pigs, miniature horses, snakes or lizards, ferrets, monkeys or other exotic animals). Customary domesticated household pets may be kept subject to the Rules. The Board may adopt, amend, and repeal Rules regulating the types, sizes, numbers, locations, and behavior of animals on the Property. If the Rules fail to establish animal occupancy quotas, an Owner or Occupant shall be allowed no more than three (3) household pets plus no more than two (2) birds in any Unit. Permission to maintain other types or additional numbers of household pets must be obtained in writing from the Board. All Household Pets must be contained within the boundary of the Owner's Unit and placed on a leash when outside the Owner's Unit. Any kennels placed within the Unit boundary must be screened from view from those outside said Unit. The following dog breeds are prohibited on the Property and on or within any Unit: Belgian Malinois, American Staffordshire Terrier ("Pitbull"), Chow Chow, and Cane Corso.

11.9.4. **Drainage.** No person may interfere with the established drainage pattern over any part of the Property unless an adequate alternative provision for proper drainage has been approved by the Declarant during the Development Period, and thereafter the Board.

11.9.5. **Driveways.** Sidewalks, driveways, and other passageways may not be used for any purpose that interferes with their ongoing use as routes of vehicular or pedestrian access.

11.9.6. **Landscaping.** No Person may perform landscaping, planting, or gardening anywhere within the General Common Elements without the prior written authorization of the Board and the Architectural Review Committee.

11.10. **Traffic Regulations.** All vehicular traffic on the private streets and roads within the Property shall be subject to the provisions of the laws of the State of Texas and Gillespie County concerning the operation of motor vehicles on public streets. The Board is hereby authorized to promulgate, administer, and enforce reasonable rules and regulations governing vehicular and pedestrian traffic within the Property, including reasonable safety measures and speed limits (including modifications of those in force on public streets) and restrictions on the types of vehicles which may be driven or kept in the Property. The Association shall be entitled to enforce the same by establishing such enforcement procedures as it deems appropriate, including levying fines for the violation thereof. In the event of a conflict between such provisions of the laws of the State of Texas and Gillespie County and the Association rules, the Association rules shall control unless the laws of the State of Texas or Gillespie County are determined by the Board to be more restrictive. Only drivers licensed to operate motor vehicles by the State of Texas or by any other state in the United States may operate motor vehicles within the Property, including golf carts, mopeds, motorcycles, and motor driven bicycles. All vehicles shall be operated within the Property in a careful, prudent, sage, and quite manner with due consideration for the rights of Owners and occupants within the Property.

11.11. **Declarant Privileges.** In connection with the development and marketing of the Property, as provided in this Declaration, Declarant has reserved a number of rights and privileges to use the Property in ways that are not available to other Owners and Occupants. Declarant's exercise of a right that appears to violate a Rule or a provision of this Declaration does not constitute waiver or abandonment of the Rule or provision of the Declaration.

11.12. **Vehicles: Guest Parking.** All vehicles on the Property, whether owned or operated by the Occupants or their families and guests, are subject to this Article 11.12 and any Rules regulating the types, sizes, numbers, conditions, uses, appearances, and locations of vehicles on the Property. All guests and Occupants must obtain parking passes from the Management Company and said passes must be displayed on the dashboard of each vehicle on the Property. The Board may prohibit any vehicle from which the Board deems to be a nuisance, unsightly, or inappropriate. The Board may prohibit sales, storage, washing, repairs, or restorations of vehicles on the Property. No vehicle may obstruct the flow of traffic, constitute a nuisance, or otherwise create a safety hazard on the Property. The Association may affect the removal of any vehicle in violation of this Article 11.12 or the Rules without liability to the owner or operator of the vehicle.

11.13. **Variance.** The Property is subject to the restrictions contained in this Article, and subject to the Rules. The Declarant may grant a variance or waiver of a restriction or Rule during the Development Period. The Board, with the Declarant's written consent during the Development Period, may grant a variance or waiver of a restriction or Rule on a case-by-case basis when unique circumstances dictate, and may limit or condition its grant. To be effective, a variance must be in writing and executed by the Declarant and/or a Majority of the Board, as applicable. The grant of a variance shall not constitute a waiver or estoppel of the right to deny a variance in other circumstances.

ARTICLE 12 UNIT LEASING

12.1. **Rental of Units.** The rental of units on the Property shall be managed by the Management Company. For a period of twenty (20) years after termination or expiration of the Declarant Control Period, Declarant reserves for itself, the right, but not the duty, to appoint, remove, and or replace the Management Company. After the Declarant's authority to appoint, remove, and or replace the Managing has expired the Association has the authority to remove the Management Company upon unanimous affirmative vote of the Owners.

12.2. **Leasing.** The leasing of any Unit by an Owner (other than Declarant), whether short-term or long-term, is subject to the following requirements:

- (i) Leases shall be administered exclusively by the Management Company.
- (ii) Management Company shall be paid a rental administration fee of twelve (12%) of the total rent, but exclusive of cleaning, taxes and any third-party administrative fees. As part of the rental administration, Management Company shall cause the sales and local taxes to be collected from the tenants and paid to the appropriate taxing authority on behalf of the Owners.
- (iii) All tenants, and guests are subject to the Declaration, the Rules, and other Documents.

12.3. **Provisions Incorporated by Reference into Lease.** Each Owner covenants and agrees that any lease of a Unit shall contain the following language and agrees that if such language is not expressly contained therein, then such language shall be incorporated into the lease by existence of this covenant, and the tenant, by occupancy of the Unit, agrees to the applicability of this covenant and incorporation of the following language into the lease:

12.3.1. **Compliance with Documents.** The tenant shall comply with all provisions of the Documents and the Declaration and shall control the conduct of all other Occupants and guests of the leased Unit, as applicable, in order to ensure such compliance. The Owner shall

cause all Occupants of the Owner's Unit to comply with the Documents and the Declaration and shall be responsible for all violations by such Occupants notwithstanding the fact that such Occupants of the Unit are fully liable and may be sanctioned for any such violation. If the tenant or Occupant violates the Documents or the Declaration or a Rule for which a fine is imposed, notice of the violation shall be given to the Owner and the tenant and Occupants, and such fine may be assessed against the Owner or the tenant and Occupant. Unpaid fines shall constitute a lien against the Unit.

12.3.2. Assignment of Rents. If the Owner fails to pay any Assessment or any other charge against the Unit for a period of more than thirty (30) days after it is due and payable, then the Owner hereby consents to the assignment of any rent received from the tenant during the period of delinquency, and, upon request by the Board, the tenant shall pay directly to the Association all unpaid Assessments and other charges payable during and prior to the term of the lease and any other period of occupancy by tenant. The tenant need not make such payments to the Association in excess of, or prior to the due dates for, monthly rental payments unpaid at the time of the Board's request. All such payments made by tenant shall reduce, by the same amount, tenant's obligation to make monthly rental payments to the Owner.

12.3.3. Violation Constitutes Default. Failure by the tenant or the tenant's guests to comply with the Documents, the Declaration, or Applicable Law is deemed to be a default under the lease. When the Association notifies an Owner of such violation, the Owner will promptly obtain compliance or exercise his rights as a landlord for tenant's breach of lease. If the tenant's violation continues or is repeated, and if the Owner is unable, unwilling, or unavailable to obtain his tenant's compliance, then the Association will have the power and right to pursue the remedies of a landlord under the lease or Applicable Law for the default, including eviction of the tenant.

12.3.4. Association as Attorney-in-Fact. Notwithstanding the absence of an express provision in the lease agreement for enforcement of the Documents by the Association, each Owner appoints the Association as the Owner's attorney-in-fact, with full authority to act in the Owner's place in all respects, for the purpose of enforcing the Documents against the Owner's tenants, including but not limited to the authority to institute forcible detainer proceedings, provided the Association gives the Owner at least ten (10) days' notice, by certified mail, of its intent to so enforce the Documents.

12.3.5. Association Not Liable for Damages. The Owner of a leased Unit is liable to the Association, as applicable, for any expenses incurred by either the Association in connection with enforcement of the Documents or Declaration against the Owner's tenant. The Association will be liable to the Owner for any damages, including lost rents, suffered by the Owner and related to such enforcement.

ARTICLE 13 ASSOCIATION OPERATIONS

13.1. Board. Unless the Documents expressly reserve a right, action, or decision to the Owners, Declarant, or another party, the Board acts in all instances on behalf of the Association. Unless the context indicates otherwise, references in the Documents to the "Association" may be construed to mean "the Association acting through a Majority of the Board."

13.2. **The Association.** The duties and powers of the Association are those set forth in the Documents, together with the general and implied powers of a condominium association and a nonprofit corporation organized under the laws of the State of Texas. Generally, the Association may do any and all things that are lawful and necessary, proper, or desirable in operating for the peace, health, comfort, and general benefit of its Members and the Regime, subject only to the limitations on the exercise of such powers as stated in the Documents. The Association comes into existence on issuance of its corporate charter. The Association will continue to exist as long as the Declaration is effective against the Property, regardless of whether its corporate charter lapses from time to time.

13.3. **Governance.** The Association will be governed by a Board elected by the Members. Unless the Bylaws or Certificate provide otherwise, the Board will consist of at least three (3) persons elected at the annual meeting of the Association, or at a special meeting called for such purpose. The Association will be administered in accordance with the Documents and Applicable Law. Unless the Documents provide otherwise, any action requiring approval of the Members may be approved in writing by Owners representing at least a Majority of the total number of votes in the Association, or at a meeting by Owners' representing at least a Majority of the total number of votes in the Association.

13.4. **Merger.** Merger or consolidation of the Association with another association must be evidenced by an amendment to this Declaration. The amendment must be approved by Owners of at least two-thirds (2/3) of the total number of votes in the Association. On merger or consolidation of the Association with another association, the property, rights, and obligations of another association may, by operation of Applicable Law, be added to the properties, rights, and obligations of the Association as a surviving corporation pursuant to the merger. The surviving or consolidated association may administer the provisions of the Documents within the Property, together with the covenants and restrictions established on any other property under its jurisdiction. No merger or consolidation, however, will effect a revocation, change, or addition to the covenants established by this Declaration.

13.5. **Membership.** Each Owner is a Member of the Association, ownership of a Unit being the sole qualification for membership. Membership is appurtenant to and may not be separated from ownership of the Unit. The Board may require satisfactory evidence of transfer of ownership before a purported Owner is entitled to vote at a meeting of the Association. If a Unit is owned by more than one Person or entity, each co-owner is a Member of the Association and may exercise the membership rights appurtenant to the Unit.

13.6. **Books and Records.** The Association will maintain copies of the Documents and the Association's books, records, and financial statements. Books and records of the Association will be made available for inspection and copying pursuant to the requirements of Applicable Law.

13.7. **Indemnification.** The Association indemnifies every officer, director, and committee member against expenses, including attorney's fees, reasonably incurred by or imposed in connection with any threatened or pending action, suit, or proceeding to which the officer, director, and committee member is a party or respondent by reason of being or having been a officer, director, and committee member. A officer, director, and committee member is not liable for a mistake of judgment. A officer, director, and committee member is liable for his willful misfeasance, malfeasance, misconduct, or bad faith. This right to indemnification does not exclude any other rights to which present or former officer, director, and committee member may be entitled. As a Common Expense, the Association may maintain general liability and directors' and officers' liability insurance to fund this obligation.

13.8. **Obligations of Owners.** Without limiting the obligations of Owners under the Documents, each Owner has the following obligations:

13.8.1. **Information.** Within thirty (30) days after acquiring an interest in a Unit, within thirty (30) days after the Owner has notice of a change in any information required by this Paragraph 13.8.1, and on request by the Association from time to time, an Owner will provide the Association with the following information: (i) a copy of the Recorded deed by which Owner has acquired title to the Unit; (ii) the Owner's address, email address, and phone number; (iii) any Mortgagee's name; (iv) the name and phone number and email address of any Occupant other than the Owner; and (v) the name, address, email address, and phone number of Owner's manager, if any.

13.8.2. **Pay Assessments.** Each Owner will pay Assessments properly levied by the Association against the Owner or such Owner's Unit and will pay Regular Assessments without demand by the Association.

13.8.3. **Compliance with Documents.** Each Owner will comply with the Documents as amended from time to time.

13.8.4. **Reimburse for Damages.** Each Owner will pay for damage to the Property caused by the negligence or willful misconduct of the Owner, an Occupant of the Owner's Unit, or the Owner or Occupant's family, guests, employees, contractors, agents, or invitees.

13.8.5. **Liability for Violations.** Each Owner is liable to the Association as applicable, for violations of the Documents or the Declaration by the Owner, an Occupant of the Owner's Unit, or the Owner or Occupant's family, guests, employees, agents, or invitees, and for costs incurred by the Association to obtain compliance, including attorney's fees whether or not suit is filed.

13.9. **Unit Resales.** This Article 13.9 applies to every sale or conveyance of a Unit or an interest in a Unit by an Owner other than Declarant:

13.9.1. **Resale Certificate.** An Owner intending to sell his Unit will notify the Association and will request a condominium resale certificate from the Association.

13.9.2. **No Right of First Refusal.** The Association does not have a right of first refusal and may not compel a selling Owner to convey the Owner's Unit to the Association.

13.9.3. **Other Transfer-Related Fees.** A number of independent fees may be charged in relation to the transfer of title to a Unit, including but not limited to, fees for resale certificates, estoppel certificates, copies of Documents, compliance inspections, ownership record changes, and priority processing, provided the fees are customary in amount, kind and number for the local marketplace. Transfer-related fees are not refundable and may not be regarded as a prepayment of or credit against Regular or Special Assessments. Transfer-related fees may be charged by the Association or by the Association's Management Company, provided there is no duplication of fees. Transfer-related fees charged by or paid to a Management Company must have the prior written approval of the Association, are not subject to the Association's assessment lien, and are not payable by the Association. This Article 13.9.3 does not obligate the Board or the Management Company to levy transfer-related fees.

ARTICLE 14 ENFORCING THE DOCUMENTS

14.1. **Notice and Hearing.** Before levying a fine for violation of the Documents (other than nonpayment of Assessments), the Association will give the Owner written notice of the levy and an opportunity to be heard, to the extent required by Applicable Law. The Association's written notice must contain a description of the violation or property damage; the amount of the proposed fine or damage charge; a statement that not later than the thirtieth (30th) day after the date of the notice, the Owner may request a hearing before the Board to contest the fine or charge; and a stated date by which the Owner may cure the violation to avoid the fine, unless the Owner was given notice and a reasonable opportunity to cure a similar violation within the preceding twelve (12) months. The Association may also give a copy of the notice to the Occupant of the Unit. Pending the hearing, the Association may continue to exercise all rights and remedies for the violation, as if the declared violation were valid. The Owner's request for a hearing suspends only the levy of a fine or damage charge. The Owner may attend the hearing in person or may be represented by another person or written communication. The Board may adopt additional or alternative procedures and requirements for notices and hearing, provided they are consistent with Applicable Law.

14.2. **Remedies.** The remedies provided in this Article 14 for breach of the Documents are cumulative and not exclusive. In addition to other rights and remedies provided by the Documents and by Applicable Law, the Association has the following rights to enforce the Documents:

14.2.1. **Nuisance.** The result of every act or omission that violates any provision of the Documents is a nuisance, and any remedy allowed by Applicable Law against a nuisance, either public or private, is applicable against the violation.

14.2.2. **Fine.** The Association may levy reasonable charges, as an Individual Assessment, against an Owner and the Owner's Unit if the Owner or Occupant, or the Owner or Occupant's family, guests, employees, agents, or contractors violate a provision of the Documents. Fines may be levied for each act of violation or for each day a violation continues and does not constitute a waiver or discharge of the Owner's obligations under the Documents.

14.2.3. **Suspension.** The Association may suspend the right of Owners and Occupants to use Common Elements (provided that the rights of ingress and egress and utility services are not impaired) for any period during which the Owner or Occupant, or the Owner or Occupant's family, guests, employees, agents, or contractors violate the Documents. A suspension does not constitute a waiver or discharge of the Owner's obligations under the Documents.

14.2.4. **Self-Help.** The Association has the right to enter a Common Element or Unit to abate or remove, using force as may reasonably be necessary, any Improvement, thing, animal, person, vehicle, or condition that violates the Documents. In exercising this right, the Association is not trespassing and is not liable for damages related to the abatement. The Board may levy its costs of abatement against the Unit and Owner as an Individual Assessment. Unless an emergency situation exists in the good faith opinion of the Board, the Board will give the violating Owner fifteen (15) days' notice of its intent to exercise self-help. Notwithstanding the foregoing, the Association may not alter or demolish any Improvement within a Unit without judicial proceedings.

14.2.5. **Suit.** Failure to comply with the Documents will be grounds for an action to recover damages or for injunctive relief to cause any such violation to be remedied, or both. Prior to commencing any legal proceeding, the Association will give the defaulting party reasonable notice and an opportunity to cure the violation.

14.3. **Board Discretion.** The Board may use its sole discretion in determining whether to pursue a violation of the Documents, provided the Board does not act in an arbitrary or capricious manner. In evaluating a particular violation, the Board may determine that under the particular circumstances: (i) the Association's position is not sufficiently strong to justify taking any or further action; (ii) the provision being enforced is or may be construed as inconsistent with Applicable Law; (iii) although a technical violation may exist, it is not of such a material nature as to be objectionable to a reasonable Person or to justify expending the Association's resources; or (iv) that enforcement is not in the Association's best interests, based on hardship, expense, or other reasonable criteria.

14.4. **No Waiver.** The Association and every Owner has the right to enforce all restrictions, conditions, covenants, liens, and charges now or hereafter imposed by the Documents. Failure by the Association or by any Owner to enforce a provision of the Documents is not a waiver of the right to do so thereafter.

14.5. **Recovery of Costs.** The costs of curing or abating a violation are the expense of the Owner or other Person responsible for the violation. If legal assistance is obtained to enforce any provision of the Documents, or in any legal proceeding (whether or not suit is brought) for damages or for the enforcement of the Documents or the restraint of violations of the Documents, the prevailing party is entitled to recover from the non-prevailing party all reasonable and necessary costs incurred by it in such action, including reasonable attorneys' fees.

ARTICLE 15 INSURANCE

15.1. **General Provisions.** The broad purpose of this Article 15 is to require that the Property be insured with the types and amounts of coverage that are customary for similar types of properties and that are acceptable to mortgage lenders, guarantors, or insurers that finance the purchase or improvement of Units. Because the insurance requirements of mortgage underwriters are subject to change, as are State-promulgated insurance regulations and policies, this Article tries to balance the need for certain minimum insurance requirements with the desire to adapt to a periodically changing insurance environment. The Board will make every reasonable effort to comply with the requirements of this Article 15.

15.1.1. **Unavailability.** The Association, and its directors, officers, and managers, will not be liable for failure to obtain any coverage required by this Article 15 or for any loss or damage resulting from such failure if the failure is due to the unavailability of a particular coverage from reputable insurance companies, or if the coverage is available only at demonstrably unreasonable cost.

15.1.2. **No Coverage.** Even if the Association and the Owner have adequate amounts of recommended and required coverages, the Property may experience a loss that is not covered by insurance. In that event, the Association is responsible for restoring the Common Elements as a Common Expense, and the Owner is responsible for restoring such Owner's Unit at Owner's sole expense. This provision does not apply to the deductible portion of a policy.

15.1.3. **Requirements.** The cost of insurance coverages and bonds maintained by the Association is a Common Expense. Insurance policies and bonds obtained and maintained by the Association must be issued by responsible insurance companies authorized to do business in the State of Texas. The Association must be the named insured on all policies obtained by the Association. The Association's policies should contain the standard mortgage clause naming either the Mortgagee or its servicer followed by "its successors and assigns." The loss payee clause should show the Association as trustee for each Owner and Mortgagee. Policies of property and general liability insurance maintained by the Association must provide that the insurer waives its rights to subrogation under the policy against an Owner. The Association's insurance policies will not be prejudiced by the act or omission of any Owner or Occupant who is not under the Association's control.

15.1.4. **Association as Trustee.** Each Owner irrevocably appoints the Association, acting through its Board, as the Owner's trustee to negotiate, receive, administer, and distribute the proceeds of any claim against an insurance policy maintained by the Association.

15.1.5. **Notice of Cancellation or Modification.** Each insurance policy maintained by the Association should contain a provision requiring the insurer to give prior written notice, as provided by the Act, to the Board before the policy may be canceled, terminated, materially modified, or allowed to expire, by either the insurer or the insured. The Board will give to Eligible Mortgagees, and the insurer will give Mortgagees, prior notices of cancellation, termination, expiration, or material modification.

15.1.6. **Deductibles.** An insurance policy obtained by the Association may contain a reasonable deductible, and the amount thereof may not be subtracted from the face amount of the policy in determining whether the policy limits satisfy the coverage limits required by this Declaration or an Underwriting Lender. In the event of an insured loss, the deductible is treated as a Common Expense of the Association in the same manner as the insurance premium. However, if the Board reasonably determines that the loss is the result of the negligence or willful misconduct of an Owner or Occupant or their guest or invitee, then the Board may levy an Individual Assessment against the Owner and the Owner's Unit for the amount of the deductible that is attributable to the act or omission, provided the Owner is given notice and an opportunity to be heard in accordance with Article 14.1 of this Declaration.

15.2. **Property Insurance.** The Association will obtain blanket all-risk insurance if reasonably available, for all Common Elements insurable by the Association. If blanket all-risk insurance is not reasonably available, then at a minimum the Association will obtain an insurance policy providing fire and extended coverage. This insurance must be in an amount sufficient to cover 100 percent of the replacement cost of any repair or reconstruction in the event of damage or destruction from any insured hazard. All hazard and flood insurance policies which include any Units must also have the standard mortgagee clause.

15.2.1. **Common Property Insured.** If insurable, the Association will insure: (i) General Common Elements; and (ii) property owned by the Association including, if any, records, furniture, fixtures, equipment, and supplies.

15.2.2. **Units Not Insured by Association.** In no event will the Association maintain properly insurance on the Units. Accordingly, each Owner of a Unit will be obligated to

maintain property insurance on such Owner's Unit, including any betterments and Improvements constructed within or exclusively serving such Unit, in an amount sufficient to cover one hundred percent (100%) of the replacement cost of any repair or reconstruction in event of damage or destruction from any insured hazard. In addition, the Association does not insure an Owner or Occupant's personal property. THE ASSOCIATION REQUIRES THAT EACH OWNER AND OCCUPANT PURCHASE AND MAINTAIN CASUALTY LOSS INSURANCE ON THEIR UNIT.

15.3. **Liability Insurance.** The Association will maintain a commercial general liability insurance policy over the Common Elements expressly excluding the liability of each Owner and Occupant within his Unit, for bodily injury and property damage resulting from the operation, maintenance, or use of the Common Elements. The amount of coverage should be at least that required by an Underwriting Lender, to the extent reasonably available. The purpose of this requirement is, in part, to assure mortgage companies that the Association maintains at least minimum levels of insurance coverage. If the policy does not contain a severability of interest provision, it should contain an endorsement to preclude the insurer's denial of an Owner's claim because of negligent acts of the Association or other Owners.

15.4. **Directors And Officers Liability.** The Association may maintain directors' and officers' liability insurance, errors and omissions insurance, indemnity bonds, or other insurance the Board deems advisable to insure the Association's directors, officers, committee members, and managers against liability for an act or omission in carrying out their duties in those capacities.

ARTICLE 16 RECONSTRUCTION OR REPAIR AFTER LOSS

16.1. **Subject To Act.** The Association's response to damage or destruction of the Property will be governed by Chapter 82.111(1) of the Act. The following provisions apply to the extent the Act is silent.

16.2. **Restoration Funds.** For purposes of this Article 16, "Restoration Funds" include insurance proceeds, condemnation awards, Deficiency Assessments, Individual Assessments, and other funds received on account of or arising out of injury or damage to the Common Elements. All funds paid to the Association for purposes of repair or restoration will be deposited in a financial institution in which accounts are insured by a federal agency. Withdrawal of Restoration Funds requires the signatures of at least two (2) Board members.

16.2.1. **Sufficient Proceeds.** If Restoration Funds obtained from insurance proceeds or condemnation awards are sufficient to repair or restore the damaged or destroyed Common Elements, the Association, as trustee for the Owners, will promptly apply the funds to the repair or restoration.

16.2.2. **Insufficient Proceeds.** If Restoration Funds are not sufficient to pay the estimated or actual costs of restoration as determined by the Board, the Board may levy a Deficiency Assessment against the Owners to fund the difference.

16.2.3. **Surplus Funds.** If the Association has a surplus of Restoration Funds after payment of all costs of repair and restoration, the surplus will be applied as follows: if Deficiency Assessments were a source of Restoration Funds, the surplus will be paid to Owners

in proportion to their contributions resulting from the Deficiency Assessment levied against them; provided that no Owner may receive a sum greater than that actually contributed by him, and further provided that any Delinquent Assessments owed by the Owner to the Association will first be deducted from the surplus. Any surplus remaining after the disbursement described in the foregoing paragraph will be common funds of the Association to be used as directed by the Board.

16.3. **Costs And Plans.**

16.3.1. **Cost Estimates.** Promptly after the loss, the Board will obtain reliable and detailed estimates of the cost of restoring the damaged Common Elements. Costs may include premiums for bonds and fees for the services of professionals, as the Board deems necessary, to assist in estimating and supervising the repair.

16.3.2. **Plans and Specifications.** Common Elements will be repaired and restored substantially as they existed immediately prior to the damage or destruction.

16.4. **Owner's Duty to Repair.** Within sixty (60) days after the date of damage, the Owner will begin repair or reconstruction of any portion of his Unit, subject to the right of the Association to supervise, approve, or disapprove repair or restoration during the course thereof. Unless otherwise approved by the Architectural Review Committee and the Board, the residence must be repaired and restored substantially in accordance with original construction plans and specifications.

16.5. **Owner's Liability for Insurance Deductible.** If repair or restoration of Common Elements is required as a result of an insured loss, the Board may levy an Individual Assessment, in the amount of the insurance deductible, against the Owner or Owners who would be responsible for the cost of the repair or reconstruction in the absence of insurance.

ARTICLE 17 TERMINATION AND CONDEMNATION

17.1. **Association As Trustee.** Each Owner hereby irrevocably appoints the Association, acting through the Board, as trustee to deal with the Property in the event of damage, destruction, obsolescence, condemnation, or termination of all or any part of the Property. As trustee, the Association will have full and complete authority, right, and power to do all things reasonable and necessary to effect the provisions of this Declaration and the Act, including, without limitation, the right to receive, administer, and distribute funds, awards, and insurance proceeds; to effect the sale of the Property as permitted by this Declaration or by the Act; and to make, execute, and deliver any contract, deed, or other instrument with respect to the interest of an Owner.

17.2. **Termination.** Termination of the terms of this Declaration and the Regime will be governed by Chapter 82.068 of the Act and Article 18.3 below.

17.3. **Condemnation.** The Association's response to condemnation of any part of the Regime will be governed by Chapter 82.007 of the Act. On behalf of Owners, but without their consent, the Board may execute an amendment of this Declaration to reallocate the Common Interest Allocation following condemnation and to describe the altered parameters of the Regime. If the Association replaces or restores Common Elements taken by condemnation by obtaining other land or constructing

additional Improvements, the Board may, to the extent permitted by Applicable Law, execute an amendment without the prior consent of Owners to describe the altered parameters of the Regime and any corresponding change of facilities or Improvements.

ARTICLE 18 MORTGAGEE PROTECTION

18.1. **Introduction.** This Article 18 is supplemental to, not a substitution for, any other provision of the Documents. In case of conflict, this Article 18 controls. Some sections of this Article 18 apply to "Mortgagees," as defined in Article 1. Other sections apply to "Eligible Mortgagees," as defined below.

18.1.1. **Known Mortgagees.** An Owner who mortgages his Unit will notify the Association, giving the complete name and address of the Owner's Mortgagee and the loan number. The Association's obligations to Mortgagees under the Documents extend only to those Mortgagees known to the Association. All actions and approvals required by Mortgagees will be conclusively satisfied by the Mortgagees known to the Association, without regard to other holders of mortgages on Units. The Association may rely on the information provided by Owners and Mortgagees.

18.1.2. **Eligible Mortgagees.** "Eligible Mortgagee" means the holder, insurer, or guarantor of a first purchase money mortgage secured by a Recorded deed of trust lien against a Unit who has submitted to the Association a written notice containing its name and address, the loan number, and the identifying number and street address of the mortgaged Unit. A single notice per Unit will be valid so long as the Eligible Mortgagee holds a mortgage on the Unit. The Board will maintain this information. The Association will treat the notice as the Eligible Mortgagee's request to be notified of any proposed action requiring the consent of Eligible Mortgagees. A provision of the Documents requiring the approval of a specified percentage of Eligible Mortgagees will be based on the number of Units subject to mortgages held by Eligible Mortgagees. For example, "51 percent of Eligible Mortgagees" means Eligible Mortgagees of fifty-one percent (51%) of the Units that are subject to mortgages held by Eligible Mortgagees.

18.2. **Amendment.** This Article 18 establishes certain standards for the benefit of Underwriting Lenders and is written to comply with their requirements and guidelines in effect at the time of drafting. If an Underwriting Lender subsequently changes its requirements, the Board, without approval of Owners or Mortgagees, may amend this Article 18 and other provisions of the Documents, as necessary, to meet the requirements of the Underwriting Lender.

18.3. **Termination.** Termination of the terms of this Declaration and the condominium status of the Regime will be governed by Chapter 82.068 of the Act, subject to the following provisions. In the event of condemnation of the entire Regime, an amendment to terminate may be executed by the Board without a vote of Owners or Mortgagees. Any election to terminate this Declaration and the condominium status of the Regime under circumstances other than condemnation of the entire Regime shall require the consent of: (i) Owners representing at least eighty percent (80%) of the total votes in the Association; (ii) Declarant during the Development Period; and (iii) sixty-seven percent (67%) of Eligible Mortgagees.

18.4. **Implied Approval.** The approval of an Eligible Mortgagee is implied when the Eligible Mortgagee fails to respond within sixty (60) days after receiving the Association's written

request for approval of a proposed amendment, provided the Association's request was delivered by certified or registered mail, return receipt requested.

ARTICLE 19 AMENDMENTS

19.1. **Consent Required.** As permitted by the Act or by this Declaration, certain amendments to this Declaration may be executed by Declarant acting alone, or by certain Owners acting alone, or by the Board acting alone. Otherwise, amendments to this Declaration must be approved by Owners representing at least sixty-seven percent (67%) of the total votes in the Association.

19.2. **Amendments Generally.** For amendments requiring the consent of Mortgagees, the Association will send each Mortgagee a detailed description, if not the exact wording, of any proposed amendment. Notwithstanding any provisions in this Declaration to the contrary, no amendment to this Declaration shall modify, alter, abridge or delete any: (i) provision of this Declaration that benefits the Declarant; (ii) rights, privileges, easements, protections, or defenses of the Declarant; or (iii) rights of the Owners or the Association in relationship to the Declarant, without the written consent of the Declarant, attached to and Recorded with such amendment. In addition, no amendment to this Declaration shall modify, alter, abridge or delete any: (i) permissible use of a Unit absent the consent of the Owner(s) of the Unit affected by the change in permissible use; or (ii) any license, easement or other contractual rights contained in this Declaration, including, without limitation, any easement, right and license benefiting or in favor of the Declarant.

19.3. **Effective.** To be effective, an amendment must be in the form of a Recorded written instrument: (i) referencing the name of the Regime, the name of the Association, and the Recording data of this Declaration and any amendments hereto; (ii) signed and acknowledged by an officer of the Association, certifying the requisite approval of Owners and, if required, Mortgagees; provided, however, this subsection (ii) will not apply for amendments that may be unilaterally prosecuted by Declarant pursuant to any rights reserved by Declarant under this Declaration.

19.4. **Declarant Rights.** Declarant has an exclusive right to unilaterally amend this Declaration for the purposes stated in the RESERVATION OF DECLARANT RIGHTS recorded contemporaneously with this Declaration in the Official Records of Gillespie County, Texas.

ARTICLE 20 DISPUTE RESOLUTION

20.1. **Introduction And Definitions.** The Association, the Owners, Declarant, all Persons subject to this Declaration, and any person not otherwise subject to this Declaration who agree to submit to this Article 20 (collectively, the "Parties") agree to encourage the amicable resolution of disputes involving the Property and to avoid the emotional and financial costs of litigation and arbitration if at all possible. Accordingly, each Party hereby covenants and agrees that this Article 20 applies to all Claims as hereafter defined. As used in this Article 20 only, the following words, when capitalized, have the following specified meanings:

20.1.1. **"Claim"** means:

- (i) Claim relating to the rights and/or duties of Declarant or its permitted assigns, under the Documents or the Act.
- (ii) Claim relating to the acts or omissions of the Declarant during its control and administration of the Association, any claim asserted against the Architectural Review Committee if the claim relates to any act or omission of the Architectural Review Committee while controlled by the Declarant, and any claims asserted against a Person appointed by the Declarant to serve as a Board member or officer of the Association.
- (iii) Claim relating to the design or construction of the Property, Units, or any Improvement made by or on behalf of the Declarant, or its permitted assigns.

20.1.2. "**Claimant**" means any Party having a Claim against any other Party.

20.1.3. "**Respondent**" means any Party against which a Claim has been asserted by a Claimant.

20.2. **Mandatory Procedures.** Claimant may not initiate any proceeding before any administrative tribunal seeking redress or resolution of its Claim until Claimant has complied with the procedures of this Article 20. As provided in Article 20.7 below, a Claim will be resolved by binding arbitration.

20.3. **Notice.** Claimant must notify Respondent in writing of the Claim (the "Notice"), stating plainly and concisely: (i) the nature of the Claim, including date, time, location, persons involved, and Respondent's role in the Claim; (ii) the basis of the Claim (i.e., the provision of the Documents or other authority out of which the Claim arises); (iii) what Claimant wants Respondent to do or not do to resolve the Claim; and (iv) that the Notice is given pursuant to this Article 20.3.

20.4. **Negotiation.** Claimant and Respondent will make every reasonable effort to meet in person to resolve the Claim by good faith negotiation. Within sixty (60) days after Respondent's receipt of the Notice, Respondent and Claimant will meet at a mutually acceptable place and time to discuss the Claim. If the Claim involves all or any portion of the Property, then at such meeting or at some other mutually agreeable time, Respondent and Respondent's representatives will have full access to the Property that is subject to the Claim for the purposes of inspecting the Property. If Respondent elects to take corrective action, Claimant will provide Respondent and Respondent's representatives and agents with full access to the Property to take and complete corrective action.

20.5. **Mediation.** If the parties negotiate, but do not resolve the Claim through negotiation within one-hundred twenty (120) days from the date of the Notice (or within such other period as may be agreed on by the parties), Claimant will have thirty (30) additional days within which to submit the Claim to mediation under the auspices of a mediation center or individual mediator on which the parties mutually agree. The mediator must have at least five (5) years of experience serving as a mediator and must have technical knowledge or expertise appropriate to the subject matter of the Claim. If Claimant does not submit the Claim to mediation within the thirty (30) day period, Respondent will submit the Claim to mediation in accordance with this Article 20.5.

20.6. **Termination Of Mediation.** If the Parties do not settle the Claim within thirty (30) days after submission to mediation, or within a time deemed reasonable by the mediator, the mediator will issue a notice of termination of the mediation proceedings indicating that the Parties are at an

impasse and the date that mediation was terminated. Thereafter, Claimant may file suit or initiate arbitration proceedings on the Claim, as appropriate and permitted by this Article 20.

20.7. Binding Arbitration-Claims. All Claims must be settled by binding arbitration. Claimant or Respondent may, by summary proceedings (e.g., a plea in abatement or motion to stay further proceedings), bring an action in court to compel arbitration of any Claim not referred to arbitration as required by this Article 20.7. This Article 20.7 may not be amended without the prior written approval of the Declarant and Owners holding a Majority of the total votes in the Association.

20.7.1. Governing Rules. If a Claim has not been resolved after Mediation as required by Article 20.5, the Claim will be resolved by binding arbitration in accordance with the terms of this Article 20.7 and the rules and procedures of the American Arbitration Association ("AAA") or, if the AAA is unable or unwilling to act as the arbitrator, then the arbitration shall be conducted by another neutral reputable arbitration service selected by Respondent in Gillespie County, Texas. Regardless of what entity or person is acting as the arbitrator, the arbitration shall be conducted in accordance with the AAA's "Construction Industry Dispute Resolution Procedures" and, if they apply to the disagreement, the rules contained in the Supplementary Procedures for Consumer-Related Disputes. If such Rules have changed or been renamed by the time a disagreement arises, then the successor rules will apply. Also, despite the choice of rules governing the arbitration of any Claim, if the AAA has, by the time of Claim, identified different rules that would specifically apply to the Claim, then those rules will apply instead of the rules identified above. In the event of any inconsistency between any such applicable rules and this Article 20.7, this Article 20.7 will control. Judgment upon the award rendered by the arbitrator shall be binding and not subject to appeal but may be reduced to judgment in any court having jurisdiction. Notwithstanding any provision to the contrary or any applicable rules for arbitration, any arbitration with respect to Claims arising hereunder shall be conducted by a panel of three (3) arbitrators, to be chosen as follows:

- (i) one arbitrator shall be selected by Respondent, in its sole and absolute discretion;
- (ii) one arbitrator shall be selected by the Claimant, in its sole and absolute discretion;
- and
- (iii) one arbitrator shall be selected by mutual agreement of the arbitrators having been selected by Respondent and the Claimant, in their sole and absolute discretion.

20.7.2. Exceptions to Arbitration; Preservation of Remedies. No provision of, nor the exercise of any rights under, this Article 20.7 will limit the right of Claimant or Respondent, and Claimant and the Respondent will have the right during any Claim, to seek, use, and employ ancillary or preliminary remedies, judicial or otherwise, for the purposes of realizing upon, preserving, or protecting upon any property, real or personal, that is involved in a Claim, including, without limitation, rights and remedies relating to: (i) exercising self-help remedies (including set-off rights); or (ii) obtaining provisions or ancillary remedies such as injunctive relief, sequestration, attachment, garnishment, or the appointment of a receiver from a court having jurisdiction before, during, or after the pendency of any arbitration. The institution and maintenance of an action for judicial relief or pursuit of provisional or ancillary remedies or exercise of self-help remedies shall not constitute a waiver of the right of any party to submit the Claim to arbitration nor render inapplicable the compulsory arbitration provisions hereof.

20.7.3. Statute of Limitations. All statutes of limitation that would otherwise be applicable shall apply to any arbitration proceeding under this Article 20.7.

20.7.4. Scope of Award; Modification or Vacation of Award. The arbitrator shall resolve all Claims in accordance with the Applicable Law. The arbitrator may grant any remedy or relief that the arbitrator deems just and equitable and within the scope of this Article 20.7. The arbitrator may also grant such ancillary relief as is necessary to make effective the award. In all arbitration proceedings the arbitrator shall make specific, written findings of fact and conclusions of Applicable Law. In all arbitration proceedings the parties shall have the right to seek vacation or modification of any award that is based in whole, or in part, on:

- (i) factual findings that have no legally or factually sufficient evidence, as those terms are defined in Applicable Law;
- (ii) conclusions of Applicable Law that are erroneous;
- (iii) an error of federal or state law; or
- (iv) a cause of action or remedy not expressly provided under existing state or federal law. In no event may an arbitrator award speculative, consequential, or punitive damages for any Claim.

20.7.5. Other Matters. To the maximum extent practicable, an arbitration proceeding hereunder shall be concluded within one hundred and eighty (180) days of the filing of the Claim for arbitration by notice from either party to the other. Arbitration proceedings hereunder shall be conducted in Gillespie County, Texas. The arbitrator shall be empowered to impose sanctions and to take such other actions as the arbitrator deems necessary to the same extent a judge could pursuant to the Federal Rules of Civil Procedure, the Texas Rules of Civil Procedure and Applicable Law. The arbitrator shall have the power to award recovery of all costs and fees (including attorney's fees, administrative fees, and arbitrator's fees) to the prevailing party. Each party agrees to keep all Claims and arbitration proceedings strictly confidential, except for disclosures of information required in the ordinary course of business of the parties or by Applicable Law or regulation. In no event shall any party discuss with the news media or grant any interviews with the news media regarding a Claim or issue any press release regarding any Claim without the written consent of the other parties to the Claim.

20.8. Allocation Of Costs. Except as otherwise provided in this Article 20, each Party bears all of its own costs incurred prior to and during the proceedings described in the Notice, Negotiation, Mediation, and Arbitration sections above, including its attorney's fees. Respondent and Claimant will equally divide all expenses and fees charged by the mediator and arbitrator.

20.9. General Provisions. A release or discharge of Respondent from liability to Claimant on account of the Claim does not release Respondent from liability to persons who are not party to Claimant's Claim.

20.10. Period of Limitation.

20.10.1. For Actions by an Owner or Occupant of a Unit. The exclusive period of limitation for any of the Parties to bring any Claim of any nature against Declarant or its contractors, including, but not limited to, a Claim of construction defect or defective design of a Unit, shall be the earliest of: (i) for Claims alleging construction defect or defective design, two (2) years and one (1) day from the date that the Owner or Occupant discovered or reasonably should have discovered evidence of the Claim; or (ii) for Claims other than those alleging construction defect or defective design, two (2) years and one (1) day after the date

Declarant conveyed the Unit to the original Owner or such other shorter period specified in any written agreement between Declarant and the Owner to whom Declarant initially conveyed the Unit.

20.10.2. **For Actions by the Association.** The exclusive period of limitation for the Association to bring any Claim of any nature against Declarant or its contractors, including, but not limited to, a Claim of construction defect or defective design of the Common Elements, shall be the earliest of:

- (i) for Claims alleging construction defect or defective design, two (2) years and one (1) day from the date that the Association or its agents discovered or reasonably should have discovered evidence of the Claim;
- (ii) for Claims other than those alleging construction defect or defective design of the Common Elements, two (2) years and one (1) day after the Declarant Control Period.

20.11. **Approval & Settlement.** Notwithstanding any provision in this Article 20 to the contrary, the initiation of binding arbitration for a Claim as required by this Article 20 is subject to the following conditions:

20.11.1. **Owner Acceptance.** Each Owner, by accepting an interest in or title to a Unit, whether or not it is so expressed in the instrument of conveyance, covenants and agrees to be bound by this Article 20.11 and Article 20.

20.11.2. **Owner Approval.** The Association may not initiate binding arbitration or any judicial proceeding without the prior approval of Owners holding at least a Majority of the total votes in the Association.

20.11.3. **Funding Arbitration and Litigation.** The Association must levy a Special Assessment to fund the estimated costs of arbitration conducted pursuant to this Article 20 or any judicial action initiated by the Association. The Association may not use its annual operating income or reserve funds or savings to fund arbitration or litigation unless the Association's annual budget or a savings account was established and funded from its inception as an arbitration and litigation reserve fund.

20.11.4. **Settlement.** The Board, on behalf of the Association and without the consent of Owners, is hereby authorized to negotiate the settlement of arbitration and litigation, and may execute any document related thereto, such as settlement agreement and waiver or release of claims.

20.11.5. **Amendment.** This Article 20.11 may only be amended with the prior written approval of the Declarant, the Association (acting through a Majority of the Board), and Owners holding a Majority of the total votes in the Association.

ARTICLE 21 GENERAL PROVISIONS

21.1. **Notices.** Any notice permitted or required to be given by this Declaration shall be in writing and may be delivered either by electronic mail, personally or by mail. Such notice shall be

deemed delivered at the time of personal or electronic delivery, and if delivery is made by mail, it shall be deemed to have been delivered on the third day (other than a Sunday or legal holiday) after a copy of the same has been deposited in the United States mail, postage prepaid, addressed to the Person at the address given by such Person to the Association for the purpose of service of notices. Such address may be changed from time to time by notice in writing given by such Person to the Association of created.

21.2. **Compliance.** The Owners hereby covenant and agree that the administration of the Association will be in accordance with the provisions of the Documents and Applicable Law.

21.3. **Interpretation.** The provisions of this Declaration shall be liberally construed to effectuate the purposes of creating a uniform plan for the development and operation of the Regime and of promoting and effectuating the fundamental concepts of the Regime set forth in this Declaration. This Declaration shall be construed and governed under the laws of the State of Texas.

21.4. **Duration.** Unless terminated or amended by Owners or the Declarant as permitted herein, the provisions of this Declaration run with and bind the Property and will remain in effect perpetually to the extent permitted by Applicable Law.

21.5. **Captions.** In all Documents, the captions of articles and sections are inserted only for convenience and are in no way to be construed as defining or modifying the text to which they refer. Boxed notices are inserted to alert the reader to certain provisions and are not to be construed as defining or modifying the text.

21.6. **Construction.** The provisions of this Declaration shall be deemed independent and severable, and the invalidity or partial invalidity of any provision or portion thereof shall not affect the validity or enforceability of any other provision or portion thereof. Unless the context requires a contrary construction, the singular shall include the plural and the plural the singular; and the masculine, feminine, or neuter shall each include the masculine, feminine, and neuter. All captions and titles used in this Declaration are intended solely for convenience of reference and shall not enlarge, limit or otherwise effect that which is set forth in any of the paragraphs, sections, or articles hereof. Throughout this Declaration there appears text enclosed by a box. This text is used to aid in the reader's comprehension of certain provisions of this Declaration. In the event of a conflict between the text enclosed by a box and any provision of this Declaration, the provision of the Declaration will control.

21.7. **Declarant as Attorney in Fact and Proxy.** To secure and facilitate Declarant's exercise of the rights reserved by Declarant in this Declaration, each Owner, by accepting a deed to a Unit and each Mortgagee, by accepting the benefits of a Mortgage against a Unit within the Regime, and any other Person, by acceptance of the benefits of a mortgage, deed of trust, mechanic's lien contract, mechanic's lien claim, vendor's lien and/or any other security interest against any Unit in the Regime, shall thereby be deemed to have appointed Declarant such Owner's, Mortgagee's, and Person's irrevocable attorney-in-fact, with full power of substitution, to do and perform, each and every act permitted or required to be performed by Declarant pursuant to this Declaration. The power thereby vested in Declarant as attorney-in-fact for each Owner, Mortgagee, and/or Person, shall be deemed, conclusively, to be coupled with an interest and shall survive the dissolution, termination, insolvency, bankruptcy, incompetency, and death of an Owner, Mortgagee, and/or Person and shall be binding upon the legal representatives, administrators, executors, successors, heirs, and assigns of each such party. In addition, each Owner, by accepting a deed to a Unit, and each Mortgagee, by accepting the benefits of a Mortgage against a Unit in the Regime, and any Person, by accepting the benefits of a

mortgage, deed of trust, mechanic's lien contract, mechanic's lien claim, vendor's lien, and/or any other security interest against any Unit in the Regime, shall thereby appoint Declarant the proxy of such Owner, Mortgagee, or Person, with full power of substitution in the Property, to do and perform each and every act permitted or required pursuant to this Declaration, and which may otherwise be reasonably necessary in connection therewith, including without limitation, to cast a vote for such Owner, Mortgagee, or Person at any meeting of the Members for the purpose of approving or consenting to any amendment to this Declaration in order to effect and perfect any such act permitted or required pursuant to this Declaration and to execute and Record amendments on their behalf to such effect; and the power hereby reserved in Declarant, as the attorney-in-fact for each such Owner, Mortgagee, or Person includes, without limitation, the authority to execute a proxy as the act and deed of any Owner, Mortgagee, or Person and, upon termination or revocation of any Owner's proxy as permitted by the Business Organizations Code the authority to execute successive proxies as the act and deed of any Owner, Mortgagee, or Person authorizing Declarant, or any substitute or successor Declarant appointed thereby, to cast a like vote for such Owner at any meeting of the Members of the Association. Furthermore, each Owner, Mortgagee, and Person upon request by Declarant, will execute and deliver a written proxy pursuant to Chapter 82.110(b) of the Act, including a successive written proxy upon the termination or revocation as permitted by the Act of any earlier proxy, authorizing Declarant, or any substitute or successor Declarant appointed thereby, to cast a like vote for such Owner at any meeting of the Members of the Association. All such appointments and successive proxies shall expire as to power reserved by Declarant pursuant to this Declaration on the date Declarant no longer has the right to exercise such rights. All such proxies shall be non-revocable for the maximum lawful time and upon the expiration of non-revocable period, new proxies shall again be executed for the maximum non-revocable time until Declarant's right to require such successive proxies expires.

21.8. The following exhibits are attached to this Declaration and are incorporated herein by reference:

Exhibit "A"	Legal Description of Property
Exhibit "B"	Plats and Plans
Exhibit "C"	Encumbrances
Exhibit "D"	Schedule of Allocated Interests

[SIGNATURE PAGE FOLLOWS]