Upon recording, please return to:

Andrew Ball
Boot Ranch
77 Boot Ranch Circle
Fredericksburg, Texas 78624

DECLARAT 20113029
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FIRST AMENDED AND RESTATED

DECLARATION OF GOVERNANCE

FOR

BOOT RANCH

FILED AND RECORDED
OFFICIAL PUBLIC RECORDS

Mary Lynn Rusche

Mary Lynn Rusche, County Clerk
Gillespie County TEXAS
August 01, 2011 04:00:12 PM
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FIRST AMENDED AND RESTATED DECLARATION OF GOVERNANCE

FOR

BOOT RANCH

THIS FIRST AMENDED AND RESTATED DECLARATION OF GOVERNANCE ("Declaration") is made as of the date on the signature page hereof by TX 77 Boot Ranch Circle LLC, a Delaware limited liability company (the "Sponsor").

MISSION STATEMENT AND OVERVIEW

The mission of Boot Ranch is to create a human settlement within a park whose members share traditional values, a strong sense of place, and an ethos of human stewardship of the natural systems that support all life. We seek a legacy of happy, enriching daily life, sustainable harmony within our surroundings, and regional environmental leadership. Moreover, we seek to protect and preserve this rugged and beautiful place, so that it might comfort living creatures for generations to come.

This First Amended and Restated Declaration of Governance amends and restates in its entirety that certain Declaration of Governance dated June 16, 2011 and recorded in the Real Property Records of Gillespie County, Texas as Instrument Number 20112536, which amended and restated that certain Declaration of Covenants, Conditions and Restrictions for Boot Ranch dated May 24, 2005 and recorded in the Real Property Records of Gillespie County, Texas in Volume 602, Page 167 (the "Original Declaration"), as amended by First Amendment to Declaration of Covenants, Conditions and Restrictions dated October 22, 2007 and recorded in said Real Property Records as Instrument Number 20076156.

The original "Sponsor" at the time of the recording of the Original Declaration was the owner of the real property described in Exhibit A, which is attached and incorporated by reference. This Declaration imposes upon the Properties (as defined in Chapter 1 below) mutually beneficial restrictions under a general plan of improvement for the benefit of the owners of each portion of the Properties and establishes a flexible and reasonable procedure for the overall development, administration, maintenance and preservation of the Properties. In furtherance of such plan, this Declaration provides for the Boot Ranch Property Owner's Association, Inc. to own, operate and maintain Common Areas and to administer and enforce the provisions of this Declaration.

The Sponsor hereby declares that all of the property described in Exhibit A and any additional property subjected to this Declaration by Supplemental Declaration shall be held, sold, used and conveyed subject to the following easements, restrictions, covenants, and conditions, which shall run with the title to the real property subjected to this Declaration. This Declaration shall be binding upon all parties having any right, title, or interest in any portion of the Properties, their heirs, successors, successors-in-title, and assigns, and shall inure to the benefit of each owner of any portion of the Properties.

This document does not and is not intended to create a condominium nor a property owners' development.

CHAPTER 1.

DEFINITIONS

The terms in this Declaration and the exhibits to this Declaration shall generally be given their natural, commonly accepted definitions except as otherwise specified. Capitalized terms shall be defined as set forth below.

1.1 "Additional Property": All of that certain real property which is more particularly described on Exhibit B, which is attached and incorporated herein by this reference, and which real property is subject to annexation to the terms of this Declaration in accordance with Chapter 7.

1.2 "ARB": The Architectural Review Board, as described in Section 9.2.

1.3 "Architectural Design Guidelines": The design, construction and modification guidelines, lot protocols, and application and review procedures applicable to the Properties promulgated and administered pursuant to Chapter 9.

1.4 "Area of Common Responsibility": The Common Area, together with such other areas, including, without limitation, rights-of-way, if any, for which the Association has or assumes responsibility pursuant to the terms of this Declaration, any Supplemental Declaration or other applicable covenant, contract, or agreement, which may include the portions of any Units subject to the Development Easements.

1.5 "Articles of Incorporation" or "Articles": The Articles of Incorporation of Boot Ranch Property Owner's Association, Inc., as they may be amended form time to time, and filed with the Secretary of State of the State of Texas.

1.6 "Association": Boot Ranch Property Owner's Association, Inc., a Texas nonprofit corporation, doing business as the Boot Ranch Conservancy Association, its successors or assigns.

1.7 "Board of Trustees" or "Board": The body responsible for administration of the Association, selected as provided in the Bylaws and serving as the board of trustees under Texas corporate law.

1.8 "Bulk Builder": Any Person which purchases one or more Units for the purpose of constructing improvements for later sale to consumers or purchases one or more parcels of land within the Properties for further subdivision, development, and/or resale in the ordinary course of such Person's business. Any Person occupying or leasing a Unit for residential purposes shall cease to be considered a Bulk Builder with respect to such Unit immediately upon occupation of the Unit for residential purposes, notwithstanding that such Person originally purchased the Unit for the purpose of constructing improvements for later sale to consumers.

1.9 "Bylaws": The Bylaws of Boot Ranch Property Owner's Association, Inc., as they may be amended from time to time.

1.10 "Class 'B' Control Period": The period of time during which the Class "B" Member is entitled to appoint a Majority of the members of the Board of Trustees as provided in Section 3.2.

1.11 "Club": Boot Ranch Club.

1.12 "Club Facilities": The golf course and other facilities and amenities (including, but not limited to, the clubhouse village, lodges, gun and skeet shooting facilities and fishing areas) owned, operated and/or maintained by the Club Owner. In no event shall the Club Facilities be deemed a portion of the Properties, and no Owner or Member shall have any rights or privileges in the Club Facilities, or any playing privileges, membership or usage rights in any golf facility (public or private), or country club facility, if any, operated as Club Facilities due to their ownership of a Unit or as Members of the Association.

1.13 "Club Facilities Property": The real property owned by the Club Owner on which the Club Facilities are located.

1.14 "Club Membership": A membership in the Club as defined in the Membership Plan for the Club.

1.15 "Club Owner": TX 77 Boot Ranch Circle LLC, a Delaware limited liability company, the owner of Boot Ranch Club, and its successors or assigns.

1.16 "Common Area": All real and personal property, including easements, which the Association owns, leases or holds possessory or use rights in for the common use and enjoyment of the Owners. Common Areas may include, but not be limited to, roads, streets, entranceways, street lighting, signage and recreational areas, but shall not include the Club Facilities Property. The term also shall include any Exclusive Common Area, as defined below.

1.17 "Common Expenses": The actual and estimated expenses incurred, or anticipated to be incurred, by the Association for the general benefit of all Owners, including any reasonable reserve, as the Board may find necessary and appropriate pursuant to this Declaration, the Bylaws, and the Articles of Incorporation. Common Expenses shall not include any expenses incurred during the Class "B" Control Period for initial development, original construction, installation of infrastructure, original capital improvements, or other original construction costs unless approved by Members representing a Majority of the total Class "A" votes of the Association.

1.18 "Community-Wide Standard": The standard of conduct, maintenance, or other activity generally prevailing throughout the Properties. Such standard may be more specifically determined by the Board of Trustees and the ARB and may be documented in whole or in part in the Architectural Design Guidelines or elsewhere.

1.19 "Covenant to Share Costs" or "Cost Sharing Agreements": Any agreement, contract or covenant between the Association and an owner or operator of property adjacent to the Properties for the allocation of expenses that benefit both the Association and the owner or operator of such property.

1.20 "Days": Calendar days; provided, however, if the time period by which any action required hereunder must be performed expires on a Saturday, Sunday, or legal holiday, then such time period shall be automatically extended to the close of business on the next regular business day.

1.21 "Development Easements": Those certain easements and other matters of record as set forth in any plat or plats of the Properties recorded by the Sponsor in the Public Records, which plat or plats depict one or more of the Units.

1.22 "Development Period": The period of time during which the Sponsor owns any property which is subject to this Declaration, any Additional Property, or has the unilateral right to subject Additional Property to this Declaration pursuant to Section 7.1.

1.23 "Exclusive Common Area": A portion of the Common Area intended for the exclusive use or primary benefit of one or more, but less than all, Neighborhoods or Units.

1.24 "Flood Plain": The Federal Emergency Management Agency (FEMA) designated flood plain located in the Properties.

1.25 "General Assessment": Assessments levied on all Units subject to assessment under Chapter 8 to fund Common Expenses for the general benefit of all Units.

1.26 "Governing Documents": The Declaration, Bylaws, Articles of Incorporation, all Supplemental Declarations, all Architectural Design Guidelines, rules of the Association, any Covenant to Share Costs, and any additional covenants governing any portion of the Properties or any of the above, as each may be amended from time to time.

1.27 "Lakes": Any lakes located within the Properties.

1.28 "Majority": Those votes, Owners, Members, or other group, as the context may indicate, totaling more than fifty percent (50%) of the total eligible number.

1.29 "Master Plan": The land use plan or development plan known as "Boot Ranch," prepared by the Sponsor, as such plan may be amended from time to time, which includes the property described on Exhibit A and all or a portion of the property described on Exhibit B that the Sponsor may from time to time anticipate subjecting to this Declaration. Inclusion of property on the Master Plan shall not, under any circumstances, obligate the Sponsor to subject such property to this Declaration, nor shall the exclusion of property described on Exhibit B from the Master Plan bar its later annexation in accordance with Chapter 7.

1.30 "Member": A Person subject to membership in the Association pursuant to Chapter 3.

1.31 "Mortgage": A mortgage, a deed of trust, a deed to secure debt, or any other form of security instrument affecting title to any Unit.

1.32 "Mortgagee": A beneficiary or holder of a Mortgage.

1.33 "Neighborhood": A separately developed area within the Properties in which the Owners of Units may have common interests other than those common to all Members of the Association. For example, and by way of illustration and not limitation, the Sunday House development and the single-family development could be designated as separate Neighborhoods. Neighborhood boundaries may be established and modified as provided in Section 3.3.

1.34 "Neighborhood Assessments": Assessments levied against the Units in a particular Neighborhood or Neighborhoods to fund Neighborhood Expenses, as described in Sections 8.1 and 8.4.

1.35 "Neighborhood Expenses": The actual and estimated expenses incurred or anticipated to be incurred by the Association for the benefit of Owners of Units within a particular Neighborhood or Neighborhoods, which may include a reasonable reserve for capital repairs and replacements, as the Board may specifically authorize from time to time and as may be authorized herein or in Supplemental Declarations applicable to such Neighborhood(s).

1.36 "Owner": One or more Persons who hold the record title to any Unit, but excluding in all cases any party holding an interest merely as security for the performance of an obligation. If a Unit is

sold under a recorded land sales contract, and the contract specifically so provides, the purchaser (rather than the fee owner) will be considered the Owner.

1.37 "Person": A natural person, a corporation, a partnership, a limited liability company, a fiduciary acting on behalf of another person, or any other legal entity.

1.38 "Private Amenity": Certain real property and any improvements and facilities thereon located adjacent to, in the vicinity of, or within the Properties, including, but not limited to, the Club Facilities, which are owned and operated, in whole or in part, by the Club Owner or by Persons other than the Association for recreational or other purposes. Any Private Amenity shall be designated by the Sponsor in its sole discretion. The use of the term "Private Amenity" shall not be construed to imply or require a private club. Private Amenities may be operated on a club membership, daily fee, use fee, public, semi-private or private basis or otherwise.

1.39 "Properties": The real property described on Exhibit A, together with such additional property as is subjected to this Declaration in accordance with Chapter 7.

1.40 "Public Records": The Official Records of the Clerk of Gillespie County, Texas.

1.41 "Special Assessment": Assessments levied in accordance with Section 8.6.

1.42 "Specific Assessment": Assessments levied in accordance with Section 8.7.

1.43 "Sponsor": TX 77 Boot Ranch Circle LLC, a Delaware limited liability company, or any successor, successor-in-title, or assign who takes title to any portion of the property described on Exhibit A or Exhibit B for the purpose of development and/or sale and who is designated as the Sponsor in a recorded instrument executed by the immediately preceding Sponsor; provided however, there shall be only one "Sponsor" hereunder at any one time.

1.44 "Sunday House": A specialized type of Unit providing lodging for up to eight (8) persons and a place to gather and entertain business clients or other guests.

1.45 "Supplemental Declaration": An instrument filed in the Public Records which subjects additional property to this Declaration, designates Neighborhoods, and/or imposes, expressly or by reference, additional restrictions and obligations on the land described in such instrument.

1.46 "Unit": A portion of the Properties, whether improved or unimproved, which may be independently owned and conveyed and which is intended for development, use, and occupancy as an attached or detached residence for a single family or for corporate use. The term shall refer to the land, if any, which is part of the Unit as well as any improvements thereon. The term shall include within its meaning, by way of illustration but not limitation, Sunday Houses and single-family detached houses on separately platted lots, as well as vacant land intended for development as such, but shall not include Common Area or property dedicated to the public. In the case of an unplatted parcel of land, such parcel shall be deemed to be a single Unit until such time as a subdivision plat is filed of record on all or a portion of the parcel. Thereafter, the portion encompassed by such plat shall contain the number of Units determined as set forth in the preceding paragraph and any portion not encompassed by such plat shall continue to be treated in accordance with this paragraph. The term "Unit," does not include references to groupings of platted lots as such term may be used in: (i) the Master Plan; (ii) plats of the Property; or (iii) other plans depicting all or any portion of the Properties.

1.47 "Utility Company": Any utility company supplying sanitary sewer, domestic water and/or reclaimed water services to the Properties.

CHAPTER 2.

PROPERTY RIGHTS

2.1 Common Area. Every Owner shall have a right and nonexclusive easement of use, access, and enjoyment in and to the Common Area, which is appurtenant to the title to each Unit, subject to:

(a) This Declaration and all other Governing Documents;

(b) Any restrictions or limitations contained in any deed conveying such property to the Association;

(c) The right of the Board to adopt, amend and repeal rules regulating the use and enjoyment of the Common Area, including rules limiting the number of guests who may use the Common Area;

(d) The right of the Board to suspend the right of an Owner to use recreational facilities within the Common Area pursuant to Section 4.3;

(e) The right of the Association, acting through the Board, to dedicate or transfer all or any part of the Common Area, subject to such approval requirements, if any, set forth in this Declaration;

(f) The right of the Board to impose reasonable requirements and charge reasonable admission or other use fees for the use of any facility situated upon the Common Area;

(g) The right of the Board and the Sponsor to permit use of any recreational facilities situated on the Common Area by persons other than Owners, their families, lessees and guests upon payment of reasonable use fees, if any, established by the Board;

(h) The right of the Association, acting through the Board, to mortgage, pledge, or hypothecate any or all of its real or personal property as security for money borrowed or debts incurred;

(i) The rights of certain Owners to the exclusive use of those portions of the Common Area designated "Exclusive Common Areas," as more particularly described in Section 2.3;

(j) The Development Easements; and

(k) The right of the Sponsor to conduct activities and establish facilities within the Properties as provided in Chapter 13.

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

2.2 Private Streets. Every Owner shall have a right and nonexclusive easement of use, access, and enjoyment in and to, over and across any private streets and roads, within the Properties ("Private Streets"), whether or not any such Private Streets are Common Area, for the purpose of ingress

and egress to public rights-of-way. The rights and nonexclusive easements granted herein are appurtenant to the title to each Unit, subject to:

(a) This Declaration and all other Governing Documents;

(b) The right of the Sponsor, so long as the Sponsor owns the Private Streets, to adopt, amend and repeal rules regulating the use and enjoyment of the Private Streets, provided that the Sponsor shall not by the adoption of any rule or regulation bar access of the Owners across the Private Streets;

(c) The right of the Sponsor to dedicate all or any part of Private Streets;

(d) The right of the Sponsor to convey all or any part of the Private Streets to the Association;

(e) The right of the Sponsor to mortgage, pledge, or hypothecate any or all of the Private Streets as security for money borrowed or debts incurred, provided that the Sponsor shall not subject the Private Streets to any security instrument without obtaining the agreement of the lender to subordinate its interest in the Private Streets to the easements for the Owners contained in this Section;

(f) The rights of the Sponsor to maintain the Private Streets;

(g) The Development Easements; and

(h) Rights of others to use the Private Streets as provided herein.

Any Owner may extend his or her right of use and enjoyment to the members of his or her family, lessees, and social invitees, as applicable.

2.3 Exclusive Common Area. Certain portions of the Common Area may be designated as Exclusive Common Area and reserved for the exclusive use or primary benefit of Owners and occupants of specified Units or Neighborhoods. By way of illustration and not limitation, Exclusive Common Areas may include signage, entry features, gates, private streets, private driveways, recreational facilities, gazebos, landscaped medians and cul-de-sacs, irrigation systems, ponds, and other portions of the Common Area within a particular Neighborhood or Neighborhoods. All costs associated with maintenance, repair, replacement, and insurance of an Exclusive Common Area shall be assessed against the Owners of Units to which the Exclusive Common Areas are assigned either as a Neighborhood Assessment or as a Specific Assessment, as applicable.

Initially, any Exclusive Common Area shall be designated as such, and the exclusive use thereof shall be assigned, in the deed by which the Common Area is conveyed to the Association, this Declaration, a Supplemental Declaration and/or on the subdivision plat relating to such Common Area; provided however, any such assignment shall not preclude the Sponsor from later assigning use of the same Exclusive Common Area to additional Units and/or Neighborhoods, so long as the Sponsor owns any property which is subject to this Declaration or which may be unilaterally subjected to this Declaration. Thereafter, a portion of the Common Area may be assigned as Exclusive Common Area of particular Units or a particular Neighborhood or Neighborhoods and Exclusive Common Area may be reassigned upon approval of the Board and the vote of a Majority of the total Class "A" votes in the Association, including, if applicable, a Majority of the Class "A" votes within the Neighborhood(s) to which the Exclusive Common Area is assigned, if previously assigned, and within the Neighborhood(s) to which the Exclusive Common Area is to be assigned or reassigned.

The Association may, upon approval of a Majority of the Class "A" votes within the Neighborhood(s) to which any Exclusive Common Area is assigned, permit Owners of Units in other Neighborhoods to use all or a portion of such Exclusive Common Area upon payment of reasonable user fees, which fees shall be used to offset the Neighborhood Expenses or Specific Assessments attributable to such Exclusive Common Area.

2.4 View Impairment. Neither the Sponsor nor the Association guarantees or represents that any view over and across the Common Areas, the Lakes, any open space areas, any Private Amenity or any public facilities from Units will be preserved without impairment.

2.5 No Partition. Except as permitted in this Declaration, there shall be no judicial partition of the Common Area. No Person shall seek any judicial partition unless the portion of the Common Area which is the subject of such partition action has been removed from the provisions of this Declaration. This Chapter shall not prohibit the Board from acquiring and disposing of tangible personal property nor from acquiring and disposing of real property which may or may not be subject to this Declaration.

2.6 Condemnation. If any part of the Common Area shall be taken (or conveyed in lieu of and under threat of condemnation by the Board acting on the written direction of Members representing at least sixty-seven percent (67%) of the total Class "A" votes in the Association and the written consent of the Sponsor, so long as the Sponsor owns any property which is subject to this Declaration or which may be unilaterally subjected to this Declaration by the Sponsor) by any authority having the power of condemnation or eminent domain, each Owner shall be entitled to written notice of such taking or conveyance prior to disbursement of any condemnation award or proceeds from such conveyance. Such award or proceeds shall be payable to the Association to be disbursed as follows:

If the taking or conveyance involves a portion of the Common Area on which improvements have been constructed, the Association shall restore or replace such improvements on the remaining land included in the Common Area to the extent available, unless within sixty (60) days after such taking the Sponsor, so long as the Sponsor owns any property which is subject to this Declaration or which may be unilaterally subjected to this Declaration by the Sponsor, and Members representing at least sixty-seven percent (67%) of the total Class "A" vote of the Association shall otherwise agree. Any such construction shall be in accordance with plans approved by the Board. The provisions of Section 6.1(c) regarding funds for the repair of damage or destruction shall apply. If the taking or conveyance does not involve any improvements on the Common Area, or if a decision is made not to repair or restore, or if net funds remain after any such restoration or replacement is complete, then such award or net funds shall be disbursed to the Association and used for such purposes as the Board shall determine.

CHAPTER 3.

MEMBERSHIP AND VOTING RIGHTS

3.1 Membership. Every Owner shall be a Member of the Association. There shall be only one (1) membership per Unit. If a Unit is owned by more than one (1) Person, all Co-Owners shall share the privileges of such membership, subject to reasonable Board regulation and the restrictions on voting set forth in the Bylaws, and all such Co-Owners shall be jointly and severally obligated to perform the responsibilities of Owners. The membership rights of an Owner which is not a natural person may be exercised by any officer, director, member, manager, partner or trustee of such Owner, or by any individual designated from time to time by the Owner in a written instrument delivered to the secretary of the Association.

3.2 Voting. The Association shall have two (2) classes of membership, Class "A" and Class "B."

(a) Class "A". Class "A" Members shall be all Owners except the Class "B" Member, if any. Class "A" Members shall have one (1) equal vote for each Unit in which they hold the interest required for membership under Section 3.1; provided however, there shall be only one (1) vote per Unit and no vote shall be exercised for any property which is exempt from assessment under Section 8.11. All Class "A" votes shall be cast as provided in Section 3.2(c) below.

(b) Class "B" The sole Class "B" Member shall be the Sponsor. The rights of the Class "B" Member, including the right to approve, or withhold approval of, actions proposed under this Declaration, the Bylaws and the Articles, are specified in the relevant sections of this Declaration, the Bylaws and the Articles. The Class "B" Member may appoint a Majority of the members of the Board of Trustees during the Class "B" Control Period which shall continue until the first to occur of the following:

(i) when ninety-five percent (95%) of the total number of Units permitted by the Master Plan for the property described on Exhibit A and Exhibit B have completed residential dwellings thereon, as evidenced by certificates of compliance issued by the ARB, and, if applicable, certificates of occupancy issued by the appropriate jurisdiction, and have been conveyed to Persons other than Builders;

(ii) December 31, 2030; or

(iii) when, in its discretion, the Class "B" Member so determines and declares in a recorded instrument.

After termination of the Class "B" Control Period, the Class "B" Member shall have a right to disapprove actions of the Board and committees as provided in the Bylaws. The Class "B" membership shall terminate upon the earlier of:

(i) two (2) years after expiration of the Class "B" Control Period; or

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

Upon termination of the Class "B" membership, the Sponsor shall be a Class "A" Member entitled to Class "A" votes for each Unit which it owns.

The Sponsor may, by Supplemental Declaration, create additional classes of membership with such rights, privileges and obligations as may be specified in such Supplemental Declaration.

(c) Exercise of Voting Rights. Except as otherwise specified in this Declaration or the Bylaws, the vote for each Unit owned by a Class "A" Member shall be exercised by the Owner. No vote shall be exercised on behalf of any Unit if any assessment for such Unit is delinquent. In any situation where there is more than one (1) Owner of such Unit, the vote for such Unit shall be exercised as the co-Owners determine among themselves and advise the secretary of the Association in writing prior to the vote being taken. Absent such advice, the Unit's vote shall be suspended if more than one (1) Person seeks to exercise it.

3.3 Neighborhoods. Every Unit shall be located within a Neighborhood; provided however, unless and until additional Neighborhoods are established, the Properties shall consist of one Neighborhood. The Sponsor, in its sole discretion, may establish Neighborhoods within the Properties by designation on Exhibit A to this Declaration, a Supplemental Declaration, or a plat. So long as it owns any property which is subject to this Declaration or which may be unilaterally subjected to this Declaration by the Sponsor, the Sponsor may unilaterally amend this Declaration or any Supplemental Declaration from time to time to assign property to a specific Neighborhood, to redesignate Neighborhood boundaries, or to remove property from a specific Neighborhood.

The Owner(s) of a Majority of the total number of Units within any Neighborhood may at any time petition the Board of Trustees to divide the property comprising the Neighborhood into two or more Neighborhoods. Such petition shall be in writing and shall include a survey of the entire parcel which indicates the proposed boundaries of the new Neighborhoods or otherwise identifies the Units to be included within the proposed Neighborhoods. Such petition shall be deemed granted thirty (30) days following the filing of all required documents with the Board unless the Board of Trustees denies such application in writing within such 30-day period. The Board may deny an application only upon determination that there is no reasonable basis for distinguishing between the areas proposed to be divided into separate Neighborhoods. All applications and copies of any denials shall be filed with the books and records of the Association and shall be maintained as long as this Declaration is in effect.

The Units within a particular Neighborhood may be subject to additional covenants. Any Neighborhood may, but shall not be obligated to, elect a Neighborhood Committee, as described in the Bylaws, to represent the interests of Owners of Units in such Neighborhood.

Any Neighborhood may request that the Association provide a higher level of service or special services for the benefit of Units in such Neighborhood and, upon the affirmative vote, written consent, or a combination thereof, of Owners of a Majority of the Units within the Neighborhood, the Association may, in its sole discretion, provide the requested services. The cost of such services, which may include a reasonable administrative charge in such amount as the Board deems appropriate (provided any such administrative charge shall apply at a uniform rate per Unit to all Neighborhoods receiving the same service), shall be assessed against the Units within such Neighborhood as a Neighborhood Assessment pursuant to Chapter 8 hereof.

CHAPTER 4.

RIGHTS AND OBLIGATIONS OF THE ASSOCIATION

4.1 Function of Association. The Association shall be the entity responsible for management, maintenance, operation and control of the Area of Common Responsibility and all improvements thereon. The Association shall be the primary entity responsible for enforcement of this Declaration and such reasonable rules regulating use of the Properties as the Board may adopt pursuant to Chapter 10. The Association shall also be responsible for administering and enforcing the architectural standards and controls set forth in this Declaration and in the Architectural Design Guidelines. The Association shall perform its functions in accordance with the Governing Documents and the laws of the State of Texas.

4.2 Personal Property and Real Property for Common Use. The Association, through action of its Board, may acquire, hold, and dispose of tangible and intangible personal property and real property. The Sponsor and its designees may convey to the Association the Private Streets, improved or unimproved real estate, easements or interests in real estate, located within the properties described in Exhibit A or Exhibit B, personal property and leasehold and other property interests. Such property shall be accepted by the Association and thereafter shall be maintained by the Association at its expense for the

benefit of its Members, subject to any restrictions set forth in the deed or other instrument transferring such property to the Association, or as otherwise provided herein. Sponsor shall not be required to make any improvements whatsoever to property to be conveyed and accepted pursuant to this Section. Upon written request of Sponsor, the Association shall reconvey to Sponsor any unimproved portions of the Properties originally conveyed by Sponsor to the Association for no consideration, to the extent conveyed by Sponsor in error or needed by Sponsor to make adjustments in property lines.

4.3 Enforcement. The Board may impose sanctions for violation of the Governing Documents, after compliance with the notice and hearing procedures set forth in the Bylaws. Such sanctions may include, without limitation:

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

(b) filing liens in the Public Records for nonpayment of any assessments or fees;

(c) filing notices of violations in the Public Records providing record notice of any violation of the Governing Documents;

(d) suspending an Owner's right to vote;

(e) suspending any Person's right to use any recreational facilities within the Common Area or any part of Exclusive Common Area; provided however, nothing herein shall authorize the Board to limit ingress or egress to or from a Unit;

(f) suspending any services provided by the Association to an Owner or the Owner's Unit if the Owner is more than thirty (30) days delinquent in paying any assessment or other charge owed to the Association; and

(g) levying Specific Assessments to cover costs incurred in bringing a Unit into compliance in accordance with Sections 8.7(c) and 9.11.

In addition, the Board may elect to enforce any provision of the Governing Documents by self-help (specifically including, but not limited to, the towing of vehicles that are in violation of parking rules and the removal of pets that are in violation of pet rules) or by suit at law or in equity to enjoin any violation and/or to recover monetary damages.

In the event that any occupant, guest or invitee of a Unit violates the Governing Documents, the Board may sanction such occupant, guest or invitee and/or the Owner of the Unit that the violator is occupying or visiting.

All remedies set forth in this Declaration and the Bylaws shall be cumulative of any remedies available at law or in equity. In any action to enforce the provisions of the Governing Documents, if the Association prevails, it shall be entitled to recover all costs, including, without limitation, attorneys fees and court costs, reasonably incurred in such action.

The Association shall not be obligated to take action to enforce any covenant, restriction, or rule which the Board in the exercise of its business judgment determines is, or is likely to be construed as, inconsistent with applicable law, or in any case in which the Board reasonably determines that the

Association's position is not strong enough to justify taking enforcement action. Any such determination shall not be construed a waiver of the right of the Association to enforce such provision under any circumstances or estop the Association from enforcing any other covenant, restriction or rule.

The Association, by contract or other agreement, may enforce county and city ordinances, if applicable, and permit local governments to enforce ordinances on the Properties for the benefit of the Association and its Members.

4.4 Implied Rights; Board Authority. The Association may exercise any right or privilege given to it expressly by this Declaration or the Bylaws, or reasonably implied from or reasonably necessary to effectuate any such right or privilege. Except as otherwise specifically provided in this Declaration, the Bylaws, the Articles, or by law, all rights and powers of the Association may be exercised by the Board without a vote of the membership.

4.5 Governmental Interests. For so long as the Sponsor owns any property which is subject to this Declaration or which may be unilaterally subjected to this Declaration by the Sponsor, the Sponsor may designate sites within the Properties for utility facilities, and parks, streets, and other public or quasi-public facilities. The sites may include Common Areas, in which case the Association shall take whatever action is required with respect to such site to permit such use, including conveyance of the site, if so directed by Sponsor. The sites may include other property not owned by Sponsor provided the owner consents.

4.6 Indemnification. The Association shall indemnify every officer, director, and member of the ARB or committee member (the "Indemnified Parties") against all damages and expenses, including attorneys fees, reasonably incurred in connection with any action, suit, or other proceeding (including settlement of any suit or proceeding, if approved by the then Board of Trustees) to which he or she may be a party by reason of being or having been an Indemnified Party, except that such obligation to indemnify shall be limited to those actions for which liability is limited under this Section, the Articles of Incorporation and Texas law.

The Indemnified Parties shall not be liable for any mistake of judgment, negligent or otherwise, except for their own individual willful misfeasance, malfeasance, misconduct, or bad faith. The Indemnified Parties shall have no personal liability with respect to any contract or other commitment made or action taken in good faith on behalf of the Association (except to the extent that such Indemnified Parties may also be Members of the Association). The Association shall indemnify and forever hold each such Indemnified Party harmless from any and all liability to others on account of any such contract, commitment or action. This right to indemnification shall not be exclusive of any other rights to which any present or former Indemnified Party may be entitled. The Association shall, as a Common Expense, maintain adequate general liability and officers' and directors' liability insurance to fund this obligation, if such insurance is reasonably available.

4.7 Dedication of Common Area. The Association may dedicate portions of the Common Area to Gillespie County, Texas, or to any other local, state, or federal governmental or quasi-governmental entity.

4.8 Use of the Lakes, Ponds, Streams. No swimming shall be conducted on the Lakes, any ponds or streams within the Properties. Any ponds, streams or other bodies of water located on the Club Facilities Property are not part of the Properties, and the Owners or their guests shall have no usage right of any nature to said facilities, except as permitted in the rules and regulations for the Club. Neither the Association, the Sponsor, nor any successor Sponsor shall be held liable for any loss or damage by reason of use of the Lakes for any purpose by Owners, their invitees, licensees, and tenants. Each Owner acknowledges, understands and covenants to inform its tenants and all occupants of its Unit that the

Association, its Board of Trustees and committees, Sponsor, and any successor Sponsor are not insurers and that each Person using the Lakes shall do so only as permitted under applicable governmental laws, ordinances, rules and regulations. The Association shall not be responsible for any loss, damage, or injury to any Person or property arising out of the authorized or unauthorized use of the Lakes, any pond, or streams within the Properties. Each Person assumes all risks of personal injury, and loss or damage to property, including Units, resulting from or associated with authorized or unauthorized use of the Lakes, any pond, or streams within the Properties.

4.9 Presence of Wildlife. Each Owner and occupant, and each tenant, guest and invitee of any Owner or occupant acknowledges that the Properties are located adjacent to the Lakes and in the vicinity of other natural areas. Such areas may contain wildlife, including without limitation, deer, opossums, snakes, mosquitoes and ticks. Neither the Association, the Board, the original Sponsor, nor any successor Sponsor shall be liable or responsible for any personal injury, illness or any other loss or damage caused by the presence of such wildlife on the Properties. Each Owner and occupant of a Unit and each tenant, guest, and invitee of any Owner or occupant shall assume all risk of personal injury, illness, or other loss or damage arising from the presence of such wildlife and further acknowledges that the Association, the Board, the original Sponsor or any successor Sponsor have made no representations or warranties, nor has any Owner or occupant, or any tenant, guest, or invitee of any Owner or occupant relied upon any representations or warranties, expressed or implied, relative to the presence of such wildlife. Please refer to Section 10.9 which pertains to the prohibition on hunting within the Properties.

4.10 Security. The Association may, but shall not be obligated to, maintain or support certain activities within the Properties designed to make the Properties safer than they otherwise might be. Neither the Association, the Sponsor, nor any successor Sponsor shall in any way be considered insurers or guarantors of security within the Properties, nor shall any of them be held liable for any loss or damage by reason of failure to provide adequate security or ineffectiveness of security measures undertaken. No representation or warranty is made that any security system or measures, including any mechanism or system for limiting access to any portion of the Properties, cannot be compromised or circumvented, nor that any such systems or security measures undertaken will in all cases prevent loss or provide the detection or protection for which the system is designed or intended. Each Owner acknowledges, understands and covenants to inform its tenants and all occupants of its Unit that the Association, its Board of Trustees and committees, Sponsor, and any successor Sponsor are not insurers and that each Person using the Properties assumes all risks of personal injury and loss or damage to property, including Units and the contents of Units, resulting from acts of third parties.

4.11 Provision of Services. The Association may provide services and facilities for the Members of the Association and their guests, lessees and invitees. The Association shall be authorized to enter into contracts or other similar agreements with other entities, including Sponsor, to provide such services and facilities. The costs of services and facilities provided by the Association may be funded by the Association as a Common Expense or charged to Owners as Specific Assessments. By way of example, some services and facilities which may be provided include landscape maintenance, garbage collection, cable television service, Internet, intranet and other computer-related services, security, utilities, and similar services and facilities. The Board, without the consent of the Class "A" Members of the Association, shall be permitted to modify or cancel existing services or facilities provided, if any, or to provide additional services and facilities. Nothing contained herein can be relied upon as a representation as to the services and facilities, if any, which will be provided by the Association.

4.12 Agreements. Subject to the prior approval of Sponsor, for so long as Sponsor owns a Unit primarily for the purpose of sale or has the unexpired option to add the Additional Property or any portion thereof to the Properties, all agreements and determinations lawfully authorized by the Board of Trustees shall be binding upon all Owners, their heirs, legal representatives, successors, and assigns, and all others having an interest in the Properties or the privilege of possession and enjoyment of any part of

the Properties; and in performing its responsibilities hereunder, the Association, through its Board of Trustees, shall have the authority to delegate to persons of its choice such duties of the Association as may be determined by the Board of Trustees. In furtherance of the foregoing and not in limitation thereof, the Association may obtain and pay for the services of any person or entity to manage its affairs or any part thereof, to the extent it deems advisable, as well as such other personnel as the Association shall deem necessary or desirable for the proper operation of the Properties, whether such personnel are furnished or employed directly by the Association or by any person or entity with whom or with which it contracts. All costs and expenses incident to the employment of a manager shall be a Common Expense. During the term of such management agreement, such manager may, if authorized by the Board of Trustees, exercise all of the powers or duties specifically and exclusively reserved to the trustees, officers or members of the Association by this Declaration or the Bylaws. Such manager may be an individual, corporation, or other legal entity, as the Board of Trustees shall determine, and shall be bonded in such a manner as the Board of Trustees may require, with the cost of acquiring any such bond to be a Common Expense. In addition, the Association may pay for, and the Board of Trustees may hire and contract for, such legal and accounting services as are necessary or desirable in connection with the operation of the Properties or the enforcement of this Declaration, the Bylaws, or the rules and regulations of the Association.

4.13 Management Agreement. Sponsor or an affiliate may be employed as the manager of the Association and the Properties for such period of time as Sponsor has the right to appoint and remove officers and trustees of the Association, with the option on the part of Sponsor or its affiliate to renew such employment for two (2) successive one year terms from and after the termination of such appointment and removal right. Every grantee of any interest in the Properties, by acceptance of a deed or other conveyance of such interest, shall be deemed to ratify such management agreement.

CHAPTER 5.

MAINTENANCE

5.1 Association's Responsibility.

(a) The Association shall maintain and keep in good condition, order and repair the Area of Common Responsibility, which may include, but need not be limited to:

(i) Common Area (including Exclusive Common Area);

(ii) all landscaping and other flora, street trees, parks, ponds, structures, and improvements, including any entry features, signage, walls, fences, lighting systems and fixtures, irrigation systems, private streets, bike and pedestrian pathways/trails situated upon the Common Area;

(iii) all furnishings, equipment and other personal property of the Association;

(iv) any landscaping and other flora, signage, parks, pedestrian pathways/trails, sidewalks, structures and improvements within public rights-of-way within or abutting the Properties or upon such other public land adjacent to the Properties as deemed necessary in the discretion of the Board;

(v) such portions of any additional property included within the Area of Common Responsibility as may be dictated by this Declaration, any Supplemental Declaration, any Covenant to Share Costs, or any contract or agreement for maintenance

thereof entered into by the Association, which may include the portions of any Units subject to the Development Easements;

(vi) any lake located within the Properties, including any retaining walls, bulkheads or dams (earthen or otherwise) retaining water therein, and any fountains, lighting, pumps, conduits, and similar equipment installed therein or used in connection therewith unless such facilities are maintained by a local, state or federal governmental or quasi-governmental entity, such as the Gillespie County Soil and Conservation District or the Natural Resources Conservation Service, pursuant to a maintenance agreement or otherwise;

(vii) all ponds, lakes, streams, and/or wetlands located within the Common Area within the Properties which serve as part of the water delivery, drainage and storm water retention system for the Properties, including any retaining walls, bulkheads or dams (earthen or otherwise) retaining water therein, and any fountains, lighting, pumps, conduits, and similar equipment installed therein or used in connection therewith unless such facilities are located within a Private Amenity and are maintained by the owner of the Private Amenity or such facilities are maintained by a local, state or federal governmental or quasi-governmental entity pursuant to a maintenance agreement or otherwise;

(viii) any property and facilities owned by the Sponsor and made available, on a temporary or permanent basis, for the primary use and enjoyment of the Association and its Members, such property and facilities to be identified by written notice from the Sponsor to the Association and to remain a part of the Area of Common Responsibility and be maintained by the Association until such time as Sponsor revokes such privilege of use and enjoyment by written notice to the Association;

(ix) any property owned by the Sponsor which is now or hereafter made the subject of this Declaration and of a conservation easement as hereinafter provided, and which is conveyed to the Association by the Sponsor; and

(x) the Club Facilities Property, if conveyed to the Association by the Club Owner as contemplated by Chapter 16 hereof.

The Association may, as a Common Expense, maintain other property which it does not own, including, without limitation, property dedicated to the public such as buffer zones, or provide maintenance or services related to such property over and above the level being provided by the property owner, if the Board of Trustees determines that such maintenance is necessary or desirable to maintain the Community-Wide Standard.

(b) The Association shall maintain the facilities and equipment within the Area of Common Responsibility in continuous operation, except for any periods necessary, as determined in the sole discretion of the Board, to perform required maintenance or repairs, unless Members holding sixty-seven percent (67%) of the Class "A" votes in the Association and the Class "B" Member, if any, agree in writing to discontinue such operation.

Except as provided above, the Area of Common Responsibility shall not be reduced by amendment of this Declaration or any other means except with the written consent of the Sponsor, so long as the Sponsor owns any property which is subject to this Declaration or which may be unilaterally subjected to this Declaration by the Sponsor.

(c) Except as otherwise specifically provided herein, all costs associated with maintenance, repair and replacement of the Area of Common Responsibility shall be a Common Expense to be allocated among all Units as part of the General Assessment, without prejudice to the right of the Association to seek reimbursement from the owner(s) of, or other Persons responsible for certain portions of the Area of Common Responsibility pursuant to this Declaration, any Covenant to Share Costs, other recorded covenants, or agreements with the owner(s) thereof. All costs associated with maintenance, repair and replacement of Exclusive Common Areas shall be a Neighborhood Expense assessed as a Neighborhood Assessment solely against the Units within the Neighborhood(s) to which the Exclusive Common Areas are assigned, or a Specific Assessment against the particular Units to which the Exclusive Common Areas are assigned, notwithstanding that the Association may be responsible for performing such maintenance hereunder.

(d) The Association may be relieved of all or any portion of its maintenance responsibilities herein to the extent that (i) such maintenance responsibility is otherwise assumed by or assigned to an Owner or a Neighborhood or the Club or any local, state or federal government or quasi-governmental entity; (ii) such property or interest in property is dedicated to any local, state, or federal government or quasi-governmental entity; or (iii) such maintenance is assumed by any utility company; provided however, that in connection with such assumption, assignment or dedication, the Association may reserve or assume the right or obligation to continue to perform all or any portion of its maintenance responsibilities, if the Board determines that such maintenance is necessary or desirable to maintain the Community-Wide Standard.

(e) With respect to the Units within each Neighborhood, the Association shall maintain, repair, and replace the landscaping and other improvements within the entry feature for such Neighborhood. All costs associated with such maintenance, repair and replacement shall be a Neighborhood Expense assessed as a Neighborhood Assessment against the Units within the affected Neighborhood.

5.2 Owner's Responsibility. Each Owner shall maintain his or her Unit, and all structures, parking areas, ponds, lakes and other improvements comprising the Unit in a manner consistent with the Community-Wide Standard and all applicable covenants, unless such maintenance responsibility is otherwise assumed by or assigned to the Association. Each Owner shall also maintain the driveway serving his or her Unit and all landscaping and street trees located in the right-of-way immediately adjacent to such Owner's Unit. In addition to any other enforcement rights, if an Owner fails properly to perform his or her maintenance responsibility, the Association may perform such maintenance responsibilities and assess all costs incurred by the Association against the Unit and the Owner in accordance with Section 8.7. The Association shall afford the Owner reasonable notice and an opportunity to cure the problem prior to entry, except when entry is required due to an emergency situation.

5.3 Neighborhood's Responsibility. Upon resolution of the Board of Trustees, the Owners of Units within each Neighborhood shall be responsible for paying, through Neighborhood Assessments, the costs of operating, maintaining and insuring certain portions of the Area of Common Responsibility within or adjacent to such Neighborhood. This may include, without limitation, the costs of maintaining any signage, entry features, gates, driveways, sidewalks, right-of-way and open space between the Neighborhood and adjacent public roads, private streets within the Neighborhood, recreational facilities, gazebos, and other improvements, landscaped medians and cul-de-sacs, irrigation systems, fences, or open spaces within the Neighborhood, regardless of ownership and regardless of the fact that such maintenance may be performed by the Association; provided however, all Neighborhoods which are similarly situated shall be treated the same.

5.4 Standard of Performance. Unless otherwise specifically provided herein or in other instruments creating and assigning such maintenance responsibility, responsibility for maintenance shall include responsibility for repair and replacement, as necessary. All maintenance shall be performed in a manner consistent with the Community-Wide Standard and all applicable covenants. The Association, and/or an Owner shall not be liable for any damage or injury occurring on, or arising out of the condition of, property which it does not own except to the extent that it has been negligent in the performance of its maintenance responsibilities.

5.5 Cost Sharing Agreements. Adjacent to or in the vicinity of the Properties, there may be certain residential, nonresidential or recreational areas, including, without limitation, the Club, retail, commercial, and business areas, and Private Amenities, which are not subject to this Declaration and which are neither Units nor Common Area as defined in this Declaration (hereinafter "adjacent properties"). The owners of such adjacent properties shall not be Members of the Association, shall not be entitled to vote, and shall not be subject to assessment under Chapter 8 of this Declaration.

The Association may enter into Cost Sharing Agreements with the owners or operators of portions of the adjacent properties:

(a) to obligate the owners or operators of such adjacent properties to share in certain costs associated with the maintenance, repair, replacement and insuring of portions of the Area of Common Responsibility, if any, which are used by or benefit jointly the owners or operators of such adjacent properties and the owners within the Properties; and/or

(b) to obligate the Association to share in certain costs associated with the maintenance, repair, replacement and insuring of portions of such adjacent properties, if any, which are used by or benefit jointly the owners or operators of such adjacent properties and the owners within the Properties.

The owners or operators of such adjacent properties shall be subject to assessment by the Association only in accordance with the provisions of such Cost Sharing Agreement(s). If the Association is obligated to share costs incurred by the owners of such adjacent properties, the Cost Sharing Agreement shall provide whether such payments by the Association shall constitute Common Expenses or Neighborhood Expenses of the Association. The owners or operators of the adjacent properties shall not be subject to the restrictions contained in this Declaration except as otherwise specifically provided herein.

CHAPTER 6.

INSURANCE AND CASUALTY LOSSES

6.1 Association Insurance.

(a) Required Coverages. The Association, acting through its Board or its duly authorized agent, shall obtain and continue in effect the following types of insurance, if reasonably available, or if not reasonably available, the most nearly equivalent coverages as are reasonably available:

(i) Blanket property insurance covering "risks of direct physical loss" on a "special form" basis (or comparable coverage by whatever name denominated) for all insurable improvements on the Common Area, if any, and on other portions of the Area of Common Responsibility to the extent that it has assumed responsibility for maintenance, repair and/or replacement in the event of a casualty. If such coverage is not

generally available at reasonable cost, then "broad form" coverage may be substituted. The Association shall have the authority to and interest in insuring any property for which it has maintenance or repair responsibility, regardless of ownership. All property insurance policies obtained by the Association shall have policy limits sufficient to cover the full replacement cost of the insured improvements;

(ii) Commercial general liability insurance on the Area of Common Responsibility, insuring the Association and its Members for damage or injury caused by the negligence of the Association or any of its Members, employees, agents, or contractors while acting on its behalf. If generally available at reasonable cost, the commercial general liability coverage (including primary and any umbrella coverage) shall have a limit of at least one million dollars ($1,000,000) per occurrence with respect to bodily injury, personal injury, and property damage, provided should additional coverage and higher limits be available at reasonable cost which a reasonably prudent person would obtain, the Association shall obtain such additional coverages or limits;

(iii) Workers compensation insurance and employers liability insurance, if and to the extent required by law;

(iv) Directors and officers liability coverage; and

(v) Such additional insurance as the Board, in its best business judgment, determines advisable, which may include without limitation flood insurance, fidelity insurance covering Persons responsible for the Association funds, and property insurance on insurable improvements.

Premiums for all insurance on the Area of Common Responsibility shall be Common Expenses and shall be included in the General Assessment, except that (i) premiums for property insurance obtained on behalf of a Neighborhood shall be charged to the Owners of Units within the benefited Neighborhood as a Neighborhood Assessment; and (ii) premiums for insurance on Exclusive Common Areas may be included in the Neighborhood Assessment of the Neighborhood(s) benefited unless the Board of Trustees reasonably determines that other treatment of the premiums is more appropriate.

(b) Policy Requirements. The Association shall arrange for an annual review of the sufficiency of insurance coverage by one or more qualified Persons, at least one of whom must be familiar with insurable replacement costs in the Texas hill country area. All Association policies shall provide for a certificate of insurance to be furnished to the Association and to each Member insured upon such Member's written request. The policies may contain a reasonable deductible and the amount thereof shall not be subtracted from the face amount of the policy in determining whether the policy limits satisfy the requirements of Section 6.1(a). In the event of an insured loss, the deductible shall be treated as a Common Expense or a Neighborhood Expense in the same manner as the premiums for the applicable insurance coverage. However, if the Board reasonably determines, after notice and an opportunity to be heard in accordance with the Bylaws, that the loss is the result of the negligence or willful misconduct of one or more Owners, their guests, invitees, or lessees, then the Board may specifically assess the full amount of such deductible against such Owner(s) and their Units pursuant to Section 8.7.

(i) All insurance coverage obtained by the Board shall:

(1) be written with a company authorized to do business in the State of Texas which satisfies the requirements of the Federal National Mortgage

Association, or such other secondary mortgage market agencies or federal agencies as the Board deems appropriate;

(2) be written in the name of the Association as trustee for the benefited parties. Policies on the Common Areas shall be for the benefit of the Association and its Members. Policies secured on behalf of a Neighborhood shall be for the benefit of the Owners of Units within the Neighborhood and their Mortgagees, as their interests may appear;

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

(4) contain an inflation guard endorsement; and

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

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

(1) a waiver of subrogation as to any claims against the Association's Board, officers, employees, and its manager, the Owners and their tenants, servants, agents, and guests;

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

(3) an endorsement precluding cancellation, invalidation, suspension, or non-renewal by the insurer on account of any one or more individual Owners, or on account of any curable defect or violation without prior written demand to the Association to cure the defect or violation and allowance of a reasonable time to cure;

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

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

(6) a cross-liability provision; and

(7) a provision vesting in the Board exclusive authority to adjust losses; provided however, no Mortgagee having an interest in such losses may be prohibited from participating in the settlement negotiations, if any, related to the loss.

(c) Damage and Destruction. Immediately after damage or destruction to all or any part of the Properties covered by insurance written in the name of the Association, the Board or its duly authorized agent shall file and adjust all insurance claims and obtain reliable and detailed estimates of the cost of repair or reconstruction. Repair or reconstruction, as used in this subsection, means repairing or restoring the property to substantially the condition in which it

existed prior to the damage, allowing for changes or improvements necessitated by changes in applicable building codes.

Any damage to or destruction of the Common Area shall be repaired or reconstructed unless at least sixty-seven percent (67%) of the total Class "A" votes in the Association, and the Class "B" Member, if any, decide within sixty (60) days after the loss not to repair or reconstruct. If either the insurance proceeds or reliable and detailed estimates of the cost of repair or reconstruction, or both, are not available to the Association within such sixty (60) day period, then the period shall be extended until such funds or information are available. However, such extension shall not exceed sixty (60) additional days. No Mortgagee shall have the right to participate in the determination of whether the damage or destruction to the Common Area shall be repaired or reconstructed. If determined in the manner described above that the damage or destruction to the Common Area shall not be repaired or reconstructed and no alternative improvements are authorized, the affected property shall be cleared of all debris and ruins and thereafter shall be maintained by the Association in a neat and attractive, landscaped condition consistent with the Community-Wide Standard. Any insurance proceeds remaining after paying the costs of repair or reconstruction, or after such settlement as is necessary and appropriate, shall be retained by and for the benefit of the Association or the Neighborhood, as appropriate, and placed in a capital improvements account. This is a covenant for the benefit of Mortgagees and may be enforced by the Mortgagee of any affected Unit. If insurance proceeds are insufficient to cover the costs of repair or reconstruction, the Board of Trustees may, without a vote of the Members, levy Special Assessments to cover the shortfall against those Owners responsible for the premiums for the applicable insurance coverage under Section 6.1(a).

6.2 Owners' Insurance. By virtue of taking title to a Unit, each Owner covenants and agrees with all other Owners and with the Association to carry property insurance for the full replacement cost of all insurable improvements on his or her Unit, less a reasonable deductible, unless the Association carries such insurance (which it may, but is not obligated to do hereunder). If the Association assumes responsibility for obtaining any insurance coverage on behalf of Owners, the premiums for such insurance shall be levied as a Specific Assessment against the benefited Unit and the Owner thereof pursuant to Section 8.7.

Each Owner further covenants and agrees that in the event of damage to or destruction of structures on or comprising his Unit, the Owner shall proceed promptly to repair or to reconstruct in a manner consistent with the original construction or such other plans and specifications as are approved in accordance with Chapter 9. Alternatively, the Owner shall clear the Unit of all debris and ruins and maintain the Unit in a neat and attractive, landscaped condition consistent with the Community-Wide Standard. The Owner shall pay any costs which are not covered by insurance proceeds.

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

CHAPTER 7.

ANNEXATION AND WITHDRAWAL OF PROPERTY

7.1 Annexation Without Approval of Membership. Until twenty (20) years after the recording of the Original Declaration in the Public Records, the Sponsor may from time to time unilaterally subject to the provisions of this Declaration all or any portion of the real property described in Exhibit B. The Sponsor may transfer or assign this right to annex property, provided that the transferee or assignee is the developer of at least a portion of the real property described in Exhibit A or Exhibit B and

that such transfer is memorialized in a written, recorded instrument executed by the Sponsor. Such annexation shall be accomplished by filing a Supplemental Declaration in the Public Records describing the property being annexed. Such Supplemental Declaration shall not require the consent of Members, but shall require the consent of the owner of such property, if other than the Sponsor. Any such annexation shall be effective upon the filing for record of such Supplemental Declaration unless otherwise provided therein. Nothing in this Declaration shall be construed to require the Sponsor or any successor to annex or develop any of the property set forth in Exhibit B in any manner whatsoever.

7.2 Annexation With Approval of Membership. The Association may annex any other real property to the provisions of this Declaration with the consent of the owner of such property, the affirmative vote of a Majority of the Class "A" votes of the Association represented at a meeting duly called for such purpose, and the written consent of the Sponsor so long as the Sponsor owns any property which is subject to this Declaration or which may be unilaterally subjected to this Declaration by the Sponsor. Such annexation shall be accomplished by filing a Supplemental Declaration describing the property being annexed in the Public Records. Any such Supplemental Declaration shall be signed by the President and the Secretary of the Association, and by the owner of the annexed property, and by the Sponsor, if the Sponsor's consent is required. Any such annexation shall be effective upon filing unless otherwise provided therein.

7.3 Withdrawal of Property. The Sponsor reserves the right to amend this Declaration so long as it has a right to annex additional property pursuant to Section 7.1, for the purpose of removing any portion of the Properties from the coverage of this Declaration. Such amendment shall not require the consent of any Person other than the Owner of the property to be withdrawn, if not the Sponsor. If the property is Common Area, the Association shall consent to such withdrawal.

7.4 Additional Covenants and Easements. The Sponsor may unilaterally subject any portion of the Properties to additional covenants and easements, including covenants obligating the Association to maintain and insure such property on behalf of the Owners and obligating such Owners to pay the costs incurred by the Association through General or Neighborhood Assessments. Such additional covenants and easements shall be set forth in a Supplemental Declaration filed either concurrently with or after the annexation of the subject property, and shall require the written consent of the owner(s) of such property, if other than the Sponsor. Any such Supplemental Declaration may supplement, create exceptions to, or otherwise modify the terms of this Declaration as it applies to the subject property in order to reflect the different character and intended use of such property.

7.5 Amendment. This Chapter shall not be amended without the prior written consent of the Sponsor so long as the Sponsor owns any property which is subject to this Declaration or which may be unilaterally subjected to this Declaration by the Sponsor.

CHAPTER 8.

ASSESSMENTS

8.1 Creation of Assessments. There are hereby created assessments for Association expenses as the Board may specifically authorize from time to time. There shall be four types of assessments: (i) General Assessments to fund Common Expenses for the general benefit of all Units; (ii) Neighborhood Assessments for Neighborhood Expenses benefiting only Units within a particular Neighborhood or Neighborhoods; (iii) Special Assessments as described in Section 8.6; and (iv) Specific Assessments as described in Section 8.7. Each Owner, by accepting a deed or entering into a contract of sale for any portion of the Properties, is deemed to have notice of liability for these assessments and to covenant and agree to pay these assessments.

All assessments and other charges, together with interest, late charges, costs of collection, and reasonable attorneys fees, shall be a charge and continuing lien upon each Unit against which the assessment or charge is made until paid, as more particularly provided in Section 8.8. Each such assessment or charge, together with interest not to exceed the maximum rate allowable by law, late charges, costs, and reasonable attorneys fees, also shall be the personal obligation of the Person who was the Owner of such Unit at the time the assessment arose. Upon a transfer of title to a Unit, the grantee shall be jointly and severally liable for any assessments and other charges due at the time of conveyance. However, no first Mortgagee who obtains title to a Unit by exercising the remedies provided in its Mortgage shall be liable for unpaid assessments which accrued prior to such acquisition of title.

The Association shall, upon request, furnish to any Owner liable for any type of assessment a written statement signed by an Association officer setting forth whether such assessment has been paid. Such statement shall be conclusive evidence of payment. The Association may require the advance payment of a reasonable processing fee for the issuance of such statement.

Assessments shall be paid in such manner and on such dates as the Board may establish, which may include discounts for early payment or similar time/price differentials. The Board may require advance payment of assessments at closing of the transfer of title to a Unit and impose special requirements for Owners with a history of delinquent payment. If the Board so elects, assessments may be paid in two (2) or more installments. Unless the Board otherwise provides, the General Assessment and any Neighborhood Assessment shall be due and payable in advance on the first day of each fiscal year. If any Owner is delinquent in paying any assessments or other charges levied on his Unit, the Board may require any unpaid installments of all outstanding assessments to be paid in full immediately. Any assessment or installment thereof shall be considered delinquent on the tenth (10th) day following the due date unless otherwise specified by Board resolution.

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

The Association is specifically authorized to enter into subsidy contracts or contracts for "in kind" contribution of services, materials, or a combination of services and materials with the Sponsor or other entities for payment of Common Expenses.

8.2 Sponsor's Obligation for Assessments. So long as the Sponsor owns any property which is subject to this Declaration or which may be unilaterally subjected to this Declaration by the Sponsor, the Sponsor may annually elect either to pay an amount equal to regular assessments on all of its unsold Units or to pay the difference between the amount of assessments levied on all other Units subject to assessment and the amount of actual expenditures by the Association during the fiscal year. Unless the Sponsor otherwise notifies the Board in writing at least sixty (60) days before the beginning of each fiscal year, the Sponsor shall be deemed to have elected to continue paying on the same basis as during the immediately preceding fiscal year. The Sponsor's obligations hereunder may be satisfied in the form of cash or by "in kind" contributions of services or materials, or by a combination of these.

8.3 Computation of General Assessment. Before the beginning of each fiscal year, the Board shall prepare a budget covering the estimated Common Expenses during the coming year, including a capital contribution to establish a reserve fund in accordance with a budget separately prepared as provided in Section 8.5. Except as otherwise herein provided in the case where the Association acquires

title to the Club Facilities Property, General Assessments shall be levied equally against all Units subject to assessment, and the assessment rate shall be set at a level which is reasonably expected to produce total income for the Association equal to the total budgeted Common Expenses, including reserves. In determining the total funds to be generated through the levy of General Assessments, the Board, in its discretion, may consider other sources of funds available to the Association, including any surplus from prior years, any assessment income expected to be generated from any additional Units reasonably anticipated to become subject to assessment during the fiscal year and any other source of funds available to it.

At its option, the Board may include in the budget for the General Assessment, expenses the Association will incur for maintenance of entry features, or other expenses, which while attributable to particular Neighborhoods, are similar in nature and amount among the Neighborhoods. The base amount common to all Neighborhoods shall be paid as a General Assessment, with expenses in excess of the base amount, if any, to be paid as a Neighborhood Expense and funded through a Neighborhood Assessment.

So long as the Sponsor owns any property which is subject to this Declaration or which may be unilaterally subjected to this Declaration by the Sponsor, the Sponsor may, but shall not be obligated to, reduce the General Assessment for any fiscal year by payment of a subsidy and/or contributions of services and materials (in addition to any amounts paid by the Sponsor under Section 8.2), which may be treated as either a contribution, an advance against future assessments due from the Sponsor, or a loan, in the Sponsor's discretion. Any such anticipated payment, contribution or loan by the Sponsor shall be disclosed as a line item in the Common Expense budget. Payments by the Sponsor in any year shall under no circumstances obligate the Sponsor to continue such payments in future years and the treatment of such payment shall be made known to the membership, unless otherwise provided in a written agreement between the Association and the Sponsor.

The Board shall send a copy of the budget and notice of the amount of the General Assessment to each Owner. Such budget and assessment shall become effective unless disapproved at a meeting by at least sixty-seven percent (67%) of the total Class "A" votes in the Association and by the Sponsor, so long as the Sponsor owns any property which is subject to this Declaration or which may be unilaterally subjected to this Declaration by the Sponsor. There shall be no obligation to call a meeting for the purpose of considering the budget except on petition as provided for special meetings in the Bylaws, which petition must be presented to the Board within twenty (20) days after delivery of the notice of assessments. If a meeting is requested, assessments pursuant to such proposed budget shall not become effective until after such meeting is held, provided such assessments shall be retroactive to the original effective date of the budget if the budget is not disapproved at such meeting. If the proposed budget is disapproved or the Board fails for any reason to determine the budget for any year, then until such time as a budget is determined, the budget in effect for the immediately preceding year shall continue for the current year. The Board shall send a copy of the revised budget to each Owner at least thirty (30) days prior to its becoming effective. The revised budget shall become effective unless disapproved in accordance with the above procedure.

8.4 Computation of Neighborhood Assessments. Before the beginning of each fiscal year, the Board shall prepare a separate budget covering the estimated Neighborhood Expenses for each Neighborhood on whose behalf Neighborhood Expenses are expected to be incurred during the coming year. The Board shall be entitled to set such budget only to the extent that this Declaration, any Supplemental Declaration, or the Bylaws specifically authorizes the Board to assess certain costs as a Neighborhood Assessment. Any Neighborhood may request that additional services or a higher level of services be provided by the Association and, upon approval of Owners in accordance with Section 3.3, any additional costs shall be added to such budget. In addition, any excess expenses over and above the base amount for similar Neighborhood expenses paid through the General Assessment shall be added to such budget. Such budget shall include a capital contribution establishing a reserve fund for repair and

replacement of capital items maintained as a Neighborhood Expense, if any, within the Neighborhood. Neighborhood Expenses shall be allocated equally among all Units within the Neighborhood benefited thereby and levied as a Neighborhood Assessment; provided however, if so specified in the Supplemental Declaration applicable to such Neighborhood or if so directed by petition signed by a Majority of the Owners within the Neighborhood, any portion of the assessment intended for exterior maintenance of structures, insurance on structures, or replacement reserves which pertain to particular structures shall be levied on each of the benefited Units in proportion to the benefit received.

The Board shall cause a copy of such budget and notice of the amount of the Neighborhood Assessment to be delivered to each Owner of a Unit in the Neighborhood. Such budget and assessment shall become effective unless disapproved by Owners of a Majority of the Units in the Neighborhood to which the Neighborhood Assessment applies and by the Sponsor, so long as the Sponsor owns any property which is subject to this Declaration or which may be unilaterally subjected to this Declaration by the Sponsor. There shall be no obligation to call a meeting for the purpose of considering the budget except on petition of Owners of at least ten percent (10%) of the Units in such Neighborhood. This right to disapprove shall only apply to those line items in the Neighborhood budget which are attributable to services requested by the Neighborhood. If a meeting is requested, assessments pursuant to such proposed budget shall not become effective until after such meeting is held, provided such assessments shall be retroactive to the original effective date of the budget if the budget is not disapproved at such meeting. If the Owners within any Neighborhood disapprove any line item of a Neighborhood budget, the Association shall not be obligated to provide the services anticipated to be funded by such line time of the budget. If the Board fails for any reason to determine a Neighborhood budget for any year, then until such time as a budget is determined, the budget in effect for the immediately preceding year shall continue for the current year.

8.5 Reserve Budget and Capital Contribution. The Board shall annually prepare reserve budgets for both general and Neighborhood purposes which take into account the number and nature of replaceable assets within the Area of Common Responsibility, the expected life of each asset, and the expected repair or replacement cost. The Board shall set the required capital contribution in an amount sufficient to permit meeting the projected needs of the Association, as shown on the budget, with respect both to amount and timing by annual General Assessments or Neighborhood Assessments, as appropriate, over the budget period.

8.6 Special Assessments. In addition to other authorized assessments, the Association may levy Special Assessments from time to time to cover unbudgeted expenses or expenses in excess of those budgeted. Any such Special Assessment may be levied against the entire membership, if such Special Assessment is for Common Expenses, or against the Units within any Neighborhood if such Special Assessment is for Neighborhood Expenses. Special Assessments shall be allocated equally among all Units subject to such Special Assessment. Any Special Assessment shall require the affirmative vote or written consent of Members representing sixty-seven percent (67%) of the Units which will be subject to such Special Assessment and the written consent of the Sponsor, so long as the Sponsor owns any property which is subject to this Declaration or which may be unilaterally subjected to this Declaration by the Sponsor. Special Assessments shall be payable in such manner and at such times as determined by the Board, and may be payable in installments extending beyond the fiscal year in which the Special Assessment is approved.

8.7 Specific Assessments. The Association shall have the power to levy Specific Assessments against a particular Unit or Units as follows:

(a) to cover the costs, including overhead and administrative costs, of providing benefits, items, or services to the Unit(s) or occupants thereof upon request of the Owner pursuant to a menu of special services which the Board may from time to time authorize to be offered to

Owners and occupants (which might include, without limitation, garbage collection, landscape maintenance, janitorial service, pest control, etc.), which assessments may be levied in advance of the provision of the requested benefit, item or service as a deposit against charges to be incurred by the Owner; and

(b) to cover the costs associated with maintenance, repair, replacement and insurance of any Exclusive Common Area assigned to one or more Units; and

(c) to the cover costs incurred in bringing the Unit(s) into compliance with the terms of the Governing Documents, or costs incurred as a consequence of the conduct of the Owner or occupants of the Unit, their agents, contractors, employees, licensees, invitees, or guests; provided however, the Board shall give the Unit Owner prior written notice and an opportunity for a hearing, in accordance with the Bylaws, before levying any Specific Assessment.

The Association may also levy a Specific Assessment against the Units within any Neighborhood to reimburse the Association for costs incurred in bringing the Neighborhood into compliance with the provisions of the Declaration, any applicable Supplemental Declaration, the Articles, the Bylaws, and rules; provided however, the Board shall give prior written notice to the Owners of Units in the Neighborhood and an opportunity for such Owners to be heard before levying any such assessment.

8.8 Lien for Assessments. The Association shall have a lien against each Unit to secure payment of delinquent assessments and other charges, as well as interest at a rate to be set by the Board (subject to the maximum interest rate limitations of Texas law), late charges in such amount as the Board may establish (subject to the limitations of Texas law), costs of collection and reasonable attorneys fees. Such lien shall be superior to all other liens, except (i) the liens of all taxes, bonds, assessments, and other levies which by law would be superior, and (ii) the lien or charge of any first Mortgage of record (meaning any recorded Mortgage with first priority over other Mortgages) made in good faith and for value. Such lien, when delinquent, may be enforced by suit, judgment, and judicial or nonjudicial foreclosure as permitted under Texas law.

The Association may bid for the Unit, at the foreclosure sale and acquire, hold, lease, mortgage, and convey the Unit. While a Unit is owned by the Association following foreclosure: (i) no right to vote shall be exercised on its behalf; (ii) no assessment shall be levied on it; and (iii) each other Unit shall be charged, in addition to its usual assessment, its pro rata share of the assessment that would have been charged such Unit had it not been acquired by the Association. The Association may sue for unpaid assessments and other charges authorized hereunder without foreclosing or waiving the lien securing the same.

The sale or transfer of any Unit shall not affect the assessment lien or relieve such Unit from the lien for any subsequent assessments. However, the sale or transfer of any Unit pursuant to foreclosure of the first Mortgage shall extinguish the lien as to any installments of such assessments due prior to such sale or transfer. A Mortgagee or other purchaser of a Unit who obtains title pursuant to foreclosure of the Mortgage shall not be personally liable for assessments on such Unit due prior to such acquisition of title. Such unpaid assessments shall be deemed to be Common Expenses collectible from Owners of all Units subject to assessment under Section 8.9, including such acquirer, its successors and assigns.

8.9 Date of Commencement of Assessments. The obligation to pay assessments shall commence as to each Unit on the earlier date of the conveyance of the Unit to a Person other than a Builder or the Sponsor, or the occupancy of the Unit for residential purposes. The first annual General Assessment and Neighborhood Assessment levied on each Unit shall be paid, as applicable (i) at the closing of the sale to a Person other than a Builder or the Sponsor, or (ii) immediately upon demand by the Association based on the date of occupancy of the Unit for residential purposes. The first annual

General Assessment and Neighborhood Assessment shall be adjusted according to the number of months remaining in the fiscal year at the time assessments commence on the Unit.

8.10 Failure to Assess. Failure of the Board to submit a budget to the Members, to establish assessment amounts or rates or to deliver or mail each Owner an assessment notice shall not be deemed a waiver, modification, or a release of any Owner from the obligation to pay assessments. In such event, each Owner shall continue to pay General Assessments and Neighborhood Assessments on the same basis as during the last year for which an assessment was made, if any, until a new assessment is levied, at which time the Association may retroactively assess any shortfalls in collections.

8.11 Exempt Property. The following property shall be exempt from payment of General Assessments, Neighborhood Assessments, and Special Assessments: (i) all Common Area and such portions of the property owned by the Sponsor as are included in the Area of Common Responsibility pursuant to Section 5.1; (ii) any property dedicated to and accepted by any governmental authority or public utility.

8.12 Capitalization of Association. Upon acquisition of record title to a Unit by an Owner thereof other than the Sponsor or a Builder, or upon occupation of a Unit for residential purposes, a contribution shall be made by or on behalf of the purchaser or Person occupying the Unit to the working capital of the Association. The amount of such contribution shall be the greater of Twenty-Five Hundred Dollars and No/100 ($2500.00) or an amount equal to ninety-five percent (95%) of the annual General Assessment per Unit for that year. This amount shall be in addition to, not in lieu of, the annual General Assessment and shall not be considered an advance payment of such assessment. This amount shall be collected and disbursed to the Association, as applicable, (i) at each closing of the purchase and sale of the Unit, or, (ii) immediately upon demand by the Association based on occupancy of the Unit for residential purposes. The capital contributions shall be used in covering operating expenses and other expenses incurred by the Association pursuant to this Declaration and the Bylaws.

CHAPTER 9.

ARCHITECTURAL STANDARDS

9.1 General. Prior to the commencement of any construction on any Unit, the following approvals and requirements must be met:

(a) Only a qualified building professional, approved by the ARB (a "Builder"), shall be entitled to construct improvements on any Unit. For purposes of approving prospective Builders, the ARB shall adopt an application form to be submitted for approval, and shall adopt a list of criteria for Builder approval. Both the application and approval criteria are subject to change, in the sole discretion of the ARB. Decisions by the ARB concerning approval of prospective Builders shall not be based on race, religion, color, sex, age or national origin.

(b) No exterior structure or improvement shall be placed, erected, or installed upon any Unit or adjacent to any Unit where the purpose of the structure is to service such Unit, except in compliance with this Chapter, and approval under Section 9.2, unless exempted from the application and approval requirements.

(c) Any Owner may remodel, repaint or redecorate the interior of structures on his Unit without the approvals required by subsections (a) and (b) herein above; however, modifications to the interior of screened porches, patios, and similar portions of a Unit visible from outside the structures on the Unit shall be subject to approval pursuant to subsection (b) herein above. All dwellings constructed on any portion of the Properties shall be designed by and

built in accordance with the plans and specifications of a licensed architect or other qualified building designer. This Chapter shall not apply to the activities of the Sponsor. This Chapter may not be amended without the Sponsor's written consent, so long as the Sponsor owns any property which is subject to this Declaration or which may be unilaterally subjected to this Declaration by the Sponsor.

9.2 Architectural Review. Responsibility for administration of the Architectural Design Guidelines and review of all applications for construction and modifications under this Chapter shall be handled by the ARB. The ARB may establish and charge reasonable fees, subject to approval of the Board, for review of applications and may require such fees to be paid in full prior to review of any application. Such fees may include the reasonable costs incurred in having any application reviewed by other construction professionals. The ARB shall consist of at least three, but not more than five, persons, who need not be Members of the Association or representatives of Members, and may but need not, include architects, landscape architects, engineers or similar professionals, whose compensation, if any, shall be established from time to time by the Board.

The Sponsor shall have the exclusive authority to appoint the members of the ARB until certificates of compliance have been issued by the ARB, and, if applicable, certificates of occupancy have been issued by the appropriate jurisdiction, for residential dwellings for one hundred percent (100%) of the Units. There shall be no surrender of this right prior to that time except in a written instrument in recordable form executed by the Sponsor. Upon the expiration or surrender of such right, such right shall be assumed by the Association. Following the expiration or surrender of the Sponsor's right to appoint the members of the ARB, the Board shall have the right to appoint the members of the ARB, who shall serve at the Board's discretion.

9.3 General Guidelines and Procedures.

(a) Architectural Design Guidelines. The Sponsor shall prepare the initial Architectural Design Guidelines for the Properties. The Architectural Design Guidelines may contain general provisions applicable to all of the Properties, as well as specific provisions which vary according to land use and from one portion of the Properties to another depending upon the location, unique characteristics, and intended use. For example, by way of illustration but not limitation, the Architectural Design Guidelines may impose stricter requirements on those portions of the Properties adjacent to or visible from the Lakes, the Club or any Common Areas. In addition, the Architectural Design Guidelines may adopt specific requirements with respect to each Unit, such as specific protocols and designation of nondisturbance areas. A lot "protocol" for each Unit may be prepared by the ARB which sets forth the home location, finished floor elevation and approximate finish grades. In consideration for these services, the Owner may be charged a reasonable fee by the ARB.

The Architectural Design Guidelines are intended to provide guidance to Owners and Builders regarding matters of particular concern to the Sponsor and the ARB in considering applications hereunder. The Architectural Design Guidelines are not the exclusive basis for decisions of the ARB and compliance with the Architectural Design Guidelines does not guarantee approval of any application.

For so long as the Sponsor retains the right to appoint the members of the ARB pursuant to Section 9.2, the Sponsor shall have sole and full authority to amend the Architectural Design Guidelines. Thereafter, the Board, working with the ARB, shall have such right. Any amendments to the Architectural Design Guidelines shall be prospective only and shall not apply to require modifications to or removal of structures previously approved once the approved construction or modification has commenced. There shall be no limitation on the scope of

amendments to the Architectural Design Guidelines; amendments may remove requirements previously imposed or otherwise make the Architectural Design Guidelines less restrictive. The Sponsors, the Association or the ARB shall make the Architectural Design Guidelines available to Owners and Builders who seek to engage in development or construction within the Properties.

(b) Procedures. Plans and specifications showing the nature, kind, shape, color, size, materials, and location of all proposed structures and improvements shall be submitted to the ARB for review and a decision on approval. In addition, information concerning irrigation systems, drainage, lighting, landscaping and other features of proposed construction shall be submitted as applicable and as required by the Architectural Design Guidelines. In reviewing each submission, the ARB may consider the quality of workmanship and design, harmony of external design with existing structures, and location in relation to surrounding structures, topography, and finish grade elevation, among other considerations. Decisions may be based on purely aesthetic considerations. Each Owner acknowledges that opinions on aesthetic matters are subjective and may vary over time.

In the event that the ARB fails to approve or to disapprove any complete application within thirty (30) business days after submission of all information and materials reasonably requested, the applicant may send a written request to the ARB to act on such application and if no response is received within ten (10) business days after receipt of the written request by the ARB, the application shall be deemed approved. However, no approval, whether expressly granted or deemed granted pursuant to the foregoing, shall be inconsistent with the Architectural Design Guidelines unless a variance has been granted in writing by the ARB pursuant to this Chapter. Notwithstanding the above, the ARB, by resolution, may exempt certain activities from the application and approval requirements of this Chapter, provided such activities are undertaken in strict compliance with the requirements of such resolution.

All appeals of ARB decisions shall be in accordance with the procedure outlined in the Architectural Design Guidelines.

9.4 Specific Guidelines and Restrictions.

(a) Exterior Structures and Improvements. Plans and specifications shall be submitted for approval for all exterior structures and improvements which shall include, but shall not be limited to, staking, clearing, excavation, grading and other site work; initial construction of any dwelling or accessory building; exterior alteration of existing improvements; installation or replacement of basketball hoops; swing sets and similar sports and play equipment; clotheslines; garbage cans; wood piles; swimming pools; gazebos or playhouses; window air-conditioning units or fans; hot tubs; solar panels; antennas; satellite dishes or any other apparatus for the transmission or reception of television, radio, satellite, or other signals of any kind; hedges, walls, dog runs, animal pens, or fences of any kind; and artificial vegetation or sculpture; and planting or removal of landscaping materials. Notwithstanding the foregoing, the Sponsor and the Association shall regulate antennas, satellite dishes, or any other apparatus for the transmission or reception of television, radio, satellite or other signals of any kind only in strict compliance with all federal laws and regulations.

(b) Specific Guidelines. In addition to the foregoing activities requiring prior approval, the following items are strictly regulated, and the ARB shall have the right, in its sole discretion, to prohibit or restrict these items within the Properties. Each Owner must strictly comply with the terms of this Section unless approval or waiver in writing is obtained from the ARB.

(i) Tree Pruning and Removal. Pruning, limbing, or removal of trees and other natural resources as well as the creation of view corridors without the prior written consent of the ARB is prohibited except as permitted by the Architectural Design Guidelines.

(ii) Lighting. Exterior lighting visible from the street shall not be permitted unless approved by the ARB under this Chapter. Seasonal decorative lights may be used only pursuant to rules and regulations established in the Architectural Design Guidelines.

(iii) Temporary or Detached Structures. Except as may be permitted by the ARB, no temporary or detached house or dwelling shall be placed or erected on any Unit. No mobile home, trailer home, travel trailer, camper or vehicle commonly known as a "recreational vehicle" shall be stored, parked or otherwise allowed to be placed on a Unit as a temporary or permanent dwelling.

(iv) Utility Lines. Overhead utility lines are not permitted, including lines for cable television, except for temporary lines as required during construction and lines installed by or at the request of the Sponsor.

(v) Signs. No sign of any kind shall be erected on the Properties without the prior written consent of the ARB. Unless in compliance with this Chapter, no signs shall be posted or erected within any portion of the Properties, including the Common Area, any Unit, or any structure or dwelling located on the Common Area or any Unit (if such sign would be visible from the exterior of such structure or dwelling as determined in the ARB's sole discretion). "For Sale" and "For Rent" signs must be obtained through the ARB and conform to the ARB's requirements as to design and installation. Not more than one "For Sale" or "For Rent" sign shall be placed on a Unit. This provision shall not apply to entry, directional, or other signs installed by the Sponsor or its duly authorized agents as may be necessary or convenient for the marketing and development of the Properties.

(vi) Minimum Dwelling Size. The Architectural Design Guidelines may establish a minimum square footage of enclosed, heated and cooled living space for residential dwellings, which minimum may vary from one Neighborhood to another. Upon written request of an Owner, the ARB may waive the minimum square footage requirement if, in the ARB's sole discretion, the resulting appearance of such residential dwelling will preserve and conform to the overall appearance, scheme, design, value and quality within the Properties.

(vii) Exterior Appearance. No chain link fences shall be permitted within the Properties, except those fences erected by the Sponsor. Moreover, all fences must be approved by the ARB and, in no event, may fences be erected such as to block right of way view.

9.5 Building Restrictions. All improvements and other structures shall be constructed in compliance with any and all applicable state, county and municipal zoning and building restrictions and any applicable regulations and restrictions. All grading, clearing, construction of impervious surfaces, building, and other construction activity performed on Units that are subject to the rules, regulations, guidelines, or restrictions of Gillespie County, Texas shall be performed in accordance with (i) such rules, regulations, guidelines and restrictions, (ii) any plat filed with Gillespie County, Texas, and (iii) the Standards promulgated by the ARB and the square footage of impervious surface and cleared land on any Unit shall not exceed the square footage of such impervious surface or cleared land, as the case may be,

allocated to such Unit by the ARB or Gillespie County, Texas, which allocated amount has been previously fixed and determined and if applicable. Prior to any such grading, clearing, construction activity, the Owner of any Unit which is subject to such rules, regulations, guidelines or restrictions shall make such filings, including, without limitation, the filing of a site plan with Gillespie County, Texas, and obtain such authorizations and permits as are required hereunder, and, further, shall receive the prior written approval of the ARB. Those vegetated areas disturbed by construction activity and traffic must be re-vegetated and irrigated to establish growth of native plants and grasses present prior to construction activity and traffic. Any Owner that performs any grading, clearing, construction of impervious surface, or other construction activity in violation of the above or the rules, regulations, guidelines, or restrictions of Gillespie County, Texas, or otherwise violated such rules, regulations, guidelines, or restrictions, shall be liable to the Sponsor for any damages incurred by the Sponsor arising out of such violation and the Sponsor hereby expressly reserves the right to sue any such Owner for monetary damages and for specific performance of the above covenants and restrictions. In addition, all residential structures constructed on a Unit shall:

(i) have as a minimum first floor elevation the level of the 100-year flood plain as designated on official Gillespie County flood plain maps, on file with Gillespie County Planning Department, and

(ii) be designed and constructed in compliance with the requirements of the Gillespie County Building Code related to construction in flood hazard areas, if any are applicable.

9.6 Construction Period. The initial construction of all structures on a Unit must be completed within twelve (12) months after the commencement of construction, unless extended by the Board in its sole discretion. All other construction shall be completed within the time limits established by the ARB at the time the project is approved by the ARB.

9.7 Builder's Responsibility. In the event that a Builder ceases construction on a dwelling for more than thirty (30) days, the Sponsor or the Board of Trustees shall have the right, but not the obligation, to finish the exterior of the dwelling in a workmanlike manner and maintain the Unit, keeping it free of trash and debris to prevent devaluation of other Units in the Properties. Costs in conformance with the standards approved by the ARB incurred for finishing the exterior of the dwelling, as well as maintenance costs, shall be charged by the Sponsor or the Association to said Builder. Both the Sponsor and the Association shall endeavor but shall not be required to follow the Builder's plans in completing the exterior of dwelling. Should said Builder fail to reimburse the Sponsor or the Association for costs incurred, said costs shall become a lien against such Unit or dwelling.

9.8 No Waiver of Future Approvals. Approval of proposals, plans and specifications, or drawings for any work done or proposed, or in connection with any other matter requiring approval, shall not be deemed to constitute a waiver of the right to withhold approval as to any similar proposals, plans and specifications, drawings, or other matters subsequently or additionally submitted for approval.

9.9 Variance. The ARB may authorize variances from compliance with any guidelines and procedures when circumstances such as topography, natural obstructions, hardship, or aesthetic or environmental considerations require, but only in accordance with duly adopted rules and regulations. Such variances may only be granted, however, when unique circumstances dictate and no variance shall (i) be effective unless in writing; (ii) be contrary to this Declaration; or (iii) estop the ARB from denying a variance in other circumstances. For purposes of this Section, the inability to obtain approval of any governmental agency, the issuance of any permit, or the terms of any financing shall not be considered a hardship warranting a variance.

9.10 Limitation of Liability. The criteria and requirements established by the Board for approval of prospective Builders are solely for the Sponsor's and the Board's protection and benefit and are not intended to provide the Owner with any form of guarantee with respect to any approved Builder. Owner's selection of a builder shall be conclusive evidence that the Owner is independently satisfied with any and all concerns Owner may have about the builder's qualifications. Furthermore, Owner waives any and all claims and rights Owner has or may have now or in the future, against the Sponsor or the Board. Review and approval of any application pursuant to this Chapter are made on the basis of aesthetic considerations only. None of the Sponsor or the Board shall bear any responsibility for ensuring the structural integrity or soundness of plans approved, proposed or prepared by the ARB or any other approved construction or modification, nor for ensuring compliance with building codes and other governmental requirements. None of the Sponsor, the Association, the Board, or any member thereof, or any member of the ARB, shall be held liable for any injury, damages, or loss arising out of the manner or quality of approved construction on or modifications to any Unit, including but not limited to any construction in accordance with plans proposed, prepared or reviewed by the ARB. In all matters, the ARB shall be defended and indemnified by the Association as provided in Section 4.6. Each Owner and occupant hereby acknowledges that no partnership, joint venture, or principal and agent relationship exists between the ARB and the Sponsor or the Association.

9.11 Enforcement. The Sponsor, any member of the ARB, the Association, the Board, or the representatives of each shall have the right, during reasonable hours and after reasonable notice, to enter upon any Unit to inspect for the purpose of ascertaining whether any structure or improvement is in violation of this Chapter. Any structure or improvement placed or made in violation of this Chapter shall be deemed to be nonconforming. Upon written request from the Sponsor, the ARB, the Association or the Board, Owners shall, at their own cost and expense, remove such structure or improvement and restore the property to substantially the same condition as existed prior to the nonconforming work. Should an Owner fail to remove and restore as required, the Board may enforce the decisions of the Sponsor and the ARB by any means of enforcement described in Section 4.3. In addition, the Sponsor, the Association and the Board shall have the right to enter the property, remove the violation, and restore the property to substantially the same condition as previously existed. Entry by the Sponsor, the ARB, the Association or the Board or their representatives onto a Unit for the purpose of inspecting or enforcing compliance with this Chapter shall not constitute a trespass.

All costs, together with the interest at the maximum rate then allowed by law, may be assessed against the benefited Unit, and collected as a Specific Assessment which shall be subject to enforcement as set forth in Section 8.8.

Unless otherwise specified in writing by the ARB, all approvals granted hereunder shall be deemed conditioned upon completion of all elements of the approved work and all work previously approved with respect to the same Unit in the manner approved, unless approval to modify any application has been obtained. In the event that any Person fails to commence and diligently pursue to completion all approved work, the Association shall be authorized, after notice to the Owner of the Unit and an opportunity to be heard in accordance with the Bylaws, to enter upon the Unit and remove or complete any incomplete work and to assess all costs incurred against the Unit and the Owner thereof as a Specific Assessment, which shall be subject to enforcement pursuant to Section 8.8.

Neither the ARB, the Association, the Sponsor, nor their members, officers, directors, trustees or representatives shall be held liable to any Person for exercising the rights granted by this Chapter. Any contractor, subcontractor, agent, employee, or other invitee of an Owner who fails to comply with the terms and provisions of this Chapter or the Architectural Design Guidelines may be excluded by the Sponsor, the ARB or the Board from the Properties, subject to the notice and hearing procedures contained in the Bylaws.

In addition to the foregoing, the Association shall have the authority and standing to pursue all legal and equitable remedies available to enforce the provisions of this Chapter and the decisions of the ARB and the Sponsor.

CHAPTER 10.

USE RESTRICTIONS AND RULES

10.1 General Use Restrictions. This Chapter sets out certain use restrictions which must be complied with by all Owners and occupants of any Unit. The Properties shall be used only for residential, recreational, and related purposes (which may include, without limitation, model homes and sales offices for Builders, an information center and/or a sales office for the Sponsor to assist in the sale of property described on Exhibit A or Exhibit B, offices for any property manager retained by the Association, business offices for the Sponsor or the Association or related parking facilities) consistent with this Declaration and any Supplemental Declaration.

10.2 Residential and Sunday House Use. All Units shall be used exclusively for residential and Sunday House purposes and shall not be used to conduct business or trade. No garage sale, rummage sale, moving sale, yard sale or similar activity shall be conducted upon a Unit without the prior written consent of the Board. The Board may establish rules and regulations governing such sales which relieve the Owner from obtaining the Board's consent so long as the Owner complies with the rules and regulations. An Owner or occupant residing in a Unit may conduct business activities within the Unit so long as: (i) the existence or operation of the business activity is not apparent or detectable by sight, sound, or smell from outside the Unit; (ii) the business activity conforms to all zoning requirements for the Properties; (iii) the business activity does not involve door-to-door solicitation of residents of the Properties; and (iv) the business activity is consistent with the residential character of the Properties and does not constitute a nuisance, or a hazardous or offensive use, or threaten the security or safety of other residents of the Properties, as may be determined in the sole discretion of the Board.

The terms "business" and "trade," as used in this provision, shall be construed to have their ordinary, generally accepted meanings and shall include, without limitation, any occupation, work, or activity undertaken on an ongoing basis which involves the provision of goods or services to persons other than the provider's family and for which the provider receives a fee, compensation, or other form of consideration, regardless of whether: (i) such activity is engaged in full or part-time, (ii) such activity is intended to or does generate a profit, or (iii) a license is required. The leasing of a Unit and Sunday House use shall not be considered business or trade within the meaning of this Section. This Section shall not apply to any activity conducted by the Sponsor or a Builder approved by the Board with respect to its development and sale of the Properties or its use of any Units which it owns within the Properties.

10.3 Leasing. Units may be leased for residential purposes only. All leases shall be in writing and shall require, without limitation, that the tenant acknowledge receipt of a copy of the Declaration, Bylaws, use restrictions, and rules and regulations of the Association. The lease shall also obligate the tenant to comply with the foregoing. The Board may require notice of any lease together with such additional information deemed necessary by the Board. Prior to the commencement of any such lease, the Owner shall provide the Secretary of the Association and the managing agent of the Association, if any, with copies of such lease.

10.4 Rules and Regulations. In addition to the rules and regulations stated in this Chapter, the Board may, from time to time, without consent of the Members, promulgate, modify, or delete rules and regulations applicable to the Properties. Such rules and regulations shall be distributed to all Owners and occupants prior to the date that they are to become effective and shall thereafter be binding upon all Owners and occupants until and unless overruled, canceled, or modified in a regular or special meeting by

a Majority of the Members, and the written consent of the Sponsor, so long as the Sponsor owns any property which is subject to this Declaration or which may be unilaterally subjected to this Declaration by the Sponsor.

10.5 Vehicles. All vehicles shall be subject to such reasonable rules and regulations as the Association may adopt. The Association is hereby authorized to promulgate, administer, and enforce reasonable rules and regulations governing vehicular and pedestrian traffic, including reasonable safety measures and speed limits within the Properties. The Association shall be entitled to enforce 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 such rules and regulations promulgated by the Association, the rules and regulations of the Association shall govern. Only drivers licensed to operate motor vehicles by the State of Texas or by any other state in the United States may operate any type of motor vehicle. In addition, the following shall apply:

(a) Automobiles and non-commercial trucks and vans shall be parked only in the garages or in the driveways, if any, serving the Units unless otherwise approved by the Board; provided however, the Sponsor and/or the Association may designate certain on-street parking areas for visitors or guests subject to reasonable rules. No automobile or non-commercial truck or van may be left upon any portion of the Properties, except in a garage, if it is unlicensed or if it is in a condition such that it is incapable of being operated upon the public highways. Such vehicle shall be considered a nuisance and may be removed from the Properties. When not in use, all garage doors shall be kept closed.

(b) Recreational vehicles shall be parked only in closed garages with doors serving the Units. The term "recreational vehicles," as used herein, shall include, without limitation, motor homes, mobile homes, boats, trailers, other towed vehicles, motorcycles, minibikes, scooters, go-carts, all-terrain vehicles, campers, buses, commercial trucks and vans. Any recreational vehicle parked or stored in violation of this provision in excess of two (2) days shall be considered a nuisance and may be removed from the Properties. Trucks with mounted campers which are an Owner's or occupant's primary means of transportation shall not be considered recreational vehicles, provided they are used on a regular basis for transportation and the camper is stored out of public view.

(c) No motorized vehicles shall be permitted on unpaved Common Area or on pathways or trails within the Properties except for public safety vehicles authorized by the Board and vehicles used by the Association in the maintenance of all or any portion of the Properties.

10.6 Nuisance. It shall be the responsibility of each Owner and occupant to prevent the development of any unclean, unhealthy, unsightly, or unkempt condition on his or her property. No property within the Properties shall be used, in whole or in part, for the storage of any property or thing that will cause such Unit to appear to be in an unclean or untidy condition or that will be obnoxious to the eye; nor shall any substance, thing, or material be kept that will emit foul or obnoxious odors or that will cause any noise or other condition that will or might disturb the peace, quiet, safety, comfort, or serenity of the occupants of surrounding property. No noxious or offensive activity shall be carried on within the Properties, nor shall anything be done tending to cause embarrassment, discomfort, annoyance, or nuisance to any Person using any property within the Properties. There shall not be maintained any plants or animals or device or thing of any sort whose activities or existence in any way is noxious, dangerous, illegal, unsightly, unpleasant, or of a nature as may diminish or destroy the enjoyment of the Properties. Without limiting the generality of the foregoing, no speaker, horn, whistle, siren, bell, amplifier or other sound device, except such devices as may be used exclusively for security purposes or for listening

privately to music or as approved by the ARB pursuant to Chapter 9, shall be located, installed or maintained upon the exterior of any Unit unless required by law.

10.7 Storage of Materials, Trash, Garbage, Dumping, Etc.

(a) No lumber, metals, bulk materials, refuse, trash or other similar materials shall be kept, stored, or allowed to accumulate outside the buildings on any Unit, except during the initial construction period of the improvements to the Unit, not to exceed one (1) year in duration, and then only during periods of actual construction. In addition, during construction the building materials on any Unit shall be placed and kept in an orderly fashion. Any Unit on which construction is in progress shall be policed prior to each weekend and during the weekend all materials shall be neatly stacked or placed and any trash or waste materials shall be removed.

(b) All garbage cans shall be located within the enclosed garage of a Unit or behind an ARB-approved exterior walled enclosure, so as to conceal trash receptacles from the view of neighboring streets and Units except during hours of collection. All rubbish, trash, and garbage shall be regularly removed and shall not be allowed to accumulate. Builders may not dump or bury rocks and trees removed from a building site on any building site. Owners and occupants may not burn or bury biodegradable trash, leaves, debris or other materials except in accordance with rules established by the Board and applicable governmental laws and regulations.

(c) Roads and sidewalks shall be kept free of obstruction at all times. No Owner shall place or stack garbage cans, recycling bins, landscape debris or yard clippings, or other materials or debris on or within any roadways, sidewalks or other pedestrian pathways or trails. In addition, trees, shrubbery and other landscaping materials shall not be permitted to grow in such a manner as to impede pedestrian or vehicular traffic within any roadway, sidewalk, or other pedestrian pathway or trail.

(d) All gas and electricity meters as well as air conditioning equipment shall be located or screened so as to be concealed from view of neighboring streets and property.

10.8 Animals and Pets. No animals, livestock, or poultry of any kind may be raised, bred, kept, or permitted on any Unit, with the exception of dogs, cats, or other usual and common household pets in reasonable number, as determined by the Board. No animals shall be kept, bred or maintained for any commercial purpose. All pets shall be reasonably controlled by the owner whenever outside a Unit and shall be kept in such a manner as to not become a nuisance by barking or other acts. All pets shall be retained by a leash whenever not located on a Unit. The owners of the pet shall be responsible for all of the pet's actions. If, in the sole opinion of the Board, any animal becomes dangerous or an annoyance or nuisance in the Properties or to nearby property or destructive of wildlife, they shall be removed from the Properties. By way of explanation and not limitation, this Section may be enforced by exercising self-help rights provided in Section 4.3.

10.9 Hunting and Guns. Hunting, trapping or the discharge of firearms within any portion of the Properties other than within shooting facilities which may be included in a Private Amenity is strictly prohibited. The term "firearms" includes without limitation "B-B" guns, pellet guns, and firearms of all types.

10.10 Combustible Liquid. Storage of gasoline, heating or other fuels on any Unit is strictly prohibited, provided that a reasonable amount of fuel may be stored on each Unit for emergency purposes and for operation of lawn mowers and similar tools or equipment. Propane or L.P. tanks greater than five (5) gallons in size may only be stored or operated on a Unit with the express written consent of the Board. The Association shall be permitted to store fuel for operation of maintenance vehicles, generators and

similar equipment. Storage tanks shall be located or screened so as to be concealed form the view of neighboring streets and Units.

10.11 Streams and Drainage Channels. No streams or drainage channels which run across any Unit may be dammed, or the water therefrom impounded, diverted, or used for any purpose without the prior written consent of the Board, except that the Sponsor shall have such rights as provided in Chapter 11.

10.12 Wetlands. All areas designated on a recorded plat as "wetlands" shall be generally left in a natural state and not disturbed, and any proposed alteration of the wetlands must be in accordance with any restrictions or covenants recorded against such property and be approved by all appropriate regulatory bodies. Notwithstanding anything contained in this Section, the Sponsor, the Association, and the successors, assigns, affiliates and designees of each may conduct such activities as have been or may be permitted by the U.S. Army Corps of Engineers or any successor thereof responsible for the regulation of wetlands.

10.13 Common Areas. Owners of Units, as well as their families, tenants, guests, invitees, and pets shall refrain from any actions which deter from the enjoyment by other Owners of Common Areas. Prohibited activities shall include without limitation, maintenance of dogs or other pets under conditions which interfere with the use of Common Areas by other Owners, playing of loud radios or musical instruments, holding of large gatherings without advance approval of the Board, and use of outdoor grills, cooking facilities, tents or other temporary structures, stages, vending machines or facilities, except for events approved in advance by the Board. The Board may promulgate other rules and restrictions for the use of Common Areas.

10.14 Drainage and Grading.

(a) Catch basins and drainage areas are for the purpose of natural flow of water and for collection of rainwater for irrigation purposes. No Owner or occupant may unilaterally obstruct or rechannel the drainage flows from or to a neighboring Unit by installing unreasonably large drainage swales, storm sewers, or storm drains.

(b) No Person shall alter the grading of any Unit without prior approval pursuant to Chapter 9 of this Declaration. The Sponsor hereby reserves for itself and the Association a perpetual easement across the Properties for the purpose of altering drainage and water flow. The exercise of such an easement shall not materially diminish the value of or unreasonably interfere with the use of any Unit without the Owner's consent.

10.15 Water Wells and Septic Tanks. Except those initially installed by the Sponsor, no private water wells may be drilled or maintained and no additional septic tanks or similar sewerage facilities or irrigation wells may be installed or maintained on any Unit. The foregoing restriction on the installation of private water wells shall not apply to Units in the Boot Ranch Preserve section of the Boot Ranch development as shown on the Master Plan, subject to obtaining the necessary governmental approvals and the approval of the ARB.

10.16 Sight Distance at Intersections. All property located at street intersections or driveways shall be landscaped so as to permit safe sight across such areas.

10.17 Subdivision of Unit. No Unit shall be subdivided or its boundary lines changed after a subdivision plat including such Unit has been approved and filed in the Public Records. The Sponsor, however, hereby expressly reserves the right to replat any Unit or Units which it or any Builder owns, with the written prior consent of the owner of the Unit or Units affected. Any such division, boundary

line change, or replatting shall not be in violation of the applicable subdivision and zoning regulations, if any.

10.18 Occupancy of Unfinished Units. No dwelling erected upon any Unit shall be occupied in any manner before commencement of construction or while in the course of construction, nor at any time prior to the dwelling being fully completed. For the purposes of this Section, commencement of construction shall mean that (i) all plans for such construction have been approved by the ARB; (ii) a building permit has been issued for the Unit by the appropriate jurisdiction, if applicable; and (iii) construction of a residential dwelling on the Unit has physically commenced beyond site preparation. Completion of a dwelling shall mean that a certificate of compliance has been issued by the ARB (and a Notice of Commencement has been issued and received), and if applicable, a certificate of occupancy has been issued by the appropriate jurisdiction for the Unit.

10.19 Occupants Bound. All provisions of the Declaration, Bylaws, and of any rules and regulations, use restrictions or Architectural Design Guidelines governing the conduct of Owners and establishing sanctions against Owners shall also apply to all occupants even though occupants are not specifically mentioned.

10.20 Club Facilities. Owners, as well as their families, tenants, guests, invitees, and pets, shall refrain from any actions which would distract from the playing qualities of any golf course adjacent to the Properties or which would distract from the use of any other Club Facilities. Such prohibited activities shall include, but shall not be limited to, burning materials where the smoke will cross the golf course or other Club Facilities Property, maintenance of dogs or other pets which interfere with golf course play or use of the other Club Facilities due to their loud barking or other actions, playing of loud radios, televisions, stereos or musical instruments or otherwise generating excessive noise from or about the Unit, running, bicycling, skateboarding, walking or trespassing in any way on the golf course or other Club Facilities Property, picking up balls or similar interference with play. In addition, no Person shall, by virtue of this Declaration, have any right to use any portion of any golf cart path system, including any portion thereof which may be situated upon Common Area, without the prior written approval of the owner of such golf course evidenced by an executed private cart agreement. This covenant is for the benefit of any golf course and other Club Facilities adjacent to the Properties and the Club Owner and persons playing golf on said golf course and using such other Club Facilities, and shall be enforceable by the Club Owner.

10.21 Water Ordinances. The Properties shall be subject to all water and wastewater ordinances and regulations of Utility Company, as presently enacted and as same may be amended from time to time, including, but not limited to ordinances and regulations regarding fees, penalties, connections, water conservation, limitations upon landscape watering, and requirements regarding water and sewer pipe construction, maintenance, connections and sprinkler system requirements. Utility Company shall have the right to enforce or otherwise pursue to the extent provided at law or in equity, all such ordinances and regulations.

CHAPTER 11.

EASEMENTS

11.1 Easements of Encroachment. There shall be reciprocal appurtenant easements of encroachment for maintenance and use of any permitted encroachment between adjacent Units, and between each Unit and any adjacent Common Area, due to the unintentional placement or settling or shifting of the improvements constructed, reconstructed, or altered thereon (in accordance with the terms of these restrictions) to a distance of not more than three (3) feet, as measured from any point on the common boundary along a line perpendicular to such boundary. However, in no event shall an easement

for an unintentional encroachment exist if such unintentional encroachment occurred due to willful and knowing conduct on the part of, or with the knowledge and consent of, the Person claiming the benefit of such easement.

11.2 Easements for Utilities, Etc.

(a) There are hereby reserved to the Sponsor, so long as the Sponsor owns any property which is subject to this Declaration or which may be unilaterally subjected to this Declaration by the Sponsor, the Association, and the designees of each (which may include, without limitation, any governmental or quasi-governmental entity and any utility company whether public or private) perpetual non-exclusive easements upon, across, over, and under all of the Properties to the extent reasonably necessary for the purpose of installing, constructing, monitoring, replacing, repairing, maintaining, operating and removing cable television systems, master television antenna systems, and other devices for, sending or receiving data and/or other electronic signals; security and similar systems; roads, walkways, pathways and trails; ponds, holding ponds, wetlands, irrigation, and drainage systems; street lights and signage; and all utilities, including, but not limited to, water, sewer, telephone, gas, and electricity, and utility meters; and an easement for access of vehicular and pedestrian traffic over, across, and through the Properties, as necessary, to exercise the easements described above. Sponsor specifically grants to the local water supplier, electric company, telephone company, sewage company and natural gas supplier easements across the Properties for ingress, egress, installation, reading, replacing, repairing, and maintaining utility lines, meters and boxes, as applicable.

(b) There is hereby reserved to the Sponsor, so long as the Sponsor owns any property which is subject to this Declaration or which may be unilaterally subjected to this Declaration by the Sponsor, the non-exclusive right and power to grant such specific easements as may be necessary, in the sole discretion of Sponsor, in connection with the orderly development of any property described on Exhibit A or Exhibit B or the Club Facilities.

(c) Any damage to a Unit resulting from the exercise of the easements described in subsections (a) and (b) of this Section shall promptly be repaired by, and at the expense of, the Person exercising the easement. The exercise of these easements shall not extend to permitting entry into the structures on any Unit, nor shall it unreasonably interfere with the use of any Unit and, except in an emergency, entry onto any Unit shall be made only after reasonable notice to the Owner or occupant.

(d) The Sponsor reserves unto itself the right, in the exercise of its sole discretion, upon the request of any Person holding, or intending to hold, an interest in the Properties, or at any other time, (i) to release all or any portion of the Properties from the burden, effect, and encumbrance of any of the easements granted or reserved under this Section, or (ii) to define the limits of any such easements.

11.3 Easement for Slope Control, Drainage and Waterway Maintenance. The Sponsor, for itself and the Association, and their respective representatives, successors and assigns, contractors and agents, hereby establishes and reserves a permanent and perpetual non-exclusive easement appurtenant over, across, under, through and upon each Unit for the purposes of:

(a) controlling soil erosion, including grading and planting with vegetation any areas of any Unit which are or may be subject to soil erosion;

(b) drainage of natural or man-made water flow and water areas from any portion of the Properties;

(c) changing, modifying or altering the natural flow of water, water courses or waterways on or adjacent to any Unit or any Common Area;

(d) dredging, enlarging, reducing or maintaining any water areas, waterways or holding ponds within the Properties;

(e) installing such pipes, lines, conduits, or other equipment or facilities as may be necessary for slope control, drainage and waterway maintenance of any portion of the Properties; and

(f) perpetuating stream setbacks and buffers identified for non-impacted streams as permitted under the rules and regulations of Gillespie County, Texas Commission on Environmental Quality and the U.S. Army Corps of Engineers.

11.4 Easements to Serve Additional Property. The Sponsor hereby reserves for itself and its duly authorized agents, representatives, and employees, successors, assigns, licensees, and mortgagees, an easement over the Common Area for the purposes of enjoyment, use, access, and development of the property described in Exhibit B, whether or not such property is made subject to this Declaration. This easement includes, but is not limited to, a right of ingress and egress over the Common Area for construction of roads and for connecting and installing utilities on such property. The Sponsor agrees that it and its successors or assigns shall be responsible for any damage caused to the Common Area as a result of vehicular traffic connected with development of such property. The Sponsor further agrees that if the easement is exercised for permanent access to such property and such property or any portion thereof benefiting from such easement is not made subject to this Declaration, the Sponsor, its successors or assigns shall enter into a reasonable agreement with the Association to share the cost of any maintenance which the Association provides to or along any roadway providing access to such property.

11.5 Easements for Entry.

(a) The Association shall have the right, but not the obligation to enter all portions of the Properties, including each Unit, for emergency, security, and safety reasons. Such right may be exercised by the authorized agents, employees, officers and managers of the Association, any member of its Board, or committees of the Association. All police officers, fire fighters, ambulance personnel, and similar emergency personnel in the performance of their duties are hereby granted a perpetual easement for entry. Except in emergencies, entry onto a Unit shall be only during reasonable hours and after notice to and permission from the Owner. The easements granted in this Section include the right to enter any Unit to cure any condition which may increase the risk of fire, immediate danger of personal injury or other hazard if an Owner fails or refuses to cure the condition within a reasonable time after request by the Board, but shall not authorize entry into any dwelling without permission of the Owner, except by emergency personnel acting in their official capacities. Any such entry shall not constitute a trespass.

(b) The Sponsor hereby reserves for itself, the Association and the relatives or descendants of any deceased person in any cemetery or burial ground that is located within the boundary of the Properties, a nonexclusive, perpetual easement of ingress and egress over such portions of the Common Area which are necessary for access to the cemetery or burial ground.

11.6 Easements for Maintenance and Enforcement. Authorized agents of the Association shall have the right, and a perpetual easement is hereby granted to the Association, to enter all portions of the Properties, including each Unit to (i) perform its maintenance responsibilities under Chapter 5, (ii) make inspections to ensure compliance with this Declaration, any Supplemental Declaration, Bylaws,

Architectural Design Guidelines and rules, and (iii) to abate or remove, using such measures as may be reasonably necessary, any structure, thing or condition which violates the Declaration, any Supplemental Declaration, the Bylaws, the Architectural Design Guidelines, or the rules. To the extent provided at law or in equity, authorized agents of Utility Company shall have the right, and a perpetual easement is hereby granted to Utility Company, to enter all portions of the Properties, including each Unit, to inspect, sample and monitor the water provision or sewer collection systems to assure ordinance compliance. Except in emergencies, entry onto a Unit by Association or Utility Company shall be only during reasonable hours. This easement shall be exercised with a minimum of interference to the quiet enjoyment to Owners' property, and any damage shall be repaired by the Association or Utility Company, as applicable, at its expense. Any such entry by Association or Utility Company shall not constitute a trespass.

11.7 Easements for Landscaping. The Sponsor hereby establishes, grants and otherwise conveys, for the benefit of itself and the Association a nonexclusive easement for landscaping maintenance purposes over that portion for the Units fronting the streets, roads, rights-of-way and Common Areas within the Properties. In accordance with the foregoing, the Association shall have the right, but not the obligation, to install landscaping and irrigation facilities in areas designated for such purposes on the plat or any supplemental plat annexing property to the provisions of this Declaration (the "Landscaping Easement"). The Sponsor and the Association shall have the right, but not the obligation, to plant, maintain, and replace landscaping within any portion of the Landscaping Easement as it determines, for any period that it desires. Further, the Sponsor and/or the Association can commence or terminate its landscaping maintenance, for any portion of the Landscaping Easement, as it chooses, and can recommence or cease landscaping maintenance from time to time, in its sole discretion. During any period the Sponsor or the Association chooses not to maintain the landscaping within all or any portion of the Landscaping Easement, the Owners of such areas shall have the obligation to maintain the landscaping within the Landscaping Easement, in accordance with the Community-Wide standard. Should any Owner fail to maintain the landscaping within the Landscaping Easement, during a period in which the Association is not maintaining such landscaping, the Association shall have the right to enter onto such Owners' property and maintain the landscaping and charge such Owner with the cost of such maintenance.

11.8 Easements for Walks, Trails, Signs and Perimeter Walls. The Sponsor hereby reserves for the benefit of the Sponsor, the Association, and their respective successors and assigns, a nonexclusive easement across those strips of land ten feet in width located along and adjacent to the exterior boundaries of all Units, such strips to be bounded by the exterior boundaries adjacent to streets and roads and by lines in the interior of such Units which are ten feet from and parallel to such exterior boundaries, for the installation, maintenance, and use of sidewalks, traffic directional signs, entrance monuments and related improvements, provided that the Sponsor shall have no obligation to construct any such improvements. The Sponsor further reserves for benefit of the Sponsor, the Association and their respective successors and assigns, a nonexclusive easement across those strips of land fifteen feet in width located along those boundaries of all Units that constitute part of the perimeter boundary of the Properties, such easement to be for the purpose of constructing, installing, replacing, repairing and maintaining a perimeter wall or fence around the perimeter boundary of the Properties, provided that neither the Sponsor nor the Association shall have any obligation to construct any such perimeter wall or fence.

11.9 Lateral Support. Every portion of the Common Area, every Unit, and any improvement which contributes to the lateral support of another portion of the Common Area or of another Unit shall be burdened with an easement for lateral support, and each shall also have the right to lateral support which shall be appurtenant to and pass with title to such property.

11.10 Liability for Use of Easements. No Owner shall have a claim or cause of action against the Sponsor, its successors or assigns, arising out of the exercise or non-exercise of any easement reserved

hereunder or shown on any subdivision plat for the Properties, except in cases of willful or wanton misconduct.

11.11 Easement for Special Events. The Sponsor hereby reserves for itself, its successors, assigns and designees a perpetual, non-exclusive easement over the Common Area for the purpose of conducting educational, cultural, entertainment, or sporting events, and other activities of general community interest, at such locations and times as the Sponsor, in its sole discretion, deems appropriate. Each Owner, by accepting a deed or other instrument conveying any interest in a Unit, acknowledges and agrees that the exercise of this easement may result in a temporary increase in traffic, noise, gathering of crowds, and related inconveniences, and each Owner agrees on behalf of itself and the occupants of its Unit to take no action, legal or otherwise, which would interfere with the exercise of such easement or to recover damages for or as the result of any such activities.

11.12 Easement for Environmental Hazards. To secure the natural beauty of the Properties, the Sponsor, its successors or assigns may promulgate and amend from time to time rules and regulations which shall govern activities which may, in its judgment, be environmentally hazardous, such as the application of fertilizers and pesticides and other chemicals. Failure of any Owner or tenant of property in the Properties to comply with the requirements of such rules and regulations shall constitute a breach hereof.

The Sponsor hereby reserves unto itself, its successors, assigns, and agents a perpetual, alienable and releasable easement and right on, over and under all the Properties for the purpose of taking any action necessary to effect compliance with such environmental rules and regulations. The cost of such action by the Sponsor shall be paid by the respective Owner(s) of the portion of the Properties upon which the work is performed.

11.13 Easements for Private Amenities. The Sponsor reserves, creates, establishes, promulgates and declares for the owners of any Private Amenity the following non-exclusive, perpetual, reciprocal, appurtenant easements which shall benefit the Private Amenity.

(a) There is hereby established for the benefit of the Club Facilities Property and the members (regardless of whether such members are Owners hereunder), guests, invitees, employees, agents, contractors, and designees of the Club, a right and nonexclusive permanent easement to permit the doing of every act necessary and usual to the playing of golf on the Club Facilities Property and to permit the doing of every act necessary and usual to operate and maintain the Club Facilities and the Club Facilities Property. These acts shall include, but not be limited to the following:

(i) Operation of lighting facilities for operation of the Club and other recreational facilities during hours of darkness, and the creation of usual and common noise levels associated with such recreational activities;

(ii) Operation of golf carts and maintenance vehicles;

(iii) Creation of noise related to the normal maintenance and operation of the Club Facilities, including, but not limited to, the operation of mowing and spraying equipment. Such noise may occur throughout the day from early morning until late evening;

(iv) Creation of the usual and common noise level associated with the playing of the game of golf;

(v) The spray of herbicides, fungicides, pesticides, fertilizers, chemicals and water over the Club Facilities Property; and

(vi) All such other common and usual activities associated with the game of golf and all such other normal and usual activities associated with the operation and maintenance of the Club Facilities Property.

(b) Every Unit and the Common Area and the common property of any Neighborhood Association adjacent to any Private Amenity are burdened with an easement permitting golf balls unintentionally to come upon such Common Area, Units or common property of a Neighborhood and for golfers at reasonable times and in a reasonable manner to come upon the Common Area, Units or common property of a Neighborhood to retrieve errant golf balls. The existence of this easement shall not relieve golfers of liability for damage caused by errant golf balls. Under no circumstances shall any of the following Persons be held liable for any damage or injury resulting from any activity relating to a Private Amenity, including but not limited to, any errant golf balls or the exercise of this easement: the Sponsor, or any successor Sponsor; the Association or its Members (in their capacity as such); the owner(s) of the Private Amenities or their successors, successors-in-title, or assigns; any Builder or contractor (in their capacities as such); any officer, director, member, manager, or partner of any of the foregoing, or any officer, director, member or manager of any partner of any of the foregoing.

(c) The Club Owner, and its successors and assigns, shall have a perpetual, exclusive easement of access over the Properties for the purpose of retrieving golf balls from bodies of water within the Common Area.

(d) The owner of any Private Amenity within or adjacent to any portion of the Properties, its agents, successors and assigns, shall at all times have a right and non-exclusive easement of access and use over those portions of the Common Area reasonably necessary to the operation, maintenance, repair and replacement of the Private Amenity.

(e) There is hereby established for the benefit of the Private Amenities and their members (regardless of whether such members are Owners hereunder), guests, invitees, employees, agents, vendors, contractors, and designees, a right and nonexclusive easement of access and use over the Private Streets and Common Areas located within the Properties reasonably necessary to travel between the entrance to the Properties and the Private Amenities and over those portions of the Properties (whether Common Area or otherwise) reasonably necessary to the operation, maintenance, repair, and replacement of the Private Amenities, including, without limitation, the operation of golf carts and maintenance vehicles thereon. Without limiting the generality of the foregoing, members of the Private Amenities and guests and invitees of the Private Amenities shall have the right to park their vehicles on the roadways located within the Properties at reasonable times before, during, and after special events, tournaments and other similar functions held by or at the Private Amenities to the extent that the Private Amenities have insufficient parking to accommodate such vehicles.

(f) Any portion of the Properties immediately adjacent to the Private Amenities are hereby burdened with a non-exclusive easement in favor of the adjacent Private Amenities for overspray of (i) water from the irrigation system serving the Private Amenities, and (ii) pesticides, herbicides, fungicides, chemicals and fertilizer. Under no circumstances shall the Association or the owner(s) of the Private Amenities be held liable for any damage or injury resulting from such overspray or the exercise of this easement.

(g) The Sponsor hereby reserves for itself, its successors and assigns, and may assign to the owner(s) of the Private Amenities, an easement and all rights to draw water from the Lakes, and ponds within or adjacent to the Properties for purposes of irrigation of the Private Amenities and for access to and the right to enter upon the Lakes and ponds within or adjacent to the Properties, if any, for installation and maintenance of any irrigation systems.

(h) The owner(s) of the Private Amenities shall have easements for erecting a reasonable number of temporary and permanent directional signs (the "Private Amenity Signs") to provide guidance to the public to the Private Amenities ("Private Amenity Sign Easement"). The owner(s) of the Private Amenities shall propose the number, style and locations of the Private Amenity Signs to be erected after the date hereof, which proposal shall be subject to the prior written approval of the ARB. The ARB's approval shall not be unreasonably withheld or delayed, and, the ARB may not withhold its consent to the extent that the Private Amenity Signs proposed (i) are of a size and style consistent with Sponsor's signage for the Properties or any portion thereof; (ii) do not unreasonably interfere with Sponsor's development and marketing of the Properties; (iii) comply with all applicable laws, governmental rules and regulations; and (iv) comply with the Architectural Design Guidelines. At minimum, the owner(s) of the Private Amenities shall be entitled to place primary Private Amenity Signs at locations adjacent to the main entrance to the Properties and the main entrance to the Private Amenities, which shall be fully visible to traffic flowing in both directions along roads accessing the main entrances. Notwithstanding the foregoing, the Sponsor shall be entitled from time to time to request that the owner of the Private Amenity relocate one (1) or more of the Private Amenity Signs to accommodate any changes which may from time to time occur in the Sponsor's development plans for the Properties, and such owner may not withhold or delay consent to the request if the Sponsor proposes a relocation site of equal quality to the location of any Private Amenity Sign as of that time. The owner of the Private Amenity shall install and maintain all its Private Amenity Signs located in the Private Amenity Sign Easement.

(i) Any Private Amenity may include an extensive system of paths for use by pedestrians, golf carts and maintenance vehicles. The Club Facilities Property may also include an extensive system of equestrian trails on which horses have the complete right of way. Bicycles, walkers or runners may use the equestrian trails in accordance with the rules of use established by the Club Owner, however, any trail user shall defer to horseback riders at all times. To the extent such paths and/or trails are not located on the Private Amenity, the Sponsor hereby reserves a nonexclusive easement appurtenant to the Private Amenity on, over, under and across the Properties, as reasonably necessary for the installation, maintenance, repair, replacement, reconstruction, use and enjoyment of such paths and/or trails; provided however, no path or trail may encroach onto any Unit more than three (3) feet nor onto any Common Area (excluding the private streets) more than ten (10) feet. Except as provided to the contrary in any Cost Sharing Agreement between the Association and the Owner of a Private Amenity, the owner(s) of the Private Amenities shall be solely responsible for maintaining such paths at its sole cost and expense, including those portions which are located on a private street, a Unit, or Common Area. The aforesaid easements are reserved for the benefit of the owner(s) of the Private Amenities, and their respective employees, contractors, managers, agents, vendors, licensees, invitees, successors, assigns and grantees and shall be appurtenant to the Private Amenity.

(j) The Sponsor reserves the right to grant the owner of any Private Amenity temporary and/or permanent easements through the Common Areas to the extent necessary, as determined by the Sponsor, for construction, maintenance, drainage and utilities to the Private Amenity.

11.14 Non-Merger. Notwithstanding the fact that the Sponsor owned and is currently an owner of the Properties, it is the express intention of the Sponsor that the easements in Chapters 2 and 11 herein established for the benefit of the Properties and Owners shall not merge into the fee simple estate of individual lots conveyed by the Sponsor or its successor, but that the estates of the Sponsor and individual lot owners shall remain as separate and distinct estates. Any conveyance of all or a portion of the Properties shall be subject to the terms and provisions of this Declaration, regardless of whether the instrument of conveyance refers to this Declaration.

11.15 Grants. The parties hereby declare that this Declaration, and the easements created hereunder in Chapters 2 and 11 shall be and constitute covenants running with the fee simple estate of the Properties. The grants of easements in this Declaration are independent of any covenants and contractual agreements undertaken by the parties in this Declaration and a breach by either party of any such covenants or contractual agreements shall not cause or result in a forfeiture or reversion of the easements granted in this Declaration.

CHAPTER 12.

MORTGAGEE PROVISIONS

The following provisions are for the benefit of holders, insurers and guarantors of first Mortgages on Units in the Properties. The provisions of this Chapter apply to both this Declaration and to the Bylaws, notwithstanding any other provisions contained therein.

12.1. Notices of Action. An institutional holder, insurer, or guarantor of a first Mortgage who provides a written request to the Association (such request to state the name and address of such holder, insurer, or guarantor and the street address of the Unit to which its Mortgage relates, thereby becoming an "Eligible Holder"), will be entitled to timely written notice of:

(a) Any condemnation loss or any casualty loss which affects a material portion of the Properties or which affects any Unit on which there is a first Mortgage held, insured, or guaranteed by such Eligible Holder;

(b) Any delinquency in the payment of assessments or charges owed by a Unit subject to the Mortgage of such Eligible Holder, where such delinquency has continued for a period of sixty (60) days, or any other violation of the Declaration or Bylaws relating to such Unit or the Owner or Occupant which is not cured within sixty (60) days;

(c) Any lapse, cancellation, or material modification of any insurance policy maintained by the Association; or

(d) Any proposed action which would require the consent of a specified percentage of Eligible Holders.

12.2. Special FHLMC Provision. So long as required by the Federal Home Loan Mortgage Corporation, the following provisions apply in addition to and not in lieu of the foregoing. Unless at least sixty-seven (67%) of the first Mortgagees or at least sixty-seven (67%) of the total Association vote consent, the Association shall not:

(a) By act or omission seek to abandon, partition, subdivide, encumber, sell, or transfer all or any portion of the real property comprising the Common Area which the Association owns, directly or indirectly (neither the conveyance of property in accordance with Section 4.2 nor the granting of easements for utilities or other similar purposes consistent with the

intended use of the Common Area shall be deemed a transfer within the meaning of this subsection);

(b) Change the method of determining the obligations, assessments, dues, or other charges which may be levied against an Owner of a Unit (a decision, including contracts, by the Board or provisions of any declaration subsequently recorded on any portion of the Properties regarding assessments for Neighborhoods or other similar areas shall not be subject to this provision where such decision or subsequent declaration is otherwise authorized by this Declaration);

(c) By act or omission change, waive, or abandon any scheme of regulations or enforcement pertaining to architectural design, exterior appearance or maintenance of Units and the Common Area (the issuance and amendment of Architectural Design Guidelines, architectural standards, procedures, rules and regulations, or use restrictions shall not constitute a change, waiver, or abandonment within the meaning of this provision);

(d) Fail to maintain insurance, as required by this Declaration; or

(e) Use hazard insurance proceeds for any Common Area losses for other than the repair, replacement, or reconstruction of such property.

First Mortgagees may, jointly or singly, pay taxes or other charges which are in default and which may or have become a charge against the Common Area and may pay overdue premiums on casualty insurance policies or secure new casualty insurance coverage upon the lapse of an Association policy, and first Mortgages making such payments shall be entitled to immediate reimbursement from the Association.

12.3. No Priority. No provision of this Declaration or the Bylaws gives or shall be construed as giving any Owner or other party priority over any rights of the first Mortgagee of any Unit in the case of distribution to such Owner of insurance proceeds or condemnation awards for losses to or a taking of the Common Area.

12.4. Notice to Association. Upon request, each Owner shall be obligated to furnish to the Association the name and address of the holder of any Mortgage encumbering such Owner's Unit.

12.5. Failure of Mortgagee to Respond. Any Mortgagee who receives a written request from the Board to respond to or consent to any action shall be deemed to have approved such action if the Association does not receive a written response from the Mortgagee within thirty (30) days of the date of the Association's request, provided such request is delivered to the Mortgagee by certified or registered mail, return receipt requested.

12.6. Construction of Chapter. Nothing contained in this Chapter shall be construed to reduce the percentage vote that must otherwise be obtained under the Declaration, Bylaws, or Texas law for any of the acts set out in this Chapter.

CHAPTER 13.

SPONSOR'S RIGHTS

13.1 Transfer. Any or all of the special rights and obligations of the Sponsor set forth in this Declaration or the Bylaws may be transferred in whole or in part to the Association or to other Persons, provided that the transfer shall not reduce an obligation nor enlarge a right beyond that which the Sponsor

has under this Declaration or the Bylaws. No such transfer or assignment shall be effective unless it is in a written instrument signed by the Sponsor and duly recorded in the Public Records.

13.2 Development and Sales. The Sponsor and Bulk Builders authorized by the Sponsor may maintain and carry on the Properties such activities as, in the sole opinion of the Sponsor, may be reasonably required, convenient, or incidental to the development of the Properties and/or the construction or sale of Units, such as sales activities, tournaments, charitable events, and promotional events and to restrict Members from using the Common Area during such activities. Such activities shall be conducted in a manner to minimize (to the extent reasonably possible) any substantial interference with the Members' use and enjoyment of the Common Area. In addition, the Sponsor and Bulk Builders authorized by the Sponsor may establish within the Properties, including any clubhouse, such facilities as, in the sole opinion of the Sponsor, may be reasonably required, convenient, or incidental to the development of the Properties and/or the construction or sale of Units, including, but not limited to, business offices, signs, model units, sales offices, sales centers and related parking facilities. To the extent deemed necessary or desirable by the Sponsor, Owners may be excluded from use of all or a portion of such facilities for so long as deemed necessary or desirable in the Sponsor's sole discretion. The Sponsor and authorized Bulk Builders shall have easements over the Properties for access, ingress, and egress and use of such facilities.

During the development of the Properties, the Sponsor and Builders will be conducting construction activities that may include the storage of materials and parking of vehicles and equipment on portions of the Properties, the creation of noise, dust and other construction and development related by-products. The Owners/and or residents hereby acknowledge that said construction and development activities will take place, and hereby agree that such activities shall not constitute a nuisance or in any way create any cause of action against the Sponsor or the Builders.

13.3 Improvements to Common Areas. The Sponsor and its employees, agents and designees shall also have a right and easement over and upon all of the Common Area for the purpose of making, constructing and installing such improvements to the Common Area as it deems appropriate in its sole discretion.

13.4 Additional Declarations. No Person shall record any declaration of covenants, conditions and restrictions, or declaration of condominium, easements or similar instrument affecting any portion of the Properties without Sponsor's review and written consent. Any attempted recordation without such consent shall result in such instrument being void and of no force and effect unless subsequently approved by written consent signed by the Sponsor and recorded in the Public Records.

13.5 Subdivision Plat. The Sponsor reserves the right to record, modify, amend, revise and add to, at any time and from time to time, a subdivision plat setting forth such information as the Sponsor may deem necessary with regard to the Properties, including, without limitation, the locations and dimensions of the lots, dwellings, Common Areas, Additional Property, roads, utility easements and systems, drainage easements and systems, right-of-ways easements, and set-back line restrictions.

13.6 Amendments. Notwithstanding any contrary provision of this Declaration, no amendment to or modification of any use restrictions and rules or Architectural Design Guidelines made after termination of the Class "B" Control Period shall be effective without prior notice to and the written consent of the Sponsor, so long as the Sponsor owns any property which is subject to this Declaration or which may be unilaterally subjected to this Declaration by the Sponsor. This Chapter may not be amended without the written consent of the Sponsor. The rights contained in this Chapter shall terminate upon the earlier of (i) twenty (20) years from the date of recordation of the Original Declaration, or (ii) upon recording by the Sponsor of a written statement that all sales activity has ceased.

CHAPTER 14.

GENERAL PROVISIONS

14.1. Duration.

(a) Unless otherwise limited by Texas law, this Declaration shall have perpetual duration. If Texas law limits the period during which covenants may run with the land, then this Declaration shall automatically be extended at the expiration of such period for successive periods of twenty (20) years each. Notwithstanding the above, if any of the covenants, conditions, restrictions, or other provisions of this Declaration shall be unlawful, void, or voidable for violation of the rule against perpetuities, then such provisions shall continue only until twenty-one (21) years after the death of the last survivor of the now living descendants of Elizabeth II, Queen of England.

(b) Notwithstanding anything contained herein to the contrary, nothing shall be construed to permit the termination of any easement created in this Declaration without the consent of the holder of such easement.

14.2. Amendment.

(a) By the Sponsor. Until termination of the Class "B" membership, the Sponsor may unilaterally amend this Declaration for any purpose. Thereafter, the Sponsor may unilaterally amend this Declaration at any time and from time to time if such amendment is necessary (i) to bring any provision into compliance with any applicable governmental statute, rule, regulation, or judicial determination; (ii) to enable any reputable title insurance company to issue title insurance coverage on the Units; (iii) to enable any institutional or governmental lender, purchaser, insurer or guarantor of Mortgage loans, including, for example, the Department of Veterans Affairs, the Federal Housing Administration, Federal National Mortgage Association or Federal Home Loan Mortgage Corporation, to make, purchase, insure or guarantee Mortgage loans on the Units; or (iv) to satisfy the requirements of any local, state or federal governmental agency. However, any such amendment shall not adversely affect the title to any Unit unless the Owner shall consent in writing. In addition, so long as the Sponsor owns property which is subject to this Declaration or which may be unilaterally subjected to the Declaration by the Sponsor, it may unilaterally amend this Declaration for any other purpose, provided the amendment has no material adverse effect upon any right of any Owner.

(b) By the Board. The Board shall be authorized to amend this Declaration without the consent of the Members for the purpose of submitting the Properties to any statutory act applicable to the Properties and conforming this Declaration to any mandatory provisions thereof. Any such amendment shall require the written consent of the Sponsor, so long as the Sponsor owns any property which is subject to this Declaration or which may be unilaterally subjected to this Declaration by the Sponsor.

(c) By Members. Except as otherwise specifically provided above and elsewhere in this Declaration, this Declaration may be amended only by the affirmative vote or written consent, or any combination thereof, of Members representing sixty-seven percent (67%) of the total Class "A" votes in the Association and the written consent of the Sponsor, so long as the Sponsor owns any property which is subject to this Declaration or which may be unilaterally subjected to this Declaration by the Sponsor. Notwithstanding the above, the percentage of votes necessary to amend a specific clause shall not be less than the prescribed percentage of affirmative votes required for action to be taken under that clause.

(d) Validity and Effective Date. Any amendment to the Declaration shall become effective upon recordation in the Public Records, unless a later effective date is specified in the amendment. Any procedural challenge to an amendment must be made within six months of its recordation or such amendment shall be presumed to have been validly adopted. In no event shall a change of conditions or circumstances operate to amend any provisions of this Declaration. No amendment may remove, revoke, or modify any right or privilege of the Sponsor or the Class "B" Member without the written consent of the Sponsor, the Class "B" Member, or the assignee of such right or privilege. If an Owner consents to any amendment to this Declaration or the Bylaws, it will be conclusively presumed that such Owner has the authority to consent, and no contrary provision in any Mortgage or contract between the Owner and a third party will affect the validity of such amendment.

14.3. Severability. Invalidation of any provision of this Declaration, in whole or in part, or any application of a provision of this Declaration by judgment or court order shall in no way affect other provisions or applications.

14.4. Alternative Dispute Resolution. It is the intent of the Association and the Sponsor to encourage the amicable resolution of disputes involving the Properties and to avoid the emotional and financial costs of litigation if at all possible. Accordingly, the Association, the Sponsor and each Owner covenants and agrees that it shall attempt to resolve all claims, grievances or disputes involving the Properties, including, without limitation, claims, grievances or disputes arising out of or relating to the interpretation, application or enforcement of this Declaration, the Bylaws, the Association rules, or the Articles through alternative dispute resolution methods, such as mediation and arbitration. To foster the amicable resolution of disputes, the Board may adopt alternative dispute resolution procedures. Participation in alternative dispute resolution procedures shall be voluntary and confidential. Should either party conclude that such discussions have become unproductive or unwarranted, then the parties may proceed with litigation.

14.5. Litigation. Except as provided below, no judicial or administrative proceeding shall be commenced or prosecuted by the Association unless approved by a vote of seventy-five percent (75 %) of the Class "A" Members. This Section shall not apply, however, to (i) actions brought by the Association to enforce the provisions of this Declaration (including, without limitation, the foreclosure of liens); (ii) the imposition and collection of assessments as provided in Chapter 8; (iii) proceedings involving challenges to ad valorem taxation; (iv) counter-claims brought by the Association in proceedings instituted against it or (v) actions brought by the Association against any contractor, vendor, or supplier of goods and services arising out of a contract for services or supplies. This Section shall not be amended unless such amendment is approved by the percentage of votes, and pursuant to the same procedures, necessary to institute proceedings as provided above.

14.6. Cumulative Effect: Conflict. The provisions of this Declaration shall be cumulative with any additional covenants, restrictions, and declarations applicable to any Neighborhood, and the Association may, but shall not be required to, enforce the covenants, conditions, and provisions applicable to any Neighborhood; provided however, in the event of a conflict between or among this Declaration and such covenants or restrictions, and/or the provisions of any articles of incorporation, Bylaws, rules and regulations, policies, or practices adopted or carried out pursuant thereto, this Declaration, the Bylaws, Articles, and use restrictions and rules of the Association shall prevail over those of any Neighborhood.

The foregoing priorities shall apply, but not be limited to, the lien for assessments created in favor of the Association. Nothing in this Section shall preclude any Supplemental Declaration or other recorded declaration, covenants and restrictions applicable to any portion of the Properties from

containing additional restrictions or provisions which are more restrictive than the provisions of this Declaration, and the Association shall have the standing and authority to enforce the same.

14.7. Use of Names. No Person shall use the word "Boot Ranch," names of Neighborhoods in Boot Ranch or any derivatives thereof in any printed or promotional material without the Sponsor's prior written consent. However, Owners may use the word "Boot Ranch" and/or a Neighborhood name in printed or promotional matter where such term is used solely to specify that particular property is located within a certain Neighborhood in Boot Ranch.

14.8. Compliance. Every Owner and occupant of any Unit shall comply with the Governing Documents. Failure to comply shall be grounds for an action by the Association or by any aggrieved Owner(s) to recover sums due, for damages or injunctive relief, or for any other remedy available at law or in equity, in addition to those enforcement powers granted to the Association in Section 4.3.

14.9. Transferor Responsibility. The transferor of a Unit shall continue to be jointly and severally responsible with the transferee for all obligations of the Owner of the Unit, including assessment obligations, until the date upon which the notice required under Section 17.4 is received by the Association's Secretary or other designee, notwithstanding the transfer of title.

14.10. Exhibits. Exhibit A and Exhibit B attached to this Declaration are incorporated by this reference. Amendment of Exhibit A and Exhibit B shall be governed by the provisions of Section 14.2.

CHAPTER 15.

EXPENSES OF OWNERSHIP

15.1. Utility Company Charges. Each residence within the Properties other than those within the so-called "Boot Ranch Preserve," is required to connect to and be serviced by the Utility Company for sanitary sewer, potable water and, if applicable, reclaimed water. Arrangements must be made by each Owner independently with the Utility Company subject to the established rates, charges and tap fees. Additionally, an Owner will be liable for payment of the monthly sanitary sewer and water charges to the Utility Company beginning no later than the first date that service is commenced for the residence. Such charges will be subject to any periodic increases by the Utility Company. Non-payment of charges are subject to the imposition of remedies provided under the rules and regulations of the Utility Company and applicable Texas codes, which may include the right to impose liens. Each Owner acknowledges that reclaimed water, treated waste water or other sources of non-potable water or "grey water" may be provided by the Utility Company for irrigation of the Club Facilities Property, the Common Areas and the Units.

15.2. Regulations Regarding Nonpayment. The Utility Company will have the right to impose reasonable billing policies and rules related to the payment of the charges and fees, including, but not limited to, interest payments on late payments, a turn off/turn on fee, placing liens on a customer's property for nonpayment and cutting off the customer's use of water; *provided, however*, that no such lien shall be placed upon a customer's property prior to giving such customer (the "Delinquent Customer") written notice of nonpayment and providing thirty (30) days to cure such nonpayment and *provided further*, that the Utility Company shall not be permitted to cutoff the Club's use of water. In the event the Utility Company is successful in proving the Delinquent Customer failed to pay without any justifiable offset, the Delinquent Customer shall indemnify the Utility Company for any and all legal and/or collection costs or expenses incurred by the Utility Company in pursuit of collection of the Monthly Fee.

15.3. Maintenance of System on Owner's Property. Each Owner within the Properties shall be solely responsible for the maintenance and repair of any portion of the sanitary sewer or water system(s) within the Owner's Unit. The Utility Company shall reserve the right to inspect and approve any such maintenance or repairs and as such, the Owner shall have the duty to inform the Utility Company of any maintenance or repair to take place, including the identification of the entity or individual to make the repair and the time of the repair.

15.4. Reclaimed Water. Reclaimed water shall be provided by the Utility Company to the Club Owner, its successors and assigns, for use on the Club Facilities Property. The Club Owner has the first right to such reclaimed water generated by the treatment plant for the Utility Company and has a priority with respect to such water over all other reclaimed water customers of the Utility Company, other than the Lady Bird Golf Course. Reclaimed water may be available to the Owners located within the Properties on such terms as may be established from time to time by the Utility Company. . The Owners' right to such reclaimed water, if made available to Owners, shall be subordinate to the Club Owner's right to such reclaimed water and any other user that has priority in the determination of the Utility Company.

CHAPTER 16.

CLUB MEMBERSHIP AND OTHER CLUB MATTERS

16.1. Mandatory Resident Membership. No later than the close of escrow on the Unit, every Owner, other than the Sponsor, or unless the property or Owner in question has been exempted from the mandatory membership requirement by the Club Owner and the Sponsor, shall be required to apply for, and if accepted, acquire a Resident Membership in the Club by submitting a completed and executed Membership Agreement along with the required initiation fee or transfer fee, all as more particularly provided in the Boot Ranch Club Membership Plan (as amended, modified, revised and/or supplemented from time to time, the "Membership Plan"). The Club Owner may accept or reject any prospective Owner's application for membership in its sole and absolute discretion, and the decision of the Club Owner on any application shall be final. The purchase of a Unit is not a guarantee that an application for membership in the Club will be accepted. If a prospective Owner's application for Club membership is declined, the Club Owner shall refund any amount paid by any such prospective Owner for membership, without interest. If a prospective Owner's application for Club membership is accepted and the prospective Owner becomes a Club member, such prospective Owner shall be required to maintain the Club membership in good standing through to the closing date on the subsequent sale of the Unit. Further, if and when the Club is converted to an equity member-owned club, each Owner who is subject to the mandatory membership requirement shall convert to "Equity Resident Membership", all as contemplated by the Membership Plan, and shall be required to maintain the Equity Resident Membership through to the closing date on the sale by the Owner of the Unit owned by the Owner. Initial purchasers of Units following the conversion of the Club to an equity member-owner club, unless the property or Owner in question has been exempted from the mandatory membership requirement by the Club Owner/"Equity Club Entity"(referred to in the Membership Plan) and the Sponsor, shall be required to apply for, and if accepted, acquire an Equity Resident Membership in the Club Owner/Equity Club Entity by submitting a completed and executed Membership Purchase Agreement along with the required membership admission payment, all as more particularly provided in the equity membership documents referred to in the Membership Plan. The Club Owner/Equity Club Entity may accept or reject any prospective Owner's application for membership in its sole and absolute discretion, and the decision of the Club Owner/Equity Club Entity on any application shall be final. The purchase of a Unit is not a guarantee that an application for membership in the Club Owner/Equity Club Entity will be accepted. If a prospective Owner's application for membership is declined, the Club Owner/Equity Club Entity shall refund any amount paid by any such prospective Owner for membership, without interest. If a prospective Owner's application for membership is accepted and the prospective Owner becomes an

Equity Resident Member, such prospective Owner shall be required to maintain the membership in good standing through to the closing date on the subsequent sale of the Unit.

16.2. Mandatory Club Membership Dues. Pursuant to each Owner's membership in the Club or Club Owner/Equity Club Entity, as the case may be, the Club Owner shall be entitled to charge and collect from each Owner dues on a monthly, quarterly, semi-annual or annual basis ("Club Membership Dues"). The Club Membership Dues shall be payable by each Owner to the Club Owner without set off, diminition or abatement for any reason.

16.3. View Impairment. Neither the Sponsor, the Association, nor the Club Owner, guarantees or represents that any view over and across the Club Facilities from Units will be preserved without impairment. The Club Owner shall have no obligation to prune or thin trees or other landscaping, and shall have the right, in their sole and absolute discretion, to add trees and other landscaping or to install improvements or barriers (both natural and artificial) to the Club Facilities from time to time. In addition, the Club Owner may, in its sole and absolute discretion, change the location, configuration, size and elevation of the trees, landscaping, bunkers, fairways and greens, improvements and barriers (both natural and artificial) from time to time. Any such additions or changes may diminish or obstruct any view from the Units and any express or implied easements for view purposes or for the passage of light and air are hereby expressly disclaimed. Each Owner, by acceptance of a deed, acknowledges that any view of the Club Facilities which the Unit may enjoy as of the date of the purchase of the Unit may be impaired or obstructed by the natural growth of existing landscaping, the installation of additional trees, other landscaping or other types of improvements or barriers (both natural and artificial) on the Club Facilities Property.

16.4. Private Amenity Risks. By acceptance of a deed to any Unit, each Owner acknowledges and agrees that owning property adjacent to a Private Amenity, including but not limited to the golf course, has benefits as well as detriments and that the detriments include: (a) the risk of damage to property or injury to persons and animals from golf balls which are hit onto an Owner's Unit or other portion of the Properties or arising from the design, construction, operation, maintenance and/or use of the golf course or other Private Amenity; (b) the entry by golfers onto the portion of an Owner's Unit or other portion of the Properties utilized by the golfer to retrieve golf balls and/or other acts or omissions of persons using the golf course or other Private Amenity; (c) overspray in connection with the watering of the roughs, fairways and greens on the golf course; (d) noise from golf course maintenance and operation equipment (including, without limitation, compressors, blowers, mulches, tractors, utility vehicles and pumps, all of which may be operated at all times of the day and night and/or continuously); (e) odors arising from irrigation and fertilization of the turf situated on the golf course; (f) disturbance and loss of privacy resulting from motorized golf car traffic and golfers; and (g) the existence of water hazards, ponds, and/or lakes on the golf course. Additionally each Owner acknowledges that pesticides, herbicides, fungicides, chemicals and fertilizers may be applied to the golf course throughout the year and that reclaimed water, treated waste water or other sources of non-potable water or "grey water" may be used for irrigation of the golf course.

Each Owner hereby assumes such risks of owning property adjacent to a golf course or other Private Amenity and forever waives and relinquishes, and agrees not to institute any action or suit at law or in equity nor to institute or prosecute, any claim, demand or compensation against the Sponsor, or any successor Sponsor; the Association or its Members (in their capacity as such); the Club Owner or its successors, successors-in-title, or assigns; any Builder or contractor (in their capacities as such); any officer, director, member, manager, or partner of any of the foregoing, or any officer, director, member or manager of any partner of the foregoing for or on account of any damages, loss, or injury either to person or property, or both, resulting directly or indirectly from the design, construction, operation, maintenance and/or use of the golf course or other Private Amenity. Each Owner hereby agrees to take any necessary steps to maintain adequate hazard and other insurance policies to protect such Owner and such Owner's

family, guests, invitees, agents and employees against all such risks associated with the golf course or other Private Amenity.

Neither the Association nor any Owner shall have any right, title or interest whatsoever in the Club Facilities Property or the operations conducted on the Club Facilities Property, including, but not limited to, usage rights, equity rights, prescriptive easements, any implied or preferential rights to use the improvements, or the right to the continued operation of any improvements located on the Club Facilities Property. The Owners' right to use the Club Facilities Property, if any, shall be solely by separate contract between the Owner and the Club Owner. Membership in the Club and access to the Club Facilities is governed by the Membership Plan, Membership Agreement and related membership documents referred to therein, as they may be amended, modified, revised and/or supplemented from time to time. If and when the Club is converted to an equity member-owned club, membership in the Club Owner/Equity Club Entity shall be governed by the equity membership documents, as amended, modified, revised and/or supplemented from time to time.

16.5. Cost Sharing Agreements. The Association may enter into a contractual arrangement or Cost Sharing Agreement with the Club Owner or any other Private Amenity obligating the Club Owner, the Private Amenity or the Association to contribute funds for, among other things, maintenance of shared property or services and/or a higher level of Common Area maintenance.

16.6. Limitations on Amendments. In recognition of the fact that the provisions of this Chapter are for the benefit of the Club (and equity club, if applicable) and the Club Owner, no amendment to this Chapter, and no amendment in derogation of any other provisions of this Declaration benefiting the Club (or equity club, if applicable) or the Club Owner, may be made without the written approval of the Club Owner.

16.7. Jurisdiction and Cooperation. It is Sponsor's intention that the Association, the Club Owner and the other Private Amenities shall cooperate to the maximum extent possible in the operation of the Properties, the Club Facilities Property and the Private Amenities. Each shall reasonably assist the other in upholding the Community-Wide Standard as it pertains to maintenance and the Architectural Design Guidelines. The Association shall have no power to promulgate use restrictions or rules affecting activities on or use of the Club Facilities Property or the Private Amenities without the prior written consent of the owners of the Club Facilities Property or the Private Amenities affected thereby.

16.8. Possible Acquisition of Club Facilities Property by Association. As more particularly provided in the Membership Plan, the Sponsor/Club Owner has reserved the right to convey the Club Facilities Property or a portion thereof, as ultimately determined by the Club Owner, to the Association. If the Club Owner determines to convey such property to the Association, the Association will accept such conveyance, as contemplated by the Membership Plan. In such event, the dues payable for privileges to use the Club Facilities as then defined will become part of the General Assessment referred to herein. Accordingly, depending on the level of privileges selected by an Owner (if this option is available to Owners), the amount of the General Assessment may vary among Owners notwithstanding anything to the contrary contained herein. In conjunction with the conveyance of the Club Facilities Property or portion thereof to the Association, the Sponsor shall have the right to amend this Declaration, the Articles and/or the Bylaws to reflect the ownership of such property by the Association and the rights, privileges and obligations of the Club Owner and the Owners with respect thereto.

CHAPTER 17
PROJECT CONSERVATION AREAS; COMMUNITY BETTERMENT

17.1 Overview. The Sponsor is committed to being a responsible steward of the Properties. In that regard, the Sponsor anticipates maintaining portions of the Properties in their natural or minimally

developed state (such as the golf course and related recreational facilities) and not permitting development of Units or other residential buildings thereon, notwithstanding the ability to do so under land use approvals that either have been or may in the future be obtained.

17.2 Means. In order to effect the conservation initiative referred to above, the Sponsor may create one or more conservation easements in favor of a grantee or grantees who have been organized for non-profit purposes and whose purpose is, among other things, to accept such easements and/or grants of lands and insure that the properties which are the subject of the easements or grants continue to be maintained in their natural or minimally developed state and otherwise in accordance with the respective terms of the easements or grants in their favor (a "Qualified Entity"). For example, the Nature Conservancy is an organization that could serve as a Qualified Entity. In the alternative, the Sponsor may determine in its sole discretion, to convey either by deed or leasehold interest, a portion or portions of the Properties to one or more Qualified Entities accompanied by a restriction concerning maintenance of the subject property in the desired state. These areas of the Properties are herein referred to as "Project Conservation Areas."

17.3 Possible Conveyances to Association. In the case where the Sponsor effects a conservation easement or creates a leasehold interest affecting a Project Conservation Area in favor of a Qualified Entity, the Sponsor reserves the right, in its sole discretion, to convey all or a portion of the subject property to the Association subject to the conservation easement or leasehold interest and to other title matters of record, but free and clear of any Mortgage lien. Such conveyance will be without the payment of any consideration by the Association, but the Association will assume the obligations of the Sponsor under the instrument(s) in question and title matters of record from the time of the conveyance onward.

17.4 Community Benefit Fee. As a funding source for the purposes outlined hereinbelow, a "Community Benefit Fee" will be payable upon each transfer of title to a Unit (including, without limitation, the transfer of title to an ownership interest in a Sunday House Unit), except as otherwise provided in this Section. The obligation of the Sponsor and Owners to pay the Community Benefit Fee shall be charged to each seller of a Unit and shall be payable to the Association at the closing of the transfer. The Sponsor or Owner shall notify the Association's Secretary or designee at least seven (7) days prior to the scheduled close of escrow and provide the name and address of the buyer, the date of close of escrow, title transfer, and other information the Board may reasonably require.

(a) In the case of sales by the Sponsor, the Community Benefit Fee shall be equal to one percent (1%) of the Unit's gross selling price. In the case of a sale by an Owner (other than the Sponsor), the Community Benefit Fee shall be one-half of one percent (1/2%) of the Unit's gross selling price. The gross selling price of a Unit is the total cost to the buyer of the Unit, excluding any real estate transfer taxes and fees imposed by applicable law.

(b) The Community Benefit Fees shall be placed by the Association in a separate account designated as the "Community Benefit Fund" and used generally to provide funding for the following types of purposes:

(i) preservation and maintenance of Project Conservation Areas within the Properties, including without limitation, any costs or expenses payable by the Sponsor or its successors or assigns under any conservation easement or other instrument of conveyance relative to a Project Conservation Area (but not for the costs of maintenance of the golf course or other recreational facilities on the land in question);

(ii) the preservation and maintenance of natural areas, wildlife preserves, or similar areas or any conservation easement and sponsorship of educational programs and activities that

contribute to the overall understanding, appreciation, and preservation of the natural environment within and surrounding Boot Ranch;

(iii) activities and such other purposes as the Association deems beneficial to the general good and welfare of Fredericksburg and/or greater Gillespie County, Texas, such as:

(1) programs and activities which enhance the welfare, benefit and lifestyle of residents within Fredericksburg and/or greater Gillespie County;

(2) programs, services and activities which serve to promote a sense of community within Fredericksburg and/or greater Gillespie County, such as recreational leagues, cultural programs, educational programs, festivals and holiday celebrations and activities, and recycling programs;

(3) social services, educational programs, community outreach programs, and other charitable causes within Fredericksburg and/or greater Gillespie County; and

(4) grants to Hill Country Medical Center and/or other health care facilities in Fredericksburg and/or Gillespie County, Texas.

(c) At the Sponsor's election, either the Association or a non-profit entity selected by the Sponsor shall be charged with the responsibility of disbursing funds from the Community Benefit Fund. A permanent record of all such disbursements shall be kept by the entity making the disbursements. In the event an entity other than the Association is responsible for disbursing the funds from the Community Benefit Fund and ceases to serve in that capacity for any reason, the Sponsor shall appoint a new entity to disburse same prior to the time that the Sponsor no longer owns any property which is the subject of this Declaration or which may be unilaterally subjected to this Declaration, and the Association shall determine the entity to serve in such capacity thereafter.

(d) Notwithstanding the above, no Community Benefit Fee shall be levied upon transfer of title to a Unit:

(i) by the Sponsor in a bulk sale of Units to a successor master developer who becomes the new Sponsor hereunder or a co-developer with the Sponsor;

(ii) by a participating Bulk Builder designated by the Sponsor to a consumer or end-user;

(iii) by a co-Owner to any person who was a co-Owner of the same Unit immediately prior to such transfer;

(iv) to the Owner's estate, surviving spouse, or heirs at law upon the death of the Owner;

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

(vi) to a Mortgagee pursuant to a Mortgage or upon foreclosure of a Mortgage; or

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

IN WITNESS WHEREOF, the undersigned Sponsor has executed this Declaration this 28 day of July, 2011.

SPONSOR:

Signed, sealed, and delivered in the presence of:

TX 77 BOOT RANCH CIRCLE LLC, a Delaware limited liability company

Witness Judith Lalocque

By: _____
Name: Jeffrey Fitts
Title: Authorized Signatory

Notary Public in and for
the state of New York
My commission expires:_____
[NOTARY SEAL]

DEANNA EMILIO
Notary Public, State of New York
No. 01EM6217[illegible]
Qualified in Richmond County
Term Expires July 23, 2011 2015

EXHIBIT A

Land Initially Subjected

All that tract or parcel of land lying and being in Land Lots 1 through 67 (specifically excluding Lot 10B) of Boot Ranch, Phase 1 Subdivision, of Gillespie County, Texas, as shown on that certain Final Plat, recorded in Volume 3, Pages 163 through 166, Plat Records of Gillespie County, Texas, which plat is incorporated herein and made a part hereof by this reference.

EXHIBIT B

Land Subject to Annexation

All that tract or parcel of land lying and being within a five (5) mile radius of the real property described on Exhibit A, except for the Club Facilities Property.