

HILL COUNTRY RANCH ESTATES RESTRICTIONS

Volume 3, Page 5, Plat Records of Kerr County, Texas; Volume 144, Page 343, Deed Records of Kerr County, Texas; Volume 375, Page 89, Real Property Records of Kerr County, Texas, BUT OMITTING ANY COVENANT OR RESTRICTION BASED ON RACE, COLOR, RELIGION, SEX, HANDICAP, FAMILIAL STATUS, OR NATIONAL ORIGIN unless and only to the extent that said covenant (a) is exempt under Chapter 42, Section 3607 of the United States Code or (b) relates to handicap but does not discriminate against handicapped persons.

OTHER EXCEPTIONS

- Minerals conveyed by Grantor, as described in Royalty Deed from Robert Voigt to T. Fred Evins, W.M. Morgan and J.R. Klumpp, as trustees of Texas Osage Co-operative Royalty Pool, and unto Flag Oil Company of Texas, dated October 11, 1929, recorded in Volume 5, Page 99, Oil & Gas Lease Records of Kerr County, Texas, reference to which instrument is here made for all purposes, together with all rights, expressed or implied, in and to the property covered by this policy arising out of or connected with said interests and conveyance. TITLE to said interest not checked subsequent to date of aforesaid instrument.
- Mineral reservation by Grantor, as described in instrument from Charles B. Jones and wife, Miriam Lehmann Jones, William Saunders and wife, Marijo Lehmann Saunders, and G.E. Lehmann, III and wife, Frances Higdon Lehmann to Cypress Creek Investments, Inc., dated March 28, 1963, recorded in Volume 115, Page 67, Deed Records of Kerr County, Texas, reference to which instrument is here made for all purposes, together with all rights, expressed or implied in and to the property covered by this policy arising out of or connected with said interests and conveyance. Title to said interest not checked subsequent to date of aforesaid instrument.
- Easements and Building Set Back Lines as per the plat recorded in Volume 3, Page 5, Plat Records of Kerr County, Texas.
- Easements and Building Set Back Lines as per the Restrictions recorded in Volume 144, Page 343, Deed Records of Kerr County, Texas.
- Easement to Central Texas Electric Cooperative, Inc., dated June 30, 1964, recorded in Volume 4, Page 53, Easement Records of Kerr County, Texas.
- Annual assessments and/or current maintenance charges as set forth in instrument dated May 15, 1986, recorded in Volume 375, Page 89, Real Property Records of Kerr County, Texas.
- Certified Service Area Map For Hill Country Ranch Estates Well Association recorded in Volume 1575, Page 430, and refiled in Volume 1587, Page 1, Official Public Records of Kerr County, Texas.
- Any visible and/or apparent roadways or easements over or across the subject property.
- Rights of parties in possession. (AS PER OWNER POLICY ONLY)

Volume 3 Pages ①
(3 audio - 5-6-7)

Containing 186,040 Acres, Beings 510 Acres Out of the G. W. L. Ry. Co. Survey No. 3, 608 Acres Out of the G. W. L. Ry. Co. Survey No. 1, 750 Acres Out of the G. W. L. Ry. Co. Survey No. 5, Merr. County, Mo. Containing 1,947.5 Acres As Recorded in Volume 11, Page 200. Merr. County Dead Records, Scale 1" = 200'. T16 31+44 F.B. 2+44 Pages 7-10.

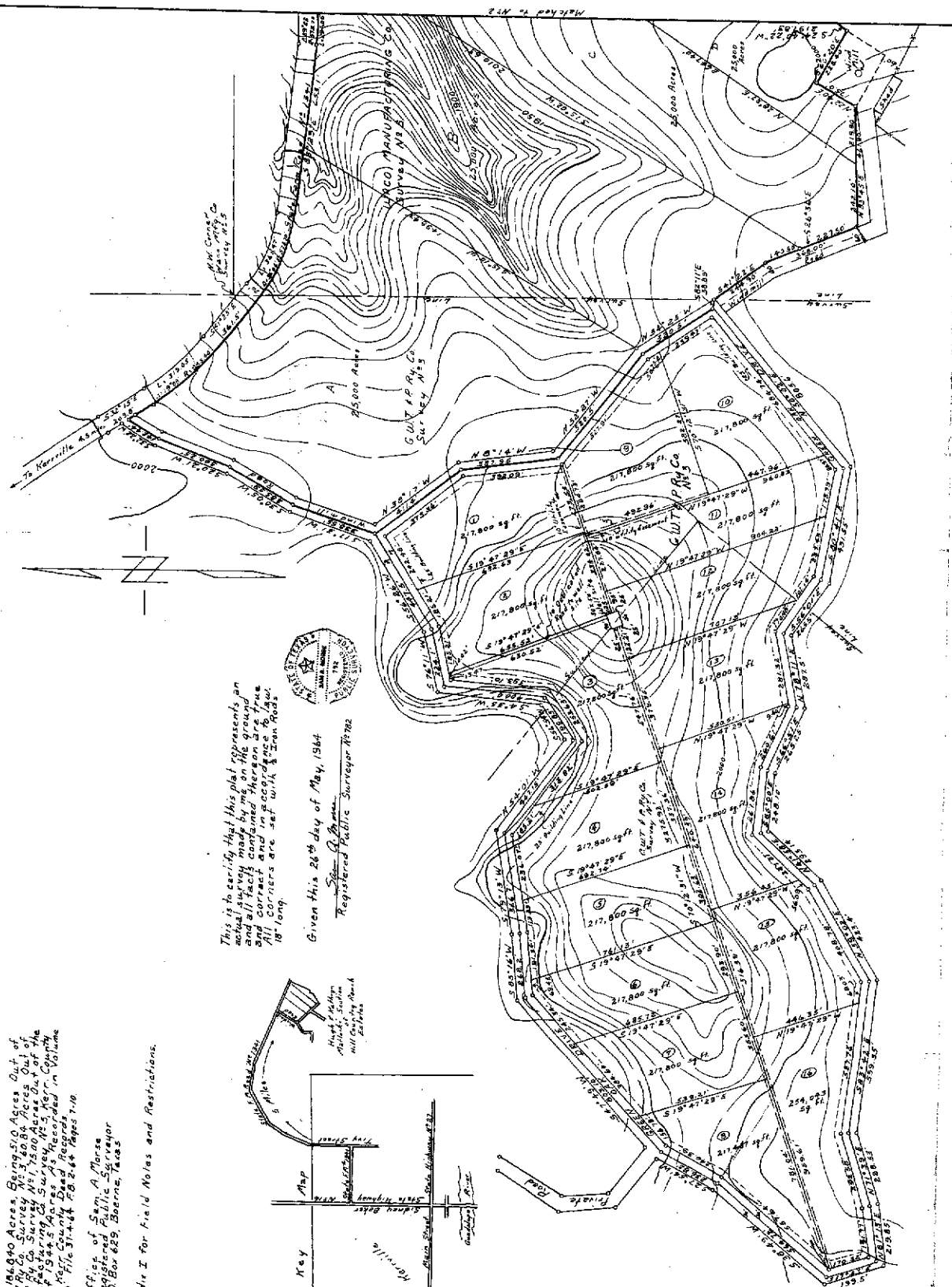
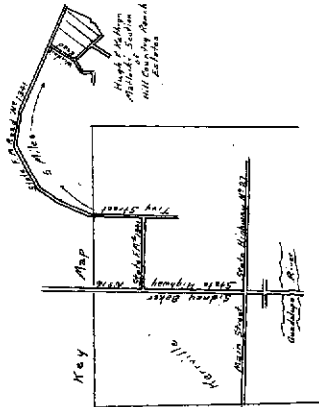
Office of Sam. A. Morse
Registered Public Surveyor
P.O. Box 629, Boerne, Texas

See Appendix I for Field Notes and Restrictions.

This is to certify that this plat represents an actual survey made by me on the ground and all facts contained thereon are true and correct and in accordance to law. All corners are set with $\frac{3}{4}$ " Iron Rods 18" long.

Given this 26th day of May, 1964

Slava A. Moore
Registered Public Surveyor No. 782

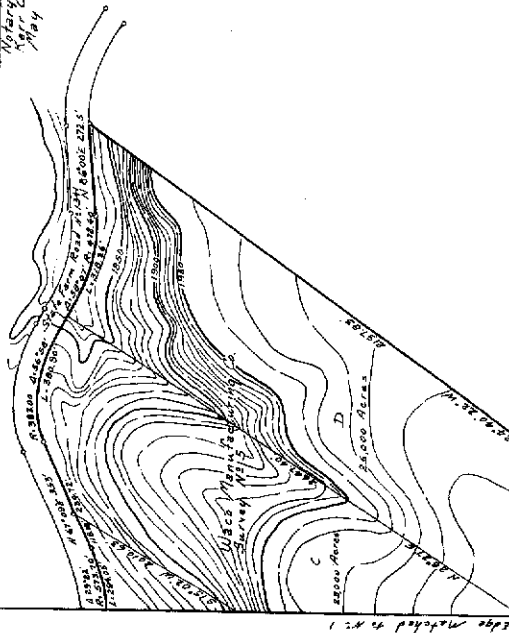


State of Texas
County of Kerr

Before me the undersigned authority on this day personally appeared Hugh H. Harkins, Harkins, both known to me to be the persons whose names are subscribed to the foregoing instrument and acknowledged to me that they executed the same for the purposes and consideration therein expressed. And the said Hugh H. Harkins, Harkins, wife of the said Harkins, and apart from her said husband and having the same fully explained to her, she, the said Harkins, Harkins, acknowledged that she had willingly signed and declared that she had willingly signed the same for the purposes and consideration therein expressed and that she did not wish to retract.

Given under my hand and seal of office this 26 day of May 1964.

(Signature)
Notary Public
Kerr County, Texas
May 1964



State of Texas
County of Kerr

Hugh H. Harkins, Harkins, by these presents that we, Harkins, both known to me to be the persons whose names are subscribed to the foregoing instrument and acknowledged to me that they executed the same for the purposes and consideration therein expressed.

(Signature)
Notary Public
Kerr County, Texas
May 1964

State of Texas
County of Kerr

Before me the undersigned a Notary Public on this day personally appeared Hugh H. Harkins, Harkins, both known to me to be the persons whose names are subscribed to the foregoing instrument and acknowledged to me that they executed the same for the purposes and consideration therein expressed.

(Signature)
Notary Public
Kerr County, Texas
May 26 1964

State of Texas
County of Kerr

of the City of Kerrville on the 23 day of May 1964.

(Signature)
Chairman

State of Texas
County of Kerr

Approved by the Commissioners Court of Kerr County, Texas, on this day of May A.D. 1964 by Order of the day of May A.D. 1964, the same being duly recorded on the 23 day of May A.D. 1964, at 10 o'clock A.M. in Volume 3 Page 3 of the Plat Records of Kerr County, Texas.

(Signature)
County Clerk of Kerr Co. Texas

RESTRICTIONS

STATE OF TEXAS

}

COUNTY OF KERR

}

KNOW ALL MEN BY THESE PRESENTS

That the undersigned, being Kathryn Matlock, Harry Kenneth Shearer and wife, Jama Bessie Shearer, and Edward W. Hill, hereinafter called "Owners", are the owners of all that certain real property in Kerr County, Texas, known as Hugh & Kathryn Matlock's Section of Hill Country Ranch Estates, being referred to herein as "Subdivision", according to the map or plat thereof recorded in Volume 3, Page 5, of the Plat Records of Kerr County, Texas, to which map or plat, and the record thereof, reference is here made for a full and particular description of said real property

Owners desire to create and carry out a uniform plan for the improvement, development and sale of all of the lots or tracts in said Subdivision, for the benefit of the present and future owners of said lots or tracts, and for the protection of property values therein, and, to that purpose, Owners hereby adopt and establish the following declarations, reservations, restrictions, covenants, conditions and easements to apply uniformly to the use, improvements, occupancy and conveyance of all lots or tracts in said Subdivision, including the dedicated roads, avenues, streets, and waterways therein, and each contract or Deed which may be hereafter executed with regard to any of the lots or tracts in said Subdivision shall conclusively be held to have been executed, delivered and accepted subject to the following, regardless of whether or not the same are set out in full or by reference in said contract or Deed

RESTRICTIONS

1. No tract or parcel of land situated in said Subdivision shall be used and occupied except for residential purposes and shall never be used and/or occupied for commercial purposes
2. Said property and premises shall be used for legal purposes only, and none of said property shall ever be used for the purpose of conducting or maintaining a hospital, sanitarium, clinic or rest home for the purpose of keeping or treating people with contagious or infectious diseases.
3. No mobile homes under forty (40) feet in length or less than ten (10) feet wide, trailers, or temporary buildings shall be placed or erected on any of

said property Buildings or structures placed or erected on said lots in said Subdivision shall be set back at least twenty (20) feet from the street line adjoining said property The exterior of all buildings and other structures placed or erected on said property shall be finished with at least two (2) coats of paint No building, cottage or other structure shall be placed, erected or constructed on said property until the plans, specifications, plot plans and designs of same shall have first been approved in writing by the Seller or by such nominee or nominees as it may designate in writing.

4 No outside toilets shall be placed, constructed or used in said Subdivision, and sanitary septic tanks for sewerage disposal shall be built and installed before use and occupancy of any tract or parcel of land in said Subdivision.


5 The ground floor area of the main structure of any residential building shall not be less than 800 square feet exclusive of open porches and garages.

6 All lands lying and being situated in said Subdivision shall be subject to all easements of record, and the conveyance of any tract or parcel of land situated in said Subdivision shall be made and accepted subject to all of such easements

7. The Seller hereby reserves and retains a perpetual easement and right-of-way over and across all of the boundary lines and/or other parts or portions of all such tracts situated in said Subdivision for the purpose of installing, erecting, laying, inspecting and/or maintaining water, gas, sewerage and electric lines.

8 The foregoing provisions and restrictions are hereby declared to be conditions, restrictions, uses and covenants running with the land, and they shall be fully binding on all persons acquiring property and lands in said Subdivision by any means, and all of said persons, by acceptance of the title, conveyance and possession of any of said property, shall fully perform and comply with said conditions, restrictions, uses and covenants which shall be binding and in full force and effect until January 1, 1980 On or after January 1, 1980, said conditions, restrictions, uses and covenants shall be automatically extended for successive period of ten (10) years, each, unless changed in whole or part by three-fourths (3/4) majority of the then legal owners of the tracts in said Subdivision, each tract thereof to admit and be entitled to one (1) vote If any person or persons shall violate any of the said foregoing conditions, restrictions, uses and covenants, it shall be lawful for any other person or persons owning any of said tracts in said Subdivision to prosecute such violation or violations at law or in equity against the violator or violators thereof and to institute appropriate proceedings against any attempted violation thereof and recover damages therefor. The invalidation of any one or more or any part of these conditions, restrictions, uses and/or covenants by judgment or court order shall in no wise affect or invalidate any of the others, which shall remain in full force and effect

EXECUTED this 9th day of June, 1970.


Kathryn Marlock

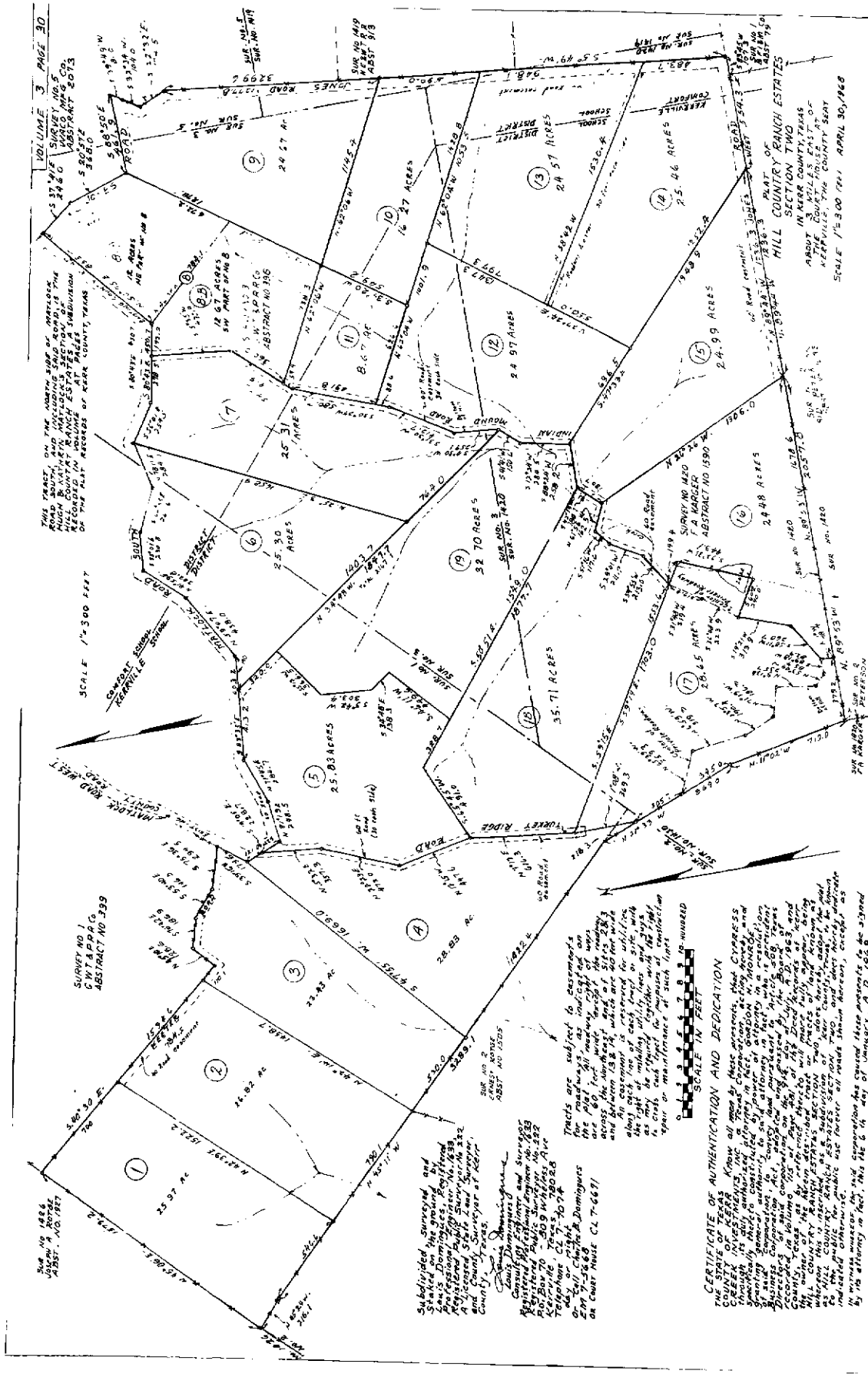
HILL COUNTRY RANCH ESTATE 2 RESTRICTIONS

Item 1 of Schedule "B" is hereby deleted in its entirety. (AS PER MAJORITY OF SUBDIVISION)

Volume 313, Page 646 and Volume 959, Page 92, Real Property Records of Kerr County, Texas; Volume 5, Page 38, Plat Records of Kerr County, Texas, BUT OMITTING ANY COVENANT OR RESTRICTION BASED ON RACE, COLOR, RELIGION, SEX, HANDICAP, FAMILIAL STATUS, OR NATIONAL ORIGIN unless and only to the extent that said covenant (a) is exempt under Chapter 42, Section 3607 of the United States Code or (b) relates to handicap but does not discriminate against handicapped persons. (AS PER REPLAT OF TRACT 10 ONLY)

OTHER EXCEPTIONS

- Minerals conveyed by Grantor, as described in Royalty Deed from Robert Voigt to T. Fred Evins, W.M. Morgan and J.R. Klumpp, as trustees of Texas Osage Co-operative Royalty Pool, and unto Flag Oil Company of Texas, dated October 11, 1929, recorded in Volume 5, Page 99, Oil & Gas Lease Records of Kerr County, Texas, reference to which instrument is here made for all purposes, together with all rights, expressed or implied, in and to the property covered by this policy arising out of or connected with said interests and conveyance. TITLE to said interest not checked subsequent to date of aforesaid instrument.
- Mineral reservation by Grantor, as described in instrument from Charles B. Jones and wife, Miriam Lehmann Jones, William Saunders and wife, Marijo Lehmann Saunders, and G.E. Lehmann, III and wife, Frances Higdon Lehmann to Cypress Creek Investments, Inc., dated March 28, 1963, recorded in Volume 115, Page 67, Deed Records of Kerr County, Texas, reference to which instrument is here made for all purposes, together with all rights, expressed or implied in and to the property covered by this policy arising out of or connected with said interests and conveyance. Title to said interest not checked subsequent to date of aforesaid instrument.
- Right-Of-Way Easement dated June 23, 1964 to Kerr County, Texas, recorded in Volume 4, Page 38, Easement Records of Kerr County, Texas.
- Right-Of-Way Easement dated June 23, 1964 to Central Texas Electric Cooperative, Inc., recorded in Volume 4, Page 54, Easement Records of Kerr County, Texas.
- Road and Utility Easements as per the plat recorded in Volume 3, Page 30, Plat Records of Kerr County, Texas.
- Road and Utility Easements and Building Set Back Lines as per the Plat recorded in Volume 5, Page 38, Plat Records of Kerr County, Texas. (AS PER THE REPLAT OF TRACT 10)
- Certified Service Area Map For Hill Country Ranch Estates Well Association recorded in Volume 1575, Page 430, and refiled in Volume 1587, Page 1, Official Public Records of Kerr County, Texas.
- Any visible and/or apparent roadways or easements over or across the subject property.
- Rights of parties in possession. (AS PER OWNER POLICY ONLY)



Approved by the Commissioners Court of Kerr County
Texas, of said County of January, A.D. 1969. By Order No.
10457 of said County of January, A.D. 1969. At
the date of January 14th 1969, at 4:00 O'Clock of P.M. The
A-15 O'Clock P.M. in City of Norman, A.D. 1969 at
and Records of Kerr County, Texas

Ernie M. Mueller
Ernie M. Mueller
County Clerk of Kerr County, Texas.

(M)
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DESCRIPTION

is subdivision, comprising as Hill Country ranch estates (Hill Country Tracts), about 37 acres of land, being out of Survey No. 13, N. 1/2, S. 1/2, R. 10, E. 1/2, T. 10, S. 1/2, CO. ADAMS, MISSOURI, and out of Survey No. 3, G. W. T. & J. C. Co. Abstract No. 1580, 1581, 1582, 1583, 1584, 1585, 1586, 1587, 1588, 1589, 1590, 1591, 1592, 1593, 1594, 1595, 1596, 1597, 1598, 1599, 1600, 1601, 1602, 1603, 1604, 1605, 1606, 1607, 1608, 1609, 1610, 1611, 1612, 1613, 1614, 1615, 1616, 1617, 1618, 1619, 1620, 1621, 1622, 1623, 1624, 1625, 1626, 1627, 1628, 1629, 1630, 1631, 1632, 1633, 1634, 1635, 1636, 1637, 1638, 1639, 1640, 1641, 1642, 1643, 1644, 1645, 1646, 1647, 1648, 1649, 1650, 1651, 1652, 1653, 1654, 1655, 1656, 1657, 1658, 1659, 1660, 1661, 1662, 1663, 1664, 1665, 1666, 1667, 1668, 1669, 1670, 1671, 1672, 1673, 1674, 1675, 1676, 1677, 1678, 1679, 1680, 1681, 1682, 1683, 1684, 1685, 1686, 1687, 1688, 1689, 1690, 1691, 1692, 1693, 1694, 1695, 1696, 1697, 1698, 1699, 1700, 1701, 1702, 1703, 1704, 1705, 1706, 1707, 1708, 1709, 1710, 1711, 1712, 1713, 1714, 1715, 1716, 1717, 1718, 1719, 1720, 1721, 1722, 1723, 1724, 1725, 1726, 1727, 1728, 1729, 1730, 1731, 1732, 1733, 1734, 1735, 1736, 1737, 1738, 1739, 1740, 1741, 1742, 1743, 1744, 1745, 1746, 1747, 1748, 1749, 1750, 1751, 1752, 1753, 1754, 1755, 1756, 1757, 1758, 1759, 1760, 1761, 1762, 1763, 1764, 1765, 1766, 1767, 1768, 1769, 1770, 1771, 1772, 1773, 1774, 1775, 1776, 1777, 1778, 1779, 1780, 1781, 1782, 1783, 1784, 1785, 1786, 1787, 1788, 1789, 1790, 1791, 1792, 1793, 1794, 1795, 1796, 1797, 1798, 1799, 1800, 1801, 1802, 1803, 1804, 1805, 1806, 1807, 1808, 1809, 1810, 1811, 1812, 1813, 1814, 1815, 1816, 1817, 1818, 1819, 1820, 1821, 1822, 1823, 1824, 1825, 1826, 1827, 1828, 1829, 1830, 1831, 1832, 1833, 1834, 1835, 1836, 1837, 1838, 1839, 1840, 1841, 1842, 1843, 1844, 1845, 1846, 1847, 1848, 1849, 1850, 1851, 1852, 1853, 1854, 1855, 1856, 1857, 1858, 1859, 1860, 1861, 1862, 1863, 1864, 1865, 1866, 1867, 1868, 1869, 1870, 1871, 1872, 1873, 1874, 1875, 1876, 1877, 1878, 1879, 1880, 1881, 1882, 1883, 1884, 1885, 1886, 1887, 1888, 1889, 1890, 1891, 1892, 1893, 1894, 1895, 1896, 1897, 1898, 1899, 1900, 1901, 1902, 1903, 1904, 1905, 1906, 1907, 1908, 1909, 1910, 1911, 1912, 1913, 1914, 1915, 1916, 1917, 1918, 1919, 1920, 1921, 1922, 1923, 1924, 1925, 1926, 1927, 1928, 1929, 1930, 1931, 1932, 1933, 1934, 1935, 1936, 1937, 1938, 1939, 1940, 1941, 1942, 1943, 1944, 1945, 1946, 1947, 1948, 1949, 1950, 1951, 1952, 1953, 1954, 1955, 1956, 1957, 1958, 1959, 1960, 1961, 1962, 1963, 1964, 1965, 1966, 1967, 1968, 1969, 1970, 1971, 1972, 1973, 1974, 1975, 1976, 1977, 1978, 1979, 1980, 1981, 1982, 1983, 1984, 1985, 1986, 1987, 1988, 1989, 1990, 1991, 1992, 1993, 1994, 1995, 1996, 1997, 1998, 1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022, 2023, 2024, 2025, 2026, 2027, 2028, 2029, 2030, 2031, 2032, 2033, 2034, 2035, 2036, 2037, 2038, 2039, 2040, 2041, 2042, 2043, 2044, 2045, 2046, 2047, 2048, 2049, 2050, 2051, 2052, 2053, 2054, 2055, 2056, 2057, 2058, 2059, 2060, 2061, 2062, 2063, 2064, 2065, 2066, 2067, 2068, 2069, 2070, 2071, 2072, 2073, 2074, 2075, 2076, 2077, 2078, 2079, 2080, 2081, 2082, 2083, 2084, 2085, 2086, 2087, 2088, 2089, 2090, 2091, 2092, 2093, 2094, 2095, 2096, 2097, 2098, 2099, 2100, 2101, 2102, 2103, 2104, 2105, 2106, 2107, 2108, 2109, 2110, 2111, 2112, 2113, 2114, 2115, 2116, 2117, 2118, 2119, 2120, 2121, 2122, 2123, 2124, 2125, 2126, 2127, 2128, 2129, 2130, 2131, 2132, 2133, 2134, 2135, 2136, 2137, 2138, 2139, 2140, 2141, 2142, 2143, 2144, 2145, 2146, 2147, 2148, 2149, 2150, 2151, 2152, 2153, 2154, 2155, 2156, 2157, 2158, 2159, 2160, 2161, 2162, 2163, 2164, 2165, 2166, 2167, 2168, 2169, 2170, 2171, 2172, 2173, 2174, 2175, 2176, 2177, 2178, 2179, 2180, 2181, 2182, 2183, 2184, 2185, 2186, 2187, 2188, 2189, 2190, 2191, 2192, 2193, 2194, 2195, 2196, 2197, 2198, 2199, 2200, 2201, 2202, 2203, 2204, 2205, 2206, 2207, 2208, 2209, 2210, 2211, 2212, 2213, 2214, 2215, 2216, 2217, 2218, 2219, 2220, 2221, 2222, 2223, 2224, 2225, 2226, 2227, 2228, 2229, 2230, 2231, 2232, 2233, 2234, 2235, 2236, 2237, 2238, 2239, 2240, 2241, 2242,

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BYLAWS OF
HILL COUNTRY RANCH ESTATES
PROPERTY OWNERS ASSOCIATION

ARTICLE I

NAME

NAME: The name of this Association shall be HILL COUNTRY RANCH ESTATES PROPERTY OWNERS ASSOCIATION (hereinafter called the "Association").

ARTICLE II

OFFICES

OFFICE: The office of the Association shall be the residence address of the President of the Association.

ARTICLE III

PURPOSES AND PARTIES

PURPOSES: The purpose or purposes for which the Association is organized are to act as agent for the owners of HILL COUNTRY RANCH ESTATES SUBDIVISION and for any and all other property which is accepted by this Association for similar purposes, those purposes being as follows:

- (a) To exercise all of the power and privileges and perform all of the duties and obligations of the Association as set forth in these Bylaws;
- (b) To affix, levy, collect and enforce payment by any lawful means, all charges or assessments pursuant to the terms of these Bylaws; and, as agent, pay all expenses in connection therewith and all office and other expenses incident to the conduct of the business of this Association including all licenses, taxes or governmental charges levied or imposed against the property of this Association and to make disbursements, expenditures and payments on behalf of the Owners as required by the Bylaws of the Association; and to hold as agent for the Owners reserves for periodic repairs and capital improvements to be made as directed by the Owners acting through the Board of Directors of the Association;
- (c) To acquire by gift, purchase or otherwise, to own, hold, improve, build upon, operate, maintain, convey, sell, lease, transfer, dedicate for public use or to otherwise dispose of real or personal property in connection with the affairs of this Association subject to the limitations, if any, set forth in these Bylaws.
- (d) To borrow money, to mortgage, pledge, or hypothecate any or all of its real or personal property as security for money borrowed or debts incurred subject to the limitations, if any, set forth in these Bylaws;
- (e) To provide general sanitation and cleanliness of the subdivision;
- (f) To enter into and perform any contract and to exercise all powers which may be necessary or convenient to the operation, management, maintenance and administration

of the affairs of HILL COUNTRY RANCH ESTATES SUBDIVISION in accordance with these Bylaws;

- (g) To establish and exercise rules and regulations for the purpose of administering any water system located in the Subdivision; and to provide fire protection as the Association shall see fit, including the right to levy assessments and charges in accordance with subparagraph (b) above.

PARTIES: All present or future Owners or future tenants of any lot or portion thereof, or any other person who might use in any manner the facilities of the Property are subject to the provisions and any regulations set forth in these Bylaws. The mere acquisition, lease or rental of all or any portion of a lot or the mere act of occupancy of all or any portion of a lot will signify that these Bylaws are accepted, approved, ratified, and will be complied with.

ARTICLE IV

MEMBERSHIP, MEMBER IN GOOD STANDING, VOTING RIGHTS, VOTING, CUMULATIVE VOTING, QUORUM, PROXIES

MEMBERSHIP: Each and every Owner of a lot or a subdivided portion thereof, shall automatically become, and must remain, a Member in Good Standing of the Association during such Owner's period of ownership of such lot or portion thereof. Such membership shall be appurtenant to each lot, or portion thereof, and may not be severed from or held separately therefrom. The membership of a person or entity in the Association shall terminate automatically whenever such person or entity ceases to be an Owner, except that such termination shall not release or relieve any such person or entity from any liability or obligation incurred under or in any way connected with the Association during the period of ownership, nor impair any rights or remedies which the Association or any other Owner has with regard to such former Owner.

MEMBER IN GOOD STANDING: A Member of the Association shall be considered to be a Member in Good Standing and eligible to vote if such Member:

- (a) Has, not less than seven (7) days prior to the taking of any vote by the Association, fully paid all assessments or other charges levied by the Association then due and payable, as such assessments or charges are provided for hereunder;
- (b) Does not have a lien filed by the Association against its lot;
- (c) Has discharged other obligations to the Association as may be required of Members hereunder; and
- (d) Has met the proof of ownership requirement, if any, provided for hereinafter.

The Board shall have sole responsibility and authority for determining the Good Standing status of any Member at any time, and shall make such determination with respect to all Members prior to a vote being taken by the Association on any matter. The Board shall have the right and authority, in its sole discretion, to waive the seven (7) days prior payment requirement established herein and require only that such payment be made at any time before such vote is taken if the Board shall determine, in its own judgment, that extenuating circumstances exist which have prevented a particular Member from meeting any or all of the four requirements stated herein at or before seven (7) days in

advance of any vote. Any Member not conforming with the provisions of this Section shall be declared by the Board to be not a Member in Good Standing and unless the time requirement required hereunder is specifically waived by the Board in writing prior to any particular vote being taken, shall be disqualified from voting on matters before the Association until such time as Member in Good Standing status is attained and so declared by the Board.

VOTING RIGHTS IN THE ASSOCIATION: Voting rights shall be in accordance with the restrictions for the Subdivision.

VOTING: Only Members in Good Standing shall be entitled to vote, and voting membership shall be decreased by the number of Members who are not Members in Good Standing to determine the votes entitled to be cast for the purpose of establishing a quorum, such determination of the total number of Members in Good Standing to be as of the date of which a vote is taken. The vote of the majority of those votes entitled to be cast by the Members in Good Standing present or voting by legitimate proxy at a duly called meeting at which a quorum of Members are represented shall be sufficient for the transaction of any business unless otherwise provided by law.

CUMULATIVE VOTING: At all meetings of the Association voting shall be cumulative.

MAJORITY: As used in these Bylaws, the term "Majority of Owners" or "Majority of Members" shall mean those voting Members holding fifty-one percent (51%) of the votes of the Association.

QUORUM: Members holding one-half (1/2) of the votes entitled to be cast, shall constitute a quorum for voting on matters brought before the Association at meetings of Members called by the Board. In the event a quorum is not present, then notice of a meeting for the same purposes within two (2) to four (4) weeks shall be sent by mail, at which meeting the number of Members in Good Standing present at a duly organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal of enough Members in Good Standing to leave less than a quorum.

PROXIES: Votes may be cast in person or by written proxy. No proxy shall be valid after eleven (11) months from the date of its execution unless specifically provided in the proxy. All proxies must be filed with the Secretary or Assistant Secretary of the Association before the appointed time of each meeting.

ARTICLE V

ASSOCIATION RESPONSIBILITIES AND MEETINGS OF MEMBERS

ASSOCIATION RESPONSIBILITIES: The Members will constitute the Association which will have the responsibility of administering and enforcing the covenants, conditions and restrictions of the Subdivision, including the collection and disbursement of charges and assessments created under the terms of these Bylaws, through a Board of Directors. In the event of any dispute or disagreement between any Members relating to the Property, or any questions of interpretation or application of the provisions of the restrictions or these Bylaws, such dispute or disagreement shall be submitted to the Board. The determination of such dispute or disagreement by the Board shall be binding on each and all such Members, subject to the right of Members to seek other remedies provided by law after such determination by the Board.

PLACE OF MEETING: Meetings of the Association shall be

held at such suitable place, convenient to the Members, as the Board of Directors may determine.

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ANNUAL MEETINGS: The annual meetings of the Association shall be held on the second Thursday of each September beginning September 13, 1984. At such meetings there shall be elected by ballot of the Members a Board of Directors in accordance with the requirements of these Bylaws. The Members may also transact such other business of the Association as may properly come before them.

SPECIAL MEETINGS: The President shall have the power to call a special meeting of the Members or shall call a special meeting upon a petition signed by Members and having been presented to the Secretary or Assistant Secretary of the Association. The notice of any special meeting shall state the time and place of such meeting and the purpose thereof. No business except as stated in the notice shall be transacted at a special meeting. Any such meetings shall be held within thirty (30) days after receipt by the President of such resolution or petition.

NOTICE OF MEETINGS: It shall be the duty of the Secretary or Assistant Secretary of the Association to mail a notice of each annual or special meeting, stating the purpose thereof as well as the time and place it is to be held, to each Member entitled to vote at such meeting, at least ten (10) days, but not more than thirty (30) days prior to such meeting. The mailing of a notice in the manner provided in this paragraph shall be considered notice served.

ORDER OF MEETINGS: The order of business at all meetings of the Members shall be as follows:

- (a) Roll call and certifying proxies;
- (b) Proof of notice of meeting or waiver of notice;
- (c) Reading and disposal of unapproved minutes;
- (d) Reports of officers;
- (e) Reports of committees;
- (f) Election of directors;
- (g) Unfinished business;
- (h) New business; and
- (i) Adjournment.

ARTICLE VI

BOARD OF DIRECTORS

NUMBER AND QUALIFICATION: At the first meeting of the association, there shall be elected five Members in Good Standing of the Association to the Board of Directors who shall thereafter govern the affairs of this Association until their successors have been duly elected and qualified.

POWERS AND DUTIES: The Board of Directors shall have the powers and duties necessary for the administration of the affairs of the Association and for the operation and maintenance of the

Property in keeping with the character and quality of the area in which it is located. The Board of Directors may do all such acts and things except as by law or by these Bylaws may not be delegated to the Board of Directors.

OTHER POWERS AND DUTIES: Such powers and duties of the Board of Directors shall include, but shall not be limited to, the following, all of which shall be done solely for the benefit of the Property and for the mutual and reciprocal benefit of Members:

- (a) To set, collect and disburse Regular Assessments in any calendar year or portion thereof for the following purposes:
 - (i) The employment of personnel or independent contractors;
 - (ii) The employment of legal, accounting, engineering, architectural or other independent professional services, including any services required to provide architectural review for any building or other development plans proposed for a Building Site;
 - (iii) The purchase of a policy or policies of insurance insuring the Association against any liability to the public, Owners, or Occupants incidental to operation of the Association;
 - (iv) Anything which the Board deems appropriate and proper in fulfilling its obligations and responsibilities under the terms of the Declaration or by law or which, in its reasonable opinion, shall be necessary or proper for the operation or protection of the Association or for the enforcement of the Declaration;
- (b) To enter into contracts with utility companies with respect to utility installation, consumption and services matters;
- (c) To borrow funds to pay any costs of operation, secured by assignment or pledge of rights against Owners for current, delinquent or future assessments, as the Board may determine in its sole discretion to be necessary and appropriate;
- (d) To enter into contracts for goods and services or other Association purposes, provide services it deems proper, maintain one or more bank accounts, and generally to have all the powers necessary or incidental as may be required for prudent operation and management of the Association;
- (e) To sue or to defend in any court of law on behalf of the Association;
- (f) To provide for and accumulate reserve funds to be used for repairs, replacement and/or maintenance, in such amounts and for such purposes as may reasonably be determined by the Board to be necessary and appropriate;
- (g) To make, or to cause to be made, any tax returns, reports, or other filings required by Federal, State, or local governmental authorities;
- (h) To make reasonable rules and regulations for the use of

the Property;

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- (i) To make available to each Owner within ninety (90) days after the end of any Association fiscal year a written annual report on financial affairs of the Association for the year preceding, and, upon written request of at least one-third (1/3) of the Members in Good Standing, to have such report audited by an independent certified public accountant selected by the Board, which audited report, if required, shall be completed and made available to each Member no later than ninety (90) days after such request is received by the Board. The cost of preparing and distributing such audit shall be paid by the Association from Regular Annual Assessments;
- (j) To adjust the amount, collect and use any insurance proceeds to repair or replace any damaged or lost property, or to reimburse persons or entities entitled to receive reimbursement for injury, damage or losses, and, if said insurance proceeds are insufficient to provide full reimbursement as may be required.
- (k) To enforce the provisions of the restrictions and these bylaws, and to seek damages and/or equitable relief or other remedial action from any Owner for violation thereof; and
- (l) To contract with any Owner(s), including, without limitation, the Declarant, for performance of services which the Association is otherwise obligated or permitted to perform, such contracts to be at competitive rates then prevailing for such services and upon such terms and conditions, and for such considerations, as the Board may deem advisable and in the best interest of the Association. The Board also shall have full power and authority, but not an obligation, to contract with any Owner(s) to provide maintenance, repair or replacement service, or any combination thereof, through the Association for an individual lot.

NO WAIVER OF RIGHTS: The omission or failure of the Association or any Member to enforce the covenants, conditions, restrictions, easements, uses, limitations, obligations or other provision of the restrictions, these bylaws or the rules and regulations adopted pursuant thereto, shall not constitute or be deemed a waiver, modification or release thereof, and the Board of Directors shall have the right to enforce the same thereafter.

ELECTION AND TERM OF OFFICE: At the first meeting of the Association the term of office of three (3) Directors shall be fixed at two (2) years; and the term of office of two (2) Directors shall be fixed at one (1) year. At the expiration of the initial term of office of each respective Director, his successor shall be elected to serve a term of two (2) years. The Directors shall hold office until their successors have been elected and hold their first meeting, except as is otherwise provided.

VACANCIES: Vacancies in the Board of Directors caused by death, resignation or disqualification, i.e., by any reason other than the removal of a Director by a vote of the Association, shall be filled by vote of the majority of the remaining Directors, even though they may constitute less than a quorum; and each person so elected shall be a Director until a successor is elected at the next annual meeting of the Association.

REMOVAL OF DIRECTORS: At any regular or special meeting

duly called, any one or more of the Directors may be removed with or without cause by a majority of members entitled to vote, and a successor may then and there be elected to fill the vacancy thus created. Any Director whose removal has been proposed by the Members shall be given an opportunity to be heard at the meeting.

ORGANIZATION MEETING: The first meeting of a newly elected Board of Directors following the annual meeting of the Members shall be held within ten (10) days thereafter at such place as shall be fixed by the Directors at the meeting at which such Directors were elected, and no notice shall be necessary to the newly elected Directors in order legally to constitute such meeting, providing a majority of the whole Board shall be present.

REGULAR MEETINGS: Regular meetings of the Board of Directors may be held at such time and place as shall be determined, from time to time, by a majority of the Directors but at least one such meeting shall be held during each calendar quarter. Notice of regular meetings of the Board of Directors shall be given to each Director, personally or by mail, telephone, or telegraph, at least five (5) days prior to the day named for such meeting.

SPECIAL MEETINGS: Special meetings of the Board of Directors may be called by the President on five (5) days' notice to each Director, given personally or by mail, telephone, or telegraph, which notice shall state the time, place (as hereinabove provided) and purpose of the meeting. Special meetings of the Board of Directors shall be called by the President or Secretary or Assistant Secretary of the Association in like manner and on like notice on the written request of one or more Director.

WAIVER OF NOTICE: Before or after any meeting of the Board of Directors, any Director may, in writing, waive notice of such meeting and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a Director at any meeting of the Board shall be a waiver of notice by him of the time and place thereof. If all the Directors are present at any meeting of the Board, no notice shall be required and any business may be transacted at such meeting.

BOARD OF DIRECTORS QUORUM: At all meetings of the Board of Directors, a majority of the Directors shall constitute a quorum for the transaction of business, and the acts of the majority of the Directors present at a meeting at which there is a quorum present shall be the acts of the Board of Directors. If, at any meeting of the Board of Directors, there be less than a quorum present, the majority of those present may adjourn the meeting from time to time. At any such adjourned meeting, any business which might have been transacted at the meeting as originally called may be transacted without further notice.

COMPENSATION: No member of the Board of Directors shall receive any compensation for acting as such.

ARTICLE VII

FISCAL MANAGEMENT

ACCOUNTS: The funds and expenditures of the members by and through the Association shall be credited and charged to accounts under the following classifications as shall be appropriate:

(a) Normal operating expense, which shall include all funds and expenditures within the year for which the funds are budgeted, including a reasonable allowance for contingencies and

working funds, except expenditures chargeable to reserves and to additional improvements.

(b) Reserve for maintenance, repair and/or replacement relating to Common Areas or lots, or portions thereof, which shall include funds for maintenance, repair or replacement required because of damage, wear of obsolescence.

(c) Water system and fire protection, which shall include all funds and expenditures within the year for which the funds are budgeted, including a reasonable allowance for contingencies and working funds, except expenditures chargeable to reserves and to additional improvements.

SEPARATE ACCOUNTS: Separate accounts may be established in order to better demonstrate that the amounts deposited therein are capital contributions and not income to the Association.

FISCAL YEAR: The fiscal year for the Association shall be October 1 to September 30.

ARTICLE VIII

OFFICERS

DESIGNATION: The officers of the Association shall be a President, a Vice President, a Secretary, and a Treasurer, all of whom shall be elected by the Board of Directors, and such assistant officers as the Board of Directors shall, from time to time, elect. Such officers shall be members of the Board of Directors. The office of President and Treasurer may be held by the same person, and the office of Vice President and Secretary of Assistant Secretary may be held by the same person.

ELECTION OF OFFICERS: The officers of the Association shall be elected annually by the Board of Directors at the organizational meeting of each new Board and shall hold office subject to the continuing approval of the Board.

RESIGNATION AND REMOVAL OF OFFICERS: Upon an affirmative vote of a majority of the members of the Board of Directors, any officer may be removed, with or without cause, and his successor elected at any regular meeting of the Board of Directors, or at any special meeting of the Board of Directors called for such purpose. Any officer may resign at any time by giving written notice to the Board, the President or the Secretary. Such resignation shall take effect on the date of receipt of such notice or at any later time specified therein, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

VACANCIES: A vacancy in any office because of the death, resignation, removal, disqualification or otherwise of the officer previously filling such office may be filled by appointment by the Board. The officer appointed to such vacancy shall serve for the remainder of the term of the officer he replaces.

PRESIDENT: The President shall be the chief executive officer of the Association. He shall preside at all meetings of the Association and of the Board of Directors. He shall have all of the general powers and duties which are usually vested in the office of president of an association, including but not limited to the power to appoint committees from among the Members from time to time as he may in his discretion decide is appropriate to assist in the conduct of the affairs of the Association or as may be established by the Board or by the Members of the Association at any regular or special meetings.

VICE PRESIDENT: The Vice President shall have all the powers and authority and perform all the functions and duties of the President, in the absence of the President, or his inability for any reason to exercise such powers and functions or perform such duties, and also perform any duties he is directed to perform by the President.

SECRETARY: The Secretary shall keep all the minutes of the meeting of the Board of Directors and the minutes of all meetings of the Association; he shall have charge of such books and papers as the Board of Directors may direct; and he shall, in general, perform all the duties incident to the office of Secretary and as is provided in these bylaws.

The Secretary shall compile and keep up to date at the principal office of the Association a complete list of Members and their last known addresses as shown on the records of the Association. Such list shall be open to inspection by Members and other persons lawfully entitled to inspect the same at reasonable times during regular business hours.

ASSISTANT SECRETARY: The Assistant Secretary, if any, shall have all the powers and authority to perform all the functions and duties of the Secretary in the absence of the Secretary or in the event of the Secretary's inability for any reason to exercise such powers and functions or to perform such duties, and also to perform any duties he is directed to perform by the secretary.

TREASURER: The Treasurer shall have responsibility for Association funds and shall be responsible for keeping full and accurate accounts of all receipts and disbursements in books belonging to the Association. He shall be responsible for the deposit of all monies and other valuable effects in the name and to the credit of the Association in such depositories as may from time to time be designated by the Board of Directors.

ARTICLE IX

INDEMNIFICATION OF OFFICERS AND DIRECTORS

INDEMNIFICATION: The Association shall have the power to indemnify any Officer or Director thereof and the Declarant, who was or is a party, or is threatened to be made a party, to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative, or investigative (whether or not by or in the right of the Association) by reason of the fact that such person is or was a Director or Officer of the Association, against all loss, expenses (including but not limited to attorneys' fees and cost of the proceeding), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with or in defense of such action, suit or proceeding if such person acted in good faith and in a manner which such person reasonably believed to be in or not opposed to the best interests of the Association; provided, that with respect to: (1) any criminal action or proceeding, such person had no reasonable cause to believe that his conduct was unlawful; or (2) any civil claim, issue or matter, such person shall not be guilty of gross negligence or willful misconduct in the performance of his duties to the Association. Termination of any action, suit, or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that such person had reasonable cause to believe that his conduct was unlawful, that such person did not act in good faith or in a manner which he reasonably believed to be in or not opposed to the best interests of the Association, or that such person is guilty of gross negligence or willful misconduct in the performance of his duties to the Association, all such matters

being determined solely and exclusively for the purpose of indemnification as herein provided.

Indemnification under the preceding paragraph shall be made by the Association only as authorized in each specific case upon the determination that indemnification of such person is proper in the circumstances because he has met the applicable standards of conduct as set forth herein. Such determination shall be made (1) by the Board of Directors who were not parties to such action, suit, or proceeding; or (2) if counsel in a written opinion, or (b) the Members in Good Standing of the Association and no Member shall be disqualified from voting because he is or was party to any such action, suit, or proceeding. Indemnification so determined may be paid, in part, before the termination of such action, suit, or proceeding upon the receipt by the Association of an undertaking by or on behalf of the person claiming such indemnification to repay all sums so advanced if it is subsequently determined that he is not entitled thereto as provided in this Article.

To the extent that a Director or Officer of the Association has been successful on the merits or otherwise in the defense of any action, suit or proceeding, whether civil or criminal, such person shall be indemnified against such expenses (including costs and attorneys' fees) actually and reasonably incurred by him in connection therewith.

Indemnification provided herein shall be exclusive of any and all other rights and claims to which those indemnified may be entitled as against the Association, and every Director, Officer, or employee thereof under any bylaw, resolution, agreement, or law and any request for payment hereunder shall be deemed a waiver of all such other rights, claims or demands as against the Association and each Director, Officer and employee thereof. The indemnification provided herein shall inure to the benefit of the heirs, executors, administrators and successors of any person entitled thereto under the provision of this Article.

The Association may purchase and maintain insurance on behalf of any person who is or was a Director, Officer, employee or agent of the Association against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the Association would have the power to indemnify him against such liability under the provision of this Article.

All liability, loss, damage, cost, and expense incurred or suffered by the Association by reason or arising out of or in connection with the foregoing indemnification provisions shall be treated and handled by the Association as an expense subject to Special Group Assessment; provided, however, that nothing in this Article contained shall be deemed to obligate the Association to indemnify any Member or Owner who is or has been a director or officer of the Association with respect to any duties or obligations assumed or liability incurred by him under and by virtue of these bylaws that were assumed or incurred outside of his conduct specifically related to the fulfillment of his duties as an Officer or Director of the Association.

OTHER: The Members, Board of Directors, Officers or representatives of the Association shall enter contracts or other commitments as agents for the Association, and they shall have no personal liability for any such contract or commitment (except such liability as may be ascribed to them in their capacity as Owners).

ARTICLE X

AMENDMENTS TO BYLAWS

AMENDMENTS TO BYLAWS: These bylaws may be amended in writing by the majority of Members in Good Standing; provided, however, that such authority may be delegated by the majority of such Members to the Board.

ARTICLE XI

EVIDENCE OF OWNERSHIP, REGISTRATION OF MAILING ADDRESS AND DESIGNATION OF VOTING REPRESENTATIVE

PROOF OF OWNERSHIP: Any person, on becoming an Owner of a lot, or portion thereof, shall furnish to the Board of Directors a true and correct copy of the original or a certified copy of the recorded instrument vesting that person with an interest or ownership in the lot, which copy shall remain in the files of the Association. A Member shall not be deemed to be in Good Standing nor shall he be entitled to vote at any annual or special meeting of Members unless this requirement is first met.

REGISTRATION OF MAILING ADDRESS: The Owner or several Owners of a lot, or portion thereof, shall have one and the same registered mailing address to be used by the Association for mailing of monthly statements, notices, demands and all other communications, and such registered address shall be the only mailing address of a person or persons to be used by the Association. Such registered address of an Owner or Owners shall be deemed to be the mailing address of the lot or subdivided part thereof owned by said Owner or Owners unless a different registered address is furnished by such Owner(s) to the Board of Directors within fifteen (15) days after transfer of title, or after a change of address; and such registration shall be in written form and signed by all of the Owners of the lot or the particular subdivided part thereof or by such persons as are authorized by law to represent the interest of (all of) the Owner(s) thereof.

ARTICLE XII

ASSESSMENTS AND LIENS

PURPOSE OF ASSESSMENTS: The Assessments levied hereunder by the Association shall be used exclusively for the purpose of protecting and promoting the comfort, collective mutual enjoyment, health, safety, and welfare of the Owners of the Property, including, but not limited to, the following:

- (a) The carrying out of duties of the Board as provided herein and in the restrictions for the subdivision;
- (b) The carrying out of purposes of the Association as stated herein and in the restrictions of the subdivision; and
- (c) The carrying out of all other matters set forth or contemplated by these bylaws or the restrictions of the subdivision.

ANNUAL BUDGET AND REGULAR ASSESSMENTS: Each fiscal year, the Board shall adopt an annual budget and set the amount of the Regular Annual Assessment to be levied for the next year, taking into consideration Association operating costs for the then current year, expected normal increases in such costs over the

next year, and additional future needs of the Association, including the establishment and maintenance of an Association reserve fund as provided for herein. The annual budget shall be adopted by the Board not later than fifteen (15) days prior to the commencement of each fiscal year. Notwithstanding the above, in the event the Board fails for any reason to adopt an annual budget covering the succeeding fiscal year, then and until such time as an annual budget shall have been adopted for such succeeding fiscal year, the annual budget currently in effect shall continue and the Regular Annual Assessment shall be deemed the same as for the current year.

The Regular Annual Assessment for each fiscal year shall be determined by the Board upon its adoption of the annual budget for such fiscal year in the following manner:

- (a) The Regular Annual Assessment with respect to any calendar year shall equal the total amount of the annual budget approved by the Board with respect to such calendar year; and
- (b) Each lot's or portion thereof's pro rata share of the Regular Annual Assessment shall be determined by multiplying the Regular Annual Assessment by a fraction, the numerator of which is the Net Acreage and the denominator of which is the Total Net Acreage of lots in the Subdivision.

Should any surplus exist at the end of any year, the Board may, at its own discretion, reduce the amount required for the next Regular Annual Assessment by an amount not more than said surplus.

REGULAR WATER ASSESSMENT AND RULES: The cost for initial hookup to the water system shall be \$100.00. A monthly assessment of \$25.00 shall be charged for each water hookup to the Subdivision Water System. For persons living on the property who do not own it (renters), the charge shall be \$30.00. This charge shall be a maintenance fee and shall be due in advance on the first day of each month. If not paid by the 10th day of each month, a \$5.00 late charge shall be added. If not paid by the 20th day of each month, the association shall have the right to cutoff and refuse water service until paid. The association shall have the right to require a \$100.00 deposit prior to reconnection, and such reconnection fees as it shall deem necessary.

The association shall maintain the water system up to the point of water cutoff on the lot, lots or portions thereof, if said cutoff is within 10 feet of the main feeder line. If the cutoff is not within 10 feet of the main feeder line, the owners of the lot, lots or portion thereof, shall be responsible for maintenance up to the main feeder line.

All installation of water lines and service must be done by a licensed qualified plumber.

The association reserves the right to do the following upon resolution adopted at any membership meeting:

- 1) Develop the water system further in accordance with the anticipated needs of the subdivision, including repair and maintenance of the water system.
- 2) Put in individual service water meters and charge for water usage.
- 3) Raise or lower the maintenance assessment in accordance with the needs of the subdivision water system.

SPECIAL GROUP ASSESSMENTS: In addition to the Regular Annual Assessments provided for herein, the Association by vote of its Members may levy in and for any year, applicable to that year only, a Special Group Assessment for the purpose of:

- (a) Defraying the cost of any new construction or reconstruction, unexpected repair or replacement of capital improvements for and within Common Areas, including the necessary fixtures and personal property related thereto;
- (b) Defraying the cost of repairs or replacements resulting from an uninsured loss or damage or insured loss or damage where there are insufficient insurance proceeds as provided for in the Declaration; and
- (c) Responding to unusual or emergency needs of the Association as may be expected to occur from time to time.
- (d) Purchasing and maintaining fire equipment for the subdivision.

Special Group Assessments shall be allocated and prorated among the Owners at the date each such Special Group Assessment is levied in the same manner as Regular Annual Assessments are allocated and prorated among the lots.

SPECIAL MEMBER ASSESSMENTS: In addition to the Regular Annual Assessments and any Special Group Assessments, the Association, by vote of its Board, may levy a special assessment ("Special Member Assessment") on any Member for the purpose of:

- (a) Defraying, the cost of any unexpected damage or loss requiring maintenance, repairs, or replacement of improvements associated either with a Common Area or with a lot or portion thereof not owned by the Member causing such damage or loss, which damage or loss has been determined by the Board to have been caused, either directly or indirectly, by the willful or negligent acts of such Member, or its agent, Occupant or visitor. In reaching a decision to levy such Special Assessment upon any Member, the Board shall first determine, in its sole discretion, that reasonable evidence exists to support a determination that said damage or loss was caused, directly or indirectly by a particular Member, or its agent, Occupant or Visitor. Prior to making such determination, the Board shall inform such Member of its findings and afford the Member the reasonable opportunity (not less than seven (7) days) to (i) introduce evidence regarding such damage or loss and the cause thereof, or (ii) remedy such loss or damage.
- (b) Reimbursing the Association for any and all direct or indirect costs incurred by the Association with regard to the maintenance, repair or replacement of Landscaping or Site Improvements on any particular lot or portion thereof owned by such Member, when:
 - (i) It has been determined by the Board that the maintenance, repair or replacement of Site Improvements associated with such Member's lot or portion thereof has been neglected to the point where conditions existing are not in conformance with the maintenance obligations set forth in the restrictions.
 - (ii) The Member owning such lot or portion thereof

shall have been informed in writing of deficiencies found to exist and shall have been afforded a specific and reasonable period of time (not less than seven (7) days) to respond to said notice and/or remedy such deficiencies, the determination of what constitutes a reasonable period of time for remedial action to be made by the Board in its sole discretion;

- (iii) Those deficiencies determined by the Board and reported in writing to the Member owning such lot, or portion thereof are not fully corrected within the time period established by the Board for such corrective action to be completed; and
- (iv) Due to the failure of the Member owning such lot or portion thereof to take corrective action within the period of time established by the Board, it has been necessary or appropriate for the Association to contract for, initiate or complete such corrective action. In the event such Member shall start corrective action on a lot or portion thereof after the Association has either contracted for such work to be done or actually accomplished such work in whole or in part, such Member shall be obligated to the Association for the reimbursement of any costs actually incurred by the Association, including: release from contract settlements; design, legal or other professional fees; labor, equipment, materials or guarantees required to accomplish corrective work; management or supervisory services; and any other costs directly or indirectly attributable to the work.

PAYMENT OF REGULAR ASSESSMENTS: The Regular Annual Assessments provided for herein shall commence on a date fixed by the Board and thereafter shall be due and payable in quarterly installments, in advance, on the first day of the first month in each quarter of the calendar year; provided, however, that if the commencement date of the initial Regular Annual Assessment for the Association shall not be the same as the first day of the first month of a quarter in the calendar year, then the initial quarterly assessment installment shall be from the date of commencement to the first day of the next quarter, and payment shall be prorated for the number of days remaining in the quarter.

PAYMENT OF SPECIAL ASSESSMENTS: Special Group Assessments or Special Member Assessments shall be due and payable in full thirty (30) days following the date at which any such assessment is set by the Board in the resolution adopting such assessment, except that, if it is specifically determined by the Board that any such assessment is to be paid instead in deferred installments, then the payment dates and amounts of such installments shall be fixed in the resolution authorizing such assessment.

ENFORCEMENT AND PERSONAL OBLIGATIONS OF OWNERS FOR PAYMENT OF ASSESSMENTS: The Regular Annual Assessments, Special Group Assessments, and Special Member Assessments provided for herein shall be the personal and individual debt of the Owner of a lot or subdivided portion thereof, covered by such assessments. No Owner may, for any reason, exempt itself from liability for such assessments levied in accordance with the provisions of these Bylaws. In the event that any assessment or installment thereof is not paid when due, and remains unpaid for a period of thirty (30) days thereafter, then the unpaid amount of any such assessment or installment thereof shall become delinquent and

costs of collection thereof, become a continuing personal obligation and debt of the non-paying Owner secured by a self-executing lien on the lot or subdivided portion thereof, including all improvements thereon, to which such assessment or installment thereof and demand full payment thereof, or the Association may, in its sole discretion, elect to accept any such partial payment on account only, without in so doing waiving any rights established hereunder with respect to any remaining balance due.

The obligation of any Owner to pay any assessment imposed on a lot or portion thereof during such Owner's period of ownership shall remain its personal obligation, and a sale or other transfer of title to such lot or portion thereof shall not release such former owner from said liability notwithstanding an assumption of liability by the purchaser or transferee. The lien for any unpaid assessments shall be unaffected by any sale or transfer of full or partial ownership interest in a lot or subdivided portion thereof, and shall continue in full force and effect. In the event of full or partial sale or transfer of an ownership interest in a lot or portion thereof, it shall be the sole obligation of the Owner selling or transferring such interest (and not the Association) to disclose to any buyer or transferee that an unpaid assessment and associated lien against the ownership interest exist prior to that date at which such sale or transfer is to be consummated. A copy of such notice shall be sent to the Association at the same time. Upon written request, the Association shall provide an Owner with a statement reflecting the amount of any unpaid or delinquent assessments with respect to a lot or portion thereof owned by said Owner.

The unpaid amount of any assessment shall bear interest from its due date at the maximum legal rate of interest then prevailing. In addition, the Board may elect to retain the services of an attorney of its choice for the purposes of collecting any unpaid assessment and interest charges thereon, and/or to foreclose the lien against the property subject thereto and/or to pursue any other legal or equitable remedy which the Association may have and there shall be added to the amount of unpaid assessment and interest charges thereon, any and all collection costs incurred by the Association, whether judicial or non-judicial, and including, but not limited to, reasonable attorney fees and costs of legal suit.

LIEN AND FORECLOSURE: Upon delinquency, all sums assessed in the manner provided in these Bylaws, together with all interest costs as herein provided, shall be secured by the lien provided for under these Bylaws. As further evidence and notice of such assessment lien, the Association may prepare a written notice of such lien setting forth the amount of delinquent indebtedness, the name of the Owner of property covered by such lien, and a description of the property. Such notice, shall be signed by a duly authorized Officer of the Association and shall be recorded in the office of the County Clerk of Kerr County, Texas, or such other place as may be required by law for the recording of liens affecting real property at such time as such notice is recorded. Such lien for payment of assessments shall attach from the date such payment becomes delinquent and may be enforced after recording said notice through (i) foreclosure of such lien on the lot, or subdivided portion thereof, and any improvements thereon in like manner as a mortgage on real property, (ii) suit against the Owner personally obligated to pay the assessment and/or (iii) foreclosure of the aforesaid lien judicially. In any foreclosure proceeding, whether judicial or non-judicial, the Owner shall be required to pay the costs, expenses and reasonable attorneys' fees incurred by the Association. The Association shall have the power to bid on the property being foreclosed.

LIEN SUBORDINATION: Any lien established as provided for in these Bylaws, shall be subordinate and inferior to any mortgage or deed of trust in favor of any bank, savings and loan association, insurance company, pension fund, or other similar financial institution or other lender approved by the Board; provided, however, that such subordination shall apply only to the assessments which have become due and payable prior to a foreclosure sale (whether public or private) of any such Building Site pursuant to the terms and conditions of any such mortgage or deed of trust. Such foreclosure sale shall not relieve any new Owner taking title at such sale from liability for the amount of any assessments thereafter becoming due or from a lien arising from any such subsequent assessment.

At the time any mortgage financing or refinancing is obtained for any lot or portion thereof, which will as provided above be superior to any existing or future assessment lien of the Association, the Owner of such Building Site shall within thirty (30) days prior to the consummation of any such mortgage or financing deliver to the Association written notice identifying the lender making such mortgage loan in terms of its full legal name, its current address and telephone number, and the name of an officer or other person within the entity who is responsible for that particular loan account. Upon the written request of any such lender holding a superior lien on any Building Site as provided herein, the Association shall report to such lender any unpaid assessments which are delinquent as herein defined. The Association may from time to time, at its own initiative, elect to report delinquent assessments to such mortgage lenders.

COMMON AREAS EXEMPT: All Common Areas shall be exempted from any assessments and any lien created herein.

NOTICE OF LIEN OR SUIT: An Owner shall give notice to the Association of every lien or encumbrance upon his Building Site or subdivided portion thereon, other than for taxes and Assessments, and notice of every suit or other proceeding which may affect the title to his lot or subdivided portion thereon, and such notice shall be given within five (5) days after the Owner has knowledge thereof.

MECHANIC'S LIEN: Each Owner agrees to indemnify and to hold each of the other Owners harmless from any and all claims of mechanic's liens filed against other Site Improvements for labor, materials, services or other products incorporated in the Owner's Site Improvements.

ARTICLE XIII

ABATEMENT AND ENJOINMENT OF VIOLATIONS BY OWNERS

ABATEMENT AND ENJOINMENT: The violation of any rule or regulation, or the breach of any Bylaw, or the breach of any provision of the restrictions shall give the Board of Directors the right, in addition to any other rights set forth in the Declaration or herein, (i) to enter the lot or portion thereof in which, or as to which, such violation or breach exists and to summarily abate and remove, at the expense of the defaulting Owner, any person, structure, thing or condition that may exist therein contrary to the intent and meaning of the provisions thereof, and the Board of Directors shall not be deemed guilty in any manner of trespass; and to expel, remove and put out, using such force as may be necessary in so doing, without being liable to prosecution or any damages therefor; and (ii) to enjoin, abate, or remedy appropriate legal proceedings, either at law or in equity, the continuance of any breach.

ARTICLE XIV

COMMITTEES

DESIGN REVIEW COMMITTEE: The Board shall establish and maintain a Design Review Committee consisting of not fewer than three (3) persons or more than five (5) persons appointed by the Board. Members of the Board may also be members of the Design Review Committee, and, if it so chooses, the Board may sit as such committee. The Board shall have the exclusive right and authority at any time to appoint, remove and fill vacancies on the Design Review Committee.

- (a) Function of Committee. No Site Improvements shall be erected, constructed, placed, altered, removed, maintained, or permitted to remain on any portion of the Property until plans and specifications, in such form and detail as the Design Review Committee (subject to the requirements of the Declaration) may deem necessary, shall have been submitted to the Design Review Committee and approved by it in writing as to:
 - (i) Architectural character;
 - (ii) Compatibility with the Development Standards, as well as with other existing or proposed Building Site developments located within the Property;
 - (iii) Extent and quality of Landscaped Areas proposed for a particular Building site;
 - (iv) Exterior signing and lighting; and
 - (v) Compliance with any other requirement for the Property or individual Building Sites pursuant to this Declaration.
- (b) Interpretation. Approval of plans and specifications for any Site Improvements shall be based upon a determination by the Design Review Committee as to whether or not in its judgment such plans and specifications adequately meet objectives established for Hill Country Ranch Estates with regard to environmental and aesthetic excellence, as well as meeting certain functional and other requirements created by the Declaration, these Bylaws and the Development Standards. Further, in reaching such decision, the Design Review Committee shall consider not only the appropriateness of specific Site Improvements proposed on a particular Building Site, but also how said Building Site, if developed in the manner intended, would likely relate to and affect those Site Improvements either existing on or intended for other Building Sites, and conformity to both the specific and general intentions of the Protective Covenants. The Design Review Committee shall have full power and authority to make any such subjective judgments and to interpret the intent and provisions of the declaration and these Bylaws and the Development Standards in such manner and with such results as such Design Review Committee may, in its sole discretion, deem appropriate. In dealing with matters and decisions which the Design Review Committee may determine, in its sole discretion, require special

consideration, it may employ the services of a qualified consultant or consultants for the purpose of advising the Design Review Committee with regard to a particular decision, such consultant to be selected by the Design Review Committee. Any recommendations made by any such consultant shall be reasonably considered by the Design Review Committee in arriving at a decision or action to which such consultant recommendations directly relate, but shall not be binding on such committee.

- (c) Development Standards. The Design Review Committee shall have full power to enforce the Development Standards governing project standards, including but not limited to, site development architecture, construction, lighting, signage, and landscaping. In this connection, the Design Review Committee shall have the power to enforce strict compliance with the Development Standards by any or all Owners.
- (d) Failure of Committee to Act. Should the Design Review Committee fail to either approve or disapprove such plans and specifications, or to reject them as being incomplete or otherwise inadequate, within sixty (60) days after receipt thereof, it shall be conclusively presumed that such committee has approved such plans and specifications. If any plans and/or specifications are submitted in a form which is not sufficiently complete or are otherwise determined inadequate the Design Review Committee may reject such plans and/or specifications, or may approve or disapprove portions thereof either conditionally or unconditionally, and reject the balance.
- (e) Limitation of Liability. The Declarant, the Association, the Board or any of its members, and the Design Review Committee or any of its members shall not, individually or in combination, be liable for damages or otherwise to anyone submitting plans or specifications for approval or to any Owner of a lot, or portion thereof, or any other person affected by an action taken with respect to such a submission by reason of mistake in judgment, negligence, or nonfeasance arising out of or in connection with the approval or disapproval or failure to approve or to disapprove any plans and specifications submitted.

OTHER COMMITTEES: The Board of Directors, by resolution adopted by a majority of the Directors in office, may designate one or more other committees. Except as otherwise provided in such resolution, members of such committee or committees shall be members of the Association, and the President of the Association shall appoint the members thereof.

TERM OF OFFICE: Each member of a committee shall continue as such until the next annual meeting of the Members of the Association or until his successor is appointed unless the committee shall be sooner terminated, or unless such member be removed from such committee, or unless such member shall cease to qualify as a member thereof.

CHAIRMAN: One member of each committee shall be appointed chairman by the President of the Association.

CHAIRMAN: One member of each committee shall be appointed chairman by the President of the Association.

VACANCIES: Vacancies in the membership of any committee may be filled by appointments made in the same manner as provided in the case of the original appointments.

QUORUM: Unless otherwise provided in the resolution of the Board of Directors designating a committee, a majority of the whole committee shall constitute a quorum and the act of a majority of the members present at a meeting at which a quorum is present shall be the act of the committee.

RULES: Each committee may adopt rules for its own government not inconsistent with these Bylaws or with rules adopted by the Board of Directors.

ARTICLE XV

NON-PROFIT ASSOCIATION

NON-PROFIT ASSOCIATION: This Association is not organized for profit. No Member, member of the Board of Directors, officer, or person from whom the Association may receive any property or funds shall receive or shall be lawfully entitled to receive any pecuniary profit from the operation thereof, and in no event shall any part of the funds or assets of the Association be paid as salary or compensation to, or distributed to, or inure to the benefit of any member of the Board of Directors, officer, or Member; provided, however, always (1) that reasonable compensation may be paid to any Member, director, or officer while acting as an agent or employee of the Association, and (2) that any Member, director, or officer may, from time to time, be reimbursed for his actual and reasonable expenses incurred in connection with the administration of the affairs of the Association.

ARTICLE XVI

EXECUTION OF DOCUMENTS

EXECUTION OF DOCUMENTS: The persons who shall be authorized to execute any and all contracts, documents, instruments or conveyance or encumbrances, including promissory notes, shall be two, one of each of the President or any Vice President, and the Secretary/Treasurer. All checks drawn on the account of the association shall be signed by any two of the following:

- 1) President
- 2) Vice President
- 3) Secretary/Treasurer

ARTICLE XVII

PROXY TO TRUST

PROXY TO TRUST: Owners shall have the right to irrevocably constitute and appoint their Mortgagees their true and lawful attorney to vote their lot, or portion thereof, membership in this Association at any and all meetings of the Association and to vest in such beneficiary or his nominees any and all rights, privileges, and powers that they have as Owners under the Bylaws of this Association or by virtue of the Declaration. Such proxy

shall be valid until such time as a release of the beneficiary's deed of trust is executed and a copy thereof delivered to the Secretary or Assistant Secretary of the Association, which shall operate to revoke such proxy. Nothing herein contained shall be construed to relieve Owners or to impose upon the beneficiary of the Deed of Trust the duties and obligations of an Owner.

ARTICLE XVII

NOTICES

NOTICES: All notices to Members of the Association shall be given by delivering the same to each Owner in person or by depositing the notices in the U.S. Mail, postage prepaid, addressed to each Owner at the address last given by each Owner to the Secretary of the Association. If an Owner shall fail to give an address to the Secretary for mailing of such notices, all such notices shall be sent to the Building Site of such Owner, and all Owners shall be deemed to have been given notice of the meetings upon the proper mailing of the notices to such addresses irrespective of the actual receipt of the notices by the Owners.

By our signatures hereto the undersigned, being a majority of the lot owners of Hill Country Ranch Estates Subdivision, hereby adopt the foregoing Bylaws for the Association as of the 17th day of MAY, 1956.

Albert A. Treiber 176
Owner ALBERT A. TREIBER (Lot)

Bob Huatzen 162
Owner BOB HUATZEN (Lot)

John R. B. B. B. 166
Owner JOHN R. B. B. B. (Lot)

George Sanderfur 131
Owner GEORGE SANDERFUR (Lot)

William Sanderfur 131
Owner WILLIAM SANDERFUR (Lot)

J. D. Mitchell (156)
Owner J. D. MITCHELL (Lot)

William Craig 170
Owner WILLIAM CRAIG (Lot)

Michael D. Burnett 170
Owner MICHAEL D. BURNETT (Lot)

Ray D. Taylor 125
Owner RAY D. TAYLOR (Lot)

James Reynolds 195
Owner JAMES REYNOLDS (Lot)

Philip Reinhard 196
Owner PHILIP REINHARD (Lot)

James H. Houghton 204
Owner JAMES H. HOUGHTON (Lot)

Alice L. Black 180
Owner ALICE L. BLACK (Lot)

Ada Treiber 176
Owner ADA TREIBER (Lot)

June Huatzen 162
Owner JUNE HUATZEN (Lot)

Pauline Washington (40)
Owner PAULINE WASHINGTON (Lot)

William F. Harber (20)
Owner WILLIAM F. HARBER (Lot)

Vida H. Harber
Owner VIDA H. HARBER (Lot)

Gloria Turner 212
Owner GLORIA TURNER (Lot)

Frances Craig 170
Owner FRANCES CRAIG (Lot)

Tina Taylor 210
Owner TINA TAYLOR (Lot)

Linda Taylor 125
Owner LINDA TAYLOR (Lot)

James B. Lang 188
Owner JAMES B. LANG (Lot)

Jerry Adskowski
Owner JERRY ADKOWSKI (Lot)

Owner (Lot)

Owner _____ (Lot) _____	Owner _____ (Lot) _____
Owner _____ (Lot) _____	Owner _____ (Lot) _____
Owner _____ (Lot) _____	Owner _____ (Lot) _____
Owner _____ (Lot) _____	Owner _____ (Lot) _____
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Owner _____ (Lot) _____	Owner _____ (Lot) _____
Owner _____ (Lot) _____	Owner _____ (Lot) _____
Owner _____ (Lot) _____	Owner _____ (Lot) _____

STATE OF TEXAS

COUNTY OF KERR

This instrument was acknowledged before me on the 15 day
of May, 1982, by Thurman A. Black.



Notary Public, State of Texas
My Commission Expires: 4-8-90
Thurman A. Black
Notary's Printed Name

FILED FOR RECORD

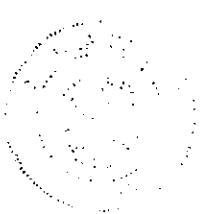
at 9:10 o'clock A.M.

MAY 19 1986

PATRICIA DYE

Clerk County Court, Kerr County, Texas
By *Patricia C. Henderson* Deputy

RETURN TO:
Ada Treibee
174 Green Oak Dr.
Keeville, Texas
78048



Filed for record May 19, 1986 at 9:10 o'clock A.M.
Recorded May 28, 1986
PATRICIA DYE, Clerk By *Patricia C. Henderson* Deputy

State of Texas

04019 Deed of Trust

FHA Case No.

4952182047

State of Texas)

) ss:

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County of KERR)

This indenture, made and entered into by and between JAMES L. WILLIAMS AND WIFE, MARY L. WILLIAMS

of the County of KERR

in the State of Texas, hereinafter called the Grantors, and JESS FAY Trustee(s), of P.O. BOX 225644

DALLAS TEXAS 75265

, hereinafter called the Trustee:

Witnesseth: That the Grantors for and in consideration of the sum of Ten Dollars (\$10.00) and other valuable consideration in hand paid, the receipt whereof is hereby acknowledged, and the further consideration, uses, purposes and trusts herein set forth and declared, have granted, bargained, sold and conveyed, and by these presents do grant, bargain, sell and convey unto the said Trustee, and unto his successors in the trust hereby created and his assigns, forever, all of the following described real estate together with all the improvements thereon and hereafter placed thereon situated in the County of KERR

State of Texas, to wit:

TRACT NO. 47, SILVER CREEK ESTATES, A SUBDIVISION IN KERR COUNTY, TEXAS, ACCORDING TO THE MAP OR PLAT THEREOF RECORDED IN VOL. 4, PAGE 188, PLAT RECORDS, KERR COUNTY, TEXAS.

"IN ANY EVENT THAT ANY PORTION OF THE LIEN IS FOUND NOT TO BE VALID AS AGAINST THE HOMESTEAD, ALL PAYMENTS UNDER THE NOTE SHALL BE FIRST APPLIED TO THAT PORTION OF THE LIEN WHICH IS DECLARED TO BE INVALID AS AGAINST THE HOMESTEAD."

To Have and To Hold the above-described premises, together with all the rights, benefits, and appurtenances in anywise appertaining or belonging thereto, including all heating, plumbing, refrigeration and lighting fixtures and equipment now or hereafter attached thereto or used in connection therewith, unto the said Trustee, his successors in this trust and his assigns, forever. And the Grantors do hereby bind themselves and their heirs, executors, administrators, and legal representatives, to warrant and forever defend all and singular the said premises unto the said Trustee, and unto his successors in this trust, and his assigns, forever, against any person who lawfully claims or shall claim the same or any part thereof.

This conveyance is made in trust to secure the payment of the principal sum of FORTY TWO THOUSAND ONE HUNDRED FIFTY AND 00/100 Dollars (\$ 42,150.00)

as evidenced by a certain promissory note of even date herewith executed by the Grantors, payable to the order of THE LOMAS & NETTLETON COMPANY

TEN AND 000/1000 per centum (10.0000 %) per annum on the unpaid balance, both interest and principal being payable monthly as it accrues at the office of THE LOMAS & NETTLETON COMPANY

in DALLAS, DALLAS COUNTY, TEXAS

in monthly installments of THREE HUNDRED SIXTY NINE AND 90/100 Dollars (\$ 369.90) each, including interest, one on the first day of each month hereafter, commencing on the first day of JULY 19 86, and continuing until the principal and interest are fully paid, except that the final payment of principal and interest, if not sooner paid, shall be due and payable on the first day of JUNE 20 16

This form is used in connection with mortgages insured under sections 203(b) and (i) of the National Housing Act where there is a One-Time Mortgage Insurance Premium payment in accordance with the regulations for those programs.

The form and substance of this document are the same as HUD/FHA form No. 92181M-1 (5-85) currently in use. So certified by The Lomas & Nettleton Company, by Eddie Daniels, Assistant Vice President.

02-10-48260 4952182047

Eddie Daniels

Previous Editions Are Obsolete
3309

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The note also provides that if default is made in the payment of any installments thereunder, and if the default is not made good prior to the due date of the next such installment, at the option of the holder, the note shall become immediately due and payable without notice, and that this lien may be foreclosed. Failure to exercise this option is not to constitute a waiver of the right to exercise it in the event of any subsequent default. If the note is placed in the hands of an attorney for collection, or is collected through the Probate Court or the Bankruptcy Court or through other legal proceedings, the makers thereof agree to pay reasonable attorney's fees.

The Grantors covenant as follows:

1. That they will pay the principal of and interest on the note secured hereby in accordance with the terms thereof. **PRIVILEGE IS RESERVED TO PAY THE DEBT, IN WHOLE OR IN PART, ON ANY INSTALLMENT DUE DATE.**

2. That, together with and in addition to such payments of principal and interest, they will pay to the holder of the note, on the first day of each month until the note is fully paid, the following sums:

(a) A sum equal to the ground rents, if any, next due, plus the premiums that will next become due and payable on policies of fire and other hazard insurance covering the property covered by this Deed of Trust, plus taxes and assessments next due on the premises covered hereby, all as estimated by the holder of the note, less all sums already paid therefor divided by the number of months to elapse before one month prior to the date when such ground rents, premiums, taxes, and assessments will become delinquent, such sums to be held by the holder of the note in trust to pay said ground rents, premiums, taxes, and special assessments, before the same become delinquent; and

(b) All payments mentioned in the preceding subsection of this paragraph and all payments to be made under the note secured hereby shall be added together, and the aggregate amount thereof shall be paid by the Grantors each month in a single payment to be applied by the holder of the note to the following items in the order set forth:

- (i) ground rents, if any, taxes special assessments, fire, and other hazard insurance premiums;
- (ii) interest on the note secured hereby; and
- (iii) amortization of the principal of said note.

Any deficiency in the amount of such aggregate monthly payment shall, unless made good by the Grantors prior to the due date of the next such payment, constitute an event of default under this Deed of Trust. The holder of the note may collect a "late charge" not to exceed four cents (4c) for each dollar (\$1) of each payment more than fifteen (15) days in arrears to cover the extra expense involved in handling delinquent payments.

3. If the total of the payments made by the Grantors under (a) of paragraph 2 preceding shall exceed the amount of the payments actually made by the holder of the note for ground rents, taxes, assessments, or insurance premiums, as the case may be, such excess, if the loan is current, at the option of the Grantor, shall be credited on subsequent payments to be made by the Grantors, or refunded to the Grantors. If, however, the monthly payments made by the Grantors under (a) of paragraph 2 preceding shall not be sufficient to pay ground rents, taxes, assessments, and insurance premiums as the case may be, when the same shall become due and payable, then the Grantors shall pay to the holder of the note any amount necessary to make up the deficiency, on or before the date when payment of such ground rents, taxes, assessments, or insurance premiums shall be due. If at any time the Grantors shall tender to the holder of the note, in accordance with the provisions thereof, the full payment of the entire indebtedness represented thereby, the holder of the note shall, in computing the amount of such indebtedness, credit to

the account of the Grantors any balance remaining in the funds accumulated under the provisions of (a) of paragraph 2 hereof. If there shall be a default under any of the provisions of this Deed of Trust resulting in a public sale of the premises covered hereby or if the property is otherwise acquired after default, the holder of the note shall apply, at the time of the commencement of such proceedings or at the time the property is otherwise acquired, the balance then remaining in the funds accumulated under (a) of paragraph 2 preceding, as a credit against the amount of principal then remaining unpaid under the note secured hereby.

4. That they have a good and merchantable title in fee simple to the premises hereby conveyed, free and clear from all encumbrances, with full right and authority to convey the same, and will warrant and defend the title against the claims of all persons whomsoever.

5. That they will pay all taxes, assessments, water rates and other governmental or municipal charges, fines, or impositions, for which provision has not been made hereinbefore, and in default thereof the holder of the note secured hereby may pay the same; and the Grantors will promptly deliver the official receipts therefor to the said holder.

6. That they will keep the improvements now existing or hereafter erected on the said premises, insured as may be required from time to time by the holder of the note against loss by fire and other hazards, casualties, and contingencies in such amounts and for such periods as may be required by the holder of the note and will pay promptly, when due, any premiums on such insurance provision for payment of which has not been made hereinbefore. All insurance shall be carried in companies approved by the holder of the note and the policies and renewals thereof shall be held by the holder of the note and have attached thereto loss payable clauses in favor of an in form acceptable to the holder of the note. In event of loss they will give immediate notice by mail to the holder of the note, who may make proof of loss if not made promptly by the party of the first part, and each insurance company concerned is hereby authorized and directed to make payment for such loss directly to the holder of the note instead of to the party of the first part and the holder of the note jointly, and the insurance proceeds, or any part thereof, may be applied by the holder of the note at its option either to the reduction of the indebtedness hereby secured or to the restoration or repair of the property damaged. In event of foreclosure of this Deed of Trust or other transfer of title to the said premises in extinguishment of the indebtedness secured hereby, all right, title, and interest of the party of the first part, in and to any insurance policies then in force shall pass to the purchaser or grantee.

7. That they will not suffer any lien superior to the lien hereby created to attach to or be enforced against the premises covered hereby and will keep the said premises in as good order and condition as they are now and will not commit or permit any waste, impairment, or deterioration of said premises or any part thereof.

8. That all awards of damages in connection with condemnation proceedings involving the premises or any part thereof shall be paid to the holder of the note secured hereby. Such awards shall be applied to the amount due under said note in amounts equal to the next maturing installment or installments of principal and any balance shall be credited to the escrow account. Such payment will not relieve the Grantors from making regular monthly payments commencing on the first day of the first month following the date of receipt of the award. The holder of the note is hereby authorized in the name of the Grantor to execute and deliver valid acquittances for such awards and to appeal from such awards.

9. That they hereby assign to the holder of the said note any and all rents on the premises covered hereby and authorize said holder to take possession of the premises at any time there shall be any default in the payment of the debt hereby secured or in the performance of any obligation herein contained and to rent the same for the account of the Grantors and to deduct from such rents all costs of collection and

administration and to apply the remainder of such rents on the debt hereby secured.

10. That in the event the ownership of the premises covered hereby or any part thereof becomes vested in a person other than the Grantors, the holder of the note secured hereby may, without notice to the Grantors, deal with such successor or successors in interest with reference to this Deed of Trust and to the debt hereby secured in the same manner as with the Grantors without in any way violating or discharging the Grantors' liability hereunder or upon the debt hereby secured. No sale of the premises covered hereby and no forbearance on the part of the holder of the said note and no extension of the time for the payment of the debt hereby secured, given by said holder shall operate to release, discharge, modify, change, or affect the original liability of the Grantors either in whole or in part.

11. That the holder of the said note shall have the right to pay any taxes, assessments, water rates, and other governmental or municipal charges, fines or impositions which are to be paid under paragraph 5 hereof, and to make any payments hereinabove provided to be made by the Grantors under subsection (a) of paragraph 2 hereof, and any amount so paid by the said holder shall then be added to the principal debt named herein and bear interest at the rate set forth in the note secured hereby, payable monthly from the date of such payment and be secured by this Deed of Trust the same as said principal debt and interest thereon; and the said holder shall at its option be entitled to be subrogated to any lien, claim, or demand paid by it or discharged with the money advanced by it and secured by this Deed of Trust, which amount advanced shall be payable on demand, or as may be otherwise agreed in writing between the parties hereto either before, at the time, or after making such advances.

12. That they do hereby expressly waive and renounce the benefit of all laws now existing or that may hereafter be enacted providing for any appraisalment before sale of any of the premises hereby granted, commonly known as Appraisalment laws, and also the benefit of all laws that may be hereafter enacted in any way extending the time for the enforcement of the collection of the debt hereby secured or creating or extending a period of redemption from any sale made in collecting said debt, commonly known as Stay laws and Redemption laws, and the Grantors hereby agree and contract that the laws of the State of Texas, save as above excepted, now in force relative to the collection of the debt hereby secured and the application to the payment thereof are expressly adopted and made a part hereof.

13. That, as additional and collateral security for the payment of the note secured hereby and the indebtedness hereinbefore described, they hereby assign to the owner of said debt all of the profits, revenues, royalties, rights and benefits accruing under all oil, gas or mineral leases now on said property, or which may hereafter be placed thereon, and the lessee or assignee or sublessee is hereby directed on production of this Deed of Trust or certified copy thereof, to pay said profits, revenues, royalties, rights and benefits to the owner of said debt; this provision to become effective, however, only upon default in the conditions and terms of this Deed of Trust or the note hereby secured, or prior to such default, upon notice to the lessee of such oil, gas or mineral lease, and to terminate and become null and void upon payment of the indebtedness hereby secured.

14. The Grantors further agree that should this Deed of Trust and the note secured hereby not be eligible for insurance under the National Housing Act within SIXTY DAYS days from the date hereof (written statement of any officer of the Department of Housing and Urban Development or authorized agent of the Secretary of Housing and Urban Development dated subsequent to the SIXTY DAYS days' time from the date of this Deed of Trust, declining to insure said note and this Deed of Trust, being deemed conclusive proof of such ineligibility), the Trustee or the holder of the note may, at its option, declare all sums

secured hereby immediately due and payable. This option may not be exercised by the mortgagee when the ineligibility for insurance under the National Housing Act is due to the mortgagee's failure to remit the mortgage insurance premium to the Department of Housing and Urban Development.

If the Grantors shall well and truly pay, or cause to be paid, the note hereby secured, and other indebtedness that may be owing, and do keep and perform each and every covenant, condition, and stipulation herein and in the said note contained, then these presents shall become null and void, otherwise to be and remain in full force and effect; but if default shall be made in any payment, or part thereof, under the said note, or if for any reason (other than the fault of the holder of the note) the fire or other hazard insurance is cancelled or discontinued, or if the Grantors shall fail to keep or perform any of the covenants, conditions or stipulations herein, then the said note, together with all accrued interest thereon and all other sums secured hereby, shall, at the option of the holder of the said note, become at once due and payable without demand or notice, and the Trustee hereunder shall be, and is hereby, authorized and empowered, when requested so to do by the holder of said note after such default, to sell the premises covered hereby at public auction to the highest bidder for cash, between the hours of ten o'clock A.M. and four o'clock P.M. of the first Tuesday in any month, at the door of the County Court House in the county in which said premises, or any part thereof, are situated, after advertising the time, place, and terms of said sale and the premises to be sold by posting, or causing to be posted, for at least twenty-one (21) consecutive days prior to the date of said sale written or printed notice thereof at the courthouse door of the county in which the sale is to be made, and if the real estate is in more than one county, one notice shall be posted at the courthouse door of each county in which the real estate is situated. A copy of the posted notice shall be filed in the office of the county clerk of each county in which the property is located. In addition to the posted notice as set forth above, no foreclosure under Power of Sale herein contained shall be held unless the holder of the indebtedness herein secured shall at least 21 days preceding the date of sale serve written notice of the proposed sale by certified mail on each debtor obligated to pay such indebtedness according to the records of such holder. The Grantors do hereby authorize and empower said Trustee, and each and all of his or its successors in this trust, to sell said premises, together, or in lots or parcels, as such Trustee shall deem expedient, and to execute and deliver to the purchaser or purchasers of said premises good and sufficient deeds of conveyance thereof by fee simple title, with covenants of general warranty, and the title of such purchaser or purchasers, when so made by the Trustee, the Grantors bind themselves to warrant and forever defend; and to receive the proceeds of said sale which shall be applied as follows:

First—To the payment of all necessary actions and expenses incident to the execution of said trust, including a reasonable fee to the Trustee, not exceeding two and one-half percent (2-1/2%) of the gross proceeds of the sale of said premises.

Second—To the payment of said note, to the amount of the principal sum and accrued interest legally due thereon, all other sums secured hereby, and to the payment of attorney's fees as in said note provided.

Third—The remainder, if any there shall be, after payment of the said costs, expenses and attorney's fees, and the principal and interest legally due on said note, and all other sums secured hereby and other sums agreed to be paid by the Grantors, shall be paid to the Grantors.

It is further agreed that if default be made in any payment, or part thereof, under the said note, the holder of the note may at his option, without demand or notice, request the Trustee hereunder, and the Trustee shall be, and is, hereby authorized and empowered to proceed with foreclosure in satisfaction of such item as if under a full foreclosure, conducting the sale as herein provided and without declaring the unmatured portion of the debt due. It is agreed that such sale shall not in any manner affect the unmatured part of the debt secured by this Deed of Trust, but as to such unmatured part this Deed of Trust shall remain in full force and effect just as though no sale had been made under the provisions of this paragraph. It is further agreed that several sales may be

at 9:19 o'clock A M

MAY 19 1986

PATRICIA DYE

Clerk County Court, Hart County, Texas
By Charles H. Hootch Deputy

DRAFTED BY AND WHEN RECORDED RETURN TO:

BALLIE M. CREGG
THE LOPAS & NETTELSON COMPANY
84 N.E. LOOP 410, STE. 182W
SAN ANTONIO, TX. 78216

4952182047
02-10-48260

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Filed for record May 19, 1986 at 9:19 o'clock A.M.
Recorded May 28, 1986
PATRICIA DYE, Clerk By David J. Henderson Deputy