

Section 7.06 Purpose of the Maintenance Charges. The Maintenance Charge levied by the Developer or the Association shall be used exclusively for the purpose of promoting the recreation, health, safety, and welfare of the Owners of the Development which hereafter may become subject to the jurisdiction of the Association. In particular, the Maintenance Charge shall be used for any improvement or services in furtherance of these purposes and the performance of the Association's duties described in Article IX, including the maintenance of any Drainage Easements, the maintenance of the entrance, the enforcement of these restrictions and the establishment and maintenance of a reserve fund. The Maintenance Fund may be expended by the Developer or the Association for any purposes which, in the judgment of the Developer or Association, will tend to maintain the Property values in the Development, including, but not limited to, providing funds for the actual cost to the Association of all taxes, insurance, repairs, and energy charges. Except for the Association's use of the Maintenance Charge to perform its duties described in this Declaration and in the Bylaws, the use of the Maintenance Charge for any of these purposes is permissive and not mandatory. It is understood that the judgment of the Association as to the expenditure of said funds shall be final and conclusive so long as such judgment is exercised in good faith.

Section 7.07 Handling of Maintenance Charges. The collection and management of the Maintenance Charge or other charge or assessment levied hereunder, shall be performed by the Developer until the Control Transfer Date, at which time the Developer shall deliver to the Association all funds on hand together with all books and records of receipt and disbursements. The Developer and, upon transfer, the Association, shall maintain separate special accounts for these funds, and Owners shall be provided at least annually information on the Maintenance Fund.

ARTICLE VIII DEVELOPER'S RIGHTS AND RESERVATIONS

Section 8.01 Period of Developer's Rights and Reservations. Developer shall have, retain and reserve certain rights as set forth in this declaration with respect to the Association from the date hereof, until the earlier to occur of (i) the Control Transfer Date or (ii) Developer's written notice to the Association of Developer's termination of the rights described in Article VIII hereof, less, save and except those rights set forth in Sections 8.02 and 8.03. The rights in Sections 8.02 and 8.03 shall be released at such time as a document relinquishing said rights is filed of record or the developer no longer holds record title to any Tracts in the development. The rights and reservations hereinafter set forth shall be deemed excepted and reserved in each conveyance of a Tract by Developer to an Owner whether or not specifically stated therein and in each deed or other instrument by which any Property within the Control Area is conveyed by Developer. The rights, reservations and easements hereafter set forth shall be prior and superior to any other provisions of this Declaration and may not, without Developer's prior written consent, be modified, amended, rescinded or affected by any amendment of this Declaration. Developer's consent to any one such amendment shall not be construed as a consent to any other or subsequent amendment.

Section 8.02 Developer's Rights to Grant and Create Easements. Developer shall have and hereby reserves the right, without the consent of any other Owners or the Association, to grant or create temporary or permanent easements, for access, utilities, pipeline easement, cable television systems, communication and security systems, drainage, water and other purposes incidental to development, sale, operation and maintenance of the Subdivision, located in, on, under, over and across (i) the Tracts or other Property owned by Developer and (ii) existing utility easements. Developer also reserves the right, without the consent of any other Owner or the Association, to grant or create temporary or permanent easements for access over and across the streets and roads within the Property.

Section 8.03 Developer's Rights to Convey Common Area to the Association. Developer shall have and hereby reserves the right, but shall not be obligated to, convey Real Property and improvements thereon, if any, to the Association for use as a Common Area at any time and from time to time in

accordance with this Declaration, without the consent of any other Owner or the Association. If such property is conveyed to the Association, the Association shall have the duty to maintain such property.

Section 8.04 Annexation of Additional Areas. Developer may cause additional real property to be annexed into the BRIDLEWOOD RANCHES SUBDIVISION, by causing a written Annexation Declaration confirming the annexation thereof, to be recorded in the Official Public Records of Hays County, Texas. No consent shall be required of the Association or any member thereof, each Owner being deemed to have appointed Developer as his agent and attorney-in-fact to effect this Annexation, which power hereby granted to Developer is and shall be a power coupled with an interest. Thereafter, the Association shall be the Association for the entirety of the Development, including the annexed property, the same as if the additional property was included in the first instance.

Section 8.05 Withdrawal of Property. The Developer reserves the right to amend these Restrictions for the purpose of removing any portion of the Property from the coverage of these Restrictions and to cancel these restrictions as to such Property. Such amendment shall not require the consent of any owner other than the Owner of the property to be withdrawn or the property on which the restrictions are canceled.

ARTICLE IX
DUTIES AND POWERS OF THE PROPERTY OWNERS ASSOCIATION

Section 9.01 General Duties and Powers of the Association. The Association has been formed to further the common interest of the Members. The Association, acting through the Board of Directors or through persons to whom the Board of Directors has delegated such powers (and subject to the provisions of the Bylaws), shall have the duties and powers hereinafter set forth and, in general, the power to do anything that may be necessary or desirable to further the common interest of the members and to improve and enhance the attractiveness, desirability and safety of the Property. The Association shall have the authority to act as the agent to enter into any and all contracts on behalf of the Members in order to carry out the duties, powers and obligations of the Association as set forth in this Declaration.

Section 9.02 Duty to Accept the Property and Facilities Transferred by Developer. The Association shall accept title to any Property, including any improvements thereon and personal property transferred to the Association by Developer, and equipment related thereto, together with the responsibility to perform any and all administrative functions and recreation functions associated therewith (collectively herein referred to as "Functions"), provided that such Property and Functions are not inconsistent with the terms of this Declaration. Property interest transferred to the Association by Developer may include fee simple title, easements, leasehold interests and licenses to use such Property. Any Property or interest in Property transferred to the Association by Developer shall, except to the extent otherwise specifically approved by resolution of the Board of Directors, be transferred to the Association free and clear of all liens and mortgages (other than the lien for Property taxes and assessments not then due and payable), but shall be subject to the terms of any declaration of covenants, conditions and restrictions annexing such Property to the Common Area, and all easements, covenants, conditions, restrictions and equitable servitude or other encumbrances set forth in the transfer. Except as otherwise specifically approved by resolution of the Board of Directors, no Property or interest in Property transferred to the Association by the Developer shall impose upon the Association any obligation to make monetary payments to Developer or any affiliate of Developer including, but not limited to, any purchase price, rent, charge or fee.

Section 9.03 Other Insurance Bonds. The Association shall obtain such insurance as may be required by law, including worker's compensation insurance, and shall have the power to obtain such other insurance and such fidelity, indemnity or other bonds as the Association shall deem necessary