

DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS
BRIDLEWOOD RANCHES

STATE OF TEXAS
COUNTY OF HAYS

KNOW ALL MEN BY THESE PRESENTS:

This Declaration made on the date hereinafter set forth RIVER CHASE VENTURE, LTD., a Texas Limited Partnership acting herein by and through its duly authorized General Partner, Southerland/RCR Management, Inc., a Texas Corporation, duly authorized to do business in the State of Texas, hereinafter referred to as "Developer" and/or "Declarant".

WITNESSETH:

WHEREAS, Developer is the owner of that certain tract of Land located in Hays County containing 1676.25 acres more or less, a description of which is more fully set forth on attached Exhibit A, hereinafter referred to as "Property" or "Subdivision;" and,

WHEREAS, it is the desire of Developer to place certain restrictions, easements, covenants, conditions, stipulations, and reservations (hereinafter "Restrictions") upon and against the Property in order to establish a uniform plan for its development, improvement and sale, and to insure the preservation of such uniform plan for the benefit of both the present and future owners of the Property.

NOW, THEREFORE, Developer hereby adopts, establishes and imposes upon the Property, and declares the following reservations, easements, restrictions, covenants and conditions applicable thereto all of which are for the purposes of enhancing and protecting the value, desirability and attractiveness of said Property, which Restrictions shall run with said Property and title or interest therein, or any part thereof, and shall inure to the benefit of each owner thereof. Developer also declares that the Property shall be subject to the jurisdiction of the "Association" (as hereinafter defined).

ARTICLE I
DEFINITIONS

Section 1.01 "Association" shall mean and refer to the BRIDLEWOOD RANCHES PROPERTY OWNERS ASSOCIATION, and its successors and assigns.

Section 1.02 "Board of Directors" shall mean and refer to the Board of Directors of the Association.

Section 1.03 "Builders" shall mean and refer to persons or entities that purchase tracts and build speculative or custom homes thereon for third party purchasers.

Section 1.04 "Commercial Lots" those tracts set forth in Exhibit B which shall be used for commercial purposes.

Section 1.05 "Developer" shall mean and refer to RIVER CHASE VENTURE, LTD., a Texas Limited Partnership, acting herein by and through its duly authorized General Partner, SOUTHERLAND/RCR MANAGEMENT, INC., a Texas Corporation, its successors and assigns.

Section 1.06 "Tract" or "Lot" shall mean and refer to any plat of land identified as a parcel, home site or commercial site on the Property.

Section 1.07 "Member" shall mean and refer to every person or entity that holds a membership in the Association.

Section 1.08 "Owner" shall mean and refer to the record owner, whether one or more persons or entities, of fee simple title to any tract including (i) contract seller (a seller under a Contract for Deed), (ii) Developer and (iii) Builders. Those persons or entities having merely a security interest for the performance of an obligation shall not be considered an Owner.

Section 1.09 "Temporary Residence" shall mean and refer to a residence used for no more than a nine (9) month period.

Section 1.10 "Residential Lot" shall mean a Tract or Lot, other than Lot 1, defined as one Lot by the map or plat thereof recorded in the plat records of Hays County, Texas, encumbered by the Declaration, and restricted to use for single-family residential purposes.

ARTICLE II
RESERVATIONS, EXCEPTION, AND DEDICATIONS

Section 2.01 Conveyances. All Restrictions created herein shall be construed as being included in each contract, deed or conveyance executed or to be executed by or on behalf of Developer, whether specifically referred to therein or not.

Section 2.02 Easements. Developer reserves for public use a utility easement 10 feet in width along each Tract boundary line out of the Property, conveyed by Developer to a third party purchaser. The purpose of the easement shall be the construction, maintenance and repair of utilities including but not limited to electrical systems, telegraph and telephone lines, storm surface drainage, cable television, water lines, gas lines or any other utilities as Developer sees fit to install in, across and/or under the Property. Notwithstanding, this provision creates no obligation on the part of Developer to provide utilities. All utility easements in the subdivision may be used for the construction of drainage swales in order to provide for improved surface drainage of the Tracts. Should any utility company furnishing a service covered by a general easement herein provided request a specific easement within the general easement area by separate recordable document, Developer, without the joinder of any other Owner, shall have the right to grant such easement on said Property without conflicting with the terms hereof Any utility company serving the Property shall have the right to enter upon any utility easement for the purpose of installation, repair and maintenance of their respective facilities. Neither Developer nor any utility Company, political subdivision or other authorized entity using the easements herein described shall be liable for any damages done by them or their assigns, agents, employees or servants to fences, shrubbery, trees and lawns or any other property of the Owner of the Tracts covered by the easements.

Section 2.03 Title Subject to Easements. It is expressly agreed and understood that the title conveyed by developer to any of the Tracts by deed, contract for deed or other conveyance shall be subject to any easement affecting same for roadways or drainage, electric lighting, electric power, telegraph or telephone purposes and other easements hereafter granted affecting the Tracts. The Owners of the respective Tracts shall not be deemed to own pipes, wires, conduits or other service lines running through their Tracts which are utilized for or service to other Tracts, but each Owner shall have an easement in and to the aforesaid facilities as shall be necessary for the use, maintenance and enjoyment of his Tract.

Section 2.04 Utility Easements. No building shall be located over, under, upon or across any portion of any utility easement. The Owner of each Tract shall have the right to construct, keep and maintain concrete drives, fences, and similar improvements across any utility easement, and shall be entitled to cross such easements at all times for purposes of gaining access to and from such Tracts, provided, however, any concrete drive, fence or similar improvement placed upon such Utility Easement by the Owner shall be constructed, maintained and used at Owner's risk and, as such, the Owner of each Tract subject to said Utility Easements shall be responsible for (i) any and all repairs to the concrete drives, fences and similar improvements which cross or are located upon such Utility Easements and (ii) repairing any damage to said improvements caused by the Utility District or any public utility in the course of installing, operating, maintaining, repairing, or removing its facilities located within the Utility Easements.

ARTICLE III
USE RESTRICTIONS

This Article III shall apply only to residential lots within Bridlewood Ranches. This Articles III shall not apply to that tract of land described in the Attached Exhibit B, which is hereby designated as commercial property. The tract of land on Exhibit B shall be restricted in Article N, which restrictions shall be enforceable by the Bridlewood Ranches Property Owners Association. All other Articles in this Declaration shall apply to all Tracts, whether residential or commercial.

Section 3.01 Single Family Residential Purposes.

Tracts within the Subdivision shall be Residential Lots and may only be used for single family residential purposes. The Owner of a Residential Lot may construct the following structures on a Residential Lot: one (1) main residential dwelling (the "Dwelling"), one (1) guest house or servant house (the "Guest House"), and one (1) or more barns, sheds, storage buildings, or other similar structures ("Barns"). Notwithstanding anything contained herein, each such structure must be approved in writing by the Architectural Control Committee (the "ACC" or the "Committee" as defined in Article IV herein) prior to construction or modification. The term "single-family" as used herein shall refer not only to the architectural design of the Dwelling, Guest House, and Barn, but also to the permitted number of inhabitants, which shall be limited to a single family, as defined below.

Any building, structure or improvements constructed on any Residential Lot shall be completed as to the exterior finish and appearance within nine (9) months from the commencement date of such construction. The term "Dwelling" does not include either double wide or manufactured homes; or single wide mobile homes, or prefab houses regardless of whether the same are placed upon permanent foundation, and said homes are not permitted within the Subdivision. Dwellings must be built with new construction material.

One-story Dwellings must have at least two thousand (2,000) square feet of living area, and two-story Dwellings must have at least two thousand five hundred (2,500) square feet of living area, with at least one thousand two hundred fifty (1,250) square feet on the ground floor. Living area shall exclude porches and garages. Dwellings must have a garage. Detached garages may not be constructed on the Property prior to the main dwelling being built. Detached garages shall be of the same general construction as the Dwelling and must be suitable for not less than two (2) automobiles. All garages must face the side or rear Residential Lot line. No carports shall be allowed.

Guest Houses must contain no less than five hundred (500) square feet and no more than one-thousand eight hundred (1,800) square feet. Guest Houses must be built after or during construction of the Dwelling. Guest Houses must be of the same general construction as the Dwelling and are subject to the roofing and masonry requirements of Sections 3.07 and 3.11 below. Guest Houses must have an approved septic system, electricity, and water.

Barns may be constructed on a Residential Lot prior to the construction of the Dwelling, provided such Barn is in a location and style that is unobtrusive and consistent with the overall ranch-style character of the Subdivision.

No Residential Lot may be occupied by more than one single family except as provided in Section 3.23 below. By way of illustration, the following is an example of an approved single family:

RESIDENT 1 AND RESIDENT 2 RESIDE IN DWELLING.

Additional approved residents are:

- a) children of either or both residents;
- b) no more than a total of 2 parents of the residents;
- c) one unrelated person; and
- d) one household employee.

It is not the intent of this provision to exclude from a Residential Lot any individual who is authorized to so remain by any state or federal law. If it is found that this provision is in violation of any law, then this provision shall be interpreted to be as restrictive as possible to preserve as much of the original provision as allowed by law.

Section 3.02 Composite Building Site. Any Owner of one or more adjoining Tracts (or portions thereof) may, with the prior written approval of the Architectural Control Committee, and with approval of the Hays County Commissioner's Court, if required, consolidate such Tracts or portions into one building site, with the privilege of placing or constructing improvements on such resulting site, in which case the side setback lines shall be measured from the resulting side Property lines rather

than from the Tract lines as indicated on the Plat. Combined Lots shall nevertheless be considered as separate Lots for assessment purposes, unless otherwise determined by the Architectural Control Committee, Public utility and drainage easements are exempt from this provision.

Section 3.03 Location of the Improvements upon the Tract. No building of any kind shall be located on any tract nearer than one hundred feet (100') from any Property line, provided however, as to any tract, the Architectural Control Committee may waive or alter any such setback line, if the Architectural Control Committee in the exercise of the Architectural Control Committee's sole discretion, such waiver, or alteration is necessary to permit effective utilization of a tract. Any such waiver or alteration must be in writing and recorded in the Official Public Records of Hays County, Texas. All dwellings placed on Subject Property must be equipped with Class I Aerobic Septic tank system that meet all applicable laws, rules, standards and specifications, and all such dwellings must be served with water and electricity.

Section 3.04 Use of Temporary Structures. No structure of a temporary character, whether trailer, motor home, basement, shack, garage, barn or other outbuilding shall be maintained or used on any Tract at any time as a residence, either temporarily or permanently, except as provided below. No Tract shall be used as a camping ground. A property owner may use an RV camper or motor home for camping purposes no more than seven (7) days out of a thirty (30) day period (ie. no more than seven (7) consecutive days) and may use an RV camper or motor home as a temporary residence during construction, provided an approved septic system has been installed and the RV camper or motor home is placed behind the construction site and out of sight of any road. After the dwelling is complete an RV camper or motor home may be stored on the tract provided it is stored in compliance with Section 3.17 of these restrictions. The Declarant or the Committee shall have the right to have any RV or motor home found to be in violation of these restrictions removed and stored at the expense of the owner; and, for these purposes Declarant and/or the representative of the Committee is granted express written consent to remove the same without penalty or offense.

Guest quarters located inside of a Barn which is constructed on the property shall be allowed so long as the guest quarters are not used as a permanent residence and are not rented for income. Such guest quarters may be used as the lot owner's temporary residence during the construction of the residence or as a "weekend getaway" for such lot owner prior to the construction of the residence provided the guest quarters have an approved septic system, electricity, and water.

The Developer reserves the exclusive right to erect, place and maintain a mobile home, camper or motor home in or upon any portion of the Subdivision as in its sole discretion may be necessary or convenient while selling Tracts, selling or constructing residences and constructing other improvements within the Subdivision. The Developer is not restricted by any of the above time constraints in this provision.

Section 3.05 Repair of Buildings. All improvements upon any of the Property shall at all times be kept in good condition and repair and adequately painted or otherwise maintained by the Owner thereof.

Section 3.06 Alteration or Removal of Improvements. Any construction, other than normal maintenance, which alters the exterior appearance of any improvement, or the removal of any Improvement, shall be performed only with the prior written approval of the Architectural Control Committee.

Section 3.07 Roofing Materials. The roof surface of all principal and secondary dwellings and garages shall be of slate, stone, concrete tile, clay tile, or other tile of a ceramic nature, composition shingles with a twenty-five (25) year or more warranty; or they may be metal, left natural or painted a color approved by the Architectural Control Committee. The Architectural Control Committee shall have the authority and sole discretion to approve other roof treatments and materials if the form utilized will be harmonious with the surrounding homes and Subdivision as a whole. Roofs on all other structures must be approved by the Architectural Control Committee.

Section 3.08 Construction in Place. All improvements must be constructed using new materials and shall be built in place on the applicable Tract.

Section 3.09 Color. All exterior color schemes on any structure must be approved by the Architectural Control Committee prior to use.

Section 3.10 Model Homes. Notwithstanding anything herein contained, Builders shall be allowed to construct model homes as long as such model homes conform to these restrictions.

Section 3.11 Masonry. Each exterior wall of the main residence constructed on any lot shall be no less than seventy-five percent (75%) masonry or masonry veneer, inclusive of door, window and similar openings. Masonry and Masonry veneer includes stucco, ceramic tile, clay, brick, rock and all other materials commonly referred to in the Hays County, Texas area as masonry.

Notwithstanding this provision, houses constructed with logs and ranch or farm style houses constructed using Hardiplank may be allowed with the prior written approval of the Architectural Control Committee, which approval shall be at the Architectural Control Committee's sole discretion.

Section 3.12 Walls, Fences, and Mail Boxes. Walls and fences, if any, must be approved prior to construction by the Architectural Control Committee, must *be* constructed of new material, and, unless otherwise permitted by the Architectural Control Committee, must be constructed of wood, metal, pipe, barbed wire, or ranch fencing with t-posts. Chain link fencing shall not be permitted, except for use as a dog run and only if such fencing is not visible from any street, adjacent property or common area. All wooden fences must be painted or stained and the color of such paint or stain must be approved by the Architectural Control Committee. All individual mailboxes (if approved by the postal department) must be of masonry construction and approved by the Architectural Control Committee.

The property, at the time of imposing these Restrictions, is under the 1-D-1 agricultural exemption for ad valorem tax valuation. It is the intention of the Developer for itself and, subsequently, for the Association, to maintain this valuation by causing all or part of such lots to be leased for agriculture purposes as allowed by Statute, on all lots, save building sites thereon, for the benefit of the Lot Owners in general, for as long as it is practical. Notwithstanding, however, any Lot Owner may determine that they shall not be a part of this program of allowing for the Agricultural Exemption, by building a fence around his property, in accordance with this Section 3.12 and by terminating the grazing lease by and between Developer and the Bridle Wood Ranches Property Owners Association in accordance with the terms of such lease. In the event that an owner shall opt out of this program, the Architectural Control Committee may require that the owner not fence a thirty (30) foot strip of land across either the back or side of his property for cattle to pass to adjoining tracts whose lot owners are participating in the program. The ACC shall have the authority to prevent fences from being built or it may require gates to be left open to allow for the free range of cattle through to the Lot owners who are participating in this program. The Architectural Control Committee hereby specifically reserves an easement of free and uninterrupted ingress, egress and regress over, through, and across all Lots for the purpose of allowing the free range of animals in order to qualify the property under the Agriculture exemption.

Any Lot Owner participating in the Agricultural Exemption Program, whose lot contains an existing perimeter fence, must maintain such fence. Any Lot owner not participating in the Agricultural Exemption Program whose lot contains an existing perimeter fence must maintain such fence until that Lot owner has erected such other fencing so as to turn livestock from his property. Owners of Lots adjacent to Hugo Road may install gates along Hugo Road, however, such gates must remain closed and locked unless such gate is being used for immediate ingress and egress.

Section 3.13 Antennas, Towers, and Satellite Dishes. Antennas, towers, or satellite dishes of any kind shall not exceed ten feet above the roof of the Dwelling or Accessory Building whichever is higher. Any antennae, tower or satellite dish must be located to the side or rear of the Dwelling or Accessory Building and not within one hundred feet (100') of any side Property line or one hundred feet (100') of any rear Property line. Nothing herein shall be construed to conflict with the latest rules and regulations set forth by the Federal Communications Commission.

Section 3.14 Prohibition of Activities.

1. No trade or business may be conducted in or from any Residential Lot, except such use within a Dwelling or Guest House where (a) the existence or operation of the business activity is not apparent or detectable by sight, sound, or smell from outside the Dwelling or Guest House; (b) the business activity conforms to all governmental requirements and other dedicatory instruments applicable to the Subdivision; (c) the business activity does not involve visitation to the

Residential Lot or dwelling by clients, customers, suppliers or other business invitees or door-to-door solicitation within the Subdivision; and (d) the business activity is consistent with the residential character of the Subdivision and does not constitute a nuisance, or a hazardous or offensive use, or threaten the security or safety of other residents within the Subdivision, as may be determined in the sole discretion of the Board. Trade or business activity which complies with (a) through (d) above shall be referred to singularly or collectively as an "Incidental Business Use." At no time may an Incidental Business Use cause increased parking or traffic within the Subdivision. Any increased parking or traffic within the Subdivision as a result of an Incidental Business Use shall be deemed to be a violation of the dedicatory instruments of the Association. A day-care facility, home day-care facility, church, nursery, pre-school, beauty parlor, or barber shop, or other similar facility is expressly prohibited.

The terms "business" and "trade" as used in this provision shall be construed to have their ordinary, generally accepted meanings and shall include, without limitation, any occupation, work or activity undertaken on an ongoing basis that involves the manufacture or provision of goods for or to persons other than the resident's family, regardless of whether: (i) such activity is engaged in full or part-time; (ii) such activity is intended to or does not generate a profit; or (iii) a license is required therefor. Notwithstanding the above, the leasing of a Residential Lot or Guest House pursuant to the dedicatory instruments of the Association shall not be considered a trade or business within the meaning of this Section. Garage sales, attic sales, moving sales, or yard sales (or any similar vending of merchandise) conducted on any Residential Lot more than once per year shall be considered business activity and therefore prohibited. The Association may, but is not required to, adopt rules and regulations regarding such sales.

The property subject to these Restrictions, at the time the Restrictions were imposed, was under the 1-D-1 agricultural exemption for ad valorem tax valuation (as further discussed in Section 3.12 below). Uses of a Residential Lot consistent with such agricultural exemption shall not be considered a "business use" under this Section 3.14 if:

- (a) the use is currently on-going as of the date of the Second Amendment; or
- (b) the Owner submits a written request to the Association describing such use, and the Association approves in writing prior to beginning the use.

2. No vehicles displaying signs or advertising shall be permitted to be parked such that it can be seen from the street or from another Lot or Tract, other than service vehicles contracted by Owners to perform specific services. No vehicles with more than two axles shall be permitted to be parked or stored for a period in excess of twelve (12) hours per week in the Subdivision, without prior written permission of the Board, whose approval may be issued or withheld at its sole and absolute discretion.

3. No activity which constitutes a nuisance or annoyance shall occur on any Tract. The Association shall have the sole and absolute discretion to determine what constitutes a nuisance or annoyance.

4. Hunting is allowed if in accordance with state law and county regulations. Hunting during hunting season and only with Bows, Crossbows, and Shotguns shall be allowed. All other weapons and firearms are expressly prohibited. Target practice is expressly prohibited.

Section 3.15 Garbage and Trash Disposal. Garbage and trash or other refuse accumulated in this Subdivision shall not be permitted to be dumped at any place upon adjoining land where a nuisance to any resident of this Subdivision is or may be created. No Tract shall be used or maintained as a dumping ground for rubbish. Trash, garbage or other waste shall not be allowed to accumulate, shall be kept in sanitary containers and shall be disposed of regularly. All equipment for the storage or disposal of such material shall be kept in a clean and sanitary condition.

Section 3.16 Junked Motor Vehicles Prohibited. No tract shall be used as a depository for abandoned or junked motor vehicles. No junk of any kind or character shall be kept on any Tract.

Section 3.17 Trailers, RVs, Boats. All trailers, travel trailers, graders, recreational vehicles (RVs), trucks (other than pickups of a size one (1) ton or less), boats, tractors, campers, wagons, buses, motorcycles, motor scooters and lawn or garden maintenance equipment shall be kept at all times, except when in actual use, in enclosed structures or screened from view from common areas, public or private thoroughfares and adjacent properties.

Section 3.18 Signs. No signs, advertising, billboards or advertising structure of any kind may be erected or maintained on any Tract without the consent in writing of the Architectural Control Committee. In addition to other signs which may be allowed by the Architectural Control Committee, the Architectural Control Committee shall allow one (1) professionally made sign not more than twenty-four inches (24") by thirty inches (30") advertising Owner's Tract for sale or rent, and one (1) professionally made sign, not more than twelve inches (12") by twenty-four inches (24") identifying the Tract owner's name or names. Model Home builders shall be allowed to place one professionally made signs, no larger than four feet by four feet (4' x 4') which is pre-approved by the Architectural Control Committee on the lot on which the house is being built. The term "professionally made sign does not include the plastic or metal pre-made "for sale" or "for rent" signs. No sign shall be nailed to a tree. Declarant or any member of such Committee hereby reserves an easement across the property for the purpose of removing and shall have the right to remove any such sign, advertisement or billboard or structure which is placed on any Tract in violation of these restrictions, and in doing so, shall not be liable, and are hereby expressly relieved from, any liability for trespass or other tort in connection therewith, or arising from such removal.

Section 3.19 Animal Husbandry. Domestic livestock and exotic animals shall be allowed on any Tract so long as such animals do not exceed one (1) animal per every 2 acres and do not become a nuisance or threat to other Owners. The Directors of the Association have the sole discretion in determining if any animal is a nuisance. Pigs and hogs are not allowed on any Tract unless such pig or hog is being raised for 4-H or school sponsored programs. No more than four (4) pigs and hogs are allowed on any one tract. Chickens, turkeys and other birds shall be allowed so long as such birds are kept in a coop and do not exceed 20 birds per tract. All animals being raised by individual tract owners must be kept in a fenced area on the owner's tract. No overgrazing is permitted on any portion of the lot. Dogs, cats, or other common household pets may be kept on a Tract. Dogs must be kept in a kennel, dog run, or fenced in area that confines said dog(s) to that area. Dogs will not be permitted to run loose on the Property and must be vaccinated for rabies according to State law once a year and registered with Hays County once a year. No feedlots for any type of animal shall be permitted.

Section 3.20 Mineral Development. No commercial oil drilling, oil development operations, oil refining, quarrying, or mining operation of any kind shall be permitted upon or in any Tract. No derrick or other structures designed for the use of boring for oil or natural gas shall be erected, maintained or permitted upon any Tract.

Section 3.21 Drainage. Natural established drainage patterns of streets, tracts or roadway ditches will not be impaired by any person or persons. Driveway culverts must be installed and shall be of sufficient size to afford proper drainage of ditches without backing water up into ditch or diverting flow. Drainage culvert installation is subject to the inspection and approval of the Architectural Control Committee and to County requirements.

Section 3.22 Re-subdivision. Except as provided below or as otherwise permitted in these restrictions, no Tract shall be re-subdivided or split below twenty (20) acres. Notwithstanding, Developer reserves the right to re-subdivide any Tract owned by Developer into smaller lots, so long as such resulting lots are no less than ten (10) acres in size,

In the event of the failure of Owner to comply with the above requirements after ten (10) days written notice thereof, the Association or their designated agents may, without liability to the Owner, Contractor or any occupants of the Tract in trespass or otherwise, enter upon (and/or authorize one or more others to enter upon) said Tract, cause to be removed, such garbage, trash, and rubbish or do any other thing necessary to secure compliance with this Declaration at the expense of Owner. Payment for the charges by such Owner shall be payable on the first day of the next calendar month.

Section 3.23 Leasing. It is permitted for an Owner to lease (as defined below) property in the Subdivision, so long as:

- (a) If no Owner resides in the Dwelling:
 - (i) occupants must lease the entire Residential Lot (including all land and improvements) to use as a residence; and
 - (ii) such occupants are prohibited from subleasing any portion of the Residential Lot;
- (b) If an Owner resides in the Dwelling:
 - (i) occupants must lease the entire Guest House to use as a residence;
 - (ii) no Owner may lease any other portion of the Residential Lot; and
 - (iii) such occupants are prohibited from subleasing any portion of the Residential Lot;
- (c) The term of the lease is greater than ninety (90) days;
- (d) the Owner and the occupants have the intent that the occupants remain on the Residential Lot, and that it become the occupants' place of residency and domicile; that is, that the occupants will make the Residential Lot or Guest House their home; and
- (e) the lease complies with all dedicatory instruments of the Association, including any leasing policy, rule, or regulation promulgated by the Board.

The term "leasing" as used herein means the occupancy of any portion of Residential Lot by any person other than the Owner, for which the Owner receives any consideration or benefit, including, but not limited to, a fee, service, gratuity, or emolument. Uses such as short-term (less than ninety (90) days) leases, temporary or transient housing, hotel, motel, vacation rental, and bed and breakfast shall be considered "business use" and are expressly prohibited.

Leasing shall not be considered a "business use" provided that the Owner and any other Owners with whom such Owner is affiliated do not collectively lease or offer for lease more than one (1) Residential Lot or Guest House within the Subdivision at any given time. This provision shall not preclude the Association or an institutional lender from leasing any portion of a Residential Lot upon taking title following foreclosure of its security interest in the Residential Lot or upon acceptance of a deed in lieu of foreclosure.

No fraction or portion of any Residential Lot may be leased except as specifically provided herein. All leases must provide that they may be terminated in the event of a violation of the Declaration or the dedicatory instruments of the Association by an occupant or occupant's family, and the Board, in its sole discretion, may require termination of the lease by the Owner and eviction of the occupant in such event. Leases will not relieve the Owner from compliance with the Declaration or the dedicatory instruments of the Association.

The Board may promulgate policies or rules and regulations further governing the leasing of Residential Lots (including all land and improvements comprising the Residential Lot). All leases must be in writing and shall contain such terms as the Board may prescribe from time to time. The Board and the Association shall not be responsible for any loss, damage, or injury to any person or property arising out of authorized or unauthorized leasing.

It is not the intent of this provision to exclude from a Residential Lot any individual who is authorized to so remain by any state or federal law. If it is found that this provision is in violation of any law, then this provision shall be interpreted to be as restrictive as possible to preserve as much of the original provision as allowed by law.

ARTICLE IV
COMMERCIAL LOTS

The following Article shall apply only to the Tract attached hereto as Exhibit B. If the owner of the Tract, described in Exhibit B, determines that it is in that Tract Owners best interest to use the Tract for residential purposes instead of commercial purposes, such Tract shall follow the guidelines and comply with all restrictions set forth in Article III of the Restrictions.

Section 4.01 Construction. Except as provided below, no building shall be erected, altered, placed or permitted to remain on any Tract other than one commercial building per acre containing no less than 1500 square feet of interior space. No building shall have more than two (2) stories and in no event shall any building exceed twenty-eight (28) feet in height measured from the highest point of the natural soil of such building(s). All buildings must be constructed using new materials.

Notwithstanding, the Architectural Control Committee, at the Architectural Control Committee's sole discretion, may allow the owner of a Tract to construct rental cabins, which cabins contain less than 1500 square feet.

Section 4.02 Use of Lot. The following uses shall be allowed on the lots:

a. Administrative and professional offices including:

- (1) Insurance sales
- (2) Real estate sales or leasing
- (3) Attorney offices
- (4) Accounting offices
- (5) Architectural offices
- (6) Engineering/Surveying offices
- (7) Investment services
- (8) Travel agencies
- (9) Flower shop
- (10) Photography studios, so long as such studios are not used in conjunction with adult only entertainment.
- (11) Doctor's offices
- (12) Dentist's offices
- (13) Non-profit organizations
- (14) Civic uses
- (14) Religious assemblies
- (15) Title Companies

b. Retail sales and services including:

Clothing/shoe stores

c. Child care services

d. Small Appliance Repair services

e. Restaurants, excluding fast food restaurants

f. Pet stores and/or grooming

g. Arts and crafts sales and/or instructions

h. Private school

i. Bank and/or savings and loan offices

j. Single Family residential

k. Bed and Breakfasts

l. Rental cabins

Other business uses may be approved as is determined in the sole discretion of the Architectural Control Committee. Under no circumstances shall the Architectural Control Committee approve "adults only" houses including but not limited to photography, video, movie, modeling or other type facilities. Furthermore, no mobile home sales lots shall be permitted.

Section 4.03 Impervious Cover. The maximum impervious cover shall not exceed seventy percent (70%) of the Net Site Area, which Net Site Area shall be defined as that portion of the lot area inside the setback lines.

Section 4.04 Composite Building Site. Any Owner of one or more adjoining Tracts (or portion thereof) may, with the prior written approval of the Architectural Control Committee, and with approval of the County Commissioner's Court, if required, consolidate such Tracts or portions into one building site, with the privilege of placing or constructing improvements on such resulting site, in which case the side setback lines shall be measured from the resulting side Property lines rather than from the Tract lines as indicated on the Plat. Public utility and drainage easements are exempt from this provision.

Section 4.05 Location of Improvements upon the Tracts. Except as set forth in Section 4.14 below, no building or other improvements of any kind, including but not limited to outbuildings, parking areas and driveways, shall be located on any tract nearer than twenty-five feet from the front or rear property line and no nearer than 100 feet from any side property line. No more than two entry driveways shall be allowed to cross the setback area. The Architectural Control Committee in the exercise of the Architectural Control Committee's sole discretion, may waive, or alter such setback lines, if such waiver or alteration is necessary to permit effective utilization of a tract. Any such waiver or alteration must be in writing and recorded in the Official Public Records of Hays County, Texas. All buildings placed on a Tract must be equipped with a Class I Aerobic Septic tank system that meets all applicable laws, rules, standards and specifications, and all such buildings must be served with water and electricity.

Section 4.06 Repair of Buildings. All improvements upon any of the Property shall at all times be kept in good condition and repair and adequately painted or otherwise maintained by the Owner thereof.

Section 4.07 Alteration or Removal of Improvements. Any construction, other than normal maintenance, which alters the exterior appearance of any improvement, or the removal of any Improvements, shall be performed only with the prior written approval of the Architectural Control Committee.

Section 4.08 Roofing Materials. The surface of all principal structures shall be of slate, stone, concrete tile, clay tile, or other tile of a ceramic nature or composition shingles with a twenty-five (25) year or more warranty. Natural or painted metal with standing or battened seams may be used, so long as the color of the painted metal is approved by the Architectural Control Committee.

Section 4.09 Construction in Place. All buildings constructed on the Property shall be built in place on the applicable Lot. The use of prefabricated materials for any improvements, including but not limited to outbuildings and fences, shall be only allowed with the prior written approval of the Architectural Control Committee.

Section 4.10 Appearance. All improvements shall be of such design, color, quality and construction so as to compliment the subdivision.

Section 4.11 Masonry. Each exterior wall of the main buildings shall be at least seventy-five (75%) masonry, inclusive of all doors, windows and eaves. As herein used, masonry shall be defined as brick, cast stone, rock, marble, granite or stucco. Rental cabins shall have no masonry requirement, but all construction and exterior materials used must be approved by the Architectural Control Committee prior to construction.

Section 4.12 Parking. All off-street parking, maneuvering, loading and storage areas shall be surfaced in accordance with normal engineering specifications for hot mix asphaltic paving surface or as otherwise approved by the ACC. No parking shall be permitted on grass, within landscaped areas or on other unimproved surfaces. Parking on an unimproved commercial lot shall be permissible during construction phase activity only. Permanent paved parking spaces shall be in accordance with design standards complying with all federal, state and local laws or ordinances. Specific parking space sizes shall be nine feet by eighteen feet and clearly identified by stripes, buttons, tiles, curbs, barriers, or other approved methods. Parking shall not be permitted to encroach upon the public right-of-way nor impede the free access through to adjacent non-residential parking areas.

Section 4.13 Walls, fences and Mail boxes. All walls, fences and mailboxes must be approved, prior to construction, by the Architectural Control Committee.

Section 4.14 Antennas, Towers, and Satellite Dishes. Antennas, towers, or satellite dishes of any kind shall not exceed ten feet above the roof of any main building or accessory building, whichever is higher. Any antennae, tower or satellite dish must be located to the side or rear of the building and not within 25 feet of any side property line or 25 of any rear property line: Nothing herein shall be construed to conflict with the latest rules and regulations set forth by the Federal Communications Commission.

Section 4.15 Garbage and Trash Disposal. Garbage and trash or other refuse accumulated in this Subdivision shall not be permitted to be dumped at any place upon adjoining land where a nuisance to any residence of this Subdivision is or may be created. No Tract shall be used or maintained as a dumping ground for rubbish. Trash, garbage or other waste shall not be allowed to accumulate, shall be kept in sanitary containers and shall be disposed of regularly. All equipment for the storage or disposal of such material shall be kept in a clean and sanitary condition.

Section 4.16 Trailers, RVs, Boats. All trailers, travel trailers, graders, recreational vehicles, trucks (other than pickups of a size one (1) ton or less), boats, tractors, campers, wagons, buses, motorcycles, motor scooters and lawn or garden maintenance equipment shall be kept at all times, except when in actual use, in enclosed structures or screened from view from common areas, public or private thoroughfares and adjacent properties.

Section 4.17 Signs. No sign shall be installed in such a manner as to not exceed twelve feet in height from the finish grade elevation. All signs must be approved by the Architectural Control Committee, in writing, prior to installation. Factors to be considered by the Committee may include, but shall not be limited to the following criteria:

- a. Identification of the name and business of the occupant.
- b. The size and shape when compared to the building or buildings on the Tracts.
- c. Color of sign
- d. Do not block or detract from adjacent Tracts
- e. Preserve the quality and atmosphere of the area.
- f. Compliance with Hays County regulations, if any.

Neon signs and signs of a flashing or moving character shall not be permitted.

The Architectural Control Committee shall have the right to limit the number of signs and the size of any sign installed on any Tract.

Section 4.18 Mineral Development. No commercial oil drilling, oil development operations, oil refining, quarrying or mining operation of any kind shall be permitted upon or in any Tract. No derrick or other structures designed for the use of boring for oil or natural gas shall be erected, maintained or permitted upon any Tract.

Section 4.19 Drainage. Natural established drainage patterns of streets, tracts or roadway ditches will not be impaired by any person or persons. Driveway culverts must be installed and will be of sufficient size to afford property drainage of ditches without backing water up into such ditch or diverting flow. Drainage culvert installation is subject to the inspection and approval of the Architectural Control Committee and to County requirements.

Section 4.20 Re-subdivision. Except as otherwise permitted in these restrictions, the tract shall be re-subdivided or split. Developer reserves the right to re-subdivide the tract, so long as such tract is owned by Developer, into smaller lots, so long as such resulting lots are no less than ten (10) acres in size. Two or more Lots may be combined into one Lot for building purposes and the interior common boundary line shall be extinguished by filing a recordable document of record, joined by the Developer or Architectural Control committee, or its duly authorized representative, declaring the same to be extinguished. Thereafter, all setback lines shall refer to the exterior property lines. Combined Lots shall nevertheless be considered as separate lots for assessment purposes, unless otherwise determined by the Architectural Control Committee. Public utility and drainage easements are exempt from this provision.

ARTICLE V
ARCHITECTURAL CONTROL COMMITTEE

Section 5.01 Basic Control.

- (a) No building or other improvements of any character shall be erected or placed, or the erection or placing thereof commenced or changes made in the design or exterior appearance thereof or any addition or exterior alteration made thereto after original by construction, or demolition or destruction by voluntary action made thereto after originally constructed, on any tract in the Subdivision until the obtaining of the necessary approval (as hereinafter provided) from the Committee of the construction plans and specification for the construction or alteration of such improvements or demolition or destruction of existing improvements by voluntary action. Approval shall be granted or withheld based on matters of compliance with the provisions of this instrument.
- (b) Each application made to the Committee, or to the Developer, shall be accompanied by two sets of plans and specifications for all proposed construction (initial or alteration) to be done on such Tract including plot plans showing location on the tract.

Section 5.02 Architectural Control Committee.

- (a) The authority to grant or withhold architectural control approval as referred to above is initially vested in the Developer; provided, however, the authority of the Developer shall cease and terminate upon the appointment of the Architectural Control Committee of the Association (sometimes herein referred to as the "Committee"), in which event such authority shall be vested in and exercised by the Committee (as provided in (b) below), hereinafter referred to, except as to plans and specifications and plot plans theretofore submitted to the Developer which shall continue to exercise such authority over all such plans, specifications and plot plans. Notwithstanding, after the Control Transfer Date, both the Developer and the Architectural Control Committee shall have the right to grant a variance from the building set-back line restrictions. Either party may grant this variance as it determines in its sole discretion is needed, without the consent of the other. The term "Committee", as used in this Declaration, shall mean or refer to the Developer or to the BRIDLEWOOD RANCHES Architectural Control Committee composed of members of the Association, as applicable.
- (b) On or after such time as Developer has conveyed 1660.00 acres (from time to time hereafter referred to as the "Control Transfer Date") the Developer shall cause an instrument transferring control to the Association to be placed of Record in the Official Public Records of Hays County, Texas (the effective Control Transfer Date shall be the date of its recording). There upon, the Developer shall appoint a Committee of three (3) members to be known as the BRIDLEWOOD RANCHES Architectural Control Committee who shall serve until the next succeeding annual meeting following the Control Transfer Date from and after the Control Transfer Date, each member of the Committee must be an Owner of a Tract in the Property. Additionally, the Developer shall have the right to discontinue the exercise of the Architectural Control privileges and arrange for the transfer to the Association at any time prior to the Control Transfer Date by filing a statement and instrument to such effect in the Official Public Records of Hay County, Texas.

Section 5.03 Effect of Inaction. Approval or disapproval as to architectural control matters as set forth in the preceding provisions of this Declaration shall be in writing. In the event that the authority exercising the prerogative of approval or disapproval (whether the Developer or the Committee) fails to approve or disapprove in writing any plans and specifications and plot plans received by it in compliance with the preceding provisions within thirty (30) days following such submissions, such plans and specifications and plot plan shall be deemed approved and the construction of any such building and other improvements may be commenced and proceeded with in compliance with all such plans and specifications and plot plan and all of the other terms and provisions hereof.

Section 5.04 Effect of Approval. The granting of the aforesaid approval (whether in writing or by lapse of time) shall constitute only an expression of opinion by the Committee that the terms and provisions

hereof shall be complied with if the building and/or other improvements are erected in accordance with said plans and specifications and plot plan; and such approval shall not constitute any nature of waiver or estoppel either as to the persons expressing such approval or any other person in the event that such building and/or improvements are not constructed in accordance with such plans and specifications and plot plan, but, nevertheless, fail to comply with the provisions hereof. Further, no person exercising any prerogative of approval or disapproval shall incur any liability by reasons of the good faith exercise thereof.

Section 5.05 Variance. The Committee may, on a case by case basis, authorize variances from compliance with any of the provisions of either (i) the Restrictions or (ii) minimum acceptable construction standards or regulations as promulgated from time to time by the Developer or the Committee. Notwithstanding, after the Control Transfer Date, both the Developer and the Committee shall have the right to grant a variance from the Building set-back line restrictions. Either party may grant this variance as it determines, in its sole discretion is needed, without the consent of the other. Such variances must be evidenced in writing and shall become effective when signed by the Developer or by at least a majority of the members of the Committee. If any such variances are granted, no violation of the provisions of this Declaration shall be deemed to have occurred with respect to the matter for which the variance is granted; provided, however, that the granting of a variance shall not operate to waive any of the provisions of these Restrictions for any purpose except as to the particular Tract and particular provisions hereof covered by the variance, nor shall the granting of any variance affect in any way the Owner's obligation to comply with all governmental laws and regulations affecting the Tract concerned.

ARTICLE VI BRIDLEWOOD RANCHES PROPERTY OWNERS ASSOCIATION

Section 6.01 Membership. Every person or entity who is a record owner of any Tract which is subject to the Maintenance charge and other assessments provided herein, and Declarant shall be a "Member" of the Association. The foregoing is not intended to include persons or entities that hold an interest merely as security for the performance of an obligation or those having only an interest in the mineral estate. No owner shall have more than one membership for each Tract owned by such Member. Memberships shall be appurtenant to and may not be separated from the ownership of the Tracts, regardless of the number of persons who may own a Tract (such as husband and wife, or joint tenants, etc.) there shall be but one membership for each Tract. Ownership of the Tracts shall be the sole qualification for membership.

Section 6.02 Voting Rights. Each Member shall have one (1) vote for each full five (5) acres owned by that member. For example, a Member who owns a Tract containing 19 acres shall have three (3) votes. A Member owning a Tract containing 20 acres shall have four (4) votes.

Section 6.03 Non-Profit Corporation. BRIDLEWOOD RANCHES PROPERTY OWNERS ASSOCIATION, a non-profit corporation, has been (or will be) organized and it shall be governed by the Articles of Incorporation and Bylaws of said Association; and all duties, obligations, benefits, liens and rights hereunder in favor of the Association shall vest in said corporation.

Section 6.04 Bylaws. The Association has adopted or may adopt whatever Bylaws it may choose to govern the organization or operation of the Subdivision and the use and enjoyment of the Tracts, provided that the same are not in conflict with the terms and provisions hereof.

ARTICLE VII MAINTENANCE FUND

Section 7.01 Maintenance Fund Obligation. Each Owner of a tract by acceptance of a deed therefore, whether or not it shall be expressed in any such deed or other conveyance, is deemed to covenant and agrees to pay to the Association a monthly maintenance charge (the "Maintenance Charge"), and any other assessments or charges hereby levied. The Maintenance Charge and any other assessments or charges hereby levied, together with such interest thereon and costs of collection thereof, as hereinafter provided, shall be a charge on the Tracts and shall be a continuing lien upon the Tract against which each such Maintenance Charge and other charges and assessments are made.

Notwithstanding, the Developer shall not be required to pay a Maintenance Charge to the Association on the Tracts owned by the Developer.

Section 7.02 Basis of the Maintenance Charge.

(a) The Maintenance Charge referred to shall be used to create a fund to be known as the "Maintenance Fund", which shall be used as herein provided; and each such Maintenance Charge (except as otherwise hereinafter provided) shall be paid by the Owner of each Tract to the Association. The Maintenance Charge for the year of purchase shall be pro-rated at closing and then shall be paid annually.

(b) Any Maintenance Charge not paid within thirty (30) days after the due date shall bear interest from the due date at the lesser of (i) the rate of eighteen percent (18%) per annum or (ii) the maximum rate permitted by law. The Association may bring an action at law against the Owner personally obligated to pay the same, or foreclose the hereinafter described lien against the Owner's Tract.

(c) The initial amount of the Maintenance Charge applicable to each Tract will be \$4.00 per acre per year due in advance, payable on January 1 of each year. All other matters relating to the Maintenance Charge and the collection, expenditures and administration of the Maintenance Fund shall be determined by the Developer or the Board of Directors of the Association, subject to the provisions hereof.

(d) The Association, from and after the Control Transfer Date, shall have the further right at anytime, with a majority vote of all association members, to adjust, alter, increase or decrease said Maintenance Charge from year to year as it deems proper to meet the reasonable operating expenses and reserve requirements of the Association in order for the Association to carry out its duties hereunder.

Section 7.03 Creation of Lien and Personal Obligation. In order to secure the payment of the Maintenance Charge, and other charges and assessments hereby levied, each Owner of a Tract, by such party's acceptance of a deed thereto, hereby grants to the Association a contractual lien on such Tract which may be foreclosed on by non-judicial foreclosure, pursuant to the provisions of Section 51.002 of the Texas Property Code (and any successor statute); and each such owner hereby expressly grants the Association a power of sale in connection therewith. The Association shall, whenever it proceeds with non-judicial foreclosure pursuant to the provisions of said Section 51.002 of the Texas Property Code and said power of sale, designate in writing a Trustee to post or cause to be posted all required notices of such foreclosure sale and to conduct such foreclosure sale. The Trustee may be changed at any time and from time to time by the Association by means of written instrument executed by the President or any Vice-President of the Association and filed for record in the Official Public Records of Hays County, Texas. In the event that the Association has determined to non-judicially foreclose the lien provided herein pursuant to the provisions of said Section 51.002 of the Texas Property Code and to exercise the power of sale hereby granted, the Association, or the Association's agent, shall give notice of foreclosure sale as provided by the Texas Property Code as then amended. Upon request by Association, the Trustee shall give any further notice of foreclosure sale as may be required by the Texas Property Code as then amended, and shall convey such Tract to the highest bidder for cash by Substitute Trustee's Deed. Out of the proceeds of such sale, if any, there shall first be paid all expenses incurred by the Association in connection with such default, including reasonable attorney's fees and a reasonable trustee's fee; second, from such proceeds there shall be paid to the Association an amount equal to the amount in default; and third, the remaining balance shall be paid to such Owner. Following any such foreclosure, each occupant of any such Tract foreclosed on and each occupant of any improvements thereon shall be deemed to be a tenant at sufferance and may be removed from possession by any and all lawful means, including a judgment for possession in action of forcible detainer and the issuance of a writ of restitution thereunder.

In the event of non-payment by any Owner of any Maintenance Charge or other charge or assessment levied hereunder, the Association may, in addition to foreclosing the lien hereby retained, and exercising the remedies provided herein, upon ten (10) days prior written notice thereof to such non-paying Owner, exercise all other rights and remedies available at law or in equity.

It is the intent of the provisions of this 7.03 to comply with the provisions of said Section 51.002 of the Texas Property Code relating to non-judicial sales by power of sale and, in the event of the amendment of said Section 51.002 of the Texas Property code hereafter, the President or any Vice-President of the Association, acting without joinder of any other Owner or mortgagee or other person may, by amendment to this Declaration file in the Official Public Records of Hays County, Texas, amend the provisions hereof so as to comply with said amendments to Section 51.002 of the Texas Property Code.

Notwithstanding anything contained this Article VII or Section 7.03, all notices and procedures shall comply with Chapter 209 of the Texas Property Code.

Section 7.04 Notice of Lien. In addition to the right of the Association to enforce the Maintenance Charge or other charge or assessment levied hereunder, the Association may file a claim or lien against the Tract of the delinquent Owner by recording a notice ("Notice of Lien") setting forth (a) the amount of the claim of delinquency, (b) the interest thereon, (c) the costs of collection which have accrued thereon, (d) the legal description and street address of the Tract against which the lien is claimed and (e) the name of the Owner thereof. Such Notice of Lien shall be signed and acknowledged by an officer of the Association or other duly authorized agent of the Association. The lien shall continue until the amounts secured hereby and all subsequently accruing amounts are fully paid or otherwise satisfied. When all amounts claimed under the Notice of Lien and all other costs and assessments which may have accrued subsequent to the filing of the Notice of Lien have been fully paid or satisfied, the Association shall execute and record a notice releasing the lien upon payment by the Owner of a reasonable fee as fixed by the Board of Directors to cover the preparation and recordation of such release of lien instrument.

Section 7.05 Liens Subordinate to Mortgages. The lien described in this Article VII shall be deemed subordinate to a first lien or other liens of any bank, insurance company, savings and loan association, university, pension and profit sharing trusts or plans, or any other third party lender, including Developer, which may have heretofore or may hereafter lend money in good faith for the purchase or improvement of any Tract or for a Home Equity loan and any renewal, extension, rearrangement or refinancing thereof. Each such mortgagee of a mortgage encumbering a Tract who obtains title to such Tract pursuant to the remedies provided in the deed of trust or mortgage or by judicial foreclosure shall take title to the Tract free and clear of any claims for unpaid Maintenance Charges or other charges of assessments against such Tract which accrued prior to the time such holder acquired title to such Tract. No such sale or transfer shall relieve such holder from liability for any Maintenance Charge or other charges or assessments thereafter becoming due or from the lien thereof. Any other sale or transfer of a Tract shall not affect the Association's lien for Maintenance Charges or other charges or assessments. The Association shall make a good faith effort to give each such mortgagee sixty (60) days advance written notice of the Association's proposed foreclosure of lien described in Section 7.01 hereof, which notice shall be sent the nearest office of such mortgagee by prepaid United States registered or Certified mail, return receipt requested, and shall contain a statement of delinquent Maintenance Charges or other charges or assessments upon which the proposed action is based provided, however, the Association's failure to give such notice shall not impair or invalidate any foreclosure conducted by the Association pursuant to the provisions of this Article VII.

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 are 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 or desirable.

Section 9.04 Duty to Prepare Budgets. The Association shall prepare budgets for the Association.

Section 9.05 Duty to Levy and Collect the Maintenance Charge. The Association shall levy, collect and enforce the Maintenance Charge and other charges and assessments as elsewhere provided in this Declaration.

Section 9.06 Duty to Provide Annual Review. The Association shall provide for an annual unaudited independent review of the accounts of the Association. Copies of the review shall be made available to any member who requests a copy of the same upon payment by such Member of the reasonable cost of copying the same.

Section 9.07 Duties with Respect to Architectural Approvals. The Association shall perform functions to assist the Committee as elsewhere provided in Article V of this Declaration.

Section 9.08 Power to Acquire Property and Construct Improvements. The Association may acquire Property or an interest in Property (including leases) for the common benefit of Owners including improvements and personal property. The Association may construct improvements on the Property and may demolish existing improvements.

Section 9.09. Power to Adopt Rules and Regulations. The Association may adopt, amend, repeal and enforce rules and regulations ("Rules and Regulations"), fines, levies and enforcement provisions as may be deemed necessary or desirable with respect to the interpretation and implementation of this Declaration, the operation of the Association, and the use of any property, facilities or improvements owned or operated by the Association.

Section 9.10 Power to Enforce Restrictions and Rules and Regulations. The Association (and any Owner with respect only to the remedies described in (ii) below) shall have the power to enforce the provisions of this Declaration and the Rules and Regulations and shall take such action as the Board of Directors deems necessary or desirable to cause such compliance by each Member and each guest of a member. Without limiting the generality of the foregoing, the Association shall have the power to enforce the provisions of this Declaration and of Rules and Regulations of the Association by any one or more of the following means: (i) By entry upon any Property, excluding main residence, within the Property after notice and hearing (unless a bona fide emergency exists in which event this right of entry may be exercised without notice (written or oral) to the Owner in such manner to avoid any unreasonable or unnecessary interference with the lawful possession, use or enjoyment of the improvements situated thereon by the Owner or any other person), without liability by the Association to the Owner thereof, for the purpose of enforcement of this Declaration or the Rules and Regulations; (ii) By commencing and maintaining actions and suits to restrain and enjoin any breach or threatened breach of the provisions of this Declaration or the Rules and Regulations; (iii) By suspension, after notice and hearing, of the voting rights of a Member during and for up to sixty (60) days Mowing any breach by such Member or such Member's guest of a provision of this Declaration or such Rules and Regulations, unless the breach is a continuing breach in which case such suspension shall continue for so long as such breach continues; (v) By levying and collecting,

after notice and hearing, an assessment against any Member for breach of this Declaration or such Rules and Regulations by such Member or such Member's guest which assessment reimbursed the Association for the costs incurred by the Association in connection with such breach; (vi) by levying and collecting, after notice and hearing, reasonable and uniformly applied fines and penalties, established in advance in the Rules and Regulations of the Association, from any Member or Member's guest for breach of this Declaration or such Rules and Regulations by such Member or such Member's guest; and (vii) By taking action itself to cure or abate such violation and to charge the expenses thereof, if any, to such violating Members, plus attorney's fees incurred by the Association with respect so exercising such remedy.

Before the Board may invoke the remedies provided above, it shall give registered notice of such alleged violation to the Owner. and shall afford the Owner a hearing. If after the hearing a violation is found to exist, the Board's right to proceed with the listed remedies shall become absolute. Each day a violation continues shall be deemed a separate violation. Failure of the Association, the Developer, or of any Owner to take any action upon any breach or default with respect to any of the foregoing violations shall not be deemed a waiver of their right to take enforcement action thereafter or upon a subsequent breach or default.

ARTICLE X GENERAL PROVISIONS

Section 10.01 Term. The provisions hereof shall run with the Property and shall be binding upon all Owners and all persons claiming under them for a period of forty (40) years from the date this Declaration is recorded. after which time said Declaration shall be automatically extended for successive periods of ten (10) years each, unless an instrument, signed by the Members having not less than two-thirds (2/3rds) of the votes (including the Developer) has been recorded agreeing to amend or change, in whole or in part, this Declaration.

Section 10.02 Amendments. This Declaration may be amended or changed, in whole or in part, at any time by the written agreement or by signed ballots voting for such amendment, of the Members having not less than not less than two-thirds (2/3rds) of all of the votes (including Developer) of the Subdivision. There shall be one vote per **every five** (5) full acres owned within the subdivision. If the Declaration is amended by a written instrument signed by those Owners entitled to cast not less than two-thirds (2/3rds) of all of the votes of the Owners of the Association, such amendment must be approved by said Owners within three hundred sixty-five (165) days of the date the first Owner executes such amendment. The date an Owner's signature is acknowledged shall constitute prima facia evidence of the date of execution of said amendment by such Owner. Those Members (Owners, including the Developer) entitled to cast not less than two-thirds (2/3rds) of all of the votes of the Members of the Association may also vote to amend this Declaration, in person, or by proxy, at a meeting of the Members (Owners, including the Declarant) duly called for such purpose, written notice of which shall be given to all Owners at least ten (10) days and not more than sixty (60) days in advance and shall set forth the purpose of such meeting. Notwithstanding any provision contained in the Bylaws to the Contrary, a quorum, for purposes of such meeting, shall consist of not less than the Members entitled to cast not less than seventy percent (70%) of the votes. Any such amendment shall become effective when an instrument is filed for record in the Official Public Records of Hays County, Texas, accompanied by a certificate, signed by a majority of the Board of Directors, stating that the required number of votes have been cast in favor of said amendment at the meeting called for such purpose. Copies of the written ballots pertaining to such amendment shall be retained by the Association for a period of not less than three (3) years after the date filing of the amendment or termination.

Section 10.03 Amendment by the Developer. The Developer shall have and reserves the right at any time and from time to time prior to the Control Transfer Date, without the joinder or consent of any Owner or other party, to amend this Declaration by an instrument in writing duly signed, acknowledged, and filed for record so long as the Developer owns at least one Tract of land and provided that any such amendment shall be consistent with and in furtherance of the general plan and scheme of development as evidenced by this Declaration.

Section 10.04 Severability. Each of the provisions of this Declaration shall be deemed independent and severable and the invalidity or unenforceability or partial invalidity or partial unenforceability of any provision or portion hereof shall not affect the validity or enforceability of any other provision.

Section 10.05 Liberal Interpretation. The provisions of this Declaration shall be liberally construed as a whole to effectuate the purpose of this Declaration.

Section 10.06 Successors and Assigns. The provisions hereof shall be binding upon and inure to the benefit of the Owners, the Developer, and the Association, and their respective heirs, legal representatives, executors, administrators, successors, and assigns.

Section 10.07 Effect of Violations on Mortgages. No violation of the provisions herein contained, or any portion thereof, shall affect the lien of any mortgage or deed of trust presently or hereafter placed of record or otherwise affect the rights of the mortgagee under any such mortgage, the holder of any such lien or beneficiary of any such deed of trust; and any such mortgage, lien or deed of trust may, nevertheless, be enforced in accordance with its terms, subject, nevertheless, to the provisions herein contained.

Section 10.08 Terminology. All personal pronouns used in this Declaration and all exhibits attached hereto, whether used in the masculine, feminine or neuter gender, shall include all other genders; the singular shall include the plural and vice versa. Title of Articles and Sections are for convenience only and neither limit nor amplify the provisions of these Restrictions. The terms "herein", "hereof" and similar terms, as used in this instrument, refer to the entire agreement and are not limited to referring only to the specific paragraph, Section or article in which such terms appear. All references in this Declaration to Exhibits shall refer to the Exhibits attached hereto.

IN WITNESS WHEREOF, the undersigned, being the Developer herein, has hereunto set its hand of this ____ day _____, 2002.

RIVER CHASE VENTURE, LTD., A Texas
Limited Partnership by:
SOUTHERLAND/RCR MANAGEMENT, INC.
a Texas Corporation, General Partner

By: _____
Charles D. Patterson, President

THE STATE OF TEXAS §

COUNTY OF HAYS §

This instrument was acknowledged before me on this the ____ day of _____, 2002, by CHARLES D. PATTERSON, President of Southerland/RCR Management, Inc., a Texas Corporation, as General Partner for River Chase Venture, LTD., a Texas Limited Partnership, in the capacity therein stated, on behalf of said Corporation.

Notary Public, State of Texas