DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS FOR
SONOMA ON THE PEDERNALES

STATE OF TEXAS

KNOW ALL MEN BY THESE PRESENTS

COUNTY OF GILLESPIE

WHEREAS, this Declaration of Covenants, Conditions and Restrictions, made on the date herein after set forth by WATER RIDGE, L.P., as Limited Liability Partnership, acting herein by and through its General Partner , WATERRIDGE DEVELOPMENT COMPANY, LLC a Texas Limited Liability Company , herein after referred to as "Declarant".

This Declaration, made on the date hereinafter set forth by WATER RIDGE, L.P. and DEVELOPMENT COMPANY, LLC, hereinafter referred to as "Developer".

WITNESSETH:

WHEREAS, Declarant is the owner of that certain property known as Sonoma on the Pedernales, a subdivision in Gillespie County, Texas, according to the map plat thereof recorded in Volume 4 Page 94 of the Gillespie County Plat record.

NOW, THEREFORE, the undersigned hereby adopts, establishes and imposes this Declaration of Covenants, Conditions and Restrictions for Sonoma on the Pedernales, and declares the following reservations, easements, restrictions, covenants and conditions applicable thereto, all of which 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, except that no part of this Declaration or the Restrictions shall be deemed to apply in any manner to any area not included in the boundaries of said Plat or survey unless specifically provided for herein. Developer also declares that this subdivision shall be subject to the jurisdiction of the "Association" (as hereinafter defined).

ARTICLE I

DEFINITIONS

Section 1.01 "Annexable Area" shall mean and refer to any additional property made subject to the jurisdiction of the Association pursuant to the provisions set forth herein, including, without limitation, any other Sections, if any, of Sonoma on the Pedernales Subdivision and any property adjacent to or in the proximity of the Property.

Section 1.02 "Association" shall mean and refer to the Sonoma on the Pedernales Property Owners Association, and its successors and assigns.

Section 1.03 "Sonoma on the Pedernales" shall mean and refer to this Subdivision and any other sections of Sonoma on the Pedernales hereafter made subject to the jurisdiction of the Association.

Section 1.04 "Board of Directors" shall mean and refer to the Board of Directors of the Association.

Section 1.05 "Builders" shall mean and refer to persons or entities that purchase lots and build speculative or custom homes thereon for third party purchasers.

Section 1.06 "Common Area" shall mean all real property (including the improvements thereto) within the Subdivision owned by the Developer and/or the Association for the common use and

enjoyment of the Owners and/or any real property and improvements, including, but not limited to, drainage and utility easements and other facilities and areas designated on the Plat or survey within the Common Area to which the Owners may hereafter become entitled to use.

Section 1.07 "Contractor" shall mean and refer to the person or entity with whom an Owner contracts to construct a residential dwelling on such Owner's Lot.

Section 1.08 "Developer" shall mean and refer to Water Ridge Development Group, LLC, and its assigns and successors.

Section 1.09 "Lot" shall mean and refer to any plot of land identified as a lot or tract on the plat or survey of the subdivision. For purposes of this instrument, "Lot" shall not be deemed to include any portion of any "Common Areas", "Reserves", "Restricted Reserves" or "Unrestricted Reserves", (defined herein as any Common Areas, Reserves, Restricted Reserves or Unrestricted Reserves shown on the Plat or survey) in the Subdivision, regardless of the use made of such area.

Section 1.10 "Member" shall mean and refer to every person or entity who holds a membership in the Association.

Section 1.11 "Owner" shall mean and refer to the record owner, whether one or more persons or entities of fee simple title to any Lot which is a part of the Subdivision, including (i) contract sellers (a seller under a Contact-for-Deed), but excluding those having such interest merely as security for the performance of an obligation (ii) Developer (except as otherwise provided herein) and (iii) Builders.

Section 1.12 "Building Site" is defined as thirty (30) feet in any direction in the area surrounding a building or other structure approved by the Architectural Control Committee as defined in this Declaration.

ARTICLE II

RESERVATIONS, EXCEPTIONS AND DEDECICATIONS

Section 2.01 Recorded Subdivision Plat or Survey of the Property. The plat ("Plat") or survey of the Subdivision dedicates for use as such, subject to the limitations as set forth herein, the roads, streets and easements shown thereon. The Plat or survey further establishes certain restrictions applicable to the Property. All dedications, restrictions and reservations created herein or shown on the Plat or survey, replats or amendments of the Plat or survey of the Subdivision recorded or hereafter recorded shall be construed as being included in each contract, deed, or conveyance executed or to be executed by or on behalf of Developer, conveying said Property or any part thereof whether specifically referred to therein or not.

Section 2.02 Easements. Developer reserves for public use the utility easements shown on the Plat or survey or that have been or hereafter may be created by separate instrument recorded in the Real Property Records of Gillespie County, Texas, for the purpose of constructing, maintaining and repairing a system or systems of electric lighting, electric power, telegraph and telephone line or lines, gas lines, sewers, water lines, storm drainage (surface or underground), cable television, or any other utility the Developer sees fit to install in, across and/or under the Property. 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 Reserves, Common Area and/or Lots. Should any utility company furnishing a service covered by the general easement herein provided request a specific easement 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 Subdivision and/or any District serving the Subdivision 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, water district, political subdivision or other authorized entity using the easements herein referred

to 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 on the property covered by said easements.

Section 2.03 Title Subject to Easements. It is expressly agreed and understood that the title conveyed by Developer to any of the Lots by contract deed of other conveyance shall be subject to any easement affecting same for roadways or drainage, water line, gas, sewer, electric lighting, electric power, telegraph or telephone purposes and other easement hereafter granted affecting the Lots. The Owners of the respective Lots shall not be deemed to own pipes, wires, conduits or other service lines running through their Lots which are utilized for or service other Lots, 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 Lot. The Developer may convey title to said easements to the public, a public utility company or the Association.

Section 2.04 Utility Easements.

(a) Ground and aerial utility easements have been or will be dedicated in accordance with the Plat or survey by separate recorded easement documents.

(b) No building shall be located over, under, upon or across any portion of any utility easement. Further, no fence, building or other structure or improvements may be placed on any utility or drainage easement. The Owner of each Lot shall have the right to construct, keep and maintain concrete drives, 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 Lots, provided, however, any concrete drive, 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 Lot subject to said Utility Easements shall be responsible for (i) any and all repairs to the concrete drives, 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.

(c) All lots shall have side and rear utility easements as described on the Plat or survey.

Section 2.05 Use of Easements by Owners. The easements shown on the Plat or survey adjacent to any road or street may be used by all the Owners, their families, guests and invitees for the purpose of pedestrian walking or jogging and for riding horses or non-motorized vehicles or similar activities. No fence or other structures shall be constructed or maintained on any part of said easement. No motorized vehicle of any type, including without limitation, any motorcycle, go-cart, tractor or automobile, ATV or other motorized vehicle, shall be permitted on said easement, except equipment necessary for the construction, maintenance ad repair of said easements shall be permitted. The portion of each Lot adjacent to any street or road upon which an easement is located shall be mowed and maintained by the Association.

Section 2.06 Roads and Streets. Subject to the terms and conditions of this Section 2.06, the roads and streets in this Subdivision, as shown on the Plat or survey, are hereby dedicated in addition to roadways, as utility easements for the purpose of constructing, operating, maintaining or repairing a system(s) of electric lighting, electrical power, telegraph and telephone lines, gas lines, sewers, water lines, storm drainage (surface or underground) cable television, or any other utilities that the Developer sees fit to install (or permit to be installed) in, across and/or under the Property.

ARTICLE III

USE RESTRICTIONS

Section 3.01 Single Family Residential Construction. No building shall be erected, altered, placed or permitted to remain on any Lot or Composite Building Site other than one dwelling unit per each Lot to be used for residential purposes except that one guest/servants house may be built provided said

guests/servants house must contain a minimum of 750 square feet and be approved in writing by the Architectural Control Committee. Detached garages, work shops, cabins, cottages and barns may be constructed on the Lot prior to the main dwelling being built, so long as they are of good construction, kept in good repair, and are not used for residential purposes. Any barn must be erected behind the main residence or behind where the main residence will be located. A barn apartment may be used for residential purposes only while the main residence is under construction. All dwellings, detached garages, work shops, and barns must be approved in writing by the Architectural Control Committee prior to being erected, altered or placed on the Lot. The term "dwelling" does not include single or double wide mobile, or any old or used houses to be moved on the Lot and said used homes are not permitted within the subdivision. All main dwellings must have at least 2200 square feet of living area, excluding porches, and be built with new construction materials. Any building, structure or improvement commenced on any tract shall be completed as to exterior finish and appearance within twelve (12) months from the commencement date. Separate garage buildings, storage facilities, servants quarters, cabins, cottages and guest houses shall be of all new material and shall be of equivalent and harmonious construction, design and color to the main residence. All residences must have a minimum two car garage, either attached or detached. There will be no metal siding used on any homes. As used herein, the term "residential purposes" shall be construed to prohibit mobile homes, trailers, or manufactured homes being placed on said Lots, or the use of said Lots for duplex houses, condominiums, townhouses, garage apartments, or apartment houses; and no Lot shall be used for business, educational, religious or professional purposes of any kind whatsoever, nor for my commercial or manufacturing purposes. Provided, however, an Owner may maintain a home office provided there are no signs or more than thee customers or clients per day visiting the Lot.

All lots built on in Sonoma on the Pedernales will have underground utilities with no exceptions

Section 3.02 Composite Building Site. Any Owner of one or more adjoining Lots (or portions thereof) may, with the prior written approval of the Architectural Control Committee, consolidate or subdivide such Lots or into one building site or separate sites, with the privilege of placing or constructing improvements on such resulting site(s), in which case the side set back lines shall be measured from the resulting side property lines rather than from the center adjacent Lot lines as indicated on the Plat or survey. Any such composite building site must have a frontage at the building setback line of not less than the minimum frontage of all Lots in the same block unless the committee grants a variance.

Section 3.03 Location of the Improvements Upon the Lot. All improvements, except fences, shall be set back a minimum of fifty (50) feet from the front property line adjacent to any street and twenty five (25) feet from the side and rear property Lines, except that any barn shall be a minimum of forty five (45) feet from the side and rear 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, deems such waiver or alteration is necessary to permit effective utilization of a tract. For the purpose of this Covenant, eaves, steps and open porches shall be considered improvements. Any such waiver or alteration must be in writing and recorded in the Real Property Records of Gillespie County, Texas. All dwellings placed on a Lot must be equipped with septic tank or other sewage disposal system meeting all applicable laws, rules, standards and specifications, and all such dwellings must be served with water and electricity. The main residential structure on any Lot shall face the front of the Lot unless a deviation is approved in writing by the Architectural Control Committee. Within designated easements no improvements shall be placed or permitted to remain which may damage or interfere with the installation of maintenance of utilities.

Section 3.04 Residential Foundation Requirements. All building foundations shall consist of pier and beam with brick or stone skirting or concrete slabs, unless the Architectural Control Committee approves a different type of foundation when circumstances such as topography of the Lot make it impractical to use a concrete slab for all or any portion of the foundation of the building improvements constructed on the Lot. Minimum finished slab elevation for all structures shall be above the 100 year flood plain elevation, or such other level as may be established by the Commissioner's Court of Gillespie County, Texas, and other applicable governmental authorities. All slabs will be approved and sealed by a qualified and registered engineer or a release will be executed and provided to the Architectural Control Committee before concrete slab pour may begin on any property.

Section 3.05 Driveways. All driveways in the Subdivision shall be constructed of concrete, asphalt, gravel, iron ore or crushed rock. Further, at least the first forty (40) feet of any driveway or entrance to each Lot from the pavement of the street shall be paved with concrete. County requirements must be met on all construction, including but not limited to culverts.

All driveway culverts will be constructed with a concrete headwall on each end of the culvert and are to be approved by the Architectural Control Committee.

Section 3.06 Mailboxes. All mailboxes shall be of the same type and exterior of the primary residence design, installed by completion of the main residence, placed in a location approved by the Architectural Control Committee and shall meet the requirements of the U.S. Postal Authorities. No mailboxes shall be placed on metal or wood poles. During construction of a residence a temporary mailbox will be allowed so long as it meets United States Postal requirements.

Section 3.07 Use of Temporary Structures. No structures of a temporary character, whether trailer, basement, tent, shack, garage, or other outbuilding shall be maintained or used on any Lot at any time as a residence, either temporarily or permanently, provided, however, that Developer reserves the exclusive right on its behalf and that of any Builder owning in excess of ten (10) Lots for the purpose of constructing homes to erect, place and maintain such facilities in or upon any portion of the Subdivision as in its sole discretion may be necessary or convenient while selling Lots, selling or constructing residences and constructing other improvements within the Subdivision. Such building must contain a minimum of 350 square feet.

Section 3.08 Water Supply. All Lot Owners will be required to drill a private water well as their primary source of water, as long as said well meets state and county requirements. Both tank and pump must be hidden from the street by fence or approved wall.

Section 3.09 Sanitary Sewers. No outside, open or pit type toilets will be permitted in this Subdivision. All dwellings constructed in this Subdivision, prior to occupancy, must have a sewage disposal system installed to comply with the requirements of the appropriate governing agency.

Section 3.10 Walls and Fences. Wall and fences, if any, must be approved prior to construction by the Architectural Control Committee and shall be not closer to front street property lines than the easement boundary line and no closer than the lot boundary line to side street lines. Unless otherwise permitted herein, the erection of any wall, fence or other improvements on any easement is prohibited. All fences may be constructed of ornamental iron, wood, vinyl, masonry. No fence will exceed six (6) feet in height. Specifically, no chain link fences will be allowed, except for all approved dog kennels, which must be hidden from the street.

Section 3.11 Prohibition of Offensive Activities. Without expanding the permitted use of the Lots, no activity, whether for profit or not, shall be conducted on any Lot which is not related to single family residential purposes. No noxious offensive activity of any sort shall be permitted nor shall anything offensive be done in the Subdivision. This restriction is waived in regard to customary sales activities required to sell homes in the Subdivision. No exterior speaker, horn, whistle, or bell or other sound device, except security and fire devices used exclusively for security and fire purposes, shall be located, used or placed on a Lot. The Association shall have the sole and absolute discretion to determine what constitutes a nuisance or annoyance.

Section 3.12 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 lot 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 and hidden from view.

Section 3.13 Junked Motor Vehicles Prohibited. No Lot shall be used as a depository for abandoned or junked motor vehicles. An abandoned or junked motor vehicle is one without a current, valid state vehicle inspection sticker, license plate and valid insurance coverage. No junk of any kind or character, or dilapidated structure or building of any kind or character, shall be kept on any Lot. No accessories, parts or objects used with cars, boats, houses, trucks, trailers, house trailers or the like, shall be kept on any Lot other than in a garage or other structure approved by the Architectural Control Committee.

Section 3.14 Satellite Dishes. Satellite dishes on any property must not exceed twenty-four (24) inches in diameter and must receive Architectural Control Committee approval before installation. All outside clothes lines are prohibited. All propane tanks, air conditioning units and garbage cans must be hidden from street view.

Section 3.15 Signs. No signs, advertisement, billboard or advertising structure of any kind may be erected or maintained on any Lot without the consent in writing of the Architectural Control Committee, except one (1) sign not more than forty-eight inches (48") square, advertising an Owner's Lot for sale or rent. Provided, however, any Builder may maintain reasonable signs on Lots for the sale of new homes constructed by said Builder. Developer or any member of such Committee shall have the right to remove such sign, advertisement or billboard or structure which is placed on any Lot 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 3.16 Animal Husbandry. The following animals may be kept or maintained on any Lot: ordinary household pets. Horses are allowed per County guidelines. No swine or fowl are allowed. Each Lot shall be kept clean and in a sanitary and odorless condition.

Section 3.17 Logging and Mineral Development. No derrick or other structures designated for the use of boring for oil or natural gas shall be erected, maintained o r permitted upon any Lot. Trees which are four (4) inches or larger in diameter shall not be cut down without the prior written consent of the Architectural Control Committee.

Section 3.18 Drainage. Natural established drainage patterns of streets, Lots or roadway ditches will not be impaired by any person or persons. Driveway culverts will be of sufficient size to afford proper drainage of ditches without backing water up into ditch or diverting flow. The breaking of curbs, if any, for dive installations will be accomplished in a good and workmanlike manner and such break will be re-cemented without hindrance to drainage and such work is subject to the inspection and approval of the Architectural Control Committee.

Section 3.19 Lot Maintenance. All Lots (to specifically include any detention area easements), at Owner's sole cost and expense, shall be kept at all times in a neat, attractive, healthful and sanitary condition, and the Owner or occupant of all Lots shall keep all weeds and grass in cleared open yard areas on said Lot cut and shall in no event use any Lot for storage of materials or equipment except for normal residential requirements or incident to construction of improvements thereon as herein permitted, or permit the accumulation of garbage, trash or rubbish of my kind thereon, and shall not burn any garbage, trash or rubbish. Provided, however, the burning of underbrush and trees during lot clearing shall be permitted. All yard equipment or storage piles shall be kept screened by a service yard or other similar facility as herein otherwise provided, so as to conceal them from view of neighboring Lots, streets or other property. Such maintenance includes, but is not limited to the following:

a. Prompt removal of litter, trash, refuse, and wastes

b. Lawn mowing (in cleared open yard areas outside of the natural vegetation areas).

c. Tree and shrub pruning (outside of the natural vegetation area).

d. Keeping exterior lighting and mechanical facilities in working order.

e. Keeping lawn and garden areas alive, free of weeds, and attractive.

f. Keeping parking areas, walkways and driveways in good repair.

g. Complying with all government health and policy requirements.

h. Repainting of improvements.

i. Repair of exterior damage to improvements.

In the event of the failure of Owner to comply with the above requirements after ten (10) days written notice hereof, the Association or their designated agents may, in addition to any and all remedies, either at law or in equity, available for the enforcement of these restrictions, without liability to the Owner, Contractor or any occupants of the Lot in trespass or otherwise, enter upon (and/or authorize one or more others to enter upon) said Lot, cut, or cause to be cut, such weeds and grass and remove, or cause to be removed, such garbage, trash and rubbish or do any other thing necessary to secure compliance with this Declaration, so as to place said Lot in a neat, attractive, healthful and sanitary condition, and may charge the Owner, Builder or occupant of such Lot for the cost of such work and associated materials, plus a fee of $10.00 per month for each instance. Payment thereof shall be collected by adding the charges to the Maintenance Charge and shall be payable on the first day of the next calendar month with the regular monthly Maintenance Charge payment.

Section 3.20 Exterior Maintenance of Building. In the event the owner of any building in the Subdivision should allow such building to fall into disrepair and become in need of paint, repair or restoration of any name and become unattractive and not in keeping with the neighborhood, the Association and/or the Developer will give such owner written notice of such conditions. Fifteen (15) days after notice of such condition to Owner, and failure of Owner to begin and continue at a diligent, reasonable rate of progress to correct such condition, the Association and/or the Developer in addition to any and all remedies, either at law or in equity, available for the enforcement of these restrictions, may enter upon said premises, without liability to Owner, to do or cause to be done any work necessary to correct said situation. The Owner thereof shall be billed for cost of necessary repairs, plus ten percent (10%) All monies so owed the Association will be added to the Maintenance Charge and shall be payable on the first day of the next calendar month with the regular monthly maintenance charge payments.

Section 3.21 Hazardous Waste. No Lot in the Subdivision shall be used or maintained as a dumping ground for rubbish or trash and no garbage or other waste shall be kept upon any Lot except in sanitary containers. All incinerators or other equipment for the storage and disposal of such materials shall be kept in a clean and sanitary condition. Notwithstanding the foregoing, no Hazardous substance shall be brought onto, installed, used, stored, treated, disposed of or transported over the Subdivision or any Lot therein, and all activities on all Lots shall, at all times, comply with Applicable Law. The term "Hazardous Substance" shall mean any substance which, as of the date hereof, or from time to time hereafter, shall be listed as "hazardous" or "toxic" under the regulations implementing The Comprehensive Environmental Response Compensation and Liability Act ("CERCLA"), 42 U.S.C. §§9601 et seq, The Resource Conservation and Recovery Act ("RCRA"), 42 U.S.C. §§ et seq, or listed as such in any applicable state or local law or which has been or shall be determined at any time by any agency or court to be a hazardous or toxic substance regulated under applicable law. The term "Applicable Law" shall include, but shall not be limited to, CERCLA, RCRA, The Federal Water Pollution Control Act, 33 U.S.C. §§1251 et seq. The Clean Act, 42 U.S.C. §§ 7401 et seq, and any other local, state and/or federal laws or regulations that govern the existence, cleanup and/or remedy of contamination on property, the protection of the environment from spill deposited or otherwise in place contamination, the control of hazardous waste or the use, generation, transport, treatment, removal or recover of hazardous substances, including building materials.

ARTICLE IV

ARCHITECTURAL CONTROL COMMITTEE

Section 4.01 Basic Control

(a) No building or other improvements of any character shall be erected or placed, or the erection or placing thereof commenced, or substantial changes made in the design or exterior appearance thereof (including without limitation, the color of any painting, staining or siding, which must be in harmony with the Subdivision), or any addition or exterior alteration made thereto after original construction, or demolition or destruction by voluntary action made thereto after original construction, on any lot in the Subdivision until the obtaining of the necessary approval (as hereinafter provided) from the Committee of the construction plans and specifications for the improvements by voluntary action. Approval shall be granted or withheld based on matters of compliance with the provisions of this instrument, quality and color of materials, drainage, harmony of external design and color with existing and proposed structure and location with respect to topography and finished grade elevation.

(b) Each application made to the Committee shall be accompanied by two sets of plans and specifications for all purposes construction (initial or alterations) to be done on such Lot, including the drainage plan for the Lot, plot plans showing location and elevation of the improvements on the Lot and dimensions of all proposed walkways, driveways, and all other matters relevant to architectural approval. The address of the Committee shall be the address of the principal office of the Association.

(c) Each application is also subject to the terms of ARTICLE X

Section 4.02 Architectural Control Committee.

(a) The authority to grant or withhold architectural control approval as referred to above is initially vested in Developer, provided, however, the authority of the Developer shall cease and terminate upon the appointment of the Architectural Control Committee by the Board of Directors of the Association (sometimes 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 thereto fore submitted to the Developer which shall continue to exercise such authority over all such plans, specifications and plot plans until the Control Transfer Date. The term "Committee" as used in this Declaration, shall mean or refer to the Developer or to the Sonoma on the Pedernales Architectural Control Committee composed of members of the Association as applicable.

(b) The Architectural Control Committee is a subcommittee of the Board of Directors. The Architectural Control Committee should act and report to said Board of Directors and not act independently.

(c) At such time as ninety percent (90%) of all the Lots in the Subdivision are conveyed by Developer (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 Real Property Records of Gillespie County, Texas (which instrument shall include the Control Transfer Date). Thereupon, the Board of Directors of the Association shall appoint a committee of three (3) members to be known as the Sonoma on the Pedernales Architectural Control Committee. From and after the Control Transfer Date, each member of the Committee must be an Owner of property in Sonoma on the Pedernales Subdivision. Additionally, the Developer shall have the right to discontinue the exercise of 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 Real Property Records of Gillespie County, Texas.

Section 4.03 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 submission, 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 4.04 Effect. 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 plat 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 reason of the good faith exercise thereof.

Section 4.05 Minimum Construction Standards. The Developer or the Committee may from time to time promulgate an outline of minimum construction standards; provided, however, that such outline will serve as a minimum guideline only and such Developer or Committee shall not be bound thereby.

Section 4.06 Variance. The Developer or the Committee, as the case may be, may authorize variances from compliance with any of the provisions of this Declaration or minimum acceptable construction standards or regulations and requirements as promulgated from time to time by the Developer or the Committee, when circumstances such as topography, natural obstructions, Lot configuration, Lot size, hardship, aesthetic or environmental considerations may require a variance. The Developer or the Committee reserve the right to grant variances as to building set- back lines, minimum square footage of the residence and other items. 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 my 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 this Declaration for any purpose except as to the particular Lot and particular provisions hereof covered by the variance, nor shall the granting of any variance affect in my way the Owner's obligation to comply with all governmental Laws and regulations affecting the Lot concerned and the Plat or survey.

ARTICLE V

SONOMA ON THE PEDERNALES PROPERTY OWNERS ASSOCIATION

Section 5.01 Membership. Every person or entity who is an Owner of any Lot in Sonoma on the Pedernales Subdivision which is subject to the Maintenance Charge (or could be following the withdrawal of an exemption there from) and other assessments provided herein, including contract buyers, shall be a "Member" of the Association. The foregoing is not intended to include persons or entities who 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 Lot owned by such Member. Memberships shall be appurtenant to and may not be separated from the ownership of the Lots. Regardless of the number of persons who may own a Lot (such as husband and wife, or joint tenants, etc.) there shall be but one membership for each Lot. Additionally, the Directors of the Association shall also be Members of the Association (as more particularly described in the Bylaws). Ownership of the Lots shall be the sole qualification of membership. The voting rights of the Members are set forth in the Bylaws of the Association.

Section 5.02 Non-Profit Corporation. Sonoma on the Pedernales Property Owners Association, Inc., 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 5.03 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 Lots and Common Areas, provided that the same are not in conflict with the terms and provisions hereof

ARTICLE IV

MAINTENANCE FUND

Section 6.01 Maintenance Fund Obligation. Each Owner of a Lot by acceptance of a deed therefor, 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 an annual 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 Lots and shall be a continuing Lien upon the Lot against which each such Maintenance Charge and other charges and assessments are made.

Section 6.02 Basis of 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 of $300.00 per year, unless changed by the Association, (except as otherwise hereinafter provided) shall be paid by the Owner of each Lot (or Composite Building Site) to the Association annually, in advance, on or before the first day of February of each calendar year, beginning with the first day of February 2009, unless the control date described in 4.02(c) of this Declaration is earlier, then the charges will begin on the control date, or on such other basis (monthly, quarterly or semi-annually) as the Developer or the Board of Directors of the Association may designate in its sole discretion Provided, however, in the event an Owner obtains consent from the Committee for a Composite Building Site pursuant to Section 3.02 hereof, such Composite Building Site shall he considered for the Maintenance Charge as one Lot beginning upon the completion of the improvements thereon.

(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 Lot. No Owner may waive or otherwise escape liability for the Maintenance by the abandonment of his Lot.

(c) The exact amount of the maintenance Charge applicable to each Lot will be determined by the Developer or the Board of Directors of the Association upon the Control Transfer Date on an annual basis. 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 Maintenance Charge described in this Article VI and other charges or assessments described in this Declaration shall not apply to the Lots owned by the Developer. The Developer, prior to the Control Transfer Date, and the Association, from and after the Control Transfer Date, reserve the right at all times in their own judgment and discretion to exempt any Lot ("Exempt Lot") in the Subdivision from the Maintenance Charge in accordance with Section 6.07 hereof. If an Exempt Lot Is sold to any party, the Maintenance Charge shall be automatically reinstated as to the Exempt Lot and can only be

waived at a later date pursuant to the provisions of the preceding sentence. The Developer, prior to the Control Transfer Date, and the Association, from and after the Control Transfer Date, shall have the further right at any time, and from time to he, to adjust or alter said Maintenance Charge 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 6.03 Creation of Lien and Personal Obligation. In order to secure the payment of the Maintenance Charge, and other charges and assessments hereby levied, a vendor's (purchase money) lien for the benefit of the Association, shall be and is hereby reserved in the deed from the Developer to the purchaser of each Lot or portion thereof, which lien shall be enforceable through appropriate judicial and non-judicial proceedings by the Association. As additional security for the payment of the Maintenance Charge and other charges and assessments hereby levied, each Owner of a Lot in the Subdivision, by such party's acceptance of a deed thereto, hereby grants to the Association a contractual lien on such Lot which may be foreclosed on by a non-judicial foreclosure and 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 a written instrument executed by the President or any Vice-President of the Association and filed for record in the Real Property Records of Gillespie 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 shall mail to the defaulting Owner a copy of the Notice of Trustee's Sale not less than twenty-one (21) days prior to the date on which said sale is scheduled by posting such notice through the U.S. Postal Service, postage prepaid, certified, return receipt requested, properly addressed to such Owner at the last known address of such Owner according to the records of the Association. If required by law, the Association or Trustee shall also cause a copy of the Notice of Trustee's Sale to be recorded in the Real Property Records of Gillespie County, Texas. 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 Lot 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 an action of forcible detainer and the issuance of a writ of restitution thereunder.

In the event of nonpayment 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 nonpayment Owner, exercise all other rights and remedies available at law or in equity.

It is the intent of the provisions of this Section 6.03 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 filed in the Real Property Records of Gillespie County, Texas, amend the provisions hereof so as to comply with said amendments to Section 51.002 of the Texas Property Code.

Section 6.04 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 Lot of the delinquent Owner by recording a notice ('Notice of Lien") setting forth (a) the amount of the claim of delinquency, (b) the interest and costs of collection which have accrued thereon, (c) the legal description and street address of the Lot against which the lien is claimed and (d) 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 thereby

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 6.05 Liens Subordinate to Mortgages. The liens described in this Article VI and the superior title herein reserved 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 other bona fide, third party lender, including Developer, which may have heretofore or may hereafter lend money in good faith for the purchase or improvement of any Lot and any renewal, extension, rearrangement or refinancing thereof. Each such mortgagee of a mortgage encumbering a Lot who obtains title to such Lot pursuant to remedies provided in the deed of trust or mortgage or by judicial foreclosure shall take title to the Lot free and clear of any claims for unpaid Maintenance Charges or other charges or assessments against such Lot which accrued prior to the time such holder acquires title to such Lot. No such sale or transfer shall relieve such transferee of becoming due or from the lien thereof. Any other sale or transfer of a Lot 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 the lien described in Section 6.01 hereof, which notice shall be sent to 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 VI.

Section 6.06 Purpose of the Maintenance Charge. 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 Subdivision and other portions of the Annexable Area 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 VII, including the maintenance of the Common Areas, any Drainage Easements, Utility Easements and the establishment and maintenance of a reserve fund for maintenance. The Maintenance Fund may be expended by the Developer or the Association for any purposes which, in the judgment of the Association, will tend to maintain the property values in the Subdivision, including, but not limited to, providing funds for the actual cost to the Association of all taxes, insurance, repairs, energy charges, replacement and maintenance of the Common Area or easements or the enforcement of these Restrictions as may from time to time be authorized by the Association. 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 6.07 Exempt Property. The following property subject to this Declaration shall be exempt from the Maintenance Charge and all other charges and assessments created herein: (a) all properties owned by the Developer of the Association; (b) all properties dedicated to and accepted by a local public authority; (c) any Common Area; and (d) all properties owned by a charitable or nonprofit organization exempt from taxation by the laws of the State of Texas; however, no land or improvements devoted to dwelling use shall be exempt from said Maintenance Charge.

Section 6.08 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.

ARTIVLE VII

DEVELOPERS RIGHTS AND RESERVATIONS

Section 7.01 Period of Developer's Rights and Reservations. Developer shall have, retain and reserve certain rights as hereinafter set forth with respect to the Association and the Common Area from the date hereof, until the earlier to occur of (i) the Control Transfer Date or (ii) the date of Developer's written notice to the Association of Developer's termination of the rights described in Article VII hereof. The rights and reservations hereinafter set forth shall be deemed excepted and reserved in each conveyance of a Lot by Developer to an Owner whether or not specifically stated therein and in each deed or other instrument by which any property within the Common 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 7.02 Right to Construct Additional Improvements in Common Area. Developer shall have and hereby reserves the right (without the consent of any other Owner), but shall not be obligated, to construct additional improvements within the Common Area at any time and from time to time in accordance with this Declaration for the improvement and enhancement thereof and for the benefit of the Association and Owners, so long as such construction does not directly result in the increase of such Maintenance Charge. Developer shall, upon the control Transfer Date, convey or transfer such improvements to the Association and the Association shall be obligated to accept title to, care for and maintain the same as elsewhere provided in this Declaration.

Section 7.03 Developer's Rights to use a Lot or Common Areas in Promotion and Marketing of the Property and Annexable Area. Developer shall have and hereby reserves the right to reasonable use of any Lot or Common Area and of services offered by the Association in connection with the promotion and marketing of land within the boundaries of the Property and Annexable Area. Without limiting the generality of the foregoing, Developer may erect and maintain on any part of the Lot or Common Area such signs, temporary buildings and other structures as Developer may reasonably deem necessary or proper in connection with the promotion, development and marketing of land within the Property and Annexable Area; may use vehicles and equipment within the Lot or Common Area for promotional purposes; and may permit prospective purchasers of property within the boundaries of the Property and Annexable Area, who are not Owners or Members of the Association, to use the Lot or Common area at reasonable times and in reasonable numbers: and may refer to the services offered by the Association in connection with the Development, promotion and marketing of the Property and Annexable Area.

Section 7.04 Developer's Rights to Grant and Create Easements. Developer shall have and hereby reserves the right, without the consent of any other Owner 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 incident to development, sale, operation and maintenance of the Subdivision, located, in, on, under, over and across (i) the Lots or other property owned by Developer, (ii) the Common Area, and (iii) existing utility easements. Developer also reserves the right, without consent of any other Owner or the Association, to (i) grant or create temporary or permanent easements for access over and across the streets and roads within the Subdivision to and from any public road for the benefit of Owners of Lots, regardless of whether the beneficiary of such easements own property which is hereafter made subject to the jurisdiction of the Association and (ii) permit owners of property within the Annexable Area which is not made subject to the jurisdiction of the Association to use the recreational facilities of the Association and other Common Area, including any lake or pond, provided that said owners pay to the Association their proportionate share of the cost of operating and maintaining said recreational facilities and Common Areas.

Section 7.05 Annexation of Annexable Areas. Additional residential property and common areas outside of the Subdivision including, without limitation, the Annexable Area, may, at any time and

from time to time, be annexed by the Developer into the real property which becomes subject to this Declaration of Covenants, Conditions and Restrictions and the jurisdiction and benefit of the Association, without the consent of the Owners or any other party. The owners of tracts in such annexed property, as well as all other Owners subject to the jurisdiction of the Association, shall be entitled to the use and benefit of all Common Areas that are or may become subject to the jurisdiction of the Association, provided that such annexed property is impressed with this Declaration of Covenants, Conditions and Restrictions including the payment of the same Maintenance Charge imposed hereby.

ARTICLE VIII

DUTIES AND POWERS OF THE PROPERTY OWNERS' ASSOCIATION

Section 8.01 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 Director; 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, to maintain, improve and enhance the Common Areas and lo improve and enhance the attractiveness, desirability and safety of any Sections of the Subdivision and any portion of the Annexable Area which becomes subject to the jurisdiction of the Association. The Association shall have the authority to act as the Agent to enter into any and dl 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 8.02 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 Function are not inconsistent with the terms of this Declaration. Property interests 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 be within the boundaries of the Property or Annexable Area. 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 this Declaration, 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 which do not materially affect the Owners authorized to use such property. 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. The property or interest in property transferred to the Association by Developer shall not impose any unreasonable or special burdens of ownership of property, including the management maintenance, replacement and operations thereof.

Section 8.03 Other Insurance Bonds. The Association shall obtain such insurance as may be required by law, including workmen'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 8.04 Duty to Prepare Budgets. The Association shall prepare budgets for the Association, which budgets shall include a reserve fund for the maintenance of any Common Areas. . .

Section 8.05 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 8.06 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 8.07 Duties with Respect to Architectural Approvals. The Association shall perform functions to assist the Committee as elsewhere provided in Article IV of this Declaration.

Section 8.08 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 8.09 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, the use and enjoyment of the Common Areas, and the use of any other property, facilities or improvements owned or operated by the Association.

Section 8.10 Power to Enforce Restrictions and Rules and Regulations. The Association (and any Owner with respect only lo 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 Related User. 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 with the Subdivision 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 as 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 exclusion, after notice and hearing, of any Member or Related User from use of any recreational facilities within the Common Areas during and for up to sixty (60) days following any breach of this Declaration or such Rules and Regulations by such member or ay Related User, unless the breach is a continuing breach in which case exclusion shall continue for so long as such breach continues; (iv) by suspension, after notice and hearing, of voting rights of a member during and for up to sixty (60) days following any breach by such Member or a Related User 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 ad Regulations by such member or Related User which assessment shall reimburse 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 Related User for breach of this Declaration or such Rules and Regulations by such Member or a Related User; 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 to exercising such remedy.

Before the Board may invoke the remedies provided above, it shall give registered notice of such alleged violation to 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 my Owner to take any action upon any breach of 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.

Section 8.11 Power to Grant Easements. In addition to any blanket easements described in this Declaration, the Association shall have the power to grant access, utility, drainage, water facility and other such easements in, on, over or under the Common Area. Additionally, the Association, from and after the Control Transfer Date, shall have the power to grant access, utility, drainage, water facility and other similar easements in, on, over and under Lots provided that such easements do not unreasonably interfere with the rights of the Owner of such Lots.

Section 8.12 Power to Convey and Dedicate Property to Government Agencies. The Association shall have the power to grant, convey, dedicate or transfer any Common Areas or facilities to any public or governmental agency or authority for such purposes and subject to such terms and conditions as the Association shall deem appropriate, which power may be exercised (i) prior to the Control Transfer Date by the Board of Directors and (ii) from and after the Control Transfer Date by the Association, with the approval of not less than two-thirds (2/3rds) of the Members agreeing in writing or by voting at any scheduled meeting of the Members and with the prior written approval of the Developer. The Association may, subject to the limitations of the preceding sentence, convey property to a public or governmental agency or authority in lieu of such property being condemned by such public or governmental agency or authority.

ARTICLE IX

GENERAL PROVISIONS

Section 9.01 Term. The provisions hereof shall run with all property in the subdivision 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 not less than two-thirds (2/3rds) of then Owners (including the Developer) of the Lots has been recorded agreeing to amend or change, in whole or in part, this Declaration.

Section 9.02 Amendments. This Declaration may be amended or changed, in whole or in part, at any time by the written agreement or signed ballot of Owners (including the Developer) entitled to cast not less than two-thirds (2/3rds) of the votes of all of the Owners. 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 (365) days of the date the first Owner executes such amendment. The date an Owner's signature is acknowledged shall constitute prima facie evidence of the date of execution of said amendment by such Owner. Those Members (Owners, including 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 Developer) 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 he 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 seventy percent (70%) of all of the Members (in person or by proxy) entitled to vote. Any such amendment shall become effective when an instrument is filed for record in the Real Property Records of Gillespie County, Texas, accompanied by a certificate, signed by a majority of the Board of Directors, stating that the required number of Members (Owners, including the Developer) executed the instrument amending this Declaration or cast a written vote, in person or by proxy, 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 of filing of the amendment or termination.

Section 9.03 Amendments 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 for the purpose of correcting any typographical or grammatical error, oversight,

ambiguity or inconsistency appearing herein, 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 and shall not impair or adversely affect the vested property or other rights of any Owner or his mortgagee. Additionally, Developer shall have and reserves the right at any time and from time to time prior to the Control Transfer Date, without 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 for the purpose of permitting the Owners to enjoy the benefits from technological advances, such as security, communications or energy-related devices or equipment which did not exist or were not in common use in residential subdivisions at the time this Declaration was adopted. Likewise, 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 for the purpose of prohibiting the use of any device or apparatus developed and for available for residential use following the date of this Declaration if the use of such device or apparatus will adversely affect the Association or will adversely affect the property values within the Subdivision.

Section 9.04 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 9.05 Mergers and Consolidations. The Association may participate in mergers and consolidations with other non-profit corporations organized for the same purposes, provided that (i) prior to the Control Transfer Date any such merger or consolidation shall be approved (in writing or at a meeting duly called for such purpose) by two-thirds (2/3rds) of the Directors and (ii) from and after the Control Transfer Date any such merger or consolidation shall have the consent (in writing or at a meeting duly called for such purpose) of those Members entitled to cast not less than two- thirds (2/3rds) of the votes of all of the Members of the Association and the Developer.

Upon a merger or consolidation of the Association with another association as provided in its Articles of Incorporation, the properties, rights and obligations may, by operation of law, be transferred to another surviving or consolidated association, or alternatively, the properties, rights and obligations of the other association may, by operation of law, be added to the properties, rights and obligations of the Association as a surviving corporation pursuant to the merger. The surviving or consolidated Association will be subject to the covenants and restrictions established by this Declaration within the Subdivision, together with the covenants and restrictions established upon any other properties as one scheme. No such merger or consolidation, however, shall effect any revocation, change or addition to the covenants and restrictions established by this Declaration, except as changed by amendment of this Declaration or by the plan of merger or consolidation. In the event of any inconsistency between the terms and provisions of this Declaration and the terms and provisions of any of the merger or consolidation documents, the terms and provisions of the merger or consolidation documents shall control.

Section 9.06 Liberal Interpretation. The provisions of this Declaration shall be liberally construed as a whole to effectuate the purpose of this Declaration.

Section 9.07 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 9.08 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, title 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 9.09 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 this Declaration itself. 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.

Section 9.10 Annexation of Additional Property. Declarant may cause additional real property to be annexed to the Property, by causing written Annexation Declaration confirming the annexation thereof, adopting these or similar Restrictions, to be placed of record in the Official Public Records of Llano County, Texas. At that point the annexed property shall become a part of this Development. No consent shall be required of the Association or any Member thereof, each Owner being deemed to have appointed Declarant as his agent and attorney-in-fact to effect this Annexation, which power hereby granted to Declarant is and shall be a power coupled with an interest. Thereafter the Association shall be the Association for the entirety of the Development, the same as if the Property were included in the first instance. The Owner of the Annexed Property shall be subject to these Restrictions and shall be a member of the Association and shall be entitled to all of the rights and benefits provided members. The common areas may be available to and used by the owners of any future property or lots annexed pursuant to this section.

Section 9.11 Developer's Rights and Prerogative. Prior to the control Transfer Date, the Developer may file a statement in the Real Property Records of Gillespie County, Texas, which expressly provides for the Developer's (i) discontinuance of the exercise of any right or prerogative provided for in this Declaration to be exercised by the Developer or (ii) assignment to any third party owning property in the Subdivision or Annexable Area, one or more of Developer's specific rights and prerogatives provided in this Declaration to be exercised by Developer. The assignee designated by Developer to exercise one or more of Developer's rights or prerogatives hereunder shall be entitled to exercise such right or prerogative until the earlier to occur of the (i) Control Transfer Date or (ii) date that said assignee files a statement in the Real Property Records of Gillespie County, Texas, which expressly provides for said assignee's discontinuance of the exercise of said right or prerogative. From and after the date that the Developer discontinues its exercise of any right or prerogative hereunder and/or assigns its right to exercise one or more of its rights or prerogatives to an assignee, the Developer shall not incur any liability to any Owner, the Association or any other party by reason of the Developer's discontinuance or assignment of the exercise of said right(s) or prerogative(s). Upon the Developer's Assignment of its rights as of the Transfer Control Date to the Association, the Association shall be entitled to exercise all the rights and prerogatives of the Developer.

Section 9.12 Electric Utility Services. Prior to beginning any construction on a Lot, each Lot Owner, at his expense, shall be required to install underground electric service lines from the transformer or source of feed to the meter location on said Lot. Further, each lot owner may expect to pay a charge for connection to such electric utility service, ad the Owner is obligated to contact Central Texas Electric (or such other supplier of electricity, as applicable) to determine such charge and make arrangements for the installation of said underground service lines and connection to the electrical distribution system. Owner shall also be responsible for all charges for all underground utility service furnished to Owner's Lot.

IN WITNESS WHEROF, the undersigned, being the Developer herein, has hereunto set its hand as of this _____day of _____, 2008.

WATER RIDGE LP, a Texas Limited Partnership
By WATER RIDGE DEVELPOMENT COMPANY, LLC., a Texas Limited Liability Company, General Partner

By:_____
Clay Signor, Officer

STATE OF TEXAS

COUNTY OF GILLESPIE

This instrument was acknowledged before the _____ day of _____, 2008, by Clay Signor of Water Ridge Development Group, LLC.

_____
Notary Public, in and for the State of Texas

My commission expires: _____