

DECLARATION OF
COVENANTS, CONDITIONS AND RESTRICTIONS
FOR
POTRANCO RANCH SUBDIVISION

December 14, 2012

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Exhibit "A" – Master Development Plan

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**THE POTRANCO RANCH SUBDIVISION
DECLARATION OF
COVENANTS, CONDITION AND RESTRICTIONS**

THE STATE OF TEXAS §

COUNTY OF MEDINA §

WITNESSETH:

WHEREAS, 320 Potranco Ranch, LLC, a Texas limited liability company (hereinafter called "Declarant"), is the owner of Unit 1 of the Potranco Ranch Subdivision, a subdivision in Medina County, Texas, according to the attached Master Development Plan shown at Exhibit A, and with Unit 1 being more particularly described by Plat according to the records of Deeds and Plats of Medina County in Book Volume 10, on Page 228 and recorded on the 10th day of December, 2012 (the "Property");

WHEREAS, these covenant, conditions and restrictions apply only to Unit 1 of the Subdivision (hereinafter defined) until any further land is encumbered through annexation (if at all);

WHEREAS, the purpose of this instrument is to preserve so far as possible the natural beauty of the Property, to avoid harsh contrasts between structures and landscape, to guard against the erection of poorly designed or proportioned structures and the use of unsuitable materials, to encourage and secure the erection of attractive improvements which are harmonious with their sites and, in general, to enhance the environmental quality and economic value of the Property; and

WHEREAS, Declarant desires to create and carry out a uniform plan for the improvement, development and sale of the Property for the benefit of the present and future owners of the Property, and, in furtherance thereof, Declarant hereby adopts and establishes the following declaration of covenants, conditions and restrictions to apply uniformly to the ownership, encumbrance, lease, use, occupancy, enjoyment and conveyance of all the Property.

NOW, THEREFORE, it is hereby declared that all of the Property shall be owned, held, encumbered, leased, used, occupied, enjoyed, sold and conveyed subject to the following covenants, conditions and restrictions, which are for the purpose of protecting the value and desirability of, and which shall run with, the Property and shall be binding on all parties having any right, title or interest in or to the Property or any part thereof, their heirs, administrators, legal representatives, successors and assigns, and shall inure to the benefit of Declarant and each owner thereof.

**Article 1
DEFINITIONS**

Unless the context otherwise specifies or requires, the following words and phrases when

used in this Declaration shall have the meanings hereinafter specified:

1.1 Architectural Committee. "Architectural Committee" shall mean the committee created pursuant to this Declaration as provided in Article 3 hereof.

1.2 Assessment(s). "Assessment(s)" shall mean assessment(s) levied by the Association and includes both regular and special assessment(s) as provided in Article 5 hereof.

1.3 Association. "Association" shall mean Potranco Ranch Homeowners Association, Inc., a Texas non-profit corporation, its successors and assigns.

1.4 Beneficiary. "Beneficiary" shall mean a mortgagee under a mortgage or a beneficiary under a deed of trust.

1.5 Board. "Board" shall mean the Board of Directors of the Association.

1.6 Building. "Building" shall mean a structure, including a residence, having a roof supported by columns or walls for the shelter, support or enclosure of persons or property.

1.7 Builder. "Builder" shall mean a third party purchaser or owner of a Lot or Lots who purchases such Lot or Lots for the sole purpose of building a single family residential home for resale. Under no circumstances will a Builder, or any of its officers, directors, employees or others associated with the Builder occupy any residence constructed on a lot, unless such a residence and lot are conveyed by deed to the individual occupying the residence.

1.8 Bylaws. "Bylaws" shall mean the Bylaws of the Association which may be adopted by the Board, as the Bylaws may from time to time be amended.

1.9 Certificate of Formation. "Certificate of Formation" shall mean the Certificate of Formation of the Association, which has been filed in the office of the Secretary of State of the State of Texas, as the Certificate of Formation may from time to time be amended.

1.10 Common Area. "Common Area" shall mean Lot 900, Lot 901, Lot 902 and Lot 903, all of Block 9 in Potranco Ranch Unit 1, and those portions of the Subdivision, if any, identified as such on the recorded plat of the Subdivision or any subsequently approved and recorded Plat for the Development.

1.11 County. "County" shall mean Medina County, Texas.

1.12 Declarant. "Declarant" shall mean 320 Potranco Ranch, LLC, a Texas limited liability company and any party to whom it shall expressly assign in writing, its rights, powers, privileges and prerogatives hereunder.

1.13 Declaration. "Declaration" shall mean this instrument, as this instrument may from time to time be amended or supplemented.

1.14 Home. "Home" shall mean a single-family residential unit constructed on a Lot being a part of the Property, including the parking garage utilized in connection therewith and

the Lot upon which the Home is located

1.15 Improvement. "Improvement" shall mean every structure and all appurtenances thereto of every type and kind, including, but not limited to, Buildings, outbuildings, storage sheds, patios, tennis courts, swimming pools, garages, storage buildings, playscapes, treehouses, swing sets, fences, gates, screening walls, retaining walls, stairs, steps, porches, walkways, driveways, decks, landscaping, poles, signs, exterior air conditioning, water softener fixtures or equipment, exterior lighting fixtures and equipment, and poles, pumps, wells, tanks, reservoirs, pipes, lines, meters, antennae, aerials, satellite dishes, wind generators, solar collectors, towers and other facilities used in connection with water, sewer, gas, electric, telephone, regular or cable television and other utilities.

1.16 Lienholder. "Lienholder" or "Mortgagee" shall mean the holder of a first mortgage lien, either on any Home and/or any Lot.

1.17 Lot(s). "Lot" or "Lots" shall mean and refer to a portion of the Property designated as a Lot on the initial Plat, or any subsequent approved and recorded Plat of the Property, excluding open space, streets, alleys and any Area of Common Responsibility. Where the context requires or indicates, the term Lot shall include the Home and all other improvements which are or will be constructed on the Lot.

1.18 Manager. "Manager" shall mean the person, firm or corporation, if any, employed by the Association pursuant to this Declaration and delegated the duties, powers and functions of the Association as provided in Section 4.5(c) hereof.

1.19 Member. "Member" shall mean any person or entity who is a member of the Association. The Declarant and each Owner shall be a Member in the Association.

1.20 Mortgage. "Mortgage" shall mean any mortgage or deed of trust covering any portion of the Property, including any Lot or Lots, voluntarily given by an Owner to secure the payment of a debt.

1.21 Owner(s). "Owner(s)" shall mean and refer to the record Owner, other than Declarant whether one or more persons or entities, of a fee simple title to any Lot and shall include any Builder, but shall exclude those having such interest merely as security for the performance of an obligation. However, the term "Owner" shall include any Lienholder or Mortgagee who acquires fee simple title to any Lot which is a part of the Property, through deed in lieu of foreclosure or through judicial or non-judicial foreclosure.

1.22 Plans and Specifications. "Plans and Specifications" shall mean any and all documents designed to guide or control the construction, alteration or removal of any Improvement, including, but not limited to, those indicating location, size, shape, configuration, materials, including roofing materials, site plans, excavation plans, grading plans, foundation plans, drainage plans, landscaping plans, fencing plans, screening plans, elevation drawings, floor plans, exterior lighting plans, specifications on all building products and construction techniques, samples of exterior colors and materials, plans for utility services, and all other documentation or information relevant to such construction, alteration or removal.

1.23 Public Improvement District. "Public Improvement District" or "PID" or "District" shall mean the District created and organized under the terms and provision of Article XVI, Section 59, Article III, Section 52, and Article III, Section 52a, of the Constitution of the State of Texas, and Chapters 372, Subchapter A et. seq., Local Government Code, as amended (if created), to promote state and local economic development and to stimulate responsible and proper growth in the District. The general nature of the work proposed to be done within the boundaries of the proposed District includes, but is not limited to, construction and improvements to utilities; establishment of roads, bridges and associated drainage and trails; water, sewer, and recycled water facilities, demolition and land clearing; lighting improvements; construction of entry way features; signage; and other infrastructure improvements within the District; continual maintenance of above said infrastructure improvements; police, fire and emergency protection and security services; promotion; and establishment of conservation easements, including costs of acquisition of open space. The District may undertake the projects in conjunction with private or public entities. The District will comply with Chapter 372, and specifically Subchapter A thereof, in determining its undertakings. The PID shall maintain, repair, replace, clean, inspect and protect the Common Area, including all private streets and water quality control equipment located therein or thereon. Also, maintain, repair, replace and protect the entrance sign to the Subdivision and all Common Area fencing and walls constructed by Declarant. Additionally, pay all utilities provided to the Common Area and/or the entrance to the Subdivision.

1.24 Original Seller. "Original Seller" shall mean Potranco Ranch, LP, a Texas limited partnership.

1.25 Recycled Non-Potable Water. "Recycled Non-Potable Water" or "Recycled Water" shall mean the non-potable recycled water sold and delivered to homeowners by Forest Glen Utility Company for the express and limited purpose of landscape irrigation.

1.26 Subdivision. "Subdivision" shall mean the Unit 1 of the Potranco Ranch Subdivision, a subdivision in Medina County, Texas, according to the attached Master Development Plan shown at Exhibit A, and Unit 1 being more particularly described by Plat according to the records of Deeds and Plats of Medina County in Book Volume _____, on Page _____ and recorded on the ____ day of December, 2012 (the "Property"), and such other future land in Medina County, Texas as Declarant may make subject to this Declaration in accordance with Section 6.2(a) below. Notwithstanding anything contained herein to the contrary, these Covenants, Conditions and Restrictions as well as the TIRZ and PID shall be applicable only to Unit 1 of the Potranco Ranch Subdivision until such time as any future land is annexed and encumbered by same.

1.27 Tax Increment Reinvestment Zone. "Tax Increment Reinvestment Zone" or "TIRZ" shall mean the TIRZ created in accordance with Texas Tax Code, Section 311.005(a)(4) (if created) to facilitate the development of a master planned development which shall provide new home construction of high quality housing, in an environmentally sensitive "half acre" lot subdivision. The improvements which shall be made possible by the creation of the TIRZ shall significantly enhance the value of all taxable real property in the zone and will be of significant benefit to Medina County.

RECORDED MEMO
At the time of recording, this
instrument was either missing
information or was found to
be inadequate for good copy
recording.

Article 2 RESTRICTIONS

All of the Property shall be owned, encumbered, leased, used, occupied, enjoyed and conveyed subject to the following limitations and restrictions:

2.1 Residential Use; Construction, Alteration or Removal of Improvements.

(a) All Lots shall be improved and used solely for single family residential use and accessory uses, including, without limitation, a garage, fencing and such other Improvements as are necessary or customarily incident to residential use. No manufacturing, trade, business, commerce, industry, profession or other occupation whatsoever may be conducted or carried on in any portion of the Property or in any Improvement thereon other than a home office which does not accept invitees, clients, customers or guests. No Improvement constructed on a Lot may be used as an apartment house, flat, lodging house, hotel or bed and breakfast lodge or similar purpose.

(b) No Improvement may be constructed, altered or removed upon or from any of the Property without the prior written approval of the Architectural Committee. Any action, other than normal maintenance, which in any way alters the exterior appearance of any Improvement, including, without limitation, its color, or which involves the removal of any Improvement from a Lot, shall be performed only with the prior written approval of the Architectural Committee. The positioning of all Improvements upon all Lots is hereby expressly made subject to Architectural Committee review. No Improvement shall be allowed on any Lot that is of such size or architectural design or that involves the use of such landscaping, color schemes, exterior finishes and materials and similar features as to be incompatible with residential development in the Subdivision and the surrounding area.

2.2 Building Height. No Improvement greater than thirty-eight feet (38') in Height may be constructed on a Lot. For purposes of this Section 2.2, "Height" means the vertical distance from "grade" to the highest point of the coping of a flat roof or to the deck line of a mansard roof or to the average height of the highest gable on a pitched or hipped roof, or if none of the preceding, then to the highest point of the Improvement. As applied to a Building, Height is measured from an elevation derived from the average of the highest and lowest grade adjacent to the Building.

2.3 Building Materials; Natural Building Materials Required for Certain Lots; Residence Size.

(a) All single family residences shall be of recognized standard construction quality. At least three sides of the first (1st) floor and the front side along with the first two (2) feet of the side wall of the second (2nd) floor (if any) (excluding with respect to any second (2nd) floor walls over the roof or wood supported areas) of each residence shall be (exclusive of windows, doors or other openings, gable ends, and all areas above the roof line) composed of masonry or masonry veneer. Masonry or masonry veneer includes stucco, ceramic tile, clay, brick, and rock. Roofing materials must be of high grade and quality. At a minimum, twenty-

five (25) year composition asphalt or fiberglass, and consistent with the exterior design, color and appearance of other Improvements, architectural dimensional shingles shall be required. Allowable other roofing materials are slate, concrete tile, copper, zinc or metal using standing seams. No black, red, blue, yellow or white metal roofs shall be allowed. No reflective roofs shall be permitted. All windows shall contain clear or lightly tinted, non-reflective glass.

(b) Each residence constructed on the Property shall contain (i) a minimum square footage of two thousand three hundred square feet (2,300) for each single story residence, and two thousand five hundred square feet (2,500) for each two story residence situated on each Lot. The square footage of a residence for purposes of the foregoing calculations shall include all enclosed living space and exclude all porches and patios (open or covered), decks and garages. Outbuildings shall be allowed to be constructed with Architectural Committee approval. Building composition must be consistent with the residence in terms of colors, roofing and siding materials. The square footage of the outbuilding, when added with the square footage of the respective residence garage area, must not exceed one thousand (1,000) square feet in total.

2.4 Governmental Requirements. All improvements and construction shall comply with all applicable governmental laws, ordinances and regulations including, without limitation, all setback and impervious cover restrictions.

2.5 Subdividing. No Lot shall be further divided or subdivided, nor may any easements or other interests therein less than the whole be conveyed by the Owner thereof without the prior written approval of the Architectural Committee; provided, however, that when Declarant is the Owner thereof, Declarant may further divide and subdivide any Lot and convey an easement or other interest less than the whole, all without the approval of the Architectural Committee.

2.6 Signs. Except for the permanent entrance sign for the Subdivision and political signs not subject to regulation pursuant to Section 202.009, Texas property Code, any signage on a model home Lot and one (1) 3' x 5' sign per Lot for sales purposes, no sign of any kind shall be displayed to the public view without the prior written approval of the Architectural Committee. The Architectural Committee may permit signs of any type advertising portions of the Property for sale and/or for advertising a garage sale. The Architectural Committee may set standards and restrictions for such signs. No sign of any kind or character, including (a) any signs in the nature of a "protest" or complaint against Declarant or any homebuilder, (b) or that describe, malign or refer to the reputation, character or building practices of Declarant or any homebuilder, or (c) discourage or otherwise impact or attempt to impact anyone's decision to acquire a Lot or residence in the Subdivision shall be displayed to the public view on any Lot except for one (1) professionally fabricated sign of not more than five (5) square feet advertising the Lot for rent or sale, or signs used by a builder to advertise the Lot during the construction and sales period. Declarant, any homebuilder or their agents, the Association or the Manager at the direction of the Association, shall have the right, without notice, to remove and discard or dispose of any sign, billboard or other advertising structure that does not comply with the above, and in so doing shall not be subject to any liability for trespass or any other liability in connection with such removal. Permits are allowed to be displayed as may be required by legal proceedings and/or by any governmental entity. Notwithstanding anything contained herein to the contrary, signs advertising "For Rent" or "Foreclosure" shall specifically not be allowed within the Subdivision.

2.7 Rubbish and Debris. Other than normal construction materials and debris during the period of construction of a residence on a Lot, no rubbish or debris of any kind shall be placed or permitted to accumulate upon the Property or any portion thereof and no odors shall be permitted to arise therefrom so as to render the Property or any portion thereof unsanitary, unsightly, offensive or detrimental to any other property or to its occupants. Refuse, garbage and trash shall be kept at all times in covered containers and all such containers shall at all times be kept within an enclosed structure or appropriately screened from view of all adjacent property and public and private rights-of-way; provided, however, garbage containers shall be permitted to be placed outside of enclosed structures and may be removed from screened areas a maximum of two (2) times each week, for no longer than forty-eight (48) hours each time, for garbage collection. Compost may, however, be maintained for home gardening use. During the period of construction of a residence on a Lot, each builder shall take reasonably prudent steps to ensure that construction debris and materials remain on the Lot on which the residence is being constructed and do not accumulate on any other Lots or in the streets of the Subdivision.

2.8 Noise; Nuisances. No exterior speakers (other than home entry speakers), horns, whistles, bells or other sound devices (other than security devices used exclusively for security purposes) shall be located, used or placed on any portion of the Property unless approved by the Architectural Committee. No noise or other nuisance shall be permitted to exist or operate upon any portion of the Property so as to be offensive or detrimental to any other portion of the Property or its occupants. No noxious or offensive activity shall be conducted on any portion of the Property. The Board, in its sole discretion, shall determine whether an action or activity constitutes a violation of this Section 2.8.

2.9 Condition and Repair of Improvements and Landscaping. All Improvements upon the Property shall at all times be kept in good condition and repair and adequately painted or otherwise maintained by the Owner thereof. All windows in any Improvement on the Property facing any public or private right-of-way shall have draperies, mini blinds or shutters installed by the resident or Owner thereof. Within ninety (90) days of completion of construction on any Lot, all landscaping on such Lot shown on the Plans and Specifications for the Improvements on such Lot shall be completed and shall at all times thereafter be properly maintained with all trees, shrubs and plantings properly pruned, yards regularly mowed, edged and raked and all areas kept free of trash, debris, weeds and overgrowth. Each Owner shall keep all trees, shrubs, grass and plantings on such Owner's Lot or Lots free of disease and insects consistent with good horticultural practice. Without limiting the generality of the foregoing, each Owner shall promptly treat oak trees on their Lots that show symptoms of oak wilt or other life-threatening diseases in a manner consistent with good horticultural practice.

2.10 Hazardous Activities. No activities shall be conducted or allowed to exist on any portion of the Property and no Improvements shall be constructed on the Property which are or might be unsafe or hazardous to any person or property.

2.11 Vehicles; Unsightly Articles; Temporary Structures.

(a) Passenger vehicles, motorcycles and scooters owned or used by an Owner shall not be parked or left on any portion of the Property other than such Owner's garage or driveway for longer than twelve (12) hours at a time. No mobile homes, boats, buses, trucks

(other than passenger vehicle trucks), food trucks or business vehicles, boat trailers, graders, tractors or wagons shall be parked or placed on any Lot at any time; provided, however, construction equipment may be left on a Lot during construction on such Lot, but shall be removed as soon as such equipment is no longer needed in such construction. No travel trailers or recreational vehicles shall be parked on or near any Lot so as to be visible from adjoining property or public or private rights-of-way for longer than forty-eight (48) hours at a time.

(b) No junk vehicles or equipment, spare vehicle or equipment parts or other article deemed to be unsightly by the Board shall be permitted to remain on any Lot so as to be visible from adjoining property or public or private rights-of-way. All garden maintenance equipment shall be kept at all times, except when in actual use, in an enclosed structure or screened from view of adjoining property and public and private rights-of-way. No permanent recreational equipment, including, but not limited to, swing sets, playscapes, basketball hoops and nets or badminton nets, shall be permitted in the front yard of any residence on the Property. Gardens shall be permitted for household use only and shall not be permitted in the front yards of residences. No repair or maintenance work shall be done on any garden maintenance equipment or on any vehicle (other than minor emergency repairs) except in an enclosed garage or other structure. Service areas, storage areas, compost piles and facilities for hanging, drying or airing clothing or household materials shall be appropriately screened from view and no lumber, grass, plant waste, shrub or tree clippings, metals, bulk materials or scrap or refuse or trash shall be kept, stored or allowed to accumulate on any portion of the Property except within an enclosed structure or appropriately screened from view.

(c) No tent, shack, barn or other temporary Improvement shall be placed upon any portion of the Property; provided, however, that temporary structures necessary for storage of tools and equipment and for office space for architects, builders and foremen during actual construction may be maintained with the prior written approval of the Architectural Committee, such approval to include the nature, size, duration and location of such structure.

2.12 Animals. No kennel or other facility for raising or boarding dogs or other animals for commercial purposes shall be kept on any Lot. Only the keeping of ordinary household pets such as dogs and cats, not to exceed three (3) each in number and in the aggregate, is allowed; however, no breeding, raising, or boarding of such pets is permitted on any Lot. No pit bull terriers or other dangerous breed of dogs as determined by the Board in its sole discretion may be kept on any Lot for any period of time. All pets permitted by this Declaration to be kept on a Lot shall at all times be properly vaccinated and cared for. No poultry or livestock of any kind may be kept on any Lot for any period of time. All pets shall be kept on the Owner's Lot and shall not be allowed to roam loose, and Owners having pets shall keep their Lot and all other Lots free of offensive or unsanitary accumulations of waste from their pet.

2.13 Fences, Walls and Entryway Improvements. Chain link and other open mesh wire type fences may not be constructed or maintained on any Lot; provided, however, that a temporary chain link construction fence shall be allowed during construction of a residence to keep trash from being blown to an adjacent Lot. The Architectural Committee may, in its discretion, prohibit the construction of any proposed fence or wall, or specify the materials of which any proposed fence must be constructed, or require that any proposed fence be screened by vegetation or otherwise so as not to be visible from other portions of the Property. All fencing

with a wooden composition must be constructed out of cedar. All fences and walls on or immediately adjacent to a Lot boundary line shall be maintained by the Owner of such Lot. Fencing from the front of the residence extending to the side Lot line shall be "game fencing" or wrought iron (metal tubular) of not more than six foot (6') in height. Fencing along the sides of each Lot may be either "game fencing" or cedar privacy fencing with cap and rail of not more than six feet (6') in height. Fencing along the rear of the Lot shall be "game fencing" or wrought iron (metal tubular) of not more than six feet (6') in height. Fencing on lots with a rear lot line backing up to Potranco Road shall be constructed with materials that are consistent with the materials and concept used in the entry of the subdivision. The entryway landscaping and improvements located in the areas shown on Exhibit "B" attached hereto shall be maintained by the Association and the Association is hereby granted an access easement as necessary to allow the Association to repair, replace and maintain such entryway landscaping and improvements.

2.14 Landscaping. At least fifty percent (50%) of all front yards of all Lots shall be sodded with either permanent turf grass or planted with winter rye or synthetic grass upon completion of construction; provided, however, winter rye shall only be used as a temporary ground cover to reduce soil erosion in the winter season and shall be replaced with sodded permanent turf grass by no later than June 1st of the year in which construction is completed or the following year if construction is completed after May 15th of a year. Except for Plans and Specifications for improvements constructed by Declarant, all new planting and all proposed removal of sod or transplanting of existing sod shall be included with all Plans and Specifications and shall be subject to the approval of the Architectural Committee. Architectural Committee approval of Plans and Specifications containing such landscaping plans shall be required prior to any disruption, cutting or clearing of existing grasses. No statues, decorations or other outside ornamentation shall be placed or displayed on any Lots as part of a landscape plan or otherwise without the prior approval of the Architectural Committee. 2.15 Recycled Non-Potable Water. Irrigation of any landscaping shall be provided solely by use of recycled water. Any irrigation lines installed on a Lot shall be installed using only purple colored piping as approved by Forest Glen Utility Company ("FGUC") and each home shall have a testable back-flow preventer installed in conjunction with each water meter of the potable water system installed. State regulations prohibit the direct connection between the public drinking water supply and a potential source of contamination, including any connection between the drinking water and recycled water. As a result, annually, homeowners are required to provide a copy to FGUC of certified testing indicating that back-flow preventers installed on the home are operating and in working order. In addition, all work to be performed to any type of irrigation or other plumbing utilizing recycled water must be done only with the prior notification and approval of the Architectural Control Committee and FGUC. Each owner is required to comply with the rules and regulations of FGUC and Yancy Water Supply Corporation regarding recycled water use and such rules and regulations can be obtained by contacting said utilities.

2.16 Carports; Garages. No carports shall be erected or permitted to remain on any Lot. Each residence constructed on a Lot shall have an enclosed side or rear entry garage that shall be large enough to accommodate at least two (2) full size passenger automobiles. Side entry garages are defined as those which open directly toward a side lot line. On garages that accommodate three (3) or more automobiles, a minimum of two (2) of the bays must face a side lot line. With the approval of the Architectural Control Committee, detached garages may face a street. Porte-cocheres may be allowed with the Architectural Control Committee's approval. Garages shall not be remodeled for living or entertaining purposes and shall be used for the

intended purpose of housing automobiles and miscellaneous outdoor items (bicycles, garbage cans, tools, etc.).

2.17 Underground Utility Lines. No utility lines or wires, including, but not limited to, wires or other devices for the communication or transmission of telephone, electric current or power or cable television, shall be erected, placed or maintained in or upon any Lot unless the same shall be contained in conduit or cables that are installed and maintained underground or that are concealed in, under or on Buildings; provided, however, that no provision hereof shall be deemed to forbid the erection of temporary power or telephone structures incident to the construction of Improvements which have been previously approved in writing by the Architectural Committee. The installation method, including, but not limited to, location, type of installation equipment, trenching method and other aspects of installation for both temporary and permanent utility lines and wires shall be included in the Plans and Specifications for all Improvements.

2.18 Exterior Lighting. All exterior lighting on any Improvement must be approved by the Architectural Committee; provided, however, Christmas and other holiday lights shall be permitted without prior approval from thirty days before to thirty days after the holiday for which they are meant to be displayed. No lighting shall be permitted that constitutes a nuisance or hazard to any Owner or occupant of any Lot. The Board in its sole discretion shall determine whether the provisions of this Section 2.17 have been satisfied.

2.19 Setbacks. All Buildings or other structures, permanent or temporary, habitable or not, shall be constructed and located at least twenty five feet (25') away from a front property line of a Lot, at least five feet (5') away from the side property line of a Lot, and at least ten feet (10') away from a rear property line of a Lot. Notwithstanding the foregoing, the Architectural Committee may grant waivers from the foregoing setback restrictions. For purposes of this Section 2.18, driveways and caves shall not be deemed to be a part of a Building or structure, but steps and porches shall be deemed to be a part of a Building or structure. In no event may any Building or other structure be constructed or maintained upon any utility or other easement.

2.20 General Restrictions.

(a) All Buildings constructed on the Property shall be built in place on the Lot.

(b) There shall be no interference with the established drainage patterns over any of the Property, except by Declarant, unless adequate provision is made for proper drainage and the prior written approval of Architectural Committee is obtained.

(c) Once commenced, construction shall be diligently pursued to completion so that no construction is left in a partially completed condition any longer than reasonably necessary. All construction materials and debris shall promptly be cleared from each Lot upon completion of construction thereon.

2.21 No Above Ground Pools. No above ground swimming or permanent wading pools shall be permitted. All swimming pools must be located below ground and approved by the Architectural Committee. Any temporary wading pool shall be removed when not in use.

2.22 Streets. Each prospective Owner is hereby notified that the streets within the Subdivision are not public streets, but are private streets. Declarant shall maintain the private streets until such time as they are dedicated to the Association. Once dedicated to the Association, Declarant shall no longer maintain said private streets and maintenance shall become the responsibility of the Association.

(a) The Board may make reasonable rules and regulations, and may prescribe such penalties, as it determines reasonable and necessary to promote safety within the Properties. In the event an Owner or Owner's family member or guest repeatedly violates such rules or fail to operate a motorized vehicle at or below the posted maximum rate of speed and in a safe, reasonable and prudent manner on the private streets within the Subdivision, such person may be subject to such penalties, including, but not limited to:

(1) fines; and/or

(2) the suspension of such person's right to traverse the private streets within the Subdivision via motorized vehicle for a period not to exceed thirty (30) days.

(b) The Board may make such other and further rules regarding notification of safety infractions, proof of safety infractions and/or enforcement of the penalties as may be reasonably necessary to give effect to this Section.

(c) In the event speed and traffic control in the Subdivision are assumed by the City or by some other public agency having the authority to issue penalties for infractions thereof, the penalties prescribed herein may not be imposed in addition to the penalties imposed by said public agency.

2.22 Right of Enforcement. The failure by Declarant or the Association to enforce any provision of this Declaration shall in no event subject Declarant or the Association to any claims, liability, costs or expense, it being the express intent of this Declaration to provide Declarant with the right (such right to be exercised in its sole and absolute discretion), but not the obligation, to enforce the terms of this Declaration for the benefit of any Owner(s) of any Lot(s) in the Subdivision.

2.23 No Warranty of Enforceability. While Declarant has no reason to believe that any of the restrictive covenants or other terms or provisions contained in this Declaration are or may be invalid or unenforceable for any reason or to any extent, Declarant makes no warranty or representation as to the present or future validity or enforceability of any such restrictive covenants, terms or provisions. Any Owner acquiring a Lot in the Subdivision in reliance on one or more of such restrictive covenants, terms or provisions shall assume all risks of the validity and enforceability thereof and, by acquiring the Lot, agrees to hold Declarant and the Association harmless therefrom. Declarant shall not be responsible for the acts or omissions of any individual, entity or other Owners.

Article 3 ARCHITECTURAL COMMITTEE

3.1 Membership and Duties of Architectural Committee.

(a) The Architectural Committee shall be composed of not more than three (3) persons to be selected in accordance with Section 3.3 below.

(b) The Architectural Committee shall consider and act upon any and all Plans and Specifications submitted for its approval pursuant to this Declaration and perform such other duties assigned to it by this Declaration or as from time to time shall be assigned to it by the Board. The Architectural Committee shall review Plans and Specifications submitted for its review and such other information as it may require relating to the question of whether any proposed Improvement would unreasonably obstruct the view from other portions of the Property. The Architectural Committee shall have the authority to disapprove any proposed Improvement based upon the restrictions set forth herein and the decision of the Architectural Committee shall be final and binding so long as it is made in good faith. The Architectural Committee shall not be responsible for inspecting any proposed Improvement, nor shall its approval of any Plans or Specifications be deemed approval of any Improvement as to structural safety, engineering soundness or conformance with any building or other codes.

3.2 Term. Each member of the Architectural Committee shall hold office until such time as he has resigned or has been removed and his successor has been appointed.

3.3 Declarant's Rights of Appointment. Declarant, its successors and assigns, shall have the right to appoint and remove all members of the Architectural Committee at any time. Declarant may delegate this right to the Board by written instrument. Thereafter, the Board shall have the right to appoint and remove all members of the Architectural Committee.

3.4 Review of Construction, Alteration or Removal of Improvements.

(a) Whenever in this Declaration the approval of the Architectural Committee is required, the Architectural Committee shall have the right to consider all of the Plans and Specifications for the Improvement or proposal in question and all other facts, materials, construction samples and other information which it considers, in its sole discretion, to be relevant. Prior to commencement of any construction, alteration or removal of any Improvement on any Lot, the Plans and Specifications therefor shall be submitted to the Architectural Committee, and construction, alteration or removal thereof may not commence unless and until the Architectural Committee has approved such Plans and Specifications in writing. All such construction, alteration or removal shall conform to the approved Plans and Specifications.

(b) An Owner, other than Declarant, proposing to construct, alter or remove an Improvement on any Lot shall submit an application to the Architectural Committee together with two (2) sets of the Plans and Specifications for such construction, alteration or removal. Within ten (10) days after receipt by the Architectural Committee of such Plans and Specifications, it shall act on the Plans and Specifications as follows:

(1) The Architectural Committee may request in writing that the Owner submit to it such additional materials, construction samples and information that the Architectural Committee considers relevant in reviewing the Plans and Specifications for compliance with this Declaration. Until receipt by the Architectural Committee of all

information requested by it, it may postpone review of such Plans and Specifications. Upon receipt of all such information requested by it, the Architectural Committee shall act upon such Plans and Specifications within ten (10) days. The written request of the Architectural Committee for additional information shall be binding upon the Architectural Committee as a complete list of such information if the additional information is received by it within ten (10) days of its request. The Architectural Committee may request the additional information described herein at any time it receives revised Plans and Specifications; provided, however, such request shall be limited to the additional or revised items therein and not to items previously reviewed by the Architectural Committee unless such items are affected by such revision.

(2) If the Architectural Committee approves such Plans and Specifications, it shall mark both sets of the Plans and Specifications "Approved" with the date thereof, and retain one set for its records and return one set to the Owner. The Owner must commence construction of the Improvements shown in approved Plans and Specifications within one (1) year of the Architectural Committee's approval thereof or such approval shall lapse. Upon written request of an Owner, the Architectural Committee shall grant up to two (2) ten (10) day extensions of such approval. If the Architectural Committee approves of Plans and Specifications for a particular Improvement, an Owner may build other Improvements in accordance with such approved Plans and Specifications without submitting full Plans and Specifications for each subsequent Improvement to be constructed. Each submittal for an Improvement utilizing the same Plans and Specifications already approved by the Architectural Committee shall only be required to contain a site plan showing the Lot on which the Improvement is to be constructed and the exact location of the proposed Improvement on such Lot.

(3) if the Architectural Committee disapproves such Plans and Specifications, it shall mark both sets of the Plans and Specifications "Disapproved" with the date thereof, and retain one set for its records and return one set to the Owner, with a written statement of all of the items that were found not to comply with this Declaration. Thereafter, the Owner shall submit to the Architectural Committee two (2) revised sets of Plans and Specifications, with notations thereon sufficient to identify the revised portions, and the Architectural Committee shall act on such revised Plans and Specifications within ten (10) days after receipt by it of such revised Plans and Specifications. The written statement of non-complying items shall be binding upon the Architectural Committee as a complete list of such items if revised Plans and Specifications with changes conforming to such statement are received by it within ten (10) days of the date of such statement. The Architectural Committee may disapprove revised Plans and Specifications submitted to it according to the provisions hereof; provided, however, the Architectural Committee shall only disapprove the revised Plans and Specifications based on the revised or additional items therein and not based on items previously reviewed by the Architectural Committee.

(4) If the Architectural Committee fails to act on any Plans and Specifications submitted to it within thirty (30) days after receipt by the Architectural Committee of all information requested by it in connection with such Plans and

Specifications, approval of the matters submitted to it shall be deemed.

(5) Any builders constructing more than one (1) residence of the same model shall not be required to submit to the Architectural Committee more than one (1) complete set of Plans and Specifications for such model. However, a proposed residence which materially deviates from a previously approved residence model must have full Plans and Specifications therefor submitted to, and approved, by the Architectural Committee.

3.5 Actions of the Architectural Committee. The Architectural Committee may, by resolution unanimously adopted in writing, designate one (1) or two (2) of its members or an agent acting on its behalf to take any action or perform any duties for and on behalf of the Architectural Committee. In the absence of such designation, the vote of a majority of all of the members of the Architectural Committee taken at a meeting shall constitute an act of the Architectural Committee. In the event that the members of the Architectural Committee cannot agree by majority vote on any matter submitted to them, the matter may be raised at any meeting of the Members of the Association and decided by a majority of those present, provided that a quorum is present.

3.6 No Waiver of Future Approvals. The approval or consent of the Architectural Committee to any Plans or Specifications for any work done or proposed or in connection with any other matter requiring the approval or consent of the Architectural Committee shall not be deemed to constitute a waiver of any right to withhold approval or consent as to any Plans and Specifications, or other matter whatsoever, subsequently or additionally submitted for approval or consent by the same or a different Owner.

3.7 Waiver or Variance. The Architectural Committee may grant such waivers or variances of any of the restrictions contained in this Declaration as it considers appropriate based upon the quality and design of a proposed Improvement provided, however, it shall not grant a waiver of the restrictions contained in Sections 2.1, 2.2 and 2.5 hereof.

3.8 Nonconforming or Unapproved Improvements. The Architectural Committee, at its option, may inspect all work in progress to ensure compliance with approved Plans and Specifications. The Architectural Committee may require any Owner to restore such Owner's Lot to the condition existing prior to construction, alteration or removal of any Improvement thereon, including, without limitation, the demolition and removal of any unapproved or nonconforming Improvement, if such Improvement was constructed or altered in violation of this Article 3. In addition, the Architectural Committee may, but has no obligation to, cause such restoration, demolition and removal of any such Improvement, and levy the amount of the cost thereof as a special individual assessment against the Lot upon which such unapproved or nonconforming Improvement was constructed or altered.

3.9 No Liability of Architectural Committee and Board Members. Notwithstanding anything to the contrary in this Declaration, neither the Architectural Committee nor the members thereof, nor the Board nor the members thereof, shall be liable to any Owner or any other third party due to the construction of any Improvement within the Property or the creation thereby of an obstruction to the view from such Owner's Lot or Lots.

3.10 Address. Plans and Specifications shall be submitted to the Architectural Committee at such address as may be designated from time to time in writing by the Board or the Architectural Committee.

Article 4
POTRANCO RANCH HOMEOWNERS ASSOCIATION, INC.

4.1 Organization. The Association is a non-profit corporation created by Declarant for the purposes, and charged with the duties and vested with the powers, prescribed by law and set forth in its Certificate of Formation and Bylaws or in this Declaration. Neither the Certificate of Formation nor Bylaws shall for any reason be amended or otherwise changed or interpreted so as to be inconsistent with this Declaration.

4.2 Membership. Declarant, during the time it owns any Lots, and each person or entity who is a record Owner of a fee or undivided fee interest in any Lot, 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. Membership shall be appurtenant to and may not be separated from any ownership of any Lot, which is subject to assessment by the Association. Transfer of ownership, either voluntarily or by operation of law, shall terminate such Owner's membership in the Association, and membership shall be vested in the transferee; provided, however, that no such transfer shall relieve or release such Owner from any personal obligation with respect to assessments which have accrued prior to such transfer.

4.3 Voting Rights. The Association shall have two classes of voting membership.

(a) Class "A". The Class "A" Members shall be all Owners. The Class "A" Members shall be entitled to one vote for each Lot owned. When more than one person holds an interest in any Lot, all such persons shall be Members. The vote for such Lot shall be exercised as they, among themselves, determine, but in no event shall more than one vote be cast with respect to any Lot.

(b) Class "B". The Class "B" Member shall be Declarant. The Declarant shall be entitled to three votes for each Lot it owns; provided, however, that Declarant shall cease to be a Class "B" Member and shall become a Class "A" Member entitled to one vote per Lot on the happening of either of the following events:

- (1) upon Declarant's discretion, if the total votes outstanding in the Class "A" membership equals the total votes outstanding in the Class "B" membership, or
- (2) the expiration of ten (10) years from the recording date of this instrument in the Real Property Records of the County.

4.4 Duties of the Association. Subject to and in accordance with this Declaration, the Association, acting through the Board, shall have and perform each of the following duties:

- (a) To accept conveyance of title to the Common Area from Declarant.

(b) To pay all real and personal property taxes and other taxes and assessments levied upon or with respect to the Common Area and any other property owned by or leased to the Association, to the extent that such taxes and assessments are not levied directly upon the Members. The Association shall have all rights granted by law to contest the legality and the amount of such taxes and assessments.

(c) To obtain and maintain in effect policies of insurance which, in the Board's judgment, are reasonably necessary or appropriate to carry out the Association's functions. To make, establish and promulgate, and in its discretion to amend or repeal and re-enact, such Association Bylaws, not in conflict with this Declaration, as it deems proper covering any and all aspects of its functions.

(d) To keep books and records of the Association's affairs.

(g)

(i) To carry out and enforce all duties of the Association set forth in this Declaration.

(j) To pay all expenses incurred by the Architectural Committee and/or the Association.

4.5 Powers and Authority of the Association. The Association shall have the powers of a Texas non-profit corporation, subject only to such limitations upon the exercise of such power as are expressly set forth in this Declaration. It shall further have the power to do and perform any and all acts which may be necessary or proper, for or incidental to, the exercise of any of the express powers granted to it by the laws of Texas or by this Declaration. Without in any way limiting the generality of the two preceding sentences, the Association and the Board acting on behalf of the Association, shall have the power and authority at all times as follows:

(a) To levy Assessments as provided in Article 5 below.

(b) To enter at any time (or grant the PID the authority to enter at any time) in an emergency, or in a non-emergency after twenty-four (24) hours written notice, without being liable to any Owner, upon any Lot, but expressly excluding entry into any Improvement thereon, for the purpose of enforcing this Declaration or for the purpose of maintaining or repairing any area, Improvement or other facility to conform to this Declaration, and the expense incurred by the Association in connection with the entry upon any Lot and the maintenance and repair work conducted thereon shall be a personal obligation of the Owner of the Lot entered upon, shall be secured immediately by a lien upon the Lot entered upon and the Improvements thereon, and shall be enforced in the same manner and to the same extent as provided in Article 5 hereof for regular and special Assessments. The Association shall have the power and authority from time to time, in its own name and on its own behalf, or in the name of and on behalf of any Owner who consents thereto, to commence and maintain actions and suits to enforce, by mandatory injunction or otherwise, or to restrain and enjoin, any breach or threatened breach of this Declaration. The Association is also authorized to settle claims, enforce liens and take all such action as it may deem necessary or expedient to enforce this Declaration; provided, however, that the Board shall never be authorized to expend any Association funds for the purpose of bringing

suit against Declarant, its agents, contractors, successors or assigns.

(c) To retain and pay for the services of a Manager to manage and operate the Association, to the extent deemed advisable by the Board. To the extent permitted by law, the Association and the Board may delegate any duties, powers and functions to the Manager. The Members hereby release the Association and the members of the Board from liability for any omission or improper exercise by the Manager of any such duty, power or function so delegated.

(d) To retain and pay for legal and accounting services necessary or proper in the operation of the Association.

(e) To obtain and pay for any other property and services, and to pay any other taxes or assessments which the Association or the Board is required to secure or to pay for pursuant to applicable law or the terms of this Declaration.

(f) To enter into (or grant the PID the authority to enter into) contracts with Declarant and with other persons on such terms and provisions as the Board shall determine, and to acquire and own, and to dispose of all manner of real and personal property, whether by grant, lease, gift or otherwise.

4.6 Power to Indemnify and to Purchase Indemnity Insurance. The Association shall indemnify and may reimburse and/or advance expenses and/or purchase and maintain insurance or any other arrangement on behalf of any person who is or was a director or officer of the Association against any liability asserted against such person and incurred by such person in such a capacity or arising out of his status as such a person to the maximum extent permitted by Article 1396 §2.22A of the Texas Non-Profit Corporation Act, as such Act may from time to time be amended (without regard, however, to Section Q of such Article with respect to officers of the Association who are not directors of the Association). Further, the Association may indemnify and/or reimburse and/or advance expenses and/or purchase and maintain insurance or any other arrangement on behalf of any person, other than any person who is a director of the Association, who is or was an officer, employee or agent of the Association, or is or was serving at the request of the Association as a director, officer, partner, venturer, proprietor, trustee, employee, agent or similar functionary of another corporation, partnership, joint venture, sole proprietorship, trustee, employee benefit plan or other enterprise, against any liability asserted against such person and incurred by such person in such a capacity or arising out of his status as such a person, to such extent (or, in the case of officers of the Association, to such further extent), consistent with applicable law, as the Board may from time to time determine. The provisions of this Section 4.6 shall not be deemed exclusive of any other rights to which any such person may be entitled under any Bylaw, agreement, insurance policy, vote of Members or otherwise.

Article 5 ASSESSMENTS

5.1 Assessments.

(a) The Association may from time to time levy Assessments against each

Lot, whether or not such Lot is improved, as set forth herein. The amount of Assessments shall be equal and uniform among all Lots; provided, however, no Assessment shall be levied against any Lots owned by Declarant during the time of Declarant's ownership thereof. As long as Declarant is a Class "B" Member pursuant to Section 4.3 hereof, Declarant shall pay the deficiency resulting in the event the cost of maintenance exceeds the amount of the Assessments received from the Owners; provided, however, in such event, Declarant shall not otherwise be required to pay Assessments with respect to portions of the Property owned by Declarant; and further, provided, however, in no event shall Declarant be required to pay an amount which is in excess of one hundred percent (100%) of the established Assessment for each Lot it owns. When the Declarant is converted to a Class "A" Member, the Declarant (i) shall no longer be responsible for contributing shortfalls outlined in the preceding sentence but rather, (ii) shall commence making regular annual and Special Assessments calculated on the number of Lots Declarant then owns.

(b) Where an Owner's obligation to pay Assessments first arises after the commencement of the year or other period for which an Assessment was levied, such Assessment shall be in a prorated amount proportionate to the fraction of the year or other period remaining after said date. Upon the recording of this Declaration, the regular maximum annual Assessment shall be an amount not to exceed \$150.00 per Lot per year.

(c) Each purchaser of any Lot, by acceptance of a deed therefor, shall be deemed to covenant to pay to the Association each Assessment levied hereunder against such Lot, whether or not such covenant shall be expressed in any such deed or other conveyance. Each unpaid Assessment together with interest thereon and costs and expenses of collection thereof, including, without limitation, reasonable attorneys' fees, as hereinafter provided, shall be the personal obligation and debt of the Owner of the Lot against which the Assessment was levied.

(d) The obligation to pay Assessments levied by the Association hereunder is part of the purchase price of each Lot when sold to an Owner. An express vendor's lien is hereby retained to secure the payment of each and every Assessment levied hereunder, and each such vendor's lien is hereby transferred and assigned to the Association, each such vendor's lien to be superior and paramount to any homestead or other exemption provided by law. The Association may enforce the payment of Assessments in accordance with the provisions of this Article 5.

(e) The Assessments shall be used exclusively for the purpose of promoting the comfort, health, safety and welfare of the Owners, the maintenance and improvement of the Lots, private streets and drainage, entrance, and all other Common Areas and for carrying out the purposes of the Association as stated herein or as otherwise provided in the Certificate of Formation of the Association.

(f) (a) The PID will, on an annual basis, levy Assessments against each Lot, but only if such Lot is improved and has been transferred to a homeowner, as set forth herein. The amount of Assessments shall be equal and uniform among all Lots; provided, however, no Assessment shall be levied against any Lots owned by Declarant or builder during the time of Declarant's ownership thereof. Where an Owner's obligation to pay Assessments first arises after the commencement of the year or other period for which an Assessment was levied, such Assessment shall be in a prorated amount proportionate to the fraction of the year

or other period remaining after said date. Upon the recording of this Declaration, the regular maximum annual Assessment shall be an amount not to exceed Eighteen Cents per One Hundred Dollars (\$0.18 per \$100) of Property Value. The "Property Value" for the purpose of calculating the Assessment shall be equal to the official appraised value of the property (Lot) and improvements thereon identified for each tax account within the District on the official tax role of Medina County, Texas for the year in which the assessment is made as determined by the Medina County Appraisal District.

5.2 Regular HOA and PID Annual Assessments. Prior to the beginning of each fiscal year for the Association and the PID, the Board of the Association and the Board of the PID shall estimate the expenses to be incurred by the Association and the PID, respectively and exclusively, during such year in performing its functions under this Declaration, including a reasonable provision for contingencies and appropriate replacement reserves, less any expected income and any surplus from the prior year's fund. Assessments sufficient to pay such estimated net expenses shall then be levied by the Association and the PID as herein provided, and the amount of such Assessments as determined by each separate Board shall be final and binding so long as such determination is made in good faith. All such regular Assessments shall be due and payable to the Association and the PID at the beginning of the fiscal year for the Association and the PID for which such Assessments are payable, or during such fiscal year in equal monthly installments (only for the HOA) on or before the first day of each month, or in such other manner as the Board may designate in its sole and absolute discretion. Unless approved by a unanimous vote of all of the Owners of all of the Lots (in the case of the HOA Assessment), the Board may not increase the regular Assessments for any one calendar year by more than ten percent (10%) of the prior year's annual Assessment.

5.3 Special Assessments for Working Capital Fund, Nonrecurring Maintenance and Capital Improvements. In addition to the regular annual Assessments authorized above, the Association may levy special Assessments as follows:

(a) In any fiscal year for the Association, a special Assessment applicable to that fiscal year only for the purpose of defraying, in whole or in part, the cost of any nonrecurring maintenance, or the acquisition, construction, reconstruction, repair or replacement of a capital Improvement upon any Common Area, including fixtures and personal property related thereto, may be assessed. The Association shall not commingle the proceeds of such special Assessments with the regular general Assessment fund. Such proceeds shall be used solely and exclusively to fund the nonrecurring maintenance or Improvements approved pursuant to Section 5.3(b) below.

(b) The Board shall initially determine the necessity and the amount for any special Assessment. However, special Assessments shall not be effective unless approved by a vote of the Owners entitled to case two-thirds (2/3) of all of the votes of Lots who are voting in person, by proxy, or by absentee or electronic ballot at a meeting called for the purpose of approving the special Assessments and conducting other business, if any. Written notice of such meeting shall be sent to each Owner not less than ten (10) days nor more than fifty (50) days in advance of the meeting.

5.4 Owner's Personal Obligation for Payment of Assessments. Each regular and special Assessment provided for herein shall be the personal and individual debt of the Owner of the Lot against which such Assessment was levied. No Owner, other than Declarant, may exempt himself from personal liability for such Assessments. In the event of default in the payment of any Assessment, the Owner of the Lot against which such Assessment was levied shall be obligated to pay interest at the highest rate allowed by applicable usury laws then in effect on the amount of the Assessment from the due date thereof (or if there is no such highest rate, then at the rate of one percent [1%] per month) together with all costs and expenses of collection, including, without limitation, reasonable attorneys' fees.

5.5 HOA Assessment Lien and Foreclosure.

(a) The payment of each unpaid Assessment levied hereunder together with interest thereon as provided in Section 5.4 hereof and the costs and expenses of collection, including reasonable attorneys' fees, as herein provided, is secured by a continuing lien and charge on the Lot against which such Assessment was levied. Such lien for payment of Assessments shall bind such Lot owned by the Owner, and such Owner's heirs, devisees, personal representatives, successors or assigns, and shall be superior to all other liens and charges against such Lot, except only for tax liens, and all sums unpaid on any first lien Mortgage securing sums borrowed for the purchase of such Lot, provided such Mortgage was recorded in the Official Public Records of Real Property of Medina County, Texas, before such Assessment was due. The Association shall have the power, in the Board's sole and absolute discretion, to subordinate the aforesaid lien for payment of Assessments to any other lien. Any such subordination shall be signed by an officer of the Association and recorded in the Official Public Records of Real Property of Medina County, Texas. Upon the written request of any Beneficiary holding a lien on any Lot that is superior to the lien for payment of Assessments as provided herein, the Association shall report to said Beneficiary the amount of any Assessments levied against such Lot remaining unpaid for a period of more than sixty (60) days after the same are due.

(b) To evidence the aforesaid lien for payment of Assessments, the Association may prepare a written notice of Assessment lien setting forth the amount of the unpaid indebtedness, a description of the Lot encumbered by the lien and the name of the Owner of such Lot. Such notice shall be signed by one of the officers of the Association and shall be recorded in the Official Public Records of Real Property of Medina County, Texas. The aforesaid lien for payment of Assessments shall attach with the priority set forth above from the date the payment of such Assessments becomes delinquent. The Association may institute suit against the Owner personally obligated to pay the Assessment for monetary damages and/or for the judicial foreclosure of the aforesaid lien. The Owner of the affected Lot shall be required to pay all costs and expenses, including, without limitation, reasonable attorneys' fees, incurred by the Association in connection with any foreclosure proceeding. The Association shall have the power to bid on any Lot at any foreclosure or other legal sale and to acquire, hold, lease, mortgage, convey or otherwise deal with the same.

(c) The liens for payment of Assessments provided for herein shall not be affected or extinguished by the sale or transfer of any Lot, whether by judicial or non-judicial

foreclosure sale or otherwise; provided, however, that in the event of foreclosure of any first lien Mortgage superior to the lien for the delinquent Assessment, the lien for the delinquent Assessment will be extinguished, and the delinquent Assessment shall be paid out of the proceeds of such foreclosure sale only to the extent that funds are available after the satisfaction of the first lien Mortgage. The extinguishing of any lien for payment of Assessments as herein provided will not relieve any Owner from the obligation to pay Assessments subsequently becoming due and payable.

5.6 PUBLIC IMPROVEMENT DISTRICTS: Since the Property is in a public improvement district, §5.014, Property Code, requires Seller to notify Buyer as follows: As a purchaser of this parcel of real property you are obligated to pay an assessment to a municipality or county for an improvement project undertaken by a public improvement district under Chapter 372, Local Government Code. The assessment may be due annually or in periodic installments. More information concerning the amount of the assessment and the due dates of that assessment may be obtained from the municipality or county levying the assessment. The amount of the assessments is subject to change. Your failure to pay the assessments could result in a lien on and the foreclosure of your property.

Article 6 MISCELLANEOUS

6.1 Term. This Declaration, including all of the covenants, conditions and restrictions hereof, shall continue in force and effect until December 31, 2060, unless amended as herein provided. After December 31, 2060, this Declaration, including all such covenants, conditions and restrictions, shall be automatically extended for successive periods of ten (10) years each, unless amended or extinguished by a written instrument executed by the Owners of at least sixty percent (60%) of the Lots. Notwithstanding the foregoing, this Declaration shall remain in force and effect and shall not terminate for so long as Declarant owns any portion of the Property.

6.2 Amendment.

(a) So long as the Declarant shall own any Lot in the Subdivision, the covenants, conditions and restrictions of this Declaration may be amended by the Declarant, without the joinder of any other owner of any Lot in the subdivision, by filing and recording such changes in the Official Public Records of Real Property of Medina County, Texas, to include, but not be limited to, annexation of additional land by the filing of an Annexation Declaration in the Official Public Records of Real Property of Medina County, Texas. Annexation of additional land shall automatically extend all of the covenants, conditions and restrictions to that land herein as if said land were part of Unit 1, as defined or described herein. When Declarant no longer owns any Lot or property in the Subdivision, the covenants, conditions, and restrictions of this Declaration may be amended at any time by the vote of the owners of not less than sixty-six (66%) of the votes of the Lots in the Subdivision (one vote for each Lot).

(b) In addition to the method provided in Section 6.2(a), this Declaration may be amended by the recording in the Official Public Records of Real Property of Medina County, Texas, of an instrument executed and acknowledged by the President and Secretary of the Association, setting forth the amendment and certifying that such amendment has been approved by Owners entitled to cast at least sixty-six and two-thirds percent (66-2/3%) of the number of votes entitled to be cast pursuant to Section 4.3.

(c) So long as Declarant is an Owner in the Subdivision, Declarant may unilaterally amend this Declaration if such amendment is necessary: (i) to bring any provision into compliance with any applicable governmental statute, rule, regulation or judicial determination with which it is in conflict therewith; (ii) to enable any reputable title insurance company to issue title insurance coverage for any portion of the Subdivision; (iii) to enable any institutional or governmental lender, purchaser, insurer or guarantor of mortgage loans, including, for example, the Federal National Mortgage Association or Federal Home Loan Mortgage Corporation or their conservators (Federal Housing Finance Agency) or successors, to make, purchase, insure or guarantee mortgage loans on the Lots; or (iv) to satisfy the requirements of any local, state or federal governmental agency. However, any amendment under this paragraph shall not adversely affect the title to any Lot unless the Owner shall consent in writing.

(d) Notwithstanding anything contained in this Section 6.2 to the contrary, as long as Original Seller retains title any land in the Master Development Plan as shown at Exhibit A, any amendment to these Covenants, Conditions and Restrictions must be approved by Original Seller, not to be unreasonably withheld.

6.3 No Warranty of Enforceability. While Declarant has no reason to believe that any of the restrictive covenants or other terms and provisions contained in this Declaration are or may be invalid or unenforceable for any reason or to any extent, Declarant makes no warranty or representation as to the present or future validity or enforceability of any such restrictive covenants, terms or provisions. Any Owner acquiring a Lot in reliance on one or more of such restrictive covenants, terms or provisions shall assume all risks of the validity and enforceability thereof and by acquiring the Lot agrees to hold Declarant harmless therefrom.

6.4 Notices. Any notice permitted or required to be given by this Declaration shall be in writing and may be delivered either personally or by mail. If delivery is made by mail, it shall be deemed to have been delivered on the third (3rd) day (other than a Sunday or legal holiday) after a copy of the same has been deposited in the United States mail, postage prepaid, certified mail, return receipt requested, addressed to the person at the address given by such person to the Association for the purposes of service of notices, or to the residence of such person if no address has been given to the Association. Such address may be changed from time to time by notice in writing given by such person to the Association.

6.5 Interpretation. The provisions of this Declaration shall be liberally construed to effectuate the purposes of creating a uniform plan for the development and operation of the Subdivision and of promoting and effectuating the fundamental concepts of the Subdivision set forth in this Declaration. This Declaration shall be construed and governed under the laws of the State of Texas.

6.6 Exemption of Declarant; Utility Easements.

(a) Notwithstanding anything in this Declaration to the contrary, neither Declarant nor any of Declarant's activities shall in any way be subject to the control of or under the jurisdiction of the Board, the Association or the Architectural Committee. Without in any way limiting the generality of the preceding sentence, this Declaration shall not prevent or limit

the right of Declarant to excavate and grade, to construct and alter drainage patterns and facilities, to construct any and all other types of improvements, sales and leasing offices and similar facilities, and to post signs incidental to construction, sales and leasing anywhere within the Property.

(b) Declarant reserves the right to locate, construct, erect and maintain or cause to be located, constructed, erected and maintained in and on any areas owned by Declarant sewer and other pipelines, conduits, wires and any Improvement relating to a public utility function, subject to Section 2.16 hereof, with the right of access to the same at any time for the purposes of repair and maintenance.

6.7 Assignment of Declarant. Notwithstanding anything in this Declaration to the contrary, Declarant may assign, in whole or in part, any of its privileges, exemptions, rights and duties under this Declaration to any other person or entity and may permit the participation, in whole or in part, by any other person or entity in any of its privileges, exemptions, rights and duties hereunder. Such assignment shall be evidenced by a written instrument, executed by Declarant and the assignee, recorded in the Official Public Records of Real Property of Medina County, Texas.

6.8 Enforcement and Nonwaiver.

(a) Except as otherwise provided herein, any Owner at his own expense, Declarant or the Board shall have the right to enforce the provisions of this Declaration. Such right of enforcement shall include both damages for, and injunctive relief against, the breach or threatened breach of any such provision.

(b) Every act of omission whereby any provision of this Declaration is violated, in whole or in part, is hereby declared to be a nuisance and may be enjoined by any Owner (at his own expense), Declarant or the Board.

(c) Any violation of any federal, state or local law, ordinance or regulation pertaining to the ownership, occupancy or use of any portion of the Property is hereby declared to be a violation of this Declaration and subject to all of the enforcement procedures set forth herein. The failure to enforce any provision of this Declaration at any time shall not constitute a waiver of the right thereafter to enforce any such provision or any other provision of this Declaration.

(d) The Association shall have the right, when appropriate in its judgment, to claim and impose a lien upon any Lot or Improvement constructed thereon, or to impose fines on Owners and a lien on their Lot(s), in order to enforce any right under, or effect compliance with, this Declaration.

6.9 Alternative Dispute Resolution. . In the event of any dispute, controversy or claim between or among Declarant, any Owner or Owners, the Association and/or the Architectural Committee relating to or arising out of any provision of this Declaration (excluding disputes regarding non-payment of assessments, interest, costs of collection or attorney's fees, and also excluding any action in which any party seeks a temporary restraining order and/or temporary injunctive relief (collectively, "Excluded Claims")), the parties to the dispute shall

meet or communicate in a good faith effort to resolve the dispute through negotiations. In the event the parties are unable to agree on another such form of dispute resolution, any dispute, controversy or claim arising out of any provision of this Declaration other than Excluded Claims shall be submitted to mediation, with the expense thereof to be borne equally by all parties, subject to their agreement to reallocate same amongst themselves. If any party to a dispute commences a legal proceeding on any claim other than an Excluded Claim prior to completion of mediation, then any other party to the proceeding who has not prior to that time refused to engage in mediation shall be entitled to abatement of all activity in the proceeding until mediation has been completed. .

6.10 Initiation of Litigation by Association. In addition to compliance with the foregoing alternative dispute resolution procedures, no such alternative dispute resolution procedure shall be required of actions or proceedings:

(a) Initiated to enforce the provisions of this Declaration relating to collection of assessments and foreclosure of liens;

(b) Initiated to challenge *ad valorem* taxation or condemnation proceedings;

(c) Initiated against any contractor, vendor, or supplier of goods or services arising out of a contract for services or suppliers; or

(d) To defend claims filed against the Association or to assert counterclaims in proceedings instituted against it.

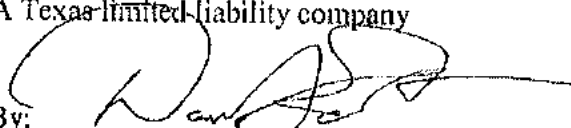
6.11 Safety and Security. Each Owner and occupant of a Lot or Improvement, and their respective guests and invitees, shall be responsible for their own personal safety and the security of their property in the Subdivision. The Association may, but shall not be obligated to, maintain, or support certain activities with the Subdivision designed to promote or enhance the level of safety or security which each person provides for himself or his property. However, neither the Association nor the Declarant shall in any way be considered insurers or guarantors of safety or security within the Subdivision, nor shall either be held liable for any loss or damage by reason of failure to provide adequate security or ineffectiveness of security measures undertaken.

No representation or warranty is made that any systems or measures, including security monitoring systems or any mechanism or system for limiting access to the Subdivision, cannot be compromised or circumvented; or that any such system or security measures undertaken will in all cases prevent loss or provide the detection or protection for which the system is designed or intended.

(SIGNATURE ON NEXT PAGE)

IN WITNESS WHEREOF, the undersigned, being the Declarant herein, has executed this Declaration as of the 14th day of December, 2012.

320 POTRANCO RANCH, LLC
A Texas limited liability company

By: 

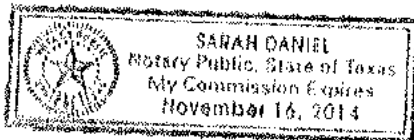
Name: David L. Earl

Title: Manager/Member

ACKNOWLEDGEMENT

STATE OF TEXAS §
 §
COUNTY OF BEXAR §

This instrument was acknowledged before me on the 14th day of December, 2012, by David L. Earl, as Manager/Member of 320 Potranco Ranch, LLC, a Texas limited liability company, known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he has executed the same for the purposes and consideration therein expressed.




Notary Public, State of Texas

[illegible]