

**DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS
BEAR SPRINGS TRAILS SUBDIVISION**

THE STATE OF TEXAS §

COUNTY OF BANDERA §

BEAR SPRINGS TRAILS, L.L.C., a Texas limited liability company, being the record owner of all of the property proposed to be developed as Bear Springs Trails Subdivision in Bandera County, Texas, in order to carry out a general plan of development of said subdivision (herein sometimes called the "subdivision"), and in order to promote desirable residential living and limited commercial purposes in said subdivision, to insure harmony in connection therewith, to maintain the suitability of said subdivision for private residential purposes and limited commercial purposes, to carry out a general plan for the protection, benefit, use, recreation and convenience of each and every purchaser of a tract or parcel of land in said subdivision, hereby imposes the following covenants, conditions and restrictions, to-wit:

W I T N E S S E T H:

The undersigned hereby declare that all of the Property (as hereinafter defined) shall be held, sold and conveyed subject to the following easements, restrictions, covenants and conditions, which are for the purpose of protecting the value and desirability of, and which shall constitute covenants running with, the real property, shall be binding on all parties having any right, title or interest in the Property or any part thereof, their heirs, successors and assigns, and shall inure to the benefit of each owner thereof, the Bear Springs Trails Owner's Association, Inc., and their respective heirs, executors, successors and assigns.

ARTICLE I

DEFINITIONS

Section 1: "Association" shall mean and refer to The Bear Springs Trails Owner's Association, Inc., a Texas non-profit corporation, its successors and assigns. The Association shall have all those powers, duties and responsibilities set out herein, and such other powers, duties and responsibilities not inconsistent herewith provided for in its Articles of Incorporation and its Bylaws as the same may be amended from time to time by proper action of its members.

Section 2: "Committee" shall mean and refer to the Architectural Control Committee designated and constituted as provided herein.

Section 3: "Owner" shall mean and refer to the record owner, whether one or more persons or entities, of a fee simple title to any Lot which is a part of the Property, including contract seller(s), but excluding those having such interest merely as security for the performance of an obligation.

Section 4: "Plat" shall mean and refer to the subdivision plat for Bear Spring Trails Subdivision recorded in Volume 6, Pages 899-301, of the Plat Records of Bandera County, Texas.

Section 5: "Property" shall mean and refer to all of the land shown and described on the Plat.

Section 6: "Lot" shall mean and refer to each lot shown or designated on the Plat of Bear Springs Trails Subdivision to which map or plat reference is here made for all purposes and any additional lots shown or designated upon any subsequent replat of any lot shown on the Plat.

Section 7: "Common Area" shall mean all property together with any improvements thereon owned by the Association for the common use and benefit of the Owners. The Common Area shall include and be limited to land designated on the Plat or any replat as "Common Area".

Section 8: "Declarant" shall mean and refer to Bear Springs Trails, L.L.C., a Texas limited liability company, and its successors and also its assignee if such assigns are designated in writing as an assignee of the rights of Declarant set forth herein.

Section 9: "Declaration" shall mean this Declaration of Covenants, Conditions and Restrictions.

Section 10: "Water Company" shall mean either an investor-owned utility or a water supply corporation regulated by the Texas Natural Resource Conservation Commission ("TNRCC"), which will own the central water system servicing the Property.

ARTICLE II

USE RESTRICTIONS

Section 1: Limited Use: Each lot shall be restricted to the residential and limited commercial uses permitted herein. No other uses are permitted.

Section 2: Residential Use:

A. Construction. No building shall be erected, altered or permitted to remain on any Lot (or any resubdivision thereof) other than one single-family residential dwelling not exceeding two (2) stories in height, which may have a private garage, carport, up to two (2) bona fide servants' or guest quarters, shop building(s) and storage building(s). On Lot(s) containing three (3) or more acres of land, there is also permitted one structure designed to accommodate livestock, as permitted herein. The structure shall not exceed the main residential dwelling in height nor be more than 2,000 sq. ft. in floor space.

B. Motor Homes. Further, motor homes may be occupied for residential use on a temporary basis not to exceed one (1) month in any one stay. Any motor home located on any such Lot and occupied for more than one (1) month is required to be removed from the subdivision or parked unoccupied (at such other location as may be designated by the Committee) for not less than thirty (30) days between each such occurrence. Any location of a motor home (whether or not occupied) shall be subject to approval by the Committee as to location; provided however, the Committee may not allow such location in close proximity to any residential structure being used as a primary residence (as opposed to weekend or resort use). At the earlier of (A) cessation of continuous occupancy by Owner or Owner's guest or (B) at the expiration of 30 days, the motor home must be removed from the Subdivision.

As used herein, "motor home" is defined to include the following:

(1) a motor vehicle which is designed to provide temporary living quarters and which is built onto as an integral part of, or is permanently attached to, a motor vehicle chassis and otherwise satisfies the requirements or definition of a "motor home" under the Motor Vehicle Commission Code of the State of Texas, Art. 4413(36), as the same may be amended;

(2) recreational travel trailers designed to be towed by an ordinary motor vehicle; and

(3) camper trailers (including "pop-ups").

"Motor home" does not include a mobile home or manufactured home, and no mobile home or manufactured home may be permitted on the Property except for a temporary sales office which will be removed by Declarant at the conclusion of sales activity.

C. Storage Buildings. Storage buildings, as approved by the Committee, may be constructed prior to construction of the primary residence.

Section 3: Limited Commercial Uses: The limited commercial uses of small cottage industries, and the raising of livestock (as limited hereby) are permitted on any Lot(s) containing not less than three (3) contiguous acres of land as long as such activity is in conjunction with residential use and does not attribute to the Lot(s) any appearance of a commercial or non-residential use and no sign is displayed.

As used herein, "livestock" means cattle and horses. Hogs, swine and any other animals not specified are not permitted and are not included in the definition of "livestock".

Permitted livestock shall be limited to one (1) animal unit for each two (2) acres of land.

All permitted livestock shall be confined within fences, pens or buildings suitable for the particular species and not allowed to run loose.

Further, two lots may be used for water works plants and facility and for storage of related equipment.

Section 4: Non-Owner Occupancy of Residence: When a Lot is occupied as a primary residence by persons other than the Owner thereof, the Owner shall deliver to such occupants a complete copy of this Declaration.

Section 5: Architectural Control: The Architectural Control Committee ("Committee") is hereby created and shall consist of three (3) persons subject to appointment and removal by Declarant until such time as Declarant has sold eighty percent (80%) of the Lots in the subdivision, as shown on the Plat, and thereafter appointment and removal of the three (3) persons shall be by the Board of Directors of the Association. Declarant reserves the right to delegate the power of appointment and removal to the Board of Directors at such earlier time as Declarant deems advisable. Neither the Declarant nor the Association nor the Committee nor the individual members thereof shall be liable for any act or omission in performing or purporting to perform the functions delegated hereunder. All actions of and by the Committee shall be by a majority vote of the Committee's members; provided, however, that the three (3) Committee members may appoint one of the members to act on behalf of the Committee as to all matters other than variances permitted by this Declaration.

No buildings, walls, hedges, fences or improvements of any character shall be erected or placed or the erection thereof begun, or changes made in the design thereof after original construction, on any Lot or Common Area until the construction plans and specifications and a plan showing the location of the structure or improvements have been submitted to and approved in writing by the Committee, as to size, roof pitch, exterior type and quality of material, harmony of external design, materials and color scheme with existing and proposed structures and as to location with respect to topography and finish grade elevation and otherwise as to compliance with this Declaration. The exterior of all structures must be brick, stone, stucco, or other exterior siding approved by the Committee; provided, however, that no metal exterior (other than roofs) will be permitted. As to color scheme, colors shall be "earth tone" or comparable colors approved by the Committee. Any portion of the exterior of any improvement that is other than brick or stone shall be stained or painted. All dwelling structures must be built on site and no part of the structure shall be factory built components without specific written approval of the Architectural Control Committee. All metal roofs shall be of galvalume or better grade and durability. The exterior of any approved structure shall be completed within six (6) months after the date in which construction begins or material placed on the building site, whichever occurs first. The approval of any construction that is not commenced within six (6) months after approval by the Committee shall be void.

Further, no motor home shall be placed on any Lot unless and until approved by the Committee as to location, as provided elsewhere in this Declaration.

In the event the Committee fails to indicate its approval or disapproval within thirty (30) days after the receipt of the required documents, approval will not be required and the related covenants set out herein shall be deemed to have been fully satisfied. The approval or lack of disapproval by the Committee shall not be deemed to constitute any warranty or representation by such Committee including, with limitation, any warranty or representation relating to fitness, design or adequacy of the proposed construction or compliance with applicable statutes, codes and regulations.

Notwithstanding anything to the contrary herein contained, a majority of the Committee is hereby authorized and empowered, at its sole and absolute discretion, to make and permit reasonable modifications of and deviations from any of the requirements of this Declaration relating to the type, kind, quantity or quality of the building materials to be used in the construction of any building or improvement on any Lot and of the size and location of any such building or improvement when, in the sole and final judgement and opinion of a majority of the Committee, such modifications and deviations in such improvements will be in harmony with existing structures and will not materially detract from the aesthetic appearance of the Property and its improvements as a whole.

The Committee may require the submission to it of such documents and items (including as examples, but without limitation, written request for and description of the variances requested, plans, specifications, plot plans and samples of materials) as it shall deem appropriate, in connection with its consideration of a request for a variance. If a majority of the Committee shall approve such request for a variance, the Committee shall evidence such approval, and grant its permission for such variance, only by written instrument, addressed to the Owner of the Lot(s) relative to which such variance has been requested, describing the applicable restrictive covenant(s) and the particular variance requested, expressing the decision of the Committee to permit the variance, describing (when applicable) the conditions on which the variance has been approved (including as examples, but without limitation, the time limitation of such approved variance, if any, the type of alternate materials to be permitted, or specifying the location, plans and specifications applicable to an approved outbuilding), and signed by a majority of the then members of the Committee. Any request for a variance shall be deemed to have been disapproved for the purposes hereof in the event of either (a) written notice of disapproval from the Committee; or (b) failure by the Committee to respond to the request for variance. In the event the Committee or any successor to the authority thereof shall not then be functioning and/or the

term of the Committee shall have expired, no variances from the covenants of this Declaration shall be permitted, it being the intention of Declarant that no variances be available except at the discretion of the Committee.

Section 6: Minimum Square Footage Within Residential Improvements: The living area of a one-story main residence structure (exclusive of porches, garages and servant's quarters) shall not be less than one thousand four hundred (1,400) square feet. Two story residences shall not be less than two thousand (2,000) square feet with at least one thousand two hundred (1,200) square feet on the ground floor. The above restrictions shall not apply to motor homes approved by the Committee and used for temporary occupancy, as permitted and provided elsewhere in this Declaration.

Section 7: Location of Improvements Upon the Lot: Front yard setbacks for buildings and other improvements shall be not less than fifty (50) feet from the street right-of-way line, and fifteen (15) feet from the property lines. In addition, no structure intended to house any livestock shall be closer than fifty (50) feet to any dwelling or to any front, rear or side Lot line.

As used herein, "front yard" shall mean and refer to that part of each Lot from the adjacent street right-of-way line to the front building setback line; and on corner Lots, the front yard shall be all that area on both adjacent street rights-of-way to the building setback line of each such Lot.

Section 8: Adjoining Lots and Resubdivision:

A. Composite Building Site. Any Owner of one or more adjoining Lots may consolidate such Lots or portions into one building site, with the privilege of placing or constructing improvements on such site, in which case side setback lines and utility easements as provided in this Declaration shall be measured from the resulting side property lines rather than from the Lot lines shown on the recorded Plat. Any such proposed composite building site(s) must be approved in writing by the Committee.

B. Resubdivision or Replat. No Lot may be resubdivided.

Section 9: Easements: Easements are as shown and provided for on the Plat and no structure of any kind shall be erected upon any of said easements. Neither the Association, nor any company using the easements, shall be liable for any damage done by either of them or their assigns, their agents, employees or servants to shrubbery, trees, flowers or improvements of the Owner located on the land within or affected by said easements.

A blanket easement is hereby created on all Lots and the Common Area for ingress and egress, installation, repair, construction, replacement and maintenance of all utilities, including but not limited to, water, telephone, cable and electricity. In the event that any utility company or other entity or person furnishing a service covered by the general easement herein provided requests a specific easement on the Property by separate recordable instrument, the Association shall have the right to grant such easement on said Property without conflicting with the terms hereof, provided that the granting of any such easement does not adversely affect any mortgage theretofore given to secure either a purchase money or improvement loan on any Lot affected by such easement.

Without limiting the foregoing, a blanket easement is hereby created in favor of the Declarant and its assigns over the Property for access through the Property and for the inspection, maintenance, repair, replacement, construction, reconstruction and operation of the water storage and water distribution lines and system within the Property, the title to which water storage system and water distribution system is to be conveyed to the Water Company by Declarant.

Section 10: Prohibition of Trade and Offensive Activities: Except as provided in Article II, Section 3 above, no Lot or any improvement(s) thereon shall be used for any commercial purpose, except that nothing herein shall be construed to prevent an Owner or a tenant of an Owner from rendering professional services of a purely personal nature as long as such services do not attribute to the Lot any appearance of a commercial or non-residential use and no sign of any nature is displayed.

Section 11: Use of Temporary Structures: Except for motor homes on a temporary basis as set forth in Article II, Section 2, no structures of a temporary character, mobile home, camper, trailer, basement, tent, shack, garage, barn or other outbuilding shall be used on any Lot at any time as a residence. Portable buildings used for accessory or storage purposes shall not be permitted on any Lot. Notwithstanding anything to the contrary herein contained, temporary structures or trailers may be used by Declarant or its assigns as storage and for sales offices during construction periods. Such structures or trailers shall be sightly and shall be removed immediately after completion of intended uses.

Section 12: Storage of Automobiles, Boats, Trailers and Other Vehicles: No boat trailer, boats, travel trailers, inoperative automobiles, campers, motor homes or vehicles of any kind shall be semi-permanently or permanently stored on the Common Area, Common Area streets or within any building setback lines. Storage of such items and vehicles must be screened from public view, within the garage or such other area as may be from time to time designated and approved by the Committee. All such storage in an area designated by the Committee shall meet all conditions of storage as approved by the Committee.

Section 13: Mineral Operation: No oil drilling, oil development operations, oil refining, quarrying or mining operations of any kind shall be permitted upon or in any Lot or Common Area, nor shall any tanks, tunnels, mineral excavation, or shafts be permitted upon or in any Lot or Common Area. No derrick or other structures designated for the use of boring for oil or natural gas shall be erected, maintained, or permitted upon any Lot or Common Area.

Section 14: Animal Husbandry: Except as permitted in Article II above, no animals, livestock or poultry of any kind shall be raised, bred or kept on any Lot; provided that dogs, cats or other common household pets of the domestic variety may be kept provided that they are not kept, bred or maintained for commercial purposes and provided that no more than two (2) of each type animal is kept. All pets shall be on leash(es) at all times except when they are confined within the premises on the Lot of the Owner. Pot-bellied pigs are not considered to be common household pets as defined by these Covenants, Conditions and Restrictions.

Section 15: Walls, Fences and Hedges: No wall, fence or hedge shall be erected or maintained within the front yard setback. No side or rear fence, wall or hedge shall be more than seven feet (7') in height. Any wall, fence or hedge erected on a Lot shall pass ownership with title to the Lot and it shall be Owner's responsibility to maintain said wall, fence or hedge thereafter. No walls, fences and/or hedges shall be erected or maintained on any Lot within the Property without the prior written consent of the Committee.

Section 16: Storage of Materials; Accumulation of Trash, Etc.: Owners shall in no event use any Lot for storage of material and equipment except for normal residential or permitted commercial requirements or incident to construction of improvements thereon as herein permitted. No garbage or trash shall be placed or kept on any Lot or Common Area except in covered containers of a type, size and style approved by the Committee. The accumulation of garbage, trash or rubbish of any kind or the burning of any such materials is prohibited. In the event of default on the part of the Owner or occupant of any Lot in observing the above requirements or any of them, such default continuing after

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ten (10) days' written notice thereof, the Association or its assigns may, without being under any duty to so do or liability, in trespass or otherwise, for so doing, enter upon said Lot, and remove or cause to be removed, such garbage, trash and rubbish or do any other thing necessary to secure compliance with these restrictions and to place said Lot in a neat, attractive, healthful and sanitary condition. The Association may assess the owner or occupant of such Lot for the actual cost of such work including legal fees incurred by the Association in connection with such default and assessment. The Owner or occupant, as the case may be, agrees by the purchase or occupation of the Lot to pay such statement immediately upon receipt thereof. In the event any such charge shall remain unpaid for thirty (30) days after written notice thereof, such charge shall be added to and become a Special Assessment on such Lot.

Section 17: Signs, Advertisements, Billboards: No sign, advertisement, billboard or advertising structure of any kind shall be placed, maintained or displayed to the public view on any Lot except for signs not larger than three (3) square feet advertising a Lot for sale or rent. The Association, or its assigns, shall have the right to remove any such prohibited sign, advertisement, billboard or structure which is placed on said Lots, and in doing so shall not be subject to any liability for trespass or other tort in connection therewith or arising from such removal.

Notwithstanding anything to the contrary herein contained, Declarant or its assigns may, as long as it owns property in the Subdivision, (A) maintain signs along Bear Springs Road, and (B) maintain in or upon such portion of the Property as Declarant may determine, offices, storage areas, model units and signs (directional or otherwise). Declarant also may use, and permit builders (who are at the relevant time constructing and selling residential buildings in the Subdivision) to use residential structures, garages or accessory buildings for sales offices and display purposes but all rights of Declarant and of any builder action with Declarant's permission under this sentence shall be operative and in effect only during the construction and sales period. All signs used by anyone other than declarant will be limited in size to no more than three (3) square feet for each sign face.

Section 18: Antenna: Except only for satellite antenna not to exceed eighteen (18) inches in diameter, no antenna or other device of any type for the transmission or reception to television signals, radio signals or any form of electromagnetic radiation shall be erected, constructed, placed or permitted to remain on any Lot, houses, building or structures; PROVIDED, HOWEVER, that the Committee, in its discretion, may permit the installation and maintenance of antennae or other devices for the transmission or reception of radio signals only if the antenna or other device is (i) well screened by trees, to the fullest extent feasible, and in harmony with existing structures in the immediate vicinity, all as determined by the Committee, and (ii) otherwise approved by the Committee as to location and design. No such radio antenna or device shall be erected or placed, or the erection thereof begun, or changes made in the design thereof after original construction, until the construction plans and specifications and a plan showing the location of the structure have been submitted to and approved in writing by the Committee as complying with the foregoing requirements.

Notwithstanding anything contained herein to the contrary, in the event that any of the foregoing restrictions in this Section 18 are now or hereafter prohibited by state or federal law, then such restrictions shall be deemed modified and amended to the extent necessary to bring the same into compliance with applicable law; and otherwise such restrictions shall continue in effect to the fullest extent permitted by law. In such event, such restrictions may be amended in writing by Declarant pursuant to the provisions of Article VI, Section 8, of this Declaration so as to reflect of record the modification and amendment herein provided for.

Section 19: Utility Services: Water service is to be provided to each Lot by way of a water distribution system to be transferred by Declarant to the Water Company as hereinafter provided. The distribution system to the point of connection at the meter of each user shall be the property of and shall be operated and maintained by the Water Company. That portion of the distribution system from the meter to the Owner's property shall be owned and maintained by the Owner. Water service to each Lot shall be limited to service from the Water Company's central water distribution system and shall not be serviced by any private water wells, or other water system.

Sanitary sewer service shall be by separate septic facilities owned and maintained by the Owner in compliance with all applicable laws, rules and regulations.

Section 20: Maintenance: The Owners shall be responsible for the maintenance of the exterior of all buildings, homes, and appurtenant structures at a standard in keeping with the level of such maintenance exhibited by a majority of the improvements on the Property, and such Owners shall be responsible for maintenance and repairs to roofs, glass in windows and doors, and for all structural matters, as well as plumbing, electrical equipment, foundation maintenance and repairs, landscaping, all improvement on Owner's Lot and the driveways extending from Owner's Lot to the street, and the regular mowing of grass and weeds. In the event of default on the part of the Owner or occupant of any Lot in observing the above requirements or any of them, such default continuing after thirty (30) days' written notice thereof, the Association or its assigns may, without being under any duty to do so or liability in trespass or otherwise, for so doing, enter upon said Lot and the driveways extending from Owner's Lot to the street, and perform such maintenance, repairs and landscaping or do any other thing necessary to secure compliance with these restrictions as stated in this paragraph. The Association may assess the Owner or occupant of such Lot for the actual cost of such work and legal fees incurred in connection with such default and assessment. The Owner or occupant, as the case may be, agrees by the purchase or occupation of the Lot to pay such statement immediately upon receipt thereof. In the event any such charge shall remain unpaid for thirty (30) days after written notice thereof, such charge shall become a Special Assessment on such Lot.

Section 21: Care of Yards and Common Area: The Owner shall be responsible for design, maintenance and upkeep of his yard, shrubs and trees. The Association shall be responsible for design, maintenance and upkeep of all Common Areas.

Section 22: Clearance of Lots: All Lots upon which there has occurred a fire or other casualty shall be cleared of all damaged improvements within six (6) months of the occurrence of the casualty.

Section 23: Firearms: No Owner shall use or discharge or permit the use or discharge, on or from his Lot or elsewhere on the Property, any pistol, rifle (including a pellet gun, air rifle or pistol), shotgun or any other firearm, or any bow or arrow, or any other device capable of killing or injuring or causing property damage.

Section 24: No Excavation: No excavation shall occur on any Lot or Common Area for removal of soil, rock, gravel, or other substance of any kind except as necessary for construction of improvements and landscaping and construction and maintenance of road and utility services as permitted by this Declaration.

Section 25: Ponding: No modification of the existing topography of a Lot (whether by fill, placement of improvements, grading, beams or other method or means) shall be permitted that would result in the ponding or accumulation of surface drainage water along any street or upon or across any adjoining Lot.

Section 26: Other Activities and Uses: The following activities and uses are prohibited:

- a) Maintenance and repair of any vehicles, boats, motorcycles or trailers, unless performed in an Owner's enclosed garage or other enclosed structure. This activity is limited to owner's vehicles, boats, motorcycles or trailers.
- b) The storage of trash cans where exposed to public view.
- c) The operation of any four wheeler, all-terrain vehicle, motorcycle or other motorized vehicle (other than electric carts) on any of the Common Area other than the streets in the subdivision.
- d) Any activity or use or the erection or maintenance of any structure which violates in any way any law, statute, ordinance, regulation or rule of any Federal, State, County or governmental entity.

ARTICLE III

THE OWNERS ASSOCIATION OF BEAR SPRINGS TRAILS SUBDIVISION MEMBERSHIP AND VOTING RIGHTS

Section 1. Every Owner of a Lot or Lots in the Property shall become and remain a member in good standing 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 ownership of any such Lot. Ownership of such Lot shall be the sole qualification for membership. The membership held by any Owner shall not be alienated, transferred or pledged in any way except by the sale or encumbrance of such Lot and, then, only to the purchaser or mortgagee of such Lot.

Section 2. The Association shall have two classes of voting membership:

Class A. Except as provided under "Class B" below, each Owner as defined in Article I shall be a Class A member. Each Class A member 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 determine, but in no event shall more than one vote be cast with respect to any such Lot. Holders of future interests not entitled to present possession (excepting Owners of Lots which are rented or leased to others) shall not be considered as Owners for the purposes of voting hereunder.

Class B. The class B member shall be Declarant. The Class B member shall be entitled to five (5) votes for each Lot in which such member holds the full fee interest, provided that the Class B membership shall cease and convert to Class A membership when Declarant has sold eighty percent (80%) of the Lots, as shown on the Plat (or any replat thereof).

ARTICLE IV

COVENANT FOR MAINTENANCE ASSESSMENTS AND CHARGES

Section 1. Creation of the Lien and Personal Obligation of Assessments: Each present Owner hereby covenants and agrees (and each subsequent Owner by acceptance of a deed to a Lot, whether

or not expressed in such deed, shall be deemed to covenant and agree to pay the Association: (1) Regular Assessments; (2) Special Assessments pursuant to Article II, Sections 16 and 20 hereof; and (3) Special Assessments for capital improvements. Such Assessments shall be established and collected as hereinafter provided. All sums assessed as provided for in this Declaration but unpaid, together with interest, costs of collection and reasonable attorneys' fees, shall be a continuing lien and charge upon the Lot against which each such Assessment is made, which shall bind and be a continuing charge upon such Lot. Each such Assessment, together with interest, costs of collection and reasonable attorneys' fees, shall also be the personal obligation and debt of the person who was the Owner of the Lot at the time when the Assessment fell due.

Section 2: Purpose of Assessments: The Assessments, and all funds derived therefrom, shall be used exclusively for (i) the maintenance, repair and care of the Common Areas (including recreational areas and private streets), and improvements to or on the Common Areas and Lots for which the Association is herein given responsibility; (ii) the furtherance and fulfillment of the purposes of this Declaration and other herein provided responsibilities of the Association; (iii) the promotion of the recreation, health, safety and welfare of the Owners of the properties; and (iv) administrative costs and other costs and expenses of the Association, which costs and expenses may include fidelity insurance for acts of directors, managers, officers and employees of the Association responsible for the handling of Association funds; liability insurance covering the Common Area and all damage and injury caused by the negligence of the Association, its employees and agents; mowing grass, caring for the grounds and for any swimming pool, recreational building and equipment that may be placed upon the Common Area; landscaping; garbage pickup; outdoor lighting; security service for the Property; any water and sewer service that may be furnished to, by or through the Association; maintenance and improvement of Common Area as shown on the Plat (or any replat); discharge of any liens on the Common Area; payment of fees to managing agents, accountants, attorneys and other parties providing professional and/or other services to the Association in connection with the performance of the Association's duties and responsibilities; and other charges required by this Declaration or other charges that the Association is authorized to incur which the Association shall determine to be necessary or desirable to benefit the Owners, including the establishment and maintenance of a reserve for repair, maintenance, replacement and other charges as specified herein (herein collectively called "Association Expenses").

All assessments paid to the Association and any other income to the Association for fees for use of any Common Area shall be used only for the purposes herein provided.

Section 3: Regular Assessments: Regular Assessments include both the Monthly Assessment and the Transfer Fee Assessment set forth herein.

A. Monthly Assessment. Until changed in accordance herewith by the Association, the amount of the Monthly Assessment for all Lots shall be TWENTY AND NO/100 DOLLARS (\$20.00) per Lot per month; provided that no assessment shall apply to a Lot owned by Declarant until eighty percent (80%) of all Lots have been sold by Declarant.

B. Transfer Fee Assessment. In addition to the above monthly assessments each Owner (exclusive of Declarant) shall pay to the Association a Transfer Fee Assessment of \$50.00 upon conveyance of a Lot.

C. Discount: The Association may allow a discount for prepayment of Monthly Assessments under such terms and conditions as may be approved by the Association.

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D. Uniform Rate of Assessment. Both Regular and Special Assessments shall be fixed at a uniform rate (on a Lot basis) and shall commence and be due in accordance with the provisions hereof.

Section 4: Collection of Regular Assessments: The Monthly Assessments shall be payable on the first day of each and every calendar month or quarterly or annually covering any current calendar year.

The Regular Assessments (Monthly and Transfer) may be changed by the Board of Directors from time to time.

The Monthly Assessments shall be fixed by the Board of Directors of the Association at an amount calculated to cover in advance the anticipated actual costs of fulfilling the obligations, duties and responsibilities of the Association.

The Association shall be entitled to assess a one-time late fee charge in the amount of ten percent (10%) of the Monthly Assessment on any assessment that is fifteen (15) or more days past due.

In fixing the amount of the Monthly Assessments, the Board of Directors of the Association may, but shall not be required to, add reasonably anticipated depreciation and necessary replacement and repair of capital assets and improvements and may from time to time establish one or more funds or accounts to accumulate amounts deemed necessary therefor.

Section 5: Special Assessments Under Article II: In addition to any Regular Assessments, the Association may levy Special Assessments on a Lot and the Owner thereof pursuant to Sections 16 and 20 of Article II of this Declaration.

Section 6: Special Assessments for Capital Improvements: Notwithstanding anything to the contrary herein contained, and in addition to the Regular Assessments authorized above, the Association may levy in any calendar year one or more Special Assessments applicable to that year only for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, repair or replacement of a capital improvement upon the Common Area, including fixtures and personal property related thereto.

Special Assessments not to exceed \$100.00 per Lot per year may be approved and levied by the Board of Directors of the Association. Any Special Assessment in excess of \$100.00 per Lot per year shall require the assent of two-thirds (2/3rds) of the votes of the members of the Association either in person at a regular or special meeting called for that purpose, or by proxy executed in writing by the member or by his duly authorized attorney-in-fact, as permitted by Article 1396-2.13 of the Texas Non-Profit Corporation Act.

Section 7: Date of Commencement of Regular Assessments: Due Dates: The Monthly Assessments provided for herein shall commence on the date of sale of a Lot from Declarant to another Owner; and as to Lots owned by Declarant, when Declarant has sold eighty percent (80%) of the Lots as shown on the Plat,

The Association shall fix the amount of the Regular Assessments for the 2000 and subsequent calendar years at least thirty (30) days in advance of each such calendar year. Failure of the Association to meet or to fix the amount of the Regular Assessments as herein provided shall be deemed to constitute a setting of the amounts at the levels fixed for the previous calendar year. Written notice of any change in the Regular Assessments shall be mailed (by U.S. first class mail) to every

Owner subject thereto. The Association shall, upon demand, and for reasonable charge, furnish a certificate signed by an officer of the Association setting forth whether the assessments on a specified Lot have been paid and the amount of any delinquencies. The Association shall not be required to obtain a request for such certificate signed by the Owner but may deliver such certificate to any party who in the Association's judgment has a legitimate reason for demanding same.

Section 8: Effect of Nonpayment of Assessments; Remedies of the Association: all payments shall be made to the Association at its place of business in Bandera County, Texas, or at such other place as the Association may direct. Any assessment not paid within fifteen (15) days of its due date shall be subject to a one-time late fee of ten percent (10%) of the past due assessment amount. Any assessment not paid within thirty (30) days after the due date shall bear interest from such thirtieth date until paid at the rate of twelve percent (12%) per annum. The Association may bring an action at law against the Owner personally obligated to pay the assessment, or foreclose the lien against the Lot involved; and interest costs and attorney fees of any such action shall be added to the amount of the assessment. In no event shall the Association be liable to any Owner or other person or entity for failure or inability to enforce or attempt to enforce collection. No Owner may waive or otherwise escape liability for the assessments provided for herein by non-use of the common Area or by abandonment of his Lot. Further, the powers and enforcement granted to the Association in this paragraph shall be cumulative of, and shall be in addition to, all other remedies and powers of the Association.

Section 9: Foreclosure: Upon compliance with the notice provisions set forth herein below, the Association may foreclose the assessment lien against any Lot. Each undersigned Owner, and each subsequent Owner by his acceptance of a deed to a Lot, expressly grants and vests in the Association and its agents the right and power to bring all actions against such Owner personally for the collection of such charges as a debt and to enforce the aforesaid lien, including foreclosure by an action brought in the name of the Association in a like manner as a mortgage or deed of trust lien on real property as provided in Section 51.002 of the Property Code of the State of Texas, and any amendments thereto, or as otherwise may be permitted by law; and each undersigned Owner (and each subsequent Owner by acceptance of a deed to a Lot) expressly grants to the Association a power of sale in connection with said lien. The lien herein provided for shall be in favor of the Association for the benefit of all Owners. The Association acting on behalf of the Owners shall have the power to bid upon an interest foreclosed at foreclosure sale and to acquire and hold, lease, mortgage and convey the same and to treat the proceeds of any such lease, mortgage or conveyance in the same manner as assessments hereunder.

Notice of Lien: No action shall be brought to foreclose said assessment lien or to proceed under the power of sale herein provided less than thirty (30) days after the date of notice of claim of lien is deposited with the postal authority, certified or registered, postage prepaid, to the Owner of said Lot, and a copy thereof is recorded by the Association in the Office of the County Clerk of Bandera County. Said notice of claim must recite a good and sufficient legal description of any such Lot, the record owner or reputed owner thereof, the amount claimed (which may, at the Association's option, include any late charge and interest on the unpaid assessment as herein provided, plus reasonable attorneys' fees and expenses of collection in connection with the debt secured by said lien), and the name and address of the claimant.

Section 10: Subordination of Lien to Mortgages: The lien for the Assessments provided for herein shall be superior to all other liens and charges against said Lot except only for tax liens, liens for purchase money and/or development costs and all first deed of trust liens of record (which shall include a deed of trust that secures a debt secured by a first deed of trust lien, including "wraparound" and "all inclusive" financing), which liens for such purposes shall be superior to the assessment liens

herein provided with the understanding that assessments subsequent to a foreclosure of such a superior lien shall continue to bind the mortgaged property and be secured by an assessment lien as herein provided. The Association shall have the power to subordinate the assessment lien to any other lien, and to extinguish such lien and the underlying debt, such powers being entirely within the discretion of the Association. Except as otherwise provided herein, no sale or transfer shall relieve such Lot from liability for any assessment thereafter becoming due or from the lien therefor, but such lien shall exist as, and constitute, a separate and distinct charge and lien on each Lot.

Section 11: Insurance: The Association, or its duly authorized agent, shall have the authority to and shall obtain a broad form public liability policy covering all the Common Area, and all damage or injury caused by the negligence of the Association or any of its employees or agents. Such comprehensive public liability policy shall have coverage of not less than \$1,000,000 per occurrence for personal injury and/or property damage; and also shall contain a clause or endorsement which shall preclude the insurer from denying the claim of an Owner because of the negligent acts of the Association or of another Owner. The Association also may obtain and maintain fidelity insurance for the acts of its directors, officers, manager, volunteers and employees responsible for the handling of funds collected by the Association as provided herein, which shall be in an amount not less than one and one-half times the Association's estimated annual operating expenses and reserves. Premiums for all such insurance shall be common expenses payable out of assessments. All such insurance coverage shall be written in the name of the Association as the insured for the benefit of the Owners in accordance with the terms of this Declaration, and the Owners will cooperate with the Association by doing any and all such acts and things as may be necessary to effect such insurance.

Section 12: Board of Directors: The affairs of the Association shall be managed by the Board of Directors of the Association, as provided in the Bylaws of the Association. The initial Board of Directors of the Association shall be appointed by Declarant; and such initial Board of Directors shall serve until Declarant has sold eighty percent (80%) of the Lots as shown on the Plat, at which time the members of the Association shall elect a new Board of Directors, all as more particularly set forth in the Bylaws of the Association.

Section 13: Meeting and Voting: The manner of meeting and voting of the Association shall be governed by the Bylaws thereof.

ARTICLE V

WATER SYSTEM

Section 1: Declarant is in the process of constructing a water system for the Property. After completion, and approval by the TNRCC, Declarant will transfer and assign the water system to the Water Company, including all water storage and water well facilities, and all water distribution lines and systems, including all water storage and water well equipment and related facilities providing water service to the Property. Thereafter, the water storage and distribution system and all income therefrom will be owned by the Water Company.

Section 2: SPECIAL "SET BACK" PROVISIONS - BLOCK 1, LOTS 15 AND 16: Lots 15 and 16 border the water plant and well site. No septic tank, septic line, field line, nor any other structure or line of any kind relating to a septic system shall be constructed within 150 feet of the perimeter fence of this site.

ARTICLE VI

GENERAL PROVISIONS

Section 1: Enforcement: The Association, Declarant, the Committee and any Owner shall have the right but not the obligation to enforce, by any proceeding at law or in equity, all restrictions, conditions, covenants, reservations, liens and charges now or hereafter imposed by the provisions of this Declaration. Failure to enforce any covenant or restriction herein contained shall in no event be deemed a waiver of the right to do so thereafter.

Section 2: Severability: Invalidity of any one or more of these covenants or restrictions by judgment or court order shall not affect any other provisions, which shall remain in full force and effect.

Section 3: Member's Easement of Enjoyment: Every member of the Association shall have a right and easement of enjoyment in and to any Common Area which shall be appurtenance to and shall pass with the title to every Lot. All such rights and easements shall be subject to the following provisions:

- a) The automatic suspension of voting rights of an Owner for any period during which any assessment against his Lot remains unpaid.
- b) The right of the Association to suspend the right to use any recreational facility or Common Area by an Owner for any period during which any assessment against his Lot remains unpaid; and for a period not to exceed sixty (60) days for each infraction of its published rules and regulations, which rules and regulations may be adopted by resolution of the Association from time to time.
- c) The right of the association to dedicate or transfer all or any part of the common Area to any public agency, authority or utility for such purposes and subject to such conditions as may be agreed to by the members as herein provided. No such dedication or transfer shall be effective unless an instrument signed by two-thirds (2/3rds) of the members agreeing to such dedication or transfer has been filed of record in the Real Property Records of Bander County, Texas, and unless written notice of the proposed action is sent to every member not less than ten (10) days nor more than fifty (50) days in advance of any action taken.
- d) The right of the Association to make rules and regulations concerning the use by members of the Common Area, all on such terms as the Board of Directors of the Association may determine, including without limitation the right of the Association to institute regulations and rules with respect to construction of any storage facilities.
- e) The right of the Association to collect and disburse funds as set forth in Article IV.
- f) The right of the Association to borrow money as necessary or desirable to perform its functions hereunder, and to mortgage and/or pledge the common Area and improvements thereon, accounts receivable and assessment liens as security for such loans upon the approval thereof by members entitled to cast two-thirds (2/3rds) of the votes of the Association; provided, however, that the rights of any such mortgagee in said properties shall be subordinate to the rights of the Owners hereunder.

g) The right (but not the obligation) of the Association to adopt, implement and maintain for the Property a private security system, a garbage collection system and an exterior lighting system for all private streets, consistent with applicable laws.

h) The right of the Association to establish rules and regulations governing traffic and parking on the private streets and parking areas within the common Area, and to establish sanctions for any violation or violations of such rules and regulations.

i) The right of the Association to regulate noise within the Property, including, without limitation, the right of the association to require mufflers on engines or to prohibit the use of devices producing excessive noise.

j) The right of the Association to control the visual attractiveness of the Property.

Section 4: Transfer of Common Area: The Common Area will be conveyed by deed from the Declarant to the Association when eighty per cent (80%) of the lots are sold.

Section 5: Delegation of Use: Subject to the Bylaws of the Association, any Owner may delegate his right of enjoyment to the Common Area and facilities only to resident members of his family, the Owner's guests, and tenants and contract purchasers who reside on the Property.

Section 6: Reimbursement by the Association: In the event that the Declarant bears any cost and expense, on behalf of the Association, incident to any necessary to effectuate the performance and discharge by the Association of its duties, obligations and responsibilities hereunder, then Declarant shall be reimbursed the full amount of the direct expense incurred, upon demand by Declarant after the Association shall have collected sufficient assessments from the Owners with which to reimburse Declarant therefor.

Section 7: Amendment: The covenants and restrictions of this Declaration shall run with and bind the Property, for a term of thirty-five (35) years from the date this Declaration becomes effective, after which time they shall be automatically extended for successive periods of ten (10) years. This Declaration may be amended during the first thirty-five (35) year period by an instrument signed by the Owners of not less than seventy-five percent (75%) of the total votes of each class of membership of the Association. No person shall be charged with notice of or inquiry with respect to any amendment until and unless it has been filed of record in the Real Property Records of Bandera County, Texas.

Section 8: Amendment by Declarant: The Declarant shall have and reserves the right at any time and from time to time, without the joinder or consent of any Owner or other person, to amend this Declaration by an instrument in writing duly signed, acknowledged and filed of record, for the purpose of (A) correcting any typographical or grammatical error or ambiguity or inconsistency appearing in this Declaration, or (B) amending Section 18 of Article II hereof, as therein provided; provided that any such amendment shall be consistent with and in furtherance of the plan and scheme of development as evidenced by this Declaration and shall not impair or affect the vested property or other rights of any Owner or his mortgagee.

Section 9: Annexation: Additional property and Common Area may be annexed to the Property with the consent of seventy-five percent (75%) of the total votes of each class of membership of the Association.

Section 10: Interpretation: If this Declaration or any word, clause, sentence, paragraph or other part thereof shall be susceptible of more than one or conflicting interpretations, then the interpretation most nearly in accordance with the general purposes and objectives of this Declaration shall govern.

Section 11: Omissions: If any punctuation, word, clause, sentence or provision necessary to give meaning, validity or effect to any other word, clause, sentence or provision appearing in this Declaration shall be omitted herefrom, then it is hereby declared that such omission was unintentional and that the omitted punctuation, work, clause, sentence or provision shall be supplied by inference.

Section 12: Validity: If any one or more of the provisions of this Declaration are declared unenforceable in whole or in part, the remainder of this Declaration shall not be affected thereby and shall remain in full force and effect.

ARTICLE VII DISPUTE RESOLUTION

In the event there is any dispute by and between two (2) or more Lot Owners, or by and between any Lot Owner and the Declarant, or by and between any Lot Owner and the Association, or by and between any Lot Owner and the Committee, such dispute shall be settled by the specific provisions of these Covenants, Conditions and Restrictions; otherwise, any and all such disputes shall be settled by the Association.

Prior to instituting any court proceeding to enforce or interpret this Declaration, and as a condition precedent thereto, the parties to such dispute must submit the issue to mediation on the following terms and conditions:

a) Meeting of the Parties. A meeting shall be held promptly between the parties (and in any event within twenty (20) days after the dispute arises) attended by individuals with decision-making authority regarding the dispute, to attempt in good faith to negotiate a resolution of the dispute.

b) Selection of Mediator. If, within ten (10) days after such meeting, the parties have not succeeded in negotiating a resolution of the dispute, they will jointly appoint a mutually acceptable neutral person not affiliated with either of the parties (the "neutral"). If within such 10-day period the parties do not agree upon the appointment of the neutral, each party will select a neutral and the two selected neutrals will select a third neutral, and all three shall serve as the "neutral" as used herein. The fees of the neutral(s) shall be shared equally by the parties.

c) ADR. In consultation with the neutral, the parties will select or devise an alternative dispute resolution procedure ("ADR") with which they will attempt to resolve the dispute, and time and place for the ADR to be held, with the neutral(s) making the decision as to the procedure, and/or place and time (but unless circumstances require otherwise, not later than ten (10) days after the selection of the neutrals).

d) Process. The parties agree to participate in good faith in the ADR to its conclusion as designated by the neutral(s). All meetings, ADR mediation conferences and other proceedings shall be in Bandera County, Texas.

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This Declaration shall be effective when the same is filed of record in the Real Property Records of Bandera County, Texas.

EXECUTED effective as of the 26 day of July, 2000.

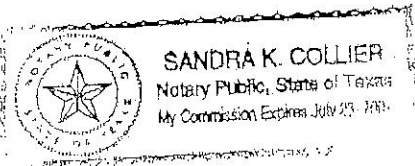
BEAR SPRINGS TRAILS, L.L.C.

By: GEM B. CHILDRESS
GEM B. CHILDRESS, President and General Manager

- DECLARANT -

THE STATE OF TEXAS §
COUNTY OF Jart Bend §

This instrument was acknowledged before me on this 26 day of July, 2000 by GEM B. CHILDRESS, President and General Manager of BEAR SPRINGS TRAILS, L.L.C., a Texas limited liability company, on behalf of said company.



Sandra K. Collier
Notary Public, State of Texas

RETAIL TO:
Gemstone Communities
4800 Sugar Grove Blvd #190
Stafford, TX 77477

Debbie Bates,
Bandera County Clerk

I hereby certify that this instrument was filed as the sale and that stated herein by me and was duly recorded in the volume and page of the book records of Bandera County as shown herein by me.

Jul 27, 2000

deedrest.bst

Filed for Record in:
Bandera County
On: Jul 27, 2000 at 02:20P
As a
Recording
Document Number: 0120438
Amount 41.00
Receipt Number - 15222
By:
Tina Farris