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MOUNTAIN VALLEY RANCH

DECLARATION OF

COVENANTS, CONDITIONS AND RESTRICTIONS

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MOUNTAIN VALLEY RANCH

**DECLARATION OF
COVENANTS, CONDITIONS AND RESTRICTIONS**

THE STATE OF TEXAS §
 § KNOW ALL PERSONS BY THESE PRESENTS:
COUNTY OF MEDINA §

WITNESSETH:

WHEREAS, **MEDINA LAKE INVESTORS, LTD.**, a Texas limited partnership ("Declarant"), is the owner of that certain real property known as "**Mountain Valley Ranch**," a subdivision in Medina County, Texas, according to the map or plat of record in Volume 9, Pages 26-31, Plat Records of Medina County, Texas (the "Property");

WHEREAS, the Property is located in close proximity to Medina Lake, and such location, together with the geological and other natural features of the Property, result in great diversity, natural beauty and uniqueness, which require environmental sensitivity in the development and use of the Property;

WHEREAS, the purpose of this instrument is to preserve so far as possible the natural beauty of the Property, 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, encumbered, leased, used, occupied, enjoyed 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 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 Articles. "Articles" shall mean the Articles of Incorporation of the Association, which have been filed in the office of the Secretary of State of the State of Texas, as the Articles may from time to time be amended.

1.3 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.

1.4 Association. "Association" shall mean Mountain Valley Ranch Owners Association, Inc., a Texas non-profit corporation.

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

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

1.7 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, animals or property.

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 Common Area. "Common Area" shall mean (i) Lot Fifty-four (54) in the Subdivision, (ii) the Entryway Lot as defined below, (iii) Lot Fifty-three (53) of the Subdivision and (iv) any other real property the Association acquires an interest in, whether by deed, lease or license.

1.10 Declarant. "Declarant" shall mean Medina Lake Investors, Ltd., a Texas limited partnership, and its duly authorized representatives and successors or assigns; provided, however, any assignment of the rights of Medina Lake Investors, Ltd., as Declarant, must be expressly set forth in a written instrument recorded in the Official Public Records of Medina County, Texas. The mere conveyance of a portion of the Property without such a written, recorded assignment of the rights of Declarant shall not be sufficient to constitute an assignment of the rights of Declarant hereunder.

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

1.12 Entryway Lot. "Entryway Lot" shall mean Lot 23-A, **VACATING AND RESUBDIVISION PLAT OF LOTS 23 AND 24 OF MEDINA OAKS SUBDIVISION**, a subdivision in Medina County, Texas, according to the map or plat of record in Volume 8, Page 153, Plat Records of Medina County, Texas.

1.13 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, screening walls, retaining walls, stairs, steps, porches, mailboxes, 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.

1.14 Lot(s). "Lot" or "Lots" shall mean the lot or lots of land within the Property as established on the plat for the Subdivision.

1.15 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.

1.16 Member. "Member" shall mean any person or entity who is a member of the Association.

1.17 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.

1.18 Owner(s). "Owner(s)" shall mean any person or entity, including Declarant, holding record legal title to a fee simple interest in any portion of the Property, including any Lot or Lots, but shall not include any Beneficiary whose sole interest in the Property or a portion thereof is derived from a Mortgage.

1.19 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.

1.20 Subdivision. "Subdivision" shall mean all of **MOUNTAIN VALLEY RANCH**, a subdivision in Medina County, Texas, according to the map or plat of record in Volume 9, Pages 26-31, Plat Records of Medina County, Texas.

Article 2. Restrictions

Except for the Common Area, 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 purposes and normal rural residential accessory uses not inconsistent with the other terms and provisions of this Declaration, including, without limitation, a garage, storage sheds, barns, fencing and such other Improvements as are necessary or customarily incident to rural 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 or hotel, but such Improvements may be leased for single family residential purposes for a minimum term of thirty (30) days.

(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 or the alteration of the landscaping on a Lot, shall be performed only with the prior written approval of the Architectural Committee. All exterior construction on a Lot must be completed within one (1) year from commencement of construction.

(c) The exterior of all residences shall be constructed with wood, stucco, rock, limestone and flagstone and other similar materials to provide a "rustic look." No brick shall be used on the exterior of any residences. Covered front porches will be required on each residence.

(d) The Entryway Lot may only be used for pedestrian and vehicular ingress and egress and entryway signage. The Entryway Lot may not be used for any other purposes without the prior approval of **Thomas E. DuPriest and wife, Susan T.**

DuPriest, residents of Medina County, Texas, as long as they own the 71.491-acre tract of land lying adjacent to the Subdivision.

2.2 Building Height. No Improvement greater than two (2) stories in height may be constructed on any Lot.

2.3 Residence Size; Mailboxes and Setbacks.

(a) Each single family residence constructed on the Property shall contain not less than one thousand one hundred (1,100) square feet of enclosed living space, exclusive of porches and patios (open or covered), decks and garages.

(b) United States Mail will be delivered only to cluster mailboxes located in the Subdivision.

(c) All Buildings or other structures, permanent or temporary, habitable or not, shall be constructed and located at least (i) one hundred fifty feet (150') from all property lines of a Lot containing forty-eight (48) acres or less and (ii) two hundred feet (200') from all property lines of a Lot containing more than forty-eight (48) acres. Notwithstanding the foregoing, the Architectural Committee may grant waivers from the foregoing setback restrictions. In no event may any Building or other structure be constructed or maintained upon any utility or other easement.

2.4 Governmental Requirements. All improvements and construction shall comply with all applicable governmental laws, ordinances and regulations.

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 other than Declarant prior to January 1, 2014 without the prior written approval of the Architectural Committee. The Architectural Committee may, in its sole discretion, permit an Owner to subdivide a Lot one (1) time only into two (2) equal tracts and Lot Thirty (30) into four (4) equal tracts, at such Owner's sole cost and expense; provided the one time subdivision is done in accordance with all applicable laws. When Declarant is the Owner of a Lot, Declarant may further divide and subdivide such Lot or convey an easement or other interest less than the whole, all without the approval of the Architectural Committee or any other Owner, provided it is done in accordance with all applicable laws.

2.6 Firearms and Hunting. No discharge of firearms or hunting with any weapon except a bow or shotgun shall be permitted on (i) any Lot which contains forty-eight (48) acres or less, (ii) Lot One (1) in the Subdivision or (iii) Lot Fifty-two (52) in the Subdivision. Absolutely no discharge of firearms, use of bows or hunting of any kind shall be permitted on any Common Area. With respect to Lots containing forty-eight (48) acres or more, hunting shall be permitted during legal hunting seasons by any weapon legally permissible. There will be no hunting blinds or other structures permitted within two hundred feet (200') of any Lot line. In all events, when firearms are

permitted hereunder, such use of firearms shall be done during daytime hours only and in a safe manner and without danger to any person or property. Excessive shooting which becomes a nuisance is strictly prohibited.

2.7 Easements. Declarant reserves the right to impose perpetual easements on any Lot or Common Area for the installation and maintenance of roadways and utilities and all necessary appurtenances thereto. In addition, there is hereby dedicated to the public a perpetual public utility easement fifteen feet (15') along each rear, front and side property lines of all Lots. Nothing shall be placed or permitted to remain within the easement areas which may damage or interfere with the installation and maintenance of utilities. The easement area of each Lot and all Improvements within it shall be maintained by the Owner of such Lot, except for the facilities for which an authority or utility company is responsible. Utility companies or their employees shall have all rights and benefits necessary or convenient for the full enjoyment of the rights herein granted, including, but not limited to, the free right of ingress to and egress from the easement, and the right from time to time to cut all trees, undergrowth and other obstructions that may injure, endanger or interfere with the operation of said utility facilities. The easement rights herein reserved include the privilege of anchoring support cables or other devices outside said easement when deemed necessary by the utility to support equipment within said easement and the right to install wires and/or cables not within said easement.

2.8 Water Wells. It is the responsibility of each Owner to obtain a source of water for a Lot. Owners may drill for water on a Lot for domestic use on such Lot. Declarant reserves the right to drill water wells in any Common Area and on any Lot owned by Declarant and construct associated pumps, pipeline and equipment in connection with commercial exploitation of groundwater. Declarant may sell such water to any third party for use in or out of the Subdivision.

2.9 Signs. Except for the permanent entrance sign for the Subdivision, no sign of any kind shall be displayed to the public view without the prior written approval of the Architectural Committee, except for signs which are part of Declarant's overall marketing plan for the Property. The Architectural Committee may permit signs of any type advertising portions of the Property for sale or lease and it may set standards for the same.

2.10 Rubbish and Debris. 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. After thirty (30) days notice to the Owner, the Association shall have the right to remove trash and refuse at the expense of the Owner thereof.

2.11 Noise; Nuisances. 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 2.11.

2.12 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. 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. The Board, in its sole discretion, shall determine whether the provisions of this Section 2.12 have been satisfied.

2.13 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. Without limiting the generality of the foregoing, activities that are expressly prohibited include (1) mining, quarrying, drilling, boring, or exploring for or removing water, oil, gas, or other hydrocarbons, minerals of any kind, rocks, stones, sand, gravel, aggregate or earth other than for personal use on an Owner's Lot, (2) any activities which may be offensive or hazardous by reason of odor, fumes, dust, smoke, noise, vibration or pollution, or which are hazardous by reason of excessive danger, fire or explosion, (3) hunting, trapping and the discharge of firearms, except as expressly permitted in Section 2.6 above, or (4) the discharge or leakage of any type of hazardous or toxic chemical or material, such as oil, fertilizers, pesticides or herbicides, provided, however, only such materials as are customarily used for residential and agricultural purposes shall be allowed on the Property.

2.14 Mobile Homes; Vehicles; Unsightly Articles.

(a) No mobile homes, manufactured homes on an axle or buses shall be parked or placed on any Lot at any time. 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. Manufactured homes without an axle may be permitted to be used as a permanent residence only with the prior written approval of the Architectural Committee (and subject to any architectural requirements to be imposed by the Architectural Committee), which approval shall be granted or withheld in the sole and absolute discretion of the Architectural Committee.

(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. 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 of 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.

2.15 Animals. Dogs, cats or horses, not to exceed five (5) each in number, may be kept on an Owner's Lot; however, no breeding, raising or boarding of such animals is permitted on any Lot. No pit bull terriers or other dangerous breed of dogs, cats or other animals as determined by the Board in its sole discretion may be kept on any Lot for any period of time. Cattle are permitted to the extent, but only to the extent, necessary to obtain an open space designation for purposes of reducing the ad valorem taxes on a Lot. Exotic deer and antelope may be kept and bred on an Owner's Lot. All pets and animals permitted by this Declaration to be kept on a Lot shall at all times be properly vaccinated and cared for. All pets and animals permitted herein shall be kept on the Owner's Lot and shall not be allowed to roam loose. Except as expressly permitted above, no animals of any species may be kept, bred or raised on any Lot.

2.16 Fences. Only a barbed wire fence with cedar posts or standard height net fencing with cedar posts may be constructed on the portion of any Lot adjacent to any of the roads in the Subdivision. The cedar posts must have a maximum separation of twelve feet (12') between each post. Barbed wire and straight wire fences must have a minimum of five (5) strands of barbed wire with a stay between each cedar post. The fencing described above may not exceed five feet (5') in height. Chain link fencing may not be constructed or maintained on any Lot. High fences will be allowed only if they are constructed more than fifty feet (50') away from the property line of a Lot which adjoins any road in the Subdivision. The remaining perimeter of any Lot can be high fenced at the property line of a Lot so long as the fence does not front on any road in the Subdivision. All fencing must receive approval from the Architectural Committee prior to construction.

2.17 Exterior Lighting. All exterior lighting within fifty feet (50') of a property line of a Lot or at the driveway entrance to any Lot must be approved by the Architectural Committee; provided, however, Christmas and other holiday lights shall be permitted without prior approval during the month of December each year, but must be removed by January 15 of the next year. 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.

2.18 Exclusions and Special Restrictions. The Common Area shall be completely exempt from all of the restrictions set forth in this Article 2.

2.19 Speed Limits. All vehicles within the Subdivision must not exceed a speed of twenty (20) miles per hour. Declarant and/or the Association may post signs to provide notice of such speed limit.

Article 3. Architectural Committee

3.1 Membership and Duties of Architectural Committee.

(a) The Architectural Committee shall be composed of one (1) person. The following person is hereby designated as the initial member of the Architectural Committee: **Barry A. Sanditen.**

(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. 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 and the application fee described hereinbelow. Within thirty (30) days after receipt by the Architectural Committee of such Plans and Specifications, it shall act on the Plans and Specifications as follows:

(i) 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 thirty (30) 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 sixty (60) 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.

(ii) 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 ninety (90) days 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) thirty (30) day extensions of such approval.

(iii) 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 thirty (30) 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 sixty (60) 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.

(iv) 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 presumed.

3.5 Actions of the Architectural Committee. The Architectural Committee may, by resolution unanimously adopted in writing, designate its member 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. The Architectural Committee may grant such waivers of any of the restrictions contained in this Declaration as it considers appropriate based upon the quality and design of a proposed Improvement.

3.8 Nonliability 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.

3.9 Address. Plans and Specifications shall be submitted to the Architectural Committee in care of Medina Lake Investors, Ltd., Attention: Architectural Committee, 500 Capital of Texas Highway North, Building 7, Austin, Texas 78746, or such other address as may be designated from time to time in writing by the Architectural Committee.

3.10 Exemption. The Common Area is expressly exempt from each and every one of the requirements and provisions of this Article 3.

Article 4. Mountain Valley Ranch Owners 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 Articles and Bylaws or in this Declaration. Neither the Articles nor Bylaws shall for any reason be amended or otherwise changed or interpreted so as to be inconsistent with this Declaration.

4.2 Membership. Any person or entity upon becoming an Owner shall automatically become a Member of the Association. Membership shall be appurtenant to and shall run with the property interest which qualifies the Owner thereof for membership, and membership may not be severed from, or in any way transferred, pledged, mortgaged, or alienated except together with the title to such property interest.

4.3 Voting Rights. The right to cast votes, and the number of votes which may be cast, for election of Members to the Board of Directors of the Association and on all other matters to be voted on by the Members shall be calculated as follows:

(a) The Owner (excluding Declarant) of each Lot shall have one (1) vote for each Lot so owned.

(b) Declarant shall have ten (10) votes for each Lot owned by Declarant.

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 functions.

(d) 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.

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

(f) To maintain, repair, replace, clean, inspect and protect the Common Area, including all private streets and joint use access easements as depicted on the recorded plats of the Subdivision, and private Subdivision security gates, landscaping, lighting, docks, recreation facilities, boat ramp, parking areas, fencing, walls, signage and other improvements located therein or thereon.

(g) To maintain, repair, replace and protect the entrance sign to the Subdivision.

(h) To pay all utilities provided to the Common Area and/or the entrance to the Subdivision.

(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.

(k) To permit Thomas E. DuPriest, Susan T. DuPriest and their guests the right to use the Common Area without charge as long as Thomas E. DuPriest and Susan T. DuPriest own the 71.491-acre tract of land lying adjacent to the Subdivision.

(l) To permit any owners of real property lying adjacent to the Subdivision to use the Common Area consisting of roads for purposes of ingress and egress to and from their real property upon their establishment of a legal right to do so.

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 in an emergency, or in a non-emergency after twenty-four (24) hours written notice, without being liable to any Owner, upon any Lot 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 or Improvement 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 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. The amount of Assessments shall be equal and uniform among all Lots; provided, however, that no Assessments shall ever be levied hereunder against any Lot owned by Declarant or any Common Area. The Association may not charge any Assessment to Thomas E. DuPriest, Susan T. DuPriest or their guests as long as they own the 71.491-acre tract of land lying adjacent to the Subdivision. The Association may also not charge any Assessment to any owners of real property adjacent to the Subdivision who establish any legal right of ingress or egress across the Subdivision to access their real property.

(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.

(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, and for carrying out the purposes of the Association as stated herein or as otherwise provided in the Articles of the Association.

5.2 Regular Annual Assessments. Prior to the beginning of each fiscal year for the Association, the Board shall estimate the expenses to be incurred by the Association 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 as herein provided, and the amount of such Assessments as determined by the 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 at the beginning of the fiscal year for the Association for which such Assessments are payable, or during such fiscal year in equal monthly installments 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.

5.3 Special Assessments. In addition to the regular Assessments provided for above, the Association may levy special Assessments whenever in the Board's sole opinion such special Assessments are necessary to enable the Board to carry out the functions of the Association under this Declaration. The amount of any special Assessments shall be determined by the Board in its sole discretion and shall be due and payable in any manner as the Board may designate.

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 two percent [2%] per month) together with all costs and expenses of collection, including, without limitation, reasonable attorneys' fees.

5.5 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 in the hands of 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 or improvement of such Lot, provided such Mortgage was recorded in the Official Public Records 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 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 thirty (30) 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 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 enforce such lien by the foreclosure sale of the defaulting Owner's Lot in like manner as a foreclosure of a mortgage or contractual lien on real property as provided in Section 51.002 of the Texas Property Code, as the same may be amended or modified, or 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 effected 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, whether judicial or non-judicial. 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.

Article 6. Miscellaneous

6.1 Term. This Declaration, including all of the covenants, conditions and restrictions hereof, shall continue in force and effect until January 1, 2053, unless amended as herein provided. After January 1, 2053, 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 three-fourths (3/4) 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) This Declaration may be amended by Declarant alone so long as Declarant holds at least one (1) Lot in the Association. No amendment by Declarant shall be effective until there has been recorded in the Official Public Records of Medina County, Texas, an instrument executed and acknowledged by Declarant, setting forth the amendment. In addition to the powers set forth above, Declarant may at any time, regardless of the number of Lots, if any, owned by Declarant and regardless of the votes, if any, Declarant holds in the Association, amend this Declaration to cover additional property or properties.

(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 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 enough other Owners entitled to cast so that the total number of Owners approving the amendment equal at least eighty percent (80%) of the number of votes entitled to be cast pursuant to Section 4.3.

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.

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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 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 Medina County, Texas.

6.7 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.

(d) 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.

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

6.8 Construction.

(a) The provisions of this Declaration shall be deemed independent and severable, and the invalidity or partial invalidity of any provision or portion thereof shall not affect the validity or enforceability of any other provision or portion thereof.

(b) Unless the context requires a contrary construction, the singular shall include the plural and the plural the singular; and the masculine, feminine or neuter shall each include the masculine, feminine and neuter.

(c) All captions and titles used in this Declaration are intended solely for convenience of reference and shall not enlarge, limit or otherwise effect that which is set forth in any of the paragraphs, sections or articles hereof.

IN WITNESS WHEREOF, Declarant has executed this Declaration as of this the 16th day of December, 2003.

MEDINA LAKE INVESTORS, LTD., a Texas limited partnership

By: **MED-LAKE MANAGEMENT, L.C.,** a Texas limited liability company, as sole general partner

By: 
Barry A. Sanditen, Manager

By: 
James A. Trautmann, Manager

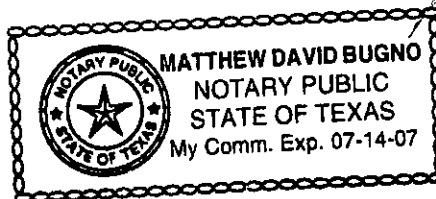
THE STATE OF TEXAS §
 §
COUNTY OF TRAVIS §

This instrument was acknowledged before me on the 16th day of December, 2003, by **BARRY A. SANDITEN**, Manager of **MED-LAKE MANAGEMENT, L.C.**, a Texas limited liability company, as sole general partner of **MEDINA LAKE INVESTORS, LTD.**, a Texas limited partnership, on behalf of said limited liability company and said limited partnership.

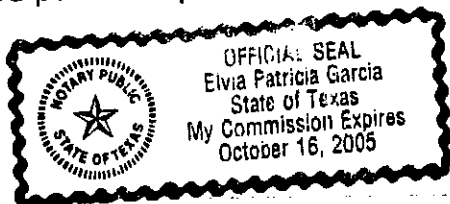


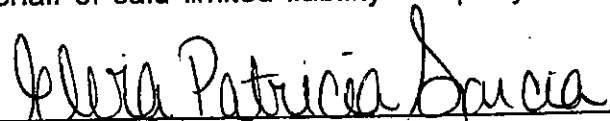
NOTARY PUBLIC, State of Texas

THE STATE OF TEXAS §
 §
COUNTY OF WEBB §



This instrument was acknowledged before me on the 23 day of December, 2003, by **JAMES A. TRAUTMANN**, Manager of **MED-LAKE MANAGEMENT, L.C.**, a Texas limited liability company, as sole general partner of **MEDINA LAKE INVESTORS, LTD.**, a Texas limited partnership, on behalf of said limited liability company and said limited partnership.





NOTARY PUBLIC, State of Texas

CONSENT OF MORTGAGEE

INTERNATIONAL BANK OF COMMERCE, as the owner and holder of indebtedness secured by (i) a Deed of Trust covering the Property of record in Volume 465, Page 663, of the Official Public Records of Medina County, Texas and (ii) a Deed of Trust covering the Property of record in Volume 500, Page 1101, of the Official Public Records of Medina County, Texas, does hereby join in the execution of this **MOUNTAIN VALLEY RANCH DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS** for the purpose of evidencing its consent hereto and subordinating its lien to this Declaration. However, the foregoing consent and subordination shall not have the effect of subordinating the undersigned's lien to any lien arising pursuant to this Declaration. In the event of any foreclosure of the undersigned's lien against any of the property covered by this Declaration or in the event of a deed given in lieu of such foreclosure, the purchaser at such foreclosure or the grantee of such deed in lieu of foreclosure shall not be liable for any assessments arising under this Declaration prior to such foreclosure or deed in lieu of foreclosure.

EXECUTED this 19 day of December, 2003.

INTERNATIONAL BANK OF COMMERCE,
a state banking association

By: *Edward J. Farias*
Name: EDWARD J. FARIAS
Title: EXECUTIVE VICE-PRESIDENT

ANY PROVISION HERE WHICH RESTRICTS THE SALE, RENTAL OR USE OF THE DESCRIBED REAL PROPERTY BECAUSE OF COLOR OR RACE IS INVALID AND UNENFORCEABLE UNDER FEDERAL LAW.
THE STATE OF TEXAS
COUNTY OF MEDINA
hereby certify that the instrument was FILED in file number
Sequence on the date and at the time stamped hereon by me and was duly
RECORDED in the Official Public Records of Medina County, Texas
on



Elva Miranda
COUNTY CLERK
MEDINA COUNTY, TEXAS

THE STATE OF TEXAS §
§
COUNTY OF WEBB §

This instrument was acknowledged before me on the 19 day of December, 2003, by Edward J. Farias,
Executive Vice President of **INTERNATIONAL BANK OF COMMERCE**, a state banking association, on behalf of said state banking association.

Sandra Caudillo
NOTARY PUBLIC, State of Texas

AFTER RECORDING RETURN TO:

RICK TRIPLETT, ESQ.
GRAVES, DOUGHERTY, HEARON & MOODY, P.C.
POST OFFICE BOX 98
AUSTIN, TX 78767-0098



FILED IN MY OFFICE
ELVA MIRANDA

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COUNTY COURT, MEDINA CO.

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