

HIGH RIDGE RANCH

Restrictions Summary

- The Property shall be used exclusively for single family residential purposes (but may include an office for an Owner's personal business), wildlife habitat or agricultural business consistent with containing and maintaining an agricultural or wildlife tax evaluation.
- Each dwelling shall contain a minimum of 1,650 square feet of air conditioned floor area (exclusive of all porches, garages, patios, etc.).
- One guest house or quarters with a maximum of 1,000 square feet is allowed per Tract.
- Each dwelling shall blend favorably with the aesthetics of High Ridge Ranch and the surrounding countryside.
- No structure shall remain unfinished for more than 12 months after the same has been commenced.
- No trailer, mobile, manufactured and/or modular homes shall be placed or parked on the Property or any Tract at any time.
- Setbacks: For tracts around the perimeter of the Property – Front: 150 feet. Side and Rear: 50 feet. Tracts on the inside of the roadways – Front: 100 feet. Side: 25 feet and Rear: 50 feet.
- No commercial breeding will be permitted. Animals such as horses, llamas, alpacas, sheep, goats and cattle will be permitted.
- Private hunting by Owners is allowed, as permitted by law, on all Tracts greater than or equal to 25 acres in size. Bow-hunting is allowed on all Tracts.
- The subdivision Tracts are accessed by Private Streets owned by the Association.
- The annual Homeowner Association dues are \$150, due January 1.

DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS
FOR
HIGH RIDGE RANCH

STATE OF TEXAS §

KNOW ALL MEN BY THESE PRESENTS:

COUNTY OF HAYS/COMAL §

WHEREAS Morline Properties, Ltd., a Texas limited partnership, hereinafter referred to as "Developer", is the owner of certain real property located in Hays and Comal County, Texas, described as follows and hereinafter referred to as "Property":

Lots 1-17 and 21-34, HIGH RIDGE RANCH, a subdivision in Hays and Comal Counties, Texas, according to the map or plat thereof duly recorded in Book 11, Page 386-391, of the Map Records of Hays County, Texas and Volume 15, pages 14-19, of the Map Records of Comal County, Texas (the "Plat"), to which map and plat reference is here made for all purposes.

; and

WHEREAS, Developer desires to convey the Property subject to certain protective covenants, conditions, restrictions, liens and charges set forth below; and

WHEREAS, Developer 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.

NOW, THEREFORE, it is declared (i) that all of the Property shall be held, sold, conveyed, and occupied subject to the following easements, restrictions, covenants, and conditions, 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, successors, and assigns, and shall inure to the benefit of each Owner thereof; and (ii) that each contract or deed which may hereafter be executed with regard to the Property of any portion thereof shall conclusively be held to have been executed, delivered, and accepted subject to the following covenants, conditions, and restrictions regardless of whether or not the same are set out or referred to in said contract or deed.

ARTICLE I

DEFINITIONS

- 1.01 “Developer” refers to Morline Properties, Ltd., and its successors and assigns, and also refers to any third party to which either Developer specifically assigns its development rights under this Declaration. Sale of a Tract or Tracts to a third party shall not imply a transfer of development rights, unless a specific reference is made to such.
- 1.02 “Owner” shall mean and refer to the record owner, whether one or more persons or entities, of fee simple title to the surface estate of any Tract which is part of the Property, including contract sellers, but excluding those claiming an interest in a Tract merely as security for the performance of an obligation.
- 1.03 “Association” shall mean and refer to High Ridge Ranch Homeowners Association, organized by Developer, which will be the agency to maintain common areas and Private Streets.
- 1.04 “Contractor” shall mean and refer to the person or entity with whom an Owner contracts to construct a residential dwelling on such Owner’s Tract.
- 1.05 “Builders” shall mean and refer to persons or entities that purchase Tracts and build speculative or custom homes thereon for third party purchasers.
- 1.06 “The Property” or “The Subdivision” shall mean and refer to the tract of land platted as High Ridge Ranch and described as:
- Lots 1-17 and 21-34, HIGH RIDGE RANCH, a subdivision in Hays and Comal Counties, Texas, according to the map or plat thereof duly recorded in Book 11, Page 386-391, of the Map Records of Hays County, Texas and Volume 15, pages 14-19, of the Map Records of Comal County, Texas (the “Plat”), to which map and plat reference is her made for all purposes.
- 1.07 “Tract” refers to Tracts 1 through 17 and 21 through 32 and refers both to each plot of land shown upon the Recorded Plat upon which there has been or will be constructed a single family residence, and to the residence and improvements constructed or to be constructed thereon.
- 1.08 “Private Streets” refers to Tracts 33 and 34 which will be used for the purpose of roadway and will be equally owned by Tracts 1 through 17 and 21 through 32. (1/29 share per lot.)

- 1.09 “Easements” shall mean and refer to the various utility or other easements of record, as shown on the Recorded Plat of the Subdivision and such other easements as are created or referred to herein.
- 1.10 “Declaration” shall mean this instrument, and as it may be amended from time to time.
- 1.11 “Plat” shall mean that certain subdivision plat recorded in Book 11, Pages 386-391, Plat Records of Hays County, Texas, and in Volume 11, Pages 14-19, Plat Records of Comal County, Texas, as amended from time to time.
- 1.12 Terminology. All personal pronouns used in the Declaration and all exhibits attached hereto, whether used in the masculine, feminine, or neuter gender, shall include all other genders; the singular shall include the plural and vice versa. Titles to Articles and sections are for convenience only and neither limit nor amplify the provisions of this Declaration itself. The terms “herein”, “hereof” and similar terms, as used in this instrument, refer to the entire agreement and are not limited to referring only to the specific paragraph, section or article in which such terms appear. All references in this Declaration to Exhibits shall refer to the Exhibits attached hereto.

ARTICLE II

RESERVATIONS, EXCEPTIONS AND DEDICATIONS

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

2.02 Easements. Developer reserves for public use the utility easements shown on the Plat or that have been or hereafter may be created by separate instrument recorded in the Real Property Records of Hays and Comal Counties, Texas, for the purpose of constructing, maintaining and repairing a system or systems of electric lighting, electric power, telephone line or lines, gas lines, sewers, water lines, storm drainage (surface or underground), cable television, or any other utility the Developer sees fit to install in, across, and/or under the Property. Any utility company serving the Subdivision and/or

any Utility District serving the Subdivision shall have the right to enter upon any utility easement for the purpose of installation, repair and maintenance of their respective facilities.

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

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

ARTICLE III

GENERAL RESTRICTIONS

The Property (and the improvements situated thereon) shall be occupied and used subject to the following covenants and restrictions:

- 3.01 Residential, Wildlife Habitat and Agricultural Purposes. The Property shall be used exclusively for single family residential purposes (but may include an office for an Owner's personal business, provided that the office did not unreasonably increase traffic), wildlife habitat or agricultural business consistent with containing and maintaining an agricultural or wildlife tax evaluation.

- 3.02 Violation of Laws. No Owner shall permit anything to be done or kept on his Tract which would violate any applicable public law or zoning ordinance.
- 3.03 Offensive Activities. No noxious or offensive activity shall be conducted on any portion of the Property that will adversely affect the peace, quiet, comfort or serenity of any Owner. This prohibition shall include, but not be limited to, noise pollution such as barking dogs, other noisy animals, loud music, music concerts or any other activity that can be construed as out of character in regard to the intent of these Restrictions. No exterior horns, whistles, bells, or sirens (other than security devices used exclusively for security purposes) shall be located, used or placed on any portion of the Property. 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 to its occupants.
- 3.04 Rubbish and Debris. No rubbish or debris of any kind shall be placed or permitted to accumulate upon the Property or any Tract and no odors shall be permitted to arise therefrom so as to render the Property or any portion of it unsanitary or unsightly. Refuse, garbage, and trash shall be kept at all times in covered containers appropriately screened from view. Neither the Property nor any part thereof shall be used or maintained as a dumping ground for rubbish. No incinerators or other equipment for the storage or disposal of such material shall be permitted. No junk, repair or wrecking yard shall be located on the Property or any Tract.
- 3.05 Antennae. No antenna, tower or other devices designed to receive telecommunication signals shall be permitted that exceed thirty-five (35) feet in height from the ground.
- 3.06 Subdividing. No Tract shall be subdivided unless it is fifty (50) acres or larger in size. If a Tract is applicable to being subdivided, such subdivision shall be further divided or subdivided to create a new Tract containing not less than twenty-five (25) acres. No easements or other interests in the Property or any Tract less than the whole shall be conveyed. Any subdividing of a Tract shall be in accordance with all applicable ordinances, rules and regulations of Hays and/or Comal County and other applicable governing bodies.
- 3.07 Dwelling Size and Style. For any residence located on the Property, (i) the minimum floor area, exclusive of open screened porches, terraces, patios, driveways, carports, and garages, shall be 1,650 square feet, (ii) shall be single family only, and (iii) shall have roofs, exteriors and landscaping that blend favorably with the aesthetics of the High Ridge Ranch and the surrounding countryside. One guest house or quarters with the maximum

of 1000 square feet is allowed per tract. No structure shall be taller than forty-five (45) feet.

- 3.08 Animals. No commercial breeding, housing or production of animals, birds, swine or reptiles will be permitted on the Property. Horses, llamas, alpacas, sheep, goats and cattle will be permitted on the Property, but on average no more mature animals than two (2) units per five (5) acres to prevent an overgrazing situation to a point that it is unsightly.
- 3.09 Hunting. Commercial hunting shall not be permitted on the Property. Private hunting by Owners is allowed, as permitted by law, on all Tracts greater than or equal to twenty-five (25) acres in size. No hunting is allowed on Tracts less than twenty-five (25) acres in size. Bow-hunting, however, is allowed on all Tracts.
- 3.10 Repair of Improvements. All improvements upon any of the Property shall at all times be kept in good condition and repair and adequately painted and otherwise maintained.
- 3.11 Septic Systems. Installation of septic tanks and sewage disposal system shall be in accordance with the minimum recommendations by the Division of Sanitary Engineering, Texas State Department of Health, and inspected by a duly authorized agent of Hays or Comal County Health Department or other appropriate governing bodies. The drainage of any sewage in to any road, ditch, surface easement, or water body, either directly or indirectly is prohibited.
- 3.12 Mining and Drilling. No portion of the Property shall be used for the purpose of mining, quarrying, drilling, boring, or exploring for or removing hydrocarbons, or minerals of any kind, including any and all surface minerals.
- 3.13 Unsightly Articles; Vehicles. No unsightly articles shall be permitted to remain on any Tract so as to be visible from surrounding Tracts or public or private thoroughfares, such as storage areas, compost piles, and facilities for hanging or drying clothing. Travel trailers, boats, campers, buses, motorcycles, and recreational vehicles shall be in a covered area.
- 3.14 Unfinished Structures. No structure shall remain unfinished for more than twelve (12) months after the same has been commenced.
- 3.15 Setback Requirements. For tracts on the perimeter of the Property, no building may be placed closer than 150 feet from the front of the tract facing the main road and side and rear setback line shall be fifty (50) feet. Except for lots fifteen (15) and sixteen (16), whose side setback line between the two tracts shall be twenty-five (25) feet. Tracts on the inside

of the roadways shall have a 100 foot front setback line, a twenty-five (25) foot side setback and a twenty-five (25) foot rear setback line.

- 3.16 Vegetative Diseases. The Owners shall have the right to monitor the Tracts for the presence of vegetative diseases, such as Oak Wilt, and if a vegetative disease is found, request that the Owner of such Tract take curative and preventative action as may be necessary to prevent the spread of such disease.
- 3.17 Mailboxes. All mailboxes shall be of masonry construction.
- 3.18 Fencing. All fences shall be properly maintained and constructed of a material conforming to the hill country. No chain link or game fencing fencing will be allowed.
- 3.19 Trailer/Mobile/Manufactured/Modular Homes, Temporary Structures. No temporary structure shall be used for residential purposes at any time on the Property. Contractors' temporary buildings may be used during construction of improvements. No trailer, mobile, manufactured and/or modular homes shall be placed or parked on the Property or any Tract at any time.
- 3.20 Outdoor Lighting. The Developer, considering the rural nature of the property, wishes to limit outdoor lighting so it will not interfere with Owners' enjoyment and viewing of the nighttime sky.

ARTICLE IV

GENERAL PROVISIONS

- 4.1 No Warranty of Enforceability. Developer makes no warranty or representation as to the present or future validity or enforceability of any such restrictive covenants, terms or provision. Any Owner acquiring a Tract 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 Tract, agrees to hold Developer harmless therefrom.
- 4.2 Term. The terms and provisions, including the covenants and restrictions, of the Declaration shall run with and bind the Properties, and shall inure to the benefit of all Owners in the Subdivision, their respective legal representatives, heirs, successors and assigns, for an initial term of thirty

(30) years from the date this Declaration is recorded, after which time said Declaration shall be automatically extended for successive periods of ten (10) years each, unless an instrument, signed by not less than two-thirds (2/3) of the then Owners (including the Developer) of the Tracts has been recorded agreeing to cancel, amend or change, in whole or in part, this Declaration.

- 4.3 Amendments. This Declaration may be amended or changed, in whole or in part, at any time by the written agreement of at least two-thirds (2/3) of all Owners (including the Developer). Such amendment must be approved by at least two-thirds (2/3) of all Owners within three hundred sixty-five (365) days of the date the first Owner executes such agreement. The Owner(s) of each Lot shall be entitled to one (1) vote per lot. The date an Owner's signature is acknowledged shall constitute prima facia evidence of the date of execution of said amendment in the Real Property Records of Hays and Comal Counties, Texas.
- 4.4 Enforcement. In the event of any violation or attempted violation of any of the terms or provisions hereof, including any of the restriction or covenants set forth herein, enforcement of the terms and provisions shall be authorized by any proceedings at law or in equity against any person or persons violating or attempting to violate any of the provisions hereof, including by means of actions to restrain or prevent such violation or attempted violation by injunction, prohibitive or mandatory, and it shall not be a prerequisite to the granting of any such injunction that there be inadequate remedy at law or that there be any showing or irreparable harm or damage if such injunction is not granted. In addition, any person entitled to enforce the provisions hereof may recover such damages, either actual or punitive, as such person may show himself justly entitled by reason of such violations of the terms and provisions hereof. The terms and provisions hereof may be enforced by Developer, High Ridge Ranch Homeowner's Association or by the Owner of any Lot. Failure by anyone to enforce any covenant or restrictions hereof shall not be constructed to constitute a waiver.
- 4.5 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.
- 4.6 Severability. Each of the provisions of this Declaration shall be deemed independent and severable and the invalidity or unenforceability or partial invalidity or partial unenforceability of any provision or portion hereof shall not affect the validity or enforceability of any other provision.
- 4.7 Binding Effect. All of the terms hereof shall be binding upon and inure to the benefit of the Owners, the Developer, and their respective heirs, legal representatives, executors, administrators, successors and assigns.

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

ARTICLE V

HIGH RIDGE RANCH HOMEOWNER'S ASSOCIATION

Section 5.01 Membership. The record owner of each Tract within the Subdivision, to which these covenants apply shall be a member of the Association. The membership shall be appurtenant to and may not be separated from the ownership of any Tract. Record ownership of a Tract shall be the sole qualification for being a member of the Association.

Section 5.02 Duties of the Association. Subject to and in accordance with these restrictions, the Association acting through the Board shall have and perform each of the following duties:

a) Association Property

- Ownership and Control. To accept, own, operate, and maintain all subdivision entrance signs and private driveways and Private Streets located within the Property.
- Repair and Maintenance. To maintain in good repair and conditions any property owned by or leased to the Association, including, without limitation, subdivision entrance signs, Private Streets, private driveways and fences located within the Property.
- Taxes. To pay all real and personal property taxes and other taxes and assessments levied upon or with respect to the Private Streets to the extent that such taxes and assessment 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.

b) Insurance. To obtain and maintain in effect policies of insurance that, in the opinion of the Board, are reasonably necessary or appropriate to carry out the Association's functions.

c) Rules and Bylaws. To make, establish, and promulgate and in its discretion, to amend or repeal and re-enact the Bylaws and such Rules not in conflict with this Declaration, as it deems proper, covering any and all aspects of its functions. In the event of any conflict between the terms and provisions of the Articles, Bylaws, or any other Rules with this Declaration, the terms and provisions of this Declaration are intended to, and shall be controlling.

- d) Records. To keep books and records of the Association's affairs and to make such books and records, together with current copies of the Restrictions available for inspection by the Owners, Mortgagees, and insurers or guarantors of any Mortgage upon request during normal business hours.
- e) Other. To carry out and enforce all duties of the Association set forth in the Restrictions.

Section 5.03 Voting Rights. To cast votes and the number of votes which may be cast for election of members of the Board on all other matters to be voted by the Members shall be calculated as set forth below.

The Association will have one (1) class of Member. Members will be all Owners of Tract(s) within the subdivision. Each Member shall have one (1) vote for each Tract so owned. In no event shall any Tract be entitled to more than one (1) vote. In the event of the consolidation of two (2) or more Tracts for purposes of construction of a single residence thereon, voting rights shall continue to be determined according to the number of original Tracts contained in such consolidated Tract. Nothing herein shall be construed as authorization for any consolidation of Tracts; such action is subject to and requires the prior approval of the Developer pursuant to other provisions of this Declaration.

The right of any Owner (other than Developer) to vote may be suspended by the Association, acting through the Board, for any period during which any Assessment against such Owner's Tract(s) remains past due, for any period during which such Owner or such Owner's Tract is in violation of the Restrictions.

Section 5.04 Board of Directors. Members of the Board of Directors shall be selected and appointed each year at the annual meeting of the High Ridge Ranch Homeowner's Association by the record owners of the Subdivision Tracts. Selection of such members shall be by written ballot cast either in person at the meeting, or received by mail prior to the meeting. The annual meetings of the members of the High Ridge Ranch Homeowner's Association shall be held in Wimberley, Texas, at such place the Board of Directors designates, on the second Saturday in January of each year, commencing with the year 2005.

Section 5.05 Owner's Personal Obligation for Payment of Assessments. The Assessments and Special Assessments, provided for herein, shall be the personal and individual debt of the Owner of the Tract covered by such Assessments. No owner may exempt himself from liability for such Assessments. Any Assessment provided for in the Declaration which is not paid when due shall be delinquent on said due date (the "delinquency date"). If any such assessment is not paid within thirty (30) days after the delinquency date, a late charge of Twenty Dollars (\$20.00) shall be levied and the Assessment shall bear interest from the delinquency date. In the event of delinquency in the payment of any such Assessment, the Owner of the Tract 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 interest rate, then at the rate of 1 ½ percent per month) together with all costs and expenses of collection, including reasonable attorneys' fees.

Section 5.06 Determination of Assessments. Each Tract owner shall pay the Association an annual fee to apply to the insurance, taxes, and maintenance, as required within the Subdivision and other charges for services provided by the Association. The Board of Directors shall determine the amount assessed to each Tract based on a per Tract share of the total cost of such items. This assessment shall be the personal obligation of the Tract owner when the assessment falls due, and shall be a continuing lien on the Tract assessed. The initial maximum assessment shall be one hundred fifty dollars (\$150.00) per year, per Tract, beginning January 1, 2005, due and payable by January 5 each year.

Section 5.07 Special Assessments. In addition to the assessments for services and maintenance, the Association may levy a special assessment as hereafter authorized. Special assessments may only be levied to defray, in whole or in part, the cost of any construction, reconstruction, repair or replacement of structures, fixtures and personal property generally beneficial to the Owners of the land within High Ridge Ranch Subdivision. Special assessments must have the assent of sixty-seven percent (67%) of the votes of each class of the members authorized to vote, in person or by proxy, at a meeting duly called for this purpose.

Section 5.08 Notice and Quorum for Any Action Authorized Under Sections 5.05 and 5.06. Written notice of any meeting called for the purpose of taking any action authorized under Section 5.05 and 5.06 shall be sent to all Members not less than 30 days nor more than 60 days in advance of the meeting. At the first such meeting called, the presence of Members or of proxies entitled to cast sixty percent (60%) of all the votes of each class of membership shall constitute a quorum. If the required quorum is not present, another meeting may be called subject to the same notice requirement, and the required quorum at the subsequent meeting shall be one-half (1/2) of the required quorum at the preceding meeting. No such subsequent meeting shall be held more than 60 days following the preceding meeting.

Section 5.09 Uniform Rate of Assessment. Both annual Assessments and Special Assessments must be fixed at a uniform rate for all Tracts and may, at the discretion of the Board of Directors, be collected on a monthly, quarterly or semi-annual basis.

Section 5.10 Date of Commencement of Annual Assessments: Due Dates. The annual Assessments provided for herein shall commence as to all Tracts on the first day of the month following the conveyance of the Private Streets to the Association. The first annual Assessment shall be adjusted according to the number of months remaining in the calendar year. The Board shall fix the amount of the annual Assessment against each Tract at least thirty (30) days in advance of each annual Assessment period. Written

notice of the annual Assessment shall be sent to every Owner subject thereto. The due dates shall be established by the Board. The Association shall, upon demand, and for a reasonable charge, furnish a certificate signed by an officer of the Association setting forth whether the Assessments on a specified Tract have been paid. A properly executed certificate of the Association as to the status of Assessments on a Tract is binding upon the Association as of the date of its issuance.

Section 5.11 Assessment Lien and Foreclosure. Assessments (together with interests as provided in Section 5.05 above, and reasonable attorney's fees, costs, and expenses if it becomes necessary for the Association to enforce collection of any amount in respect of any Tract) shall be a charge on each Tract and shall be secured by a continuing lien upon each Tract.

- a) Notice of Lien. Additional notice of the lien created by this Section 5.11 may be effected by recording in the Real Property Records of Hays and/or Comal County, Texas, and affidavit, duly executed, sworn to and acknowledged by an officer of the Association, setting forth the amount owed, the name of the Owner or Owners of the affected Tract, according to the books and records of the Association, and the legal description of such Tract.
- b) Creation of Lien. Each Owner, by his acceptance of a deed to a Tract, hereby expressly grants to the Association a lien for the purpose of securing payment of Assessments upon such Tract. The Association, acting by and through the Board may, but shall not be obligated to, prepare and record in the Real Property Records of Hays and/or Comal County, Texas, a notice of such lien which will constitute further evidence of the lien for Assessments against a Tract. In addition to and in connection therewith, by acceptance of the deed to a Tract, each Owner expressly GRANTS, BARGAINS, SELLS and CONVEYS to the President and/or Vice President or agent of the Association from time to time service, as Trustee (and to any substitute or successor trustee as hereinafter provided for) such Owner's Tract, and all rights appurtenant thereto, in trust, for the purpose of securing the Assessments levied hereunder, and other sums due hereunder remaining unpaid hereunder from time to time. The Trustee herein designated may be changed for any reason and at any time and from time to time by execution of an instrument in writing, signed by the President or a Vice-President of the Association and attested to by the Secretary or Assistant Secretary of the Association and filed in the Real Property Records of Hays and Comal Counties, Texas.
- c) Enforcement of Lien. The Association shall retain the right to enforce the aforesaid lien by all methods available for the enforcement of such liens, both judicially and by non-judicial foreclosure pursuant the Section 51.002 of the Texas Property Code (as may be amended or revised from time to time hereafter). In the event of the election by the Board of the Association to foreclose the lien herein provided for non-payment of sums secured by such lien, then it shall be the duty of the Trustee, or his successor, as hereinabove provided, at the request of

the Board (which request shall be presumed) to enforce this trust and to sell such Tract, and all rights appurtenant thereto, in accordance with Section 51.002 of the Texas Property Code (as said statute shall read at the time of enforcement) and to make due conveyance to purchaser or purchasers by deed binding upon the Owner or Owners of such Tract and his heirs, executors, administrators and successors. The Trustee shall give notice of such proposed sale as required by Section 51.002 of the Texas Property Code (as said statute shall read at the time notice is given).

- d) Additional Matters Pertaining to Foreclosure. At any foreclosure, judicial or non-judicial, the Association shall be entitled to bid up to the amount of the sum secured by its lien, together with costs and attorney's fees, and to apply as cash credit against its bid all sums due to the Association covered by the lien foreclosed. From and after any such foreclosure, the occupants of such Tract shall be required to pay a reasonable rent for the use of such Tract and such occupancy shall constitute a tenancy-at-sufferance, and the purchaser at such foreclosure sale shall be entitled to the appointment of a receiver to collect such rents and further, shall be entitled to sue for recovery of possession of such Tract by forcible detainer without further notice.

Section 5.12 No Offsets. The Assessments shall be payable in the amounts specified in the levy thereof, and no offsets or reduction thereof shall be permitted for any reason including, without limitation, (a) any claim that the Association or the Board is not properly exercising its duties and powers under this Declaration, (b) any claim by the Owner of non-use of the Private Streets, any property owned by or leased to the Association or abandonment of his Tract, (c) any claim by the Owner of inconvenience or discomfort arising from making of repairs or improvements to the Private Streets or any property owned by or leased to the Association, or (d) any claim by the Owner of inconvenience or discomfort arising from any action taken to comply with any law or determination of the Board or for any other reason.

Section 5.13 Subordination of the Assessment Lien to Mortgages, Etc. The lien of Assessments provided for herein shall be superior to all other liens and charges against a Tract except, however, an Assessment lien shall be subordinate to any first lien mortgages relating to the Tracts, liens relating to construction upon the Tracts and any tax liens. Sale or transfer of any Tract shall not affect the lien of the Assessment; however, the sale or transfer of any Tract pursuant to the foreclosure of a first lien mortgage or any proceeding in lieu thereof or the foreclosure of a tax lien, shall extinguish the lien of the Assessments only as to payments which became due prior to such sale or transfer. No sale or transfer shall relieve such Tract from liability for the Assessments thereafter becoming due or from the lien thereof. A selling Owner of a Tract shall not be relieved of personal liability for any assessments accruing on such Tract prior to the date of sale or transfer. The Association shall have the power to subordinate the aforesaid Assessment lien to any other lien. Such power shall be entirely discretionary with the Board and such subordination may be signed by an officer of the Association. Upon the written request of any Mortgagee, the Association shall report to said Mortgagee any unpaid Assessment remaining unpaid for longer than thirty (30) days after the same are due.

Section 5.13 Control of Private Streets. As provided in the Articles hereof entitled "Definitions", the Private Streets shall consist exclusively of Tract 33 and Tract 34 within the Project. Developer, its subcontractors, agents and employees shall have the right to come on the Private Streets. Also, notwithstanding the foregoing, in the event that any of the Developer subcontractors are contractually obligated to maintain improvements on the Private Streets, such maintenance shall not be assumed by the Association until the termination of such contractual obligation. Neither such construction nor such maintenance shall in any way postpone the commencement of Assessments pursuant to this Article or entitle a Member to claim any offset or reduction in the amount of such Assessments. If any excess of Assessments collected over actual Common Expenses incurred by the Association is caused by aforesaid, or otherwise, such excess shall be placed in the reserve to offset the future expenses of the Association as designated by the Board.

IN WITNESS WHEREOF, the undersigned, being the Developer and Owner of Tracts 1 through 17 and Tracts 21 through 34, herein, has hereunto set its hand of this ____ day of _____, 2004.

Morline Properties, Ltd.

By: _____
Randall Morris, President

STATE OF TEXAS §

COUNTY OF HAYS §

This instrument was acknowledged before me on the ____ day of _____, 2004 by RANDALL MORRIS, President of Morline Properties, Ltd., a Texas corporation, on behalf of said corporation and in the capacity therein stated.

Notary Public, State of Texas

After Recording Return To:
Morline Properties
333 Cheatham St.
San Marcos, TX 78666