

**AMENDED AND RESTATED DECLARATION OF EASEMENTS AND RESTRICTIONS
FOR SHADY VALLEY SUBDIVISION III**

STATE OF TEXAS §
 § KNOW ALL MEN BY THESE PRESENTS:
COUNTY OF HAYS §

WHEREAS, Valley Verde One, Ltd., a Texas limited partnership ("Developer") was the owner of all of that certain real property located in Hays County, Texas, described as follows.

SHADY VALLEY, III, a subdivision of record in Volume 11, Page 272 of the Plat Records of Hays County, Texas (the "Property"),

WHEREAS, Developer filed of record those certain restrictions, covenants and easements against the Property in instrument titled "Declaration of Easements and Restrictions for Shady Valley Subdivision III in Volume 2548, Page 390 of the Official Public Records of Hays County, Texas (the "Original Restrictions"),

WHEREAS, Developer reserved the right to amend the Original Restrictions;

WHEREAS, Developer desires to amend and restate the Original Restrictions pursuant to the provisions of the Original Restrictions in this AMENDED AND RESTATED DECLARATION OF EASEMENTS AND RESTRICTIONS FOR SHADY VALLEY SUBDIVISION III (the "Declaration").

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 or 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. This Declaration, hereby amends, corrects and restates the Original Restrictions in their entirety. The Property shall hereinafter be referred to and known as "SHADY VALLEY SUBDIVISION III", which shall hereafter be subject to the following:

**ARTICLE I
DEFINITIONS**

Unless the context otherwise specifies or requires, the following words and phrases when used in this Declaration shall have the following meanings:

1.01 Architectural Committee. "Architectural Committee" shall mean the committee created pursuant to this Declaration to review and approve plans for the constructions of Improvements upon the Property.

1.02 Architectural Committee Rules. "Architectural Committee Rules" shall mean the rules and regulations adopted by the Architectural Committee, as the same may be amended from time to time.

1.03 Articles. "Articles" shall mean the Articles of Incorporation of Hays Shady Valley III Owners Association, Inc., which shall be filed in the office of the Secretary of State of the State of Texas, as from time to time amended.

1.04 Assessment. "Assessment" or "Assessments" shall mean such assessments as may be levied by the Association under the terms and provisions of this Declaration.

1.05 Association. "Association" shall mean Hays Shady Valley III Owners Association, Inc., a Texas non-profit corporation.

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

1.07 Bylaws. "Bylaws" shall mean the Bylaws of the Association as adopted by the Board, and as from time to time amended.

1.08 Common Area. "Common Area" shall mean all real property, including the improvements thereto, owned by the Association for the common use and enjoyment of the Owners

1.09 Declarant. "Declarant" shall mean Valley Verde One, Ltd., its duly authorized representatives or their respective successors or assigns; provided that any assignment of the rights of

Valley Verde One, Ltd. as Declarant must be expressly set forth in writing and the mere conveyance of a portion of the Property without written assignment of the rights of Declarant shall not be sufficient to constitute an assignment of the rights of Declarant hereunder.

1.10 Declaration. "Declaration" shall mean this instrument, and as it may be amended from time to time.

1.11 Improvement. "Improvement" shall mean every structure and all appurtenances thereto of every type and kind, including but not limited to buildings, Outbuildings, storage sheds, barns, patios, tennis courts, swimming pools, garages, storage buildings, fences, screening walls, retaining walls, stairs, decks, landscaping, poles, signs, exterior air conditioning, water softener fixtures or equipment, and poles, pumps, wholes, tanks, reservoirs, pipes, lines, meters, antennas, towers and other facilities used in connection with water, sewer, gas, electric, telephone, regular or cable television, or other utilities.

1.12 Lot. "Lot" or "Lots" shall mean any parcel or parcels of land within the Property shown as a subdivided lot on a Plat of a Subdivision out of the Property, together with all Improvements located thereon.

1.13 Member. "Member" or "Members" shall mean any person, persons, entity, or entities holding membership rights in the Association.

1.14 Mortgage. "Mortgage" shall mean any mortgage or deed of trust covering any portion of the Property given to secure the payment of a debt.

1.15 Mortgagee. "Mortgagee" or "Mortgagees" shall mean the holder or holders of any Mortgage or Mortgages

1.16 Owner. "Owner" or "Owners" shall mean a person or persons, entity or entities, including Declarant, holding a fee simple interest in any portion of the Property, but shall not include a Mortgagee.

1.17 Outbuildings. "Outbuildings" shall mean to include garages, either attached or detached, a barn and a guest house; the guest house shall contain a minimum of 500 square feet.

1.18 Person. "Person" or "Persons" shall mean any individual, individuals, entity, or entities having the legal right to hold title to real property.

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

1.20 Property. "Property" shall mean that real property which is subject to the terms of this Declaration, which is SHADY VALLEY, III, a subdivision of record in Volume 11, Page 34 of the Plat Records of Hays County, Texas.

1.21 Shady Valley Subdivision III Restrictions. "Shady Valley Subdivision III Restrictions" shall mean this Declaration, as the same may be amended from time to time, together with Shady Valley Subdivision III Rules, Committee Rules and the Articles and Bylaws of the Association from time to time in effect, as the same may be amended from time to time.

1.22 Shady Valley Subdivision III Rules. "Shady Valley Subdivision III Rules" shall mean the rules and regulations adopted by the Board as the same may be amended from time to time.

1.23 Subdivision. "Subdivision" shall mean a portion of the Property which is subdivided for residential purposes as shown on a map or plat of record in the Plat Records of Hays County, Texas.

1.24 Supplemental Declaration. "Supplemental Declaration" shall mean and refer to any declaration of covenants, conditions and restrictions which may be recorded hereafter in order to withdraw land from the Property.

ARTICLE II DEVELOPMENT OF THE PROPERTY

2.01 Development by Declarant. Declarant may divide or subdivide the Property into several areas, develop some of the Property, and, at Declarant's option, sell any portion of the Property free of these restrictions, in accordance with its master plan for the Property. It is contemplated that the Property will be developed pursuant to a master concept plan, which may, from time to time, be amended or modified in which the development of, and restrictions upon, each portion of the Property will benefit every other portion, as well as the entire Property.

ARTICLE III GENERAL RESTRICTIONS

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

3.01 Insurance Rates. Nothing shall be done or kept on the Property which would increase the rate of insurance or cause the cancellation of insurance on any Lot or any of the Improvements located on the Property without the prior written approval of the Board.

3.02 Subdividing. No Lot shall be further divided or subdivided.

3.04 Signs. No sign of any kind shall be displayed to the public view on the Property 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 a portion of the Property for sale or lease or it may set standards for the same.

3.05 Rubbish and Debris. No rubbish or debris of any kind shall be placed or permitted to accumulate upon the Property or any Lot and no odors shall be permitted to arise therefrom so as to render the Property or any portion of it 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 such containers shall be kept within enclosed structures or appropriately screened from view. 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 Lot. Material of any kind stored on any Lot shall be arranged in an orderly manner in the rear of the dwelling house and shall be properly covered. Within the area 40 feet from the roadway (including the area within the road right of way), each Owner shall (i) keep his Lot free of unsightly objects, mowed and all trees and bushes properly trimmed.

3.06 Noise. No exterior horns, whistles, bells, or sirens (other than security devices used exclusively for security purposes) shall be located, used, or placed on any 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. No dirt bikes, motorcycles, dune buggies, four wheelers or other recreational vehicles shall be permitted to be ridden on the Property; provided, however, that legally licensed motorcycles shall be permitted ingress and egress to a Lot.

3.07 Construction of Improvements. No Improvements shall be constructed upon any of the Property or any Lot without the prior written approval of the Architectural Committee. The Improvements on any Lot shall be limited to one single family residence not exceeding two stories in height, one guest house and Outbuildings. For any residence located on the Property, the minimum heated/air conditioned floor area for the main structure, exclusive of porches (screened or open) and garages, shall be 1,800 square feet and a guest house must be at least 500 square feet of the heated/air conditioned floor area. All dwellings and Outbuildings shall be built in place on the Lot, no manufactured or mobile housing is permitted, and no old homes shall be moved upon the Property or any Lot without the prior written approval of the Architectural Committee. No above ground swimming pools are allowed on the Property. No trailer, motor home, tents, shacks, garage, barn or other structures located on the Property or any Lot shall at any time be used as a residence temporarily or permanently, nor shall any structure of a temporary character be used as a residence, provided, however, that only during the actual construction of the residence, an Owner may place a motor home or camper on the Lot as a temporary residence for a period not to exceed six months. An Owner may have a building to house a horse or other permitted animal, but said structure shall conform to the dwelling located on the Lot and shall be painted so as to blend in the area. Said structure shall be located in the rear one-half of the Lot and shall be neatly maintained. Propane tanks will be neatly screened so as to not be visible from the front of the main dwelling. All Improvements upon any of the Property shall at all times be kept in good

condition and repair and adequately painted and otherwise maintained by the Owner. Any construction, other than normal maintenance, which in any way alters the exterior appearance of any Improvement, or the removal of any Improvements, shall be performed only with the prior written approval of the Architectural Committee.

3.08 Hunting. No hunting shall be permitted on the Property.

3.09 Hazardous Activities. No activities shall be conducted on the Property and no Improvements constructed on the Property which are or might be unsafe or hazardous to any person or property. Without limiting the generality of the foregoing, no firearms or fireworks shall be discharged upon the Property, no open fires shall be lighted or permitted except within safe and well-designed interior or exterior fireplaces, or in contained barbecue units while attended and in use for cooking purposes.

3.10 Temporary Structures. No tent shack, or other temporary building, improvement or structure shall be placed upon the Property without the prior written approval of the Architectural Committee, provided, however, that temporary structures necessary for storage of tools and equipment, and for office space for architects, builders, and foremen during actual construction may be maintained with the proper approval of Declarant, approval dependent on the nature, size, duration, and location of such structure

3.11 Septic Systems. Installation of septic tank soil - absorption sewerage disposal systems 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 appropriate County Health Department. Additionally, all Lots must be served with water and electricity at the time of construction of the residence.

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 oil, gas, or other hydrocarbons, minerals of any kind, rocks, stones, sand, gravel, aggregate, or earth; provided, however, Declarant shall have the right to excavate from portions of the Property owned by Declarant such materials as it deems appropriate for the construction, maintenance and repair of roadways.

3.13 Unightly Articles; Vehicles. No article deemed to be unsightly by the Architectural Committee shall be permitted to remain on any Lot so as to be visible from adjoining property or public or private thoroughfares. Without limiting the generality of the above, trailers, graders, trucks (other than pickups), boats, tractors, campers, recreational vehicles, wagons, buses, motorcycles, and garden maintenance equipment, shall be kept at all times, except when in actual use, in enclosed structures or screened from view of a road and/or an adjacent Lot and no repair or maintenance work shall be done on any of the foregoing, or on any automobile (other than minor emergency repairs), except in enclosed garages or other structures. No automobiles or other vehicles may be parked overnight on any roadway within the Property. Service areas, storage areas, compost piles and facilities for hanging, drying, or airing clothing or household fabrics shall be appropriately screened from public view and no lumber, grass, plant waste, shrub or tree clippings, metals, bulk materials, scrap, or refuse of trash shall be kept, stored or allowed to accumulate on any portion of the Property except within enclosed structures or appropriately screened from view.

3.14 Mobile Homes, Travel Trailers and Recreational Vehicles. No mobile homes shall be parked or placed on any Lot at any time, and 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 roads for more than forty-eight (48) hours. Any and all boats, motor homes and/or travel trailers may be parked in the rear one-half of the Lot, not in view of any road.

3.15 Animals - Except as expressly stated herein, no non-native animals shall be allowed on the Property or any Lot except household pets not kept for breeding purposes. Owners may have no more than 2 horses, sheep, goats and any such offspring until weaning age; but such animals shall be for domestic use only and not for any kind of commercialized stock operation. This restriction shall in no way prohibit the keeping of a family pet (cat or dog). All dogs and cats shall be kept in a fenced area or tethered; no dogs or cats shall be allowed to run loose in the Property

3.16 Unfinished Structures. The exterior of a structure shall be completely finished within six (6) months after the same has been commenced.

3.17 Fences. All fences fronting a Lot and 100 feet down each side from the front of such Lot shall be a three rail fence. The fence may have wire inside the three rails for maintaining animals with the Lot.

3.18 Setback Requirements. Setback requirements for Lots are (i) 40 feet from any road upon which the Lot abuts, (ii) 20 feet from the side boundary line and rear boundary line of the Lot unless the Owner of such Lot owns contiguous Lot(s) and in that instance, no setback is applicable to the boundary line between such contiguous Lots, and (iii) any other set back requirements imposed by applicable governmental entity.

3.19 Rentals. Nothing in this Declaration shall prevent the rental of any Lot and the Improvements thereon by the Owner thereof for residential purposes.

3.20 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 Article III or elsewhere 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.

ARTICLE IV USE RESTRICTIONS

4.01 General. The Property shall be improved and used solely for wildlife management, recreational, and single family residential use and no business or commercial structure shall be constructed or placed on the Property. No feedlots or other commercial livestock operations shall be permitted on the Property. Notwithstanding the foregoing, Declarant shall have the right to erect, place and maintain temporary facilities on the Property as it may deem appropriate for selling Lots and/or constructing residences and related Improvements on Lots.

4.02 Common Area. No land within any Common Area shall be improved, used or occupied, except in such manner as shall have been approved by Declarant, in its sole and absolute discretion. Such required approval shall extend to the nature and type of use, occupancy, and Improvement. Declarant may, by written instrument, delegate its right to grant such approval to the Board. Access to any Common Area may be limited to persons currently paying assessments, fees, and other charges, or otherwise conditioned or restricted, or made available to non-owners, all on such terms and conditions as Declarant may determine, in its sole discretion.

ARTICLE V HAYS SHADY VALLEY III OWNERS ASSOCIATION, INC.

5.01 Organization. The Declarant shall, at such time as Declarant deems appropriate, cause the formation and incorporation of the Association. The Association shall be a nonprofit corporation created for the purposes, charged with the duties, and vested with the powers prescribed by law or set forth in their Articles and Bylaws and 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.

5.02 Membership. Any Person, 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 the said property interest

5.03 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 provided below. Owners entitled to votes pursuant to (a) below are hereinafter sometimes referred to as "Class A Members." Declarant, which is entitled to vote pursuant to (b) below, is hereinafter sometimes referred to as the "Class B Member."

(a) The Owner of each Lot within the Property shall have one vote for each Lot so owned.

(b) In addition to the votes to which it is entitled by reason of subparagraph (a) of this section for every one (1) vote to which Declarant is entitled due to its ownership of Lots, Declarant shall

have an additional three (3) votes for each Lot owned by Declarant until the earlier of (i) December 31, 2010 or (ii) the number of total votes in Class A equals the number of total votes in Class B. Thereafter, Declarant shall have only the votes, if any, to which it is entitled under subparagraph (A) of this section.

5.04 Powers and Authority of the Association. The Association shall have the powers of a Texas nonprofit 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) Shady Valley Subdivision III Rules and Bylaws. To make, establish, and promulgate, and in its discretion to amend or repeal and re-enact, such Shady Valley Subdivision III Rules and Bylaws, not in conflict with this Declaration, as it deems proper covering any and all aspects of its functions.

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

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

(d) Assessments. To levy assessments as provided in Article VII below. An assessment is defined as that sum which must be levied in the manner and against the property set forth in Article VII in order to raise the total amount for which the levy in question is being made

(e) Right of Entry and Enforcement. To enter at any time in an emergency (or in the case of a non-emergency, after twenty-four (24) hours written notice), without being liable to any Owner, upon any Lot for the purpose of enforcing the Shady Valley Subdivision III Restrictions or for the purpose of maintaining or repairing any area, Improvement or other facility to conform to the Shady Valley Subdivision III Restrictions, and the expense incurred by the Association in connection with the entry upon any Lot and the maintenance and repair work conducted thereon shall be a personal obligation of the Owner of the Lot entered upon, shall be a lien upon the Lot entered upon and Improvements thereon, and shall be enforced in the same manner and to the same extent as provided in Article VII hereof for regular 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 the Shady Valley Subdivision III Restrictions. The Association is also authorized to settle claims, enforce liens and take all such action as it may deem necessary or expedient to enforce the Shady Valley Subdivision III Restrictions.

(f) Legal and Accounting Services. To retain and pay for legal and accounting services necessary or proper in the operation of the Association.

(g) Conveyances. To grant and convey to any person or entity the real property and/or other interest therein including fee title, leasehold estates, easements, rights-of-way, or mortgages out of, in, on, over, or under any Association property for the purpose of constructing, erecting, operating, or maintaining the following:

- (1) Parks, parkways or other recreational facilities or structures;
- (2) Roads, streets, walks, driveways, trails and paths;
- (3) Lines, cables, wires, conduits, pipelines or other vices for utility purposes;
- (4) Sewers, water systems, storm water drainage systems, sprinkler systems, and pipelines;
- and/or
- (5) Any similar public, quasi-public or private improvements or facilities.

Nothing above, however, shall be construed to permit use or occupancy of any Improvement or other facility in a way which would violate applicable use and occupancy restrictions imposed by other provisions of this Declaration.

(h) Manager. To retain and pay for the services of a person or firm (the Manager") to manage and operate the Association, including its property, to the extent deemed advisable by the Board. Additional personnel may be employed directly by the Association or may be furnished by the Manager. To the extent permitted by law, the Association and the Board may delegate any other duties, powers and functions to the Manager. The members of the Association 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.

(i) Association of Property Services. To pay for water, sewer, garbage removal, landscaping, gardening and all other utilities, services and maintenance for the property of the Association; to maintain and repair easements, roads, roadways, rights-of-way, parks, parkways, median strips, sidewalks, paths, trails, ponds, lakes and other areas of the Property, as appropriate; and to own and operate any and all types of facilities for both active and passive recreation.

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

(k) Construction on Association Property. To construct new improvements or additions to Association properties, subject to the approval of the Architectural Committee as required by this Declaration.

(l) Contracts. To enter into contracts with Declarant and other persons on such terms and provisions as the Board shall determine, to operate and maintain any Common Area or to provide any service or perform any function on behalf of Declarant or other person.

(m) Property Ownership. To acquire and own and to dispose of all manner of real and personal property, whether by grant, lease gift, or otherwise.

5.05 Maintenance The Association shall (i) maintain all streets which have been completed but not accepted by the appropriate governmental entity for maintenance, (ii) maintain all Common Area dedicated to the Association for maintenance, by or with the consent of Declarant, and (iii) maintain the landscaping and entry sign located at the entrance of the Property, and all median strips which have not been accepted by any governmental entity for maintenance.

5.06 Common Area. Subject to and in accordance with this Declaration, the Association, acting through the Board, shall have the following duties:

(a) To accept, own, operate, and maintain all Common Area which may be conveyed or leased to it by Declarant, together with all improvements of whatever kind and for whatever purpose which may be located in said areas; and to accept, own operate, and maintain all other property, real and personal, conveyed or leased to the Association by Declarant and to maintain in good repair and condition all lands, improvements, and other Association property owned by, or leased to, the Association. Such maintenance shall include but not be limited to mowing and removal of rubbish or debris of any kind.

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

(c) To execute mortgages, both construction and permanent, for construction of facilities, including improvements on property owned by or leased to the Association. Financing may be effected through conventional mortgages or deeds of trust, the issuance and sale of development or other bonds, or in any other form or manner as may be deemed appropriate by the Association. The mortgage or other security interest given to secure repayment of any debt may consist of a first, second, or other junior lien as shall be deemed appropriate by the Association, on the improvement or other facility to be constructed, together with such underlying and surrounding lands as the Association deems appropriate. The debt secured by such mortgage or other security instrument may be retired from and secured by the revenues generated by dues, use fees, assessment of the members of the Association, or otherwise, or any combination thereof, as may be deemed appropriate by the Association, but subject to the limitations imposed by this Declaration

(d) To take out and maintain current a policy of liability insurance coverage to cover accidental bodily injury and/or death caused by the use and enjoyment in the Common Area. Such insurance shall be in an amount as the Board shall deem appropriate.

5.07 Indemnification. The Association shall indemnify any person who was or is a party, or is threatened to be made a party to any threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative or investigative by reason of the fact that he is or was a director, officer, committee member, employee, servant or agent of the Association against expenses, including attorney's fees, reasonably incurred by him in connection with such action, suit or proceeding if it is found and determined by the Board or a Court that he (1) acted in good faith and in a manner he reasonably believed to be in, or not opposed to, the best interests of the Association, or (2) with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by settlement, or upon a plea of Nolo Contendere, of its equivalent, shall not of itself create a presumption that the person did not act in good faith or in a manner which he reasonably believed to be in, or not opposed to, the best interests of the Association, or, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful. The Board may purchase and maintain insurance on behalf of any person who is or was a director, officer, committee member, employee, servant, or agent of the Association, against any liability asserted against him or incurred by him in any such capacity, or arising out of his status as such, whether or not the Association would have the power to indemnify him against such liability hereunder or otherwise.

ARTICLE VI ARCHITECTURAL COMMITTEE

6.01 Membership of Architectural Committee. The Architectural Committee shall consist of not more than three (3) members ("ACC Members") as Declarant, its successors or assigns deems appropriate. The initial ACC Members of the Architectural Committee shall be Robert E. Peerman, Sr. and Donna Rice.

6.02 Action by Architectural Committee. Items presented to the Architectural Committee shall be decided by a majority vote of the ACC Members.

6.03 Term. Each member of the Architectural Committee shall hold office until such time as he or she has resigned or has been removed or his or her successor has been appointed, as provided herein.

6.04 Declarant's Rights of Appointment. Declarant, its successors or assigns shall have the right to appoint and remove all ACC Members. Declarant may delegate this right to the Board by written instrument. Thereafter, the Board shall have the right to appoint and remove all ACC Members.

6.05 Adoption of Rules. The Architectural Committee may adopt such procedural and substantive rules, not in conflict with this Declaration, as it may deem necessary or proper for the performance of its duties, including but not limited to a building code, a fire code, a housing code, and other similar codes as it may deem necessary and desirable. Each Owner shall comply with said rules as the same may be amended from time to time, and failure to comply with said rules shall constitute a default of this Declaration, and any Owner, including Declarant, at its sole expense and/or the Board may seek any of the remedies set forth herein for default of this Declaration.

6.06 Review of Proposed Construction. Whenever in this Declaration, or in any Supplemental Declaration, the approval of the Architectural Committee is required, it shall have the right to consider all of the Plans and Specifications for the Improvement or proposal in question and all other facts which, in its sole discretion, are relevant. Prior to the commencement of any construction of any Improvement on the Property or any portion thereof, the Plans and Specifications therefor shall be submitted to the Architectural Committee, and construction thereof may not commence unless and until the Architectural Committee has approved such Plans and Specifications in writing. 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, including the inspection of construction in progress to assure its conformance with Plans and Specifications approved by the Architectural Committee. The Architectural Committee may review Plans and Specifications submitted for its review and such other information as it deems proper. Until receipt by the Architectural Committee of any information or document deemed necessary by the Architectural Committee, it may postpone review of any Plans and Specifications submitted for approval. No Improvement shall be allowed on any Lot which is of such size or architectural design or involves the use of such landscaping, color schemes, exterior finishes and

materials and similar features as to be incompatible with residential development within the Property. The Architectural Committee based upon the restrictions set forth in the preceding sentence 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 reviewing any proposed Improvement, nor shall its approval of any Plans or Specifications be deemed approval thereof from the standpoint of structural safety, engineering soundness, or conformance with building or other codes.

6.07 Variance. The Architectural Committee may grant variances from compliance with any of the provisions of this Declaration, or any Supplemental Declaration, when, in the opinion of the Architectural Committee, in its sole and absolute discretion, such variance will not materially impair or detract from development of the Property, and such variance is justified due to unusual or aesthetic considerations or unusual circumstances. All variances must be evidenced by a written instrument, in recordable form, and must be signed by a majority of the ACC Members. The granting of such variance shall not operate to waive or amend any of the terms and provisions of these covenants and restrictions applicable to the Lots for any purpose except as to the particular property and in a particular instance covered by the variance, and such variance shall not be considered to establish a precedent or future waiver, modification, or amendment of the terms and provisions hereof.

6.08 Actions of the Architectural Committee. The Architectural Committee may, by resolution, unanimously adopted in writing, designate one or two of its ACC Members or an agent acting on its behalf to take any action or perform any duties for and on behalf of the Architectural Committee. In the absence of such designation, the vote of a majority of all of the ACC Members taken without a meeting, shall constitute an act of the Architectural Committee.

6.09 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 whatever, subsequently or additionally submitted for approval or consent by the same or a different person

6.10 Work in Progress. The Architectural Committee, at its option, may inspect all work in progress to insure compliance with approved Plans and Specifications.

6.11 Nonliability of Architectural Committee Members. Neither the Architectural Committee, nor any Member thereof, nor the Board, nor any member thereof, shall be liable to the Association or to any Owner or to any other person for any loss, damage or injury arising out of their being in any way connected with the performance of the Architectural Committee's or the Board's respective duties under this Declaration unless due to the willful misconduct or bad faith of the Architectural Committee or its Member or the Board or its member, as the case may be. Neither the Architectural Committee, nor the ACC Members thereof, shall be liable to any Owner due to the construction of any Improvement within the Property.

6.12 Address. Plans and Specifications shall be submitted to the Architectural Committee, c/o Robert E. Peerman, 12020 US 290 West, Austin, Texas 78737, or such other address as may be designated by Declarant, its successors and assigns, from time to time.

6.13 Fees. The Architectural Committee shall have the right to require a reasonable submission fee for each set of Plans and Specifications submitted for its review.

ARTICLE VII FUNDS AND ASSESSMENTS

7.01 Assessments.

(a) Assessments established by the Boards pursuant to the provisions of this Article VII shall be levied on a uniform basis against each Lot within the Property. The amount of the Assessment shall be determined by dividing the total amount determined by the Board to be necessary pursuant to Section 7.03 and/or 7.04 hereof by the total number of Lots within the Property at the time the Assessment is levied, as determined by reference to each Plat of a portion of the Property which is of record at the time the Assessment is levied.

(b) Each unpaid assessment, together with interest and costs of collection, as provided below, shall be the personal obligation of the Owner of the Property against which the Assessment fell

due, and shall become a vendor's lien against each such Lot and all its Improvements. The Association may enforce payment of such Assessments in accordance with the provisions of this Article.

7.02 Maintenance Fund. The Boards shall establish maintenance and/or management funds into which shall be deposited all monies paid to the Association from which disbursements shall be made in performing the functions of the Association under this Declaration. The funds of the Association must be used solely for purposes authorized by this Declaration, as it may from time to time be amended.

7.03 Regular Annual Assessments. Prior to the beginning of each fiscal year, the Board shall estimate the expenses to be incurred by the Association during such year in performing its function under the Shady Valley Subdivision III Restrictions, including but not limited to, the cost of all maintenance, the cost of providing street lighting, the cost of enforcing the Shady Valley Subdivision III Restrictions, and 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 as provided herein, and the level of Assessments set by the Boards shall be final and binding so long as it is made in good faith. If the sums collected prove inadequate for any reason, including non payment of any individual Assessment, the Association may at any time, and from time to time, levy further Assessments in the same manner as provided above. All such regular Assessments shall be due and payable to the Association at the beginning of the fiscal year or during the fiscal year in equal monthly installments on or before the first day of each month, or in such other manner as the Boards may designate. In no event shall the regular annual assessment per Lot for the year 2005 exceed the sum of \$100.00. Thereafter, at the Boards' discretion, the maximum regular annual assessment permitted hereunder may be increased by no more than twenty percent (20%) per year. The maximum regular annual assessment may be increased by more than twenty per cent (20%) during a year only by affirmative vote of two-thirds (2/3) of each class of members, voting in person or by proxy, at a meeting duly called for such purpose.

7.04 Owner's Personal Obligation for Payment of Assessments. The Assessments provided for herein shall be the personal and individual debt of the Owner of the Lot covered by such Assessments. No Owner may exempt himself from liability for such Assessments. In the event of default in the payment of any such Assessment, the Owner of the lot 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, together with all costs and expenses of collection, including reasonable attorneys' fees.

7.05 Assessment Lien and Foreclosure. All sums assessed in the manner provided in this Article but unpaid, shall, together with interest thereon as provided for in Section 7.05 above, and the cost of collection, including reasonable attorneys' fees, thereupon become a continuing lien and charge on the Lot covered by such Assessment, which shall bind such Lot in the hands of the Owner, and such Owner's heirs, devisees, personal representatives, successors, or assigns. This lien shall be superior to all other liens and charges against the said Lot, except only for tax liens and all sums unpaid on a first mortgage lien or first deed of trust liens of record, securing in either instance sums borrowed for the acquisition or improvement of the Lot in question. 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 to evidence the aforesaid Assessment lien, the Association may prepare a written notice of Assessment lien setting forth the amount of the unpaid indebtedness, the name of the Owner of the Lot covered by such lien, and a description of the Lot. Such notice shall be signed by one of the officers of the Association and shall be recorded in the offices of the County Clerk of Hays County, Texas. Such lien for payment of Assessments shall attach with the priority set forth above from the date that such payment become delinquent and may be enforced by the foreclosure of the defaulting Owner's Lot by the Association in like manner as a mortgage on real property subsequent to the recording of a notice of Assessment lien as provided above, or the Association may institute suite against the Owner personally obligated to pay the Assessment and/or for foreclosure of the aforesaid lien judicially. In any foreclosure proceeding, whether judicial or not judicial, the Owner shall be required to pay the costs, expenses, and reasonable attorneys' fees incurred. The Association shall have the power to bid on the property at foreclosure, or other legal sale and to acquire, hold, lease, mortgage, convey or otherwise deal with the same. Upon the written request of any Mortgagee, the Association shall report to said Mortgagee any unpaid Assessments remaining unpaid for longer than thirty (30) days after the same are due.

ARTICLE VIII EASEMENTS

8.01 Reserved Easements. All dedications, limitation, restrictions, and reservations shown on the Plat and all grants and dedications of easements, rights-of-way, restrictions, and related rights, made

by Declarant prior to the Property becoming subject to this Declaration, are incorporated herein by reference and made part of this Declaration for all purposes, as if fully set forth herein, and shall be construed as being adopted in each and every contract, deed, or conveyance executed, or to be executed, by or on behalf of Declarant conveying any part of the Property. Declarant reserves the right to make changes in and additions to the said easements and rights-of-way for the purpose of most efficiently and economically developing the Property. Further, Declarant reserves the right, without the necessity of the joinder of any Owner, or other person or entity, to grant, dedicate, reserve or otherwise create, at any time or from time to time, rights-of-way and easements for public utility purposes (including, without limitation, gas, water, cable television, electricity, telephone and drainage), in favor of any person or entity, along and on either or both sides of any Lot line, which said easement shall have a maximum width of 7.5 feet on each side of such Lot line

8.02 Installation and maintenance. There is hereby created an easement upon, across, over and under all of the Property for ingress and egress in connection with installing, replacing, repairing, and maintaining all utilities, including, but not limited to, water, gas, telephones, electricity and appurtenances thereto. By virtue of this easement, it shall be expressly permissible for the utility companies and other entities supplying service to install and maintain pipes, wire, conduits, service lines, or other utility facilities or appurtenances thereto, on above, across and under the property, within the public utility easements from time to time existing and from service lines situated within such easements to the point of service on or in any Improvement. Notwithstanding any provision contained in this section, no electrical lines, water lines or other utilities or appurtenances thereto may be relocated on the Property until approved by Declarant or the Architectural Committee. The utility companies furnishing service shall have the right to remove all trees situated within the utilities easements shown on the Plat, and to trim overhanging trees and shrubs located on portions of the Property abutting such easements.

8.03 Drainage Easements. Each owner covenants to provide easements for drainage and water flow, as contours of land the arrangement of Improvements approved by the Architectural committee thereon, require. Each Owner further covenants not to disturb or displace any trees or other vegetation within the drainage easements as defined in this Declaration and shown on the Plat. There shall be no construction of Improvements, temporary or permanent, in any drainage easement, except as approved in writing by the Architectural Committee.

8.04 Surface Areas. The surface of easement areas for underground utility services may be used for planting of shrubbery, trees, lawns, or flowers. However, neither the Declarant nor any supplier of any utility service using any easement area shall be liable to any Owner or to the Association for any damage done by them or either of them, or their respective agents, employees, servants or assigns, to any of the aforesaid vegetation as a result of any activity relating to the construction, maintenance, operation, or repair of any facility in any such easement area

8.05 Common Area. Each Owner shall have an easement of use and enjoyment in and to all Common Area which shall be appurtenant to and shall pass with title to such Owner's Lot, subject to the following provisions:

- (a) The right of the Association to suspend the Owner's voting rights and right to use the Common Area for any period during which any Assessment against such Owner's Lot remains unpaid, and for any period during which the Owner is in violation of the rules and regulations of the Association,
- (b) The right of the Association to dedicate or transfer all or any part of the Common Area to any public agency, authority or utility for such purposes and subject to such conditions as may be approved by a majority vote of the Members;
- (c) The right of the Association to borrow money for the purpose of improving the Common Area and, in furtherance thereof, mortgage the Common Area, all in accordance with the Articles and Bylaws;
- (d) The right of the Association to make reasonable rules and regulations regarding the use of the Common Area and any facilities thereon; and
- (e) The right of the Association to contract for services with third parties on such terms as the Association may determine.

**ARTICLE IX
MISCELLANEOUS**

9.01 Term. This Declaration, including all of the covenants, conditions, and restrictions hereof, shall run until December 31, 2025, unless amended as herein provided. After December 31, 2025, this Declaration, including all such covenants, conditions, and restrictions shall be automatically extended for successive periods of thirty (30) years each, unless amended or extinguished by a written instrument executed by the Owners of at least three-fourths (3/4) of the Lots within the Property then subject to this Declaration.

9.02 Amendment

(a) By Declarant. This Declaration may be amended by the Declarant, in its sole discretion, acting alone until December 31, 2010. No amendment under this Section 9.02 (a) shall be effective until there has been recorded in the Official Public Records of Hays County, Texas, an instrument executed and acknowledged by Declarant and setting forth the amendment.

(b) By Owners. In addition to the method in Section 9.02 (a), this Declaration may be amended by the recording in the Hays County Official Public Records of an instrument executed and acknowledged by the President and Secretary of the Association, setting forth the amendment and certifying that such amendment has been approved by Owners entitled to cast at least seventy-five percent (75%) of the number of votes entitled to be cast pursuant to Section 5.03 hereof.

9.03 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, addressed to the person at the address given by such person to the Association for the purpose of service of notices. Such address may be changed from time to time by notice in writing given by such person to the Association.

9.04 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 Property and of promoting and effectuating the fundamental concepts of the Property set forth in this Declaration. This Declaration shall be construed and governed under the laws of the State of Texas.

9.05 Exemption of Declarant. Notwithstanding any provision in this Declaration to the contrary, neither Declarant nor any of Declarant's activities shall in any way be subject to the control of or under the jurisdiction of the Architectural Committee. Without in any way limiting the generality of the preceding sentence, this Declaration shall not prevent or limit the right of Declarant to excavate and grade, to construct and alter drainage patterns and facilities, to construct any and all other types of improvements, sales and leasing offices and similar facilities, and to post signs incidental to construction, sales and leasing anywhere within the Property.

9.06 Assignment by Declarant. Notwithstanding any provision 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.

9.07 Compliance with Provisions of Shady Valley Subdivision III Restrictions. Each Owner shall comply strictly with the provisions of the Shady Valley Subdivision III Restrictions as the same may be amended from time to time. Failure to comply with any of the Shady Valley Subdivision III Restrictions shall constitute a violation of this Declaration, and shall give rise to a cause of action to recover sums due for damages or injunctive relief or both, maintainable by the Board on behalf of the Association or by an aggrieved Owner.

9.08 Enforcement and Nonwaiver.

(a) Right of Enforcement. Except as otherwise provided herein, any Owner at his own expense, Declarant, and/or the Board shall have the right to enforce all of the provisions of Shady Valley Subdivision III Restrictions. Such right of enforcement shall include both damages for, and injunctive relief against, the breach of any such provision.

(b) Nonwaiver The failure to enforce any provision of the Shady Valley Subdivision III Restrictions at any time shall not constitute a waiver of the right thereafter to enforce any such provision or any other provision of said restrictions.

9 09 Construction

(a) Restrictions Severable. The provisions of the Shady Valley Subdivision III Restrictions 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) Singular Includes Plural. 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) Captions. 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 the 16th day of Nov., 2005.

DECLARANT

Valley Verde One, Ltd.
A Texas limited partnership
By its general partner:

Valley Verde Partners, One.

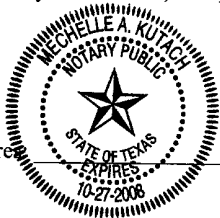
By: 
Robert E. Peerman, Sr., President

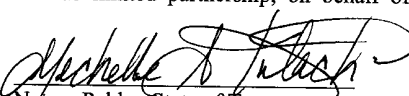
STATE OF TEXAS

§
§
§

COUNTY OF HAYS

This instrument was acknowledged before me on this 16th day of November, 2005 by Robert E. Peerman, Sr., President of Valley Verde Partners, Inc., a Texas corporation, which is the general partner of Valley Verde One, Ltd., a Texas limited partnership, on behalf of said limited partnership.




Notary Public, State of Texas

My Commission expires

Filed for Record in:
Hays County
On: Nov 23, 2005 at 03:30P
Document Number: 05034304
Amount: 64.00
Receipt Number - 137131
By,
Patricia Lackey, Deputy
Lee Carlisle, County Clerk
Hays County