

**PINE MOUNTAIN RANCH
DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS**

THIS DECLARATION is made this 1st day of January, 2006, by Pine Mountain Ranch Ltd., a Texas limited partnership ("Declarant").

RECITALS

Declarant makes this Declaration based upon the following facts and intentions:

A. Declarant is the owner of the real property located in Anderson County, Texas, described in Exhibit A, which is attached and incorporated herein by this reference (the "Property").

B. Declarant desires to impose beneficial protective covenants for the benefit of such Property, every part thereof and interest therein.

NOW, THEREFORE, Declarant hereby declares that the Property shall be held, sold, conveyed, encumbered, used, occupied, and improved subject to the following restrictions, covenants, liens and conditions, all of which are in furtherance of a plan to preserve and protect the natural environment, aesthetics and beauty of the Property and to enhance the value, desirability, and attractiveness of the Property and every part thereof. The easements, restrictions, covenants, liens and conditions hereof shall run with the Property subject to this Declaration and shall be binding on and enforceable by all parties having or acquiring any possessory right, title or interest in the described properties or any part thereof, and shall be for the benefit of each owner of any portion thereof and inure to the benefit of and be binding upon each heir, successor, or assignee in interest of such owners.

SECTION I: DEFINITIONS

Association

The Pine Mountain Ranch Club Association, Inc., a Texas non-profit corporation, its successors and assigns.

Board of Directors

The board of directors of the Association, elected pursuant to the Bylaws.

Bylaws

The bylaws of the Association, which set forth the governance and rights of the Association (the "Bylaws").

Common Area

All portions of the Property, except the Club Homesteads, including without limitation, the lakes and the ponds, the entrances and roads on the Property, the Club Recreation Center, pool, picnic areas, the boat houses and piers, and the land upon which said improvements are built.

Declaration

This Declaration of Covenants, Conditions and Restrictions for Pine Mountain Ranch.

Design Rules and Guidelines

The Design Rules and Guidelines that govern all structures, in addition to this Declaration.

First Mortgage

Any mortgage, deed of trust, trust indenture, contract for deed, or other document which is recorded in Anderson County, Texas and which encumbers a Club Homestead as security for the payment of a debt or obligation that is not subject to any lien or encumbrance except liens for taxes or other liens that are given priority by statute.

First Mortgagee

The holder of record of a First Mortgage.

Immediate Family

Husband, wife, son, daughter, father or mother, or grandchildren of the foregoing.

Member

Any person or entity holding membership in the Association pursuant to this Declaration and the Association's Certificate of Formation and Bylaws. There shall be no more than one (1) Member for each Club Homestead. If a Club Homestead is owned by a family trust, the entity shall designate in writing the person that shall act as the Member for such Club Homestead, and the Association shall be entitled to rely on such designation.

Owner

The record owner, being an individual, husband and wife jointly, or an allowed family trust, of the fee simple title to any Club Homestead, except that the term Owner shall not mean or refer to a mortgagee unless and until such mortgagee has acquired title pursuant to foreclosure or any proceeding in lieu of foreclosure.

Club Covenants

Collectively, (i) this Declaration, (ii) the Design Rules and Guidelines, and (iii) the Club Rules and Regulations.

Club Homestead

Shall mean and refer to one or more of the separately designated and legally described fee simple homesites, as numbered and designated on the Pine Mountain Ranch Club Plan, each with its own legal description.

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Club Improvements

The Club Recreation Center, including pool, picnic areas, boat houses and piers, fences, entrances, trails and ranch roads to be constructed on the Property.

Club Rules and Regulations

The rules and regulations for the operation of the Property, as described in Section IV of this Declaration.

Structure

Any construction erected or placed upon or under any Club Homestead, including, but not limited to, homes, pools, buildings or structures of any kind or nature, parts of and additions to buildings, walls, fences and other enclosures, television and other antennas, lighting, walks and driveways.

SECTION II: MEMBERSHIP & VOTING

1. *Function of Association.* The Association shall be the entity responsible for the management, maintenance, operation, reporting, budgeting and control of the Property. The Association shall be the primary entity responsible for enforcing the terms of the other Club Covenants. The Association shall perform its functions in accordance with this Declaration, the Bylaws and the Certificate of Formation of the Association and Texas law.

2. *Membership.* Every Owner shall be a Member of the Association including Declarant, if Declarant is ever an Owner of any Club Homestead. Membership in the Association shall be appurtenant to, and may not be separated from, the ownership of any Club Homestead.

3. *Voting Rights.* Each Member shall be entitled to one (1) vote for each Club Homestead in which they hold the interest required for membership. When more than one (1) person or entity is the Member of a Club Homestead due to a husband and wife's joint ownership or an allowed family trust, the vote for such Club Homestead shall be exercised as such persons among themselves determine, but in no event shall more than one (1) vote be cast with respect to any Club Homestead. If the joint Members do not unanimously agree on how to cast their vote, the Association, at its option, may refuse to recognize such vote. Notwithstanding the foregoing, Declarant shall retain control of the Association and shall make all decisions for the Association until the earlier of (i) twenty-four (24) months after the date the Club Improvements have been completed on the Property; or (ii) the date Declarant provides written notice to the Association to relinquish control.

4. *Proxies.* At any meeting of the Members, a Member entitled to vote may vote by proxy executed in writing by the Member. No proxy shall be valid after eleven (11) months from the date of its execution. A proxy may be cancelled by notice executed by the Member and delivered to the Association, and the cancellation shall be effective upon receipt by the Association. Proxies shall not be binding on purchasers of property from the grantor of the proxy.

SECTION III: ASSESSMENTS

1. *Creation of the Lien and Personal Obligation of Assessments.* Each Owner of any Club Homestead by acceptance of a deed therefor, is hereby deemed to covenant and agree to pay to the Association:

a. annual assessments or charges; and

b. special assessments for capital improvements, or other extraordinary needs of the Association that cannot be met from the annual assessment. Such assessments, subject to Section III(4), are to be established and collected as hereinafter provided. The annual and special assessments, together with interest, costs, and reasonable attorneys' fees, shall be a charge on each Club Homestead and shall be a continuing lien upon the Club Homestead against which such assessment is made until paid. Each such assessment, together with interest, costs, and reasonable attorneys' fees, shall be the personal obligation of the person or persons who were the Owner of such Club Homestead at the time when the assessment fell due.

2. *Purpose of Assessments.* The assessments levied by the Association shall be used exclusively to promote the purposes of the Association including, but not limited to, maintenance and preservation of the Pine Mountain Ranch, repair, improvement, and maintenance of the Common Area, the Club Improvements and other improvements to the Property, security, employee and personnel expenses involved in the operation of the Common Area and the Club Improvements and expenses of enforcing the terms of this Declaration against violators, and such other expenses as shall be determined by the Association. All invoices shall be generally itemized, and funds shall be collected for particular assessments, dues, and/or service charges shall be disbursed only in payment of such expenses.

3. *Time of Assessments.* The Association shall make no annual assessments until after November 1, 2006 or until fifty percent (50%) of the project is closed whichever shall occur first. The amount of the annual assessments shall be fixed by the Association after due consideration of current maintenance costs and future anticipated needs of the Association, including reserves.

4. *Special Assessments.* In addition to the annual assessments authorized above, the Board of Directors may levy, in any assessment year, a special assessment applicable to that year only for the purposes of defraying, in whole or in part, the cost of any construction, reconstruction, repair or replacement of capital improvements for the Property, including fixtures and personal property related thereto, or for any other items that cannot be paid out of the annual assessments, save and except those items to be completed by Declarant (at Declarant's cost and expense) and set forth on Exhibit B, which is attached hereto and incorporated herein by this reference. The limitations set forth on Exhibit B shall not be construed as a limitation on the Association to levy a special assessment for the maintenance, repair, and/or replacement of the items set forth on Exhibit B once Declarant has completed such items. Notwithstanding anything to the contrary recited herein, any special assessment in excess of (a) Five Thousand Dollars (\$5,000.00) in one calendar year shall require a vote of at least one-half (1/2) of all Owners eligible to vote, or (b) Ten Thousand Dollars (\$10,000) in one calendar year shall require a vote of at least three-fourths (3/4) of all Owners eligible to vote.

5. *Specific Assessments.* The Board of Directors shall have the power to levy specific assessments against a particular Club Homestead or Club Homesteads as follows:

a. to cover the costs, including overhead and administrative costs, of providing benefits, items or services to the Club Homestead or occupants thereof upon request from the Owner pursuant to a menu of special services which the Board of Directors may from time to time authorize to be offered to Owners (which might include, without limitation, landscape maintenance, handyman service, pool cleaning, pest control, etc.), which assessments may be levied in advance of the provisions of the requested benefit, item or service as a deposit against charges to be incurred by the Owner; and

b. to cover costs, including reasonable attorneys' fees and court costs, incurred in bringing the Club Homestead into compliance with the terms of this Declaration, any applicable Supplemental Declaration, the Bylaws or rules, or costs incurred as a consequence of the conduct of the Owner or occupants of the Club Homestead, their licensees, invitees, or guests.

6. *Uniform Rate of Assessment.* Both annual and special assessments for Owners must be fixed at a uniform rate for all Club Homesteads and may be collected on a quarterly, semi-annual or annual basis at the discretion of the Board of Directors.

7. *Date of Commencement of Annual Assessments: Due Dates.* The Board of Directors shall fix the amount of the annual assessment against each Club Homestead at least thirty (30) days in advance of each annual assessment. Written notice of the annual assessment shall be sent to every Owner. The due dates shall be established by the Board of Directors. 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 Club Homestead have been paid.

8. *Effect of Nonpayment of Assessments: Remedies of the Association.* Any assessments not paid within thirty (30) days after the due date shall bear interest from the due date at a rate of twelve percent (12%) per annum and said assessment together with interest thereon, shall become a continuing lien on the Club Homestead which shall run with the land. The Association may bring an action at law against the Owner personally obligated to pay the same, foreclose the lien against the Club Homestead, or pursue any other remedy available at law or in equity. As a part of any such proceeding, the Association shall be entitled to reimbursement of all costs of collection, including court costs and attorney fees. No Owner may waive or otherwise escape liability for the assessments provided for herein by abandonment of the Owner's Club Homestead, or conveyance or transfer of title to the Club Homestead. In addition to all other remedies for nonpayment of assessments, the Association may suspend and, if not paid within ninety (90) days of written notice, terminate, as to the Club Homestead and/or Owner and the Immediate Family and guests in question, all rights to use any of the Common Area and the Club Improvements.

9. *Subordination of the Lien to First Lien Mortgages.* The lien of the assessments provided for herein shall be subordinate to the lien of any bona fide First Mortgage made in good faith and for value. However, the sale or transfer of any Club Homestead pursuant to mortgage foreclosure or any proceeding in lieu thereof, shall extinguish the lien of such assessments as to

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payments which become due prior to such sale or transfer, but not the obligation of Owner which shall continue as to the amounts due prior to the sale or transfer. No sale, transfer or foreclosure shall relieve such Club Homestead from liability for any assessments thereafter becoming due or from the lien thereof.

10. *Waiver of Homestead Exemption, Subordination of the Lien.* The lien of the assessments will be superior to and prior to any homestead exemption provided now or in the future by the laws of the State of Texas, and to all other liens and encumbrances *except* the following:

a. Liens for real estate taxes and other governmental assessments or charges duly imposed against the Club Homestead by a Texas governmental or political subdivision or special taxing district, or any other liens made superior by statute; and

b. The lien for all sums unpaid on a First Mortgage recorded before the date on which the assessment sought to be enforced became delinquent, including any and all advances made by the First Mortgagee, even though some or all of such advances may have been made subsequent to the date of attachment of the Association's lien.

All other persons who hold a lien or encumbrance of any type *not* described in this Section III(10) will be deemed to consent that the lien or encumbrance will be subordinate to the Association's future liens for assessments, interest, late charges, costs, expenses and attorneys' fees, as provided in this Article, whether or not such consent is specifically set forth in the instrument creating any such lien or encumbrance.

11. *Exempt Property.* All property, except the Club Homesteads, shall be exempt from payment of assessments.

SECTION IV: RIGHTS AND OBLIGATIONS OF THE ASSOCIATION

1. *Management and Control of the Common Area.* The Association shall manage and control the Common Area and shall keep (a) the Club Improvements in good, clean, attractive, and sanitary condition, order, and repair, and (b) the remaining real property comprising the Common Area maintained in accordance with good conservation practices consistent with this Declaration.

2. *Personal Property and Real Property for Common Use.* The Association may acquire, hold and dispose of tangible and intangible personal property and real property for use by the Owners.

3. *Club Rules and Regulations.* In addition to the covenants, restrictions, liens and easements in this Declaration, the Association, through the Declarant or the Association's Board of Directors, may make and enforce reasonable rules and guidelines governing the use of the Property (the "Club Rules and Regulations"). The Association may, in establishing the Club Rules and Regulations, further define or limit, and, where specifically authorized hereunder, create exceptions to those covenants and restrictions set forth in this Declaration and the Club Rules and Regulations. The Club Rules and Regulations shall be binding upon all Owners, occupants, invitees, and licensees until and unless repealed or modified (a) by Declarant, if at any

time during the period of time from the date of this Declaration through and including the twenty-four (24) month anniversary thereof, or (b) after the date which is twenty-four (24) months after the date of this Declaration, in a regular or special meeting by the vote of at least two-thirds (2/3) of all Owners entitled to vote. The Club Rules and Regulations include the specific operating rules for the (x) Club Recreation Center, including pool, picnic areas, fences, entrances, trails and ranch roads, boat houses, piers, and lakes, (y) Common Area, and (z) Fishing and Wildlife guidelines. Declarant has prepared the initial Club Rules and Regulations, which are binding upon all Owners, occupants, invitees and licensees.

4. *Enforcement.* The Association may impose sanctions or penalties for violations of this Declaration, the Bylaws, the Design Rules and Guidelines or the Club Rules and Regulations in accordance with procedures set forth in the Bylaws, including reasonable monetary fines and suspension and/or termination of the right to vote and to use the Club Improvements or the Common Area. In addition, in accordance with the Bylaws, the Association may exercise self-help to cure violations, and may suspend any services it provides to the Club Homestead of any Owner who is more than thirty (30) days delinquent in paying any assessment or other charge due to the Association or is otherwise violating the Club Covenants. The Association may seek relief in any court for violations or to abate nuisances, including injunctive relief. Due to the potential for irreparable damage to the Property and the environment, each Owner hereby consents to the entry of an injunctive order, without notice to the Owner, to cease and desist immediately any construction, cutting of trees, excavation or grading on any Club Homestead upon the written affidavit of the President of the Association or any member of the Board of Directors setting forth the alleged violation of the terms recited herein or in the other Club Covenants.

5. *Other Rights.* The Association may exercise any other right or privilege given to it expressly by this Declaration or the Bylaws, or reasonably implied from, or reasonably necessary to, effectuate any such right or privilege or any rights or privilege given to the Association by law. Except as otherwise specifically provided in this Declaration, the Bylaws, Articles, or by law, all rights and powers of the Association may be exercised by the Board of Directors without a vote of the Membership.

6. *Indemnification.* The Association shall indemnify every officer, director, and committee member against all expenses, including counsel fees, reasonably incurred in connection with any action, suit, or other proceeding (including settlement of any suit or proceeding, if approved by the then Board of Directors) to which he or she may be a party by reason of being or having been an officer, director, or committee member.

The officers, directors, and committee members shall not be liable for any mistake of judgment, negligent, or otherwise, except for their own individual willful malfeasance, fraud, or bad faith. The officers and directors shall have no personal liability with respect to any contract or other commitment made or action taken in good faith on behalf of the Association (except to the extent that such officers or directors are Members of the Association). The Association shall indemnify and forever hold each such officer, director, and committee member harmless from any and all liability to others on account of any such contract, commitment, or action. Any right to indemnification provided for herein shall not be exclusive of any other rights to which any present or former officer, director or committee member may be entitled. The Association may,

as a common expense, maintain general liability and officers' and directors' liability insurance to fund this obligation, if such insurance is reasonably available at a reasonable cost.

7. ***Easements and Dedication of Property.*** The Association, pursuant to the terms recited herein, reserves the right to dedicate any required utility, drainage or roadway easements required to service the Club Homesteads and Club Improvements. It is the intent of the Declarant and the Association that all roads on the Property remain at all times private roads and that no dedication or granting of the roads to Anderson County, Texas or any other governmental body for public access shall be made without the unanimous written consent of all Owners to amend this Declaration. This provision may not be amended without the unanimous written consent of all Owners.

8. ***Security.*** The Association may, but shall not be obligated to, maintain or support certain activities within the Property designed to enhance the security of the Property. Neither the Association nor the Declarant shall in any way be considered insurers or guarantors of security within the Property, nor shall such parties be held liable for any loss or damage for failure to provide adequate security or ineffectiveness of security measures undertaken.

9. ***Use of Recreational Facilities.*** Each Owner acknowledges that recreational facilities including without limitation, the pool, picnic areas, fences, entrances, trails and club roads, boat houses, piers, and lakes will be located in the Common Area for the use and enjoyment of the Owners and guests, occupants, licensees, and invitees, subject to the terms and provisions of the Club Covenants. Each Owner hereby acknowledges that there are risks associated with the use of any such recreational facilities and the Common Area and that all users of such recreational facilities or the Common Area are solely responsible for such risk. Each Owner acknowledges that he or she has not relied upon the representations of Declarant or the Association with respect to the safety of any recreational facilities, Common Area, or any other facility or feature within the Property.

10. ***Construction Activities.*** All Owners are hereby placed on notice that Declarant and/or its agents, contractors, subcontractors, licensees and other designees, successors or assignees, may be, from time to time, conducting excavation, construction and other activities within or in proximity to the Club Homesteads. Each Owner acknowledges, stipulates and agrees (a) that none of the aforesaid activities shall be deemed nuisances or noxious or offensive activities, under any applicable covenants or at law generally, (b) not to enter upon, or allow their children or other persons under their control or direction to enter upon (regardless of whether such entry is trespass or otherwise) any property within or in proximity to any portion of the Property where such activities are being conducted (even if not being actively conducted at the time of entry, such as at night or otherwise during non-working hours), (c) that Declarant and all of its agents, contractors, subcontractors, licensees and other designees, successors and assignees, shall not be liable but, rather, shall be held harmless, for any and all losses and damages (compensatory, consequential, punitive or otherwise), injuries or deaths arising from or relating to the aforesaid activities.

SECTION V: MAINTENANCE

1. *Association's Responsibility.* The Association shall maintain and keep in good repair the Common Area, which shall include, but need not be limited to:

a. all landscaping, signage, Club Improvements, including all entrances, roads, and bike, pedestrian and equestrian pathways/trails, situated upon the Common Area, the remaining real property comprising the Common Area maintained in accordance with good conservation practices consistent with this Declaration;

b. the maintenance and/or repair, at the Association's election, of any improvements on a Club Homestead that are in violation of the terms recited herein or in the Design Rules and Guidelines, the cost of which shall be a Specific Assessment in accordance with Article III levied against the particular Club Homestead; and

c. except as otherwise specifically provided above, all costs associated with maintenance, repair, and replacement of the Common Area shall be allocated among all Club Homesteads in the manner of, and as part of, the annual assessment, without prejudice to the right of the Association to seek reimbursement from the Owner(s) of, or other persons responsible for, certain portions of the Common Area pursuant to this Declaration, other recorded covenants, or agreements with the Owner(s) thereof.

2. *Owner's Responsibility.* Each Owner shall maintain his or her Club Homestead and all Structures, parking areas, and other improvements on the Club Homestead in a clean, safe, attractive and sightly condition and in good repair. In addition to any other enforcement rights, if an Owner fails properly to perform his or her maintenance responsibility, the Association may perform such maintenance responsibilities and assess all costs incurred by the Association against the Club Homestead and the Owner in accordance with Section III. The Association shall afford the Owner at least three (3) days prior written notice and an opportunity to cure the problem prior to entry, except when entry is required due to an emergency situation.

SECTION VI: INSURANCE AND CASUALTY LOSSES

1. *Association Responsibility.* The Association, acting through its Board of Directors or its duly authorized agent, shall obtain blanket all-risk property insurance if reasonably available, for all insurable improvements on the Common Area. If blanket all-risk coverage is not generally available at reasonable cost, then the Association shall obtain fire and extended coverage, including coverage for vandalism and malicious mischief. The face amount of the policy shall be sufficient to cover the reasonable replacement cost of the insured property. The cost of such insurance shall be allocated among all Club Homesteads subject to assessment as part of the annual assessment. The Association also shall obtain a public liability insurance policy on the Common Area, insuring the Association and its Members for damage or injury caused by the negligence of the Association or any of its members, employees, agents or contractors while acting on its behalf. If generally available at reasonable cost, the public liability policy shall have at least a five million dollar (\$5,000,000) combined single limit as respects bodily injury and property damage and at least a ten million dollar (\$10,000,000) limit in the aggregate, or such other amounts as determined by the Board of Directors. All cost of

insurance set forth in this Section VI shall be part of the operating budget for the Association, which shall be paid through the assessments described in Section III.

2. *Owner Responsibility.* Each Owner shall obtain blanket all-risk property insurance if reasonably available, for all insurable improvements on the Club Homestead. If blanket all-risk coverage is not generally available at reasonable cost, then such Owner shall obtain fire and extended coverage, including coverage for vandalism and malicious mischief. The face amount of the policy shall be sufficient to cover the reasonable replacement cost of the insured property.

SECTION VII: RANCH COVENANTS

1. *Applicability; Effect.* The Property is subject to (a) the covenants and restrictions set forth in this Declaration, (b) the Design Rules and Regulations, and (c) the Club Rules and Regulations (collectively the "Club Covenants"). All Owners and their Immediate Family, guests, invitees, tenants and occupants are subject to the Club Covenants. The Owner of each Club Homestead shall be solely responsible for the conduct, actions and liabilities of the Owner's Immediate Family, and Owner's guests, invitees, and occupants. The Club Covenants establish affirmative and negative covenants, conditions and restrictions for the Property.

The Club Covenants are set forth in order to protect the natural environment of the Property and all Owners' quality of life and the collective interests, aesthetics and environment within the Property, and the vitality of and sense of community within Pine Mountain Ranch.

2. *Board Power.* Subject to the terms of this Section VII and to its duty of care and loyalty to the Association and its Owners, the Board of Directors shall implement, manage and enforce the Club Covenants. Prior to any such action, the Board of Directors shall conspicuously publish notice of the proposal at least five (5) business days prior to the Board of Directors meeting at which such action is to be considered. Voting Owners shall have a reasonable opportunity to be heard at a Board of Directors meeting prior to action being taken.

The Board of Directors shall have all powers necessary and proper, subject to its exercise of sound business judgment and reasonableness, to effect the powers contained in this Section VII(2).

The Board of Directors shall provide, without cost, a copy of the Club Covenants then in effect to any requesting Owner or mortgagee, which shall be, a covenant running with the land and be binding on any Owner, their Immediate Family, guests, invitees, assigns, successors or mortgagees.

3. *Member's Power.* The voting Members, at a meeting duly called for such purpose as provided in the Bylaws, may adopt, repeal, modify, limit and expand the Design Rules and Regulations or the Club Rules and Regulations by a vote of at least two-thirds (2/3) of the total number of Member's eligible to vote.

4. *Owner's Acknowledgment.* All Owners are subject to the Club Covenants and are given notice that (a) their ability to use their Club Homestead is limited thereby, and (b) the

Board of Directors and/or the voting Owners may add, delete, modify, create exceptions to, or amend the Club Covenants in accordance with their terms.

Each Owner by acceptance of a deed acknowledges and agrees that the use and enjoyment and marketability of his or her Club Homestead and the Property can be affected by this provision.

5. *Use Restrictions.* The following is a list of actions or activities that are prohibited unless expressly authorized by, and then subject to such conditions as may be imposed by the Board of Directors.

a. *Purpose.* The Property shall be used only for environmental, residential, recreational, and related purposes (which may include, without limitation, offices for any Club Manager retained by the Association or business offices for the Declarant or the Association consistent with this Declaration and any Supplemental Declaration). Any Supplemental Declaration or additional covenants imposed on the Property may impose stricter standards than those contained in this Section and the Association shall have standing and the power to enforce such standards.

b. *Business and Industries.* No Club Homestead or building or improvement erected thereon shall at any time be used for the purpose of conducting any industry, trade, profession, manufacturing or business of any description, or for hospitals, duplexes, apartment houses, or any other multiple dwelling houses, except that nothing herein shall preclude an Owner from maintaining and operating an in-home occupation out of the residence for example, but not limited to, computer business, sales, or professional business as long as visitor or client access or parking is not required. This restriction shall not apply to any activity conducted by the Association in connection with the (i) resale of any Club Homesteads, (ii) stable operations, or (iii) other services provided to Members by the Association or third party contractors. Garage sales, moving sales, rummage sales, or similar activities shall not be permitted on the Property.

c. *Guests.* Unaccompanied guests of an Owner shall not be permitted to enter or use the Property. The Club Manager must be notified of any guests prior to their entering the Property through procedures set forth in the Club Rules and Regulations. All guests are subject to the Club Covenants, and each Owner shall be responsible for the conduct, activities, liabilities and obligations of such Owner's guest(s).

d. *Vehicle Parking.* Improvements on each Club Homestead shall provide for parking wholly within the Building Envelope (as hereafter defined) of such Club Homestead and no motor vehicles, trailers, boats, etc. shall be placed or parked so as to impede or obstruct the pedestrians, vehicular traffic, view sheds, or the environmental quality along any road within the Property. Parking on driveways shall be limited to no more than ten (10) consecutive days without a pause of forty-eight (48) hours. Recreational or similar vehicles shall be stored in garages or in such a way that they cannot be seen from adjacent Club Homesteads or roads. No heavy equipment shall be kept on the Property, except during periods of construction activity thereon, unless the same are kept in an enclosed building. No work on automobiles or other vehicle repair may be performed in any visible or exposed portion of the Property except in emergencies.

e. *Sign Control.* No signs, real estate signage, billboards, posters or other advertising devices of any kind or character may be erected or displayed upon any of the Club Homesteads except for property addresses and name identification in the form set forth in the Design Rules and Guidelines.

f. *Fencing.* The use of fencing around homes within the Club Homesteads is discouraged. If fences are constructed, they must be within the Building Envelope, and must be well constructed, neat in appearance; and meet all requirements set forth herein and in the Design Rules and Regulations. All fencing around any home shall be constructed in accordance with the design of the home and shall be pre-approved by the Design Review Committee and be no more than four (4) feet in height. It is the intent of this provision to assure aesthetically pleasing fences in harmony with the surrounding environment and that do not obstruct view sheds. No perimeter line fences for the Club Homesteads shall be allowed.

Fences must be composed of either stone columns, with wood cross braces or metal piping cross braces; wood posts with wood cross braces. If wood is used, the wood shall be kept in its natural color or painted black or dark green. If metal piping is used, such fences must either be in black or dark green. No solid wood fences are allowed.

g. *Other Improvements.* No individual boat houses or piers may be installed on the lakes within the Common Area. No above ground pools shall be constructed or placed on the Club Homesteads. The location of swing sets, jungle gyms or similar structures must be approved by the Design Review Committee.

h. *Temporary Structures.* No structure of a temporary character, including but not limited to trailers, mobile homes (single wide or double wide), set together or expanding trailer houses, modular homes, tents, shacks, swing sets, jungle gyms, or other temporary building, shall be constructed, placed or occupied on any Club Homestead at any time as a residence. Residential structures shall not be occupied until the exterior is completed and the water supply and septic systems are completed and operational. Construction trailers will be considered on a case-by-case basis by the Design Review Committee and/or the Board of Directors.

i. *Trash and Debris.* No uncovered trash, debris, or organic and inorganic wastes shall be permitted to accumulate so as to offend the senses on any Club Homestead, but shall be promptly and efficiently disposed. No dump ground or burial pit shall be used on any part of the Property.

No lumber, metals, bulk materials, refuse, or trash shall be kept, stored, or allowed to accumulate on any Club Homestead, except building materials during the course of construction, which must be kept in a reasonable and orderly manner. No machinery or equipment shall be placed or operated upon any Club Homestead except such machinery as is used in the maintenance of a private residence or in agricultural or personal farming operations and provided that such machinery is enclosed by an enclosure which precludes visibility of such machinery or equipment from the toads or neighboring Club Homesteads, and provided such enclosure has been approved by the Design Review Committee. At no time shall abandoned equipment or machinery, vehicles or other trash or debris of any description be allowed to accumulate, including compost and/or manure piles.

j. *Mineral Exploration and Development.* Mining, quarrying, oil and gas drilling, seismic exploration or mineral exploration, development or excavation of any kind or nature shall not be permitted on any Club Homestead or the Property except in such locations on the Common Area as may have been specifically identified by Declarant in an instrument or instruments recorded in the real property records of Anderson County, Texas. Declarant agrees to never lease or commit any portion of the property to mineral exploration, development or mineral excavation of any kind (except road, lake, homesite or other maintenance). Declarant cannot be responsible for mineral rights it did not acquire when purchasing the property.

k. *Septic Systems.* All septic tank, or other sewage disposal system or devices must be installed and maintained and only in accordance with all applicable laws and the Design Rules and Guidelines. Such septic or similar systems must be approved in writing by the Design Review Committee prior to their construction.

l. *Weeds.* Offensive or unsightly weeds shall not be allowed to accumulate on any Club Homestead. Owners may only use herbicides that are approved for the Property, a list of which will be maintained by the ranch manager.

m. *Offensive Activities.* No offensive activity shall be carried on upon any Club Homestead, nor shall anything be done or placed on any Club Homestead which is or may become a nuisance or cause embarrassment, disturbance, or annoyance to others. Only normal family living shall be allowed, and communal living in any form or to any extent is expressly forbidden.

n. *Hazardous Activities.* No activities shall be conducted on the Common Area or on any Club Homestead and no improvements constructed thereon which are or might be unsafe or hazardous to any person or property. Without limiting the generality of the foregoing, no firearms shall be discharged upon the Property, except in cases of self defense or defense of personal property, animals or family.

o. *Fire; Open Flame; Smoking.* Fire poses a real threat to the natural environment of Pine Mountain Ranch. As such, no activities involving welding, blow torches or other open flame shall be permitted except welding activities in connection with the construction or reconstruction of an approved fence or building improvement. Except for barbeques, outside fires are not allowed unless constructed and used strictly in accordance with the Club Rules and Regulations or in a fire pit constructed by Declarant or the Association in a designated camping area. Additionally, fire pits may be constructed on a Club Homestead upon the prior written approval of the Design Review Committee. Burning of trash, trees, brush or other materials shall not be permitted on the Property. Smoking will not be permitted indoors at the Club Improvements. Cigarettes or cigars shall not be put out or thrown onto the Property, but must be fully extinguished and placed in a fire resistant trash receptacle. Fireworks are prohibited.

p. *Safety or Security Lighting.* No light shall be emitted from any Club Homestead which is unreasonably bright, or which faces outward toward the Common Area or any other Club Homestead. No dusk-to-dawn security/mercury lights will be allowed.

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q. *Unreasonable Sounds and Odors.* No sound shall be emitted from any Club Homestead which is unreasonably loud or annoying. No odor shall be emitted from any Club Homestead which is noxious or offensive to others.

r. *Motorcycles and Off-Road Vehicles.* No motorcycles, all terrain vehicles, or other off-road vehicles may be used on the Property, except (i) as required to access or exit the site, (ii) "workhorse" carts (or comparable vehicles), or golf carts.

s. *Boats.* No boat greater than fourteen (14) feet in length may be permitted on any lake or body of water on the Property, and no gasoline powered motors may be used on any water craft. Only electric trolling motors, or human propulsion may be used for any boat on any lake or body of water on the Property.

t. *Subdividing of Ranch Homesteads.* Declarant reserves the right to, by supplemental declaration, develop a portion of the property to be sold or conveyed as divided or fractional ownership.

u. *Adjacent Club Homestead Ownership.* Two (2) or more adjacent Club Homesteads which are under the same ownership may be combined and developed as one parcel. A new Building Envelope for the combined Club Homesteads may be designated with the written consent of the Design Review Committee, if the Design Review Committee finds and determines that any improvements to be constructed within the new Building Envelope will not cause unreasonable diminution of the view from other property. If Building Envelopes are changed for combined Club Homesteads, the combined Club Homesteads shall be deemed one Club Homestead and may not thereafter be split and developed as two Club Homesteads. However, the combined Club Homesteads shall still be considered to be separate Club Homesteads for purposes of voting and assessments.

v. *Farm Animals.* No farm animals may be permanently kept at any Club Homestead. Except for cattle and horses (including cattle and equestrian operations by the Association), no swine, chickens, goats or other farm animals are allowed on the Property. All horses owned by the Association or Members shall be stabled in locations and design as approved by the Design Review Committee, or in the common area designated as the fenced riding area.

w. *Camping.* Camping will only be permitted in areas designated for camping by the Association.

x. *Household Pets.* Except as set forth below, household pets such as dogs and cats are restricted to their Owner's Club Homestead and will be subject to expulsion from the Property upon complaints by two (2) or more Owners, or upon a finding by the Board of Directors (or an individual or committee designated for such purpose by the Board of Directors) that said animal creates a continuing nuisance, *i.e.* roaming, barking, etc. Owners may take their dogs throughout the Property provided such dog(s) is well trained and is not a nuisance to any other Owner or guest. Owners assume full responsibility for any action, damage or liability caused by any dog, cat or other pet or animal owned by such Owner.

y. *Utility Lines.* All utilities upon any Club Homestead for the transmission of utilities, telephone service, the reception of audio or visual signals or electricity, and all pipes for water, gas (if applicable), sewer, drainage, or other purposes, shall be installed and maintained below the surface of the ground.

z. *Antennae.* No exterior antennas, aerials, satellite dishes or other apparatus for the transmission of television, radio, satellite or other signals of any kind shall be placed, allowed or maintained upon any portion of the Property, except that antennas or satellite dishes designed to receive direct broadcast satellite service, television broadcast signals or internet access, which are one meter or less in diameter, provided that any such antennae or satellite dish and its location must be approved by the Design Review Committee.

aa. *Landscaping.* Landscaping shall be confined to the Building Envelopes of all Club Homesteads. The remainder of the Club Homesteads shall remain in their natural state. Landscaping should generally be limited to drought resistant Texas native species. All landscaping, if any, should be in accordance with the Design Rules and Regulations and maintained in a neat and clean appearance.

bb. *Trees.* No trees with a caliper in excess of two (2) inches on any Club Homestead may be removed or trimmed or modified without the prior written consent of the Design Review Committee. Outside of the Building Envelope, no trees or shrubs of any nature shall be cut, trimmed or removed without the prior written consent of the Design Review Committee. The intent of this provision is to ensure proper preservation of a precious resource and maintenance of a given view shed.

cc. *Irrigation of Club Homesteads.* Irrigation must be done on any landscaping maintained within the Building Envelope.

dd. *Christmas Lights and Similar Lighting Decoration.* Lighting decoration is permitted on any Club Homestead for a period limited to November 20 through January 5. Lighting decoration is prohibited outside of these dates.

ee. *Water Wells.* Club Homesteads may be required to drill a water well should water from Brushy Creek Water Supply become non-available or cost prohibitive. All well locations, engineering, drilling companies, and pump houses shall be approved by the Design Review Committee.

ff. *Off Road Driving.* Owners should generally drive vehicles on established roads on the Property and avoid crossing through pastures, woods or other native areas.

gg. *General Practices Prohibited.* The following practices are prohibited at the Property.

(i) Allowing construction suppliers and contractors to clean their equipment other than at a location designated for that purpose by the Design Review Committee;

(ii) Removing any rock, plant material, top soil or similar items from any property of others or from the Common Area; or

(iii) Use of surface water or water from the lakes or ponds for construction or other purposes.

6. *Structures and Improvements.* No improvements or Structures (including clearing, grading and planting) shall be commenced and no structure or improvement of any nature shall be constructed, placed, installed or erected on any Club Homestead, unless it meets the following minimum standards and complies with the Design Rules and Guidelines.

None of the Club Homesteads may be used or improved for other than private residential purposes, and no more than one (1) single family dwelling and garage housing a maximum of three (3) motor vehicles, and usual and necessary outbuildings where permitted shall be erected, placed or maintained on any Club Homestead. The total of all indoor, air conditioned, living areas on any individual Club Homestead may not exceed three thousand five hundred (3,500) square feet (whether one or more structures) or be smaller than one thousand five hundred (1,500) square feet of actual space. In special areas due to location of the Club Homestead, a variance may be requested, however the Design Review Committee and the Board of Directors must approve such variance in their sole discretion.

No structures over the maximum height established in the Design Rules and Guidelines shall be allowed without prior written approval of the Board of Directors and the Design Review Committee. Any such approval shall take into consideration the site location of the proposed structure, aesthetics, and compliance with covenants. The above does not include reasonably-sized chimneys, weather vanes, etc. Restrictions for individual Club Homesteads, if any, will be included in the Design Rules and Guidelines.

Other than the garage, without the prior written consent of the Design Review Committee, there shall be no more than one (1) outbuilding (including connected buildings) on any single Club Homestead. No outbuilding shall exceed seven hundred fifty (750) square feet. Each such outbuilding shall conform in appearance with the dwelling house on such Club Homestead. All dwelling houses, garages, outbuildings, and other structures are subject to approval of the Design Review Committee. No building shall be constructed outside of the designated Building Envelope, unless otherwise approved by the Board of Directors and the Design Review Committee. All structures shall be completed within fifteen (15) months from start of construction. Outbuildings shall be located to the rear of sites only in locations approved by the Board of Directors and the Design Review Committee.

Only building materials permitted in the Design Rules and Guidelines may be used for any improvement constructed on a Club Homestead.

SECTION VIII: DESIGN REVIEW COMMITTEE

1. *Design Review Committee.* The Design Review Committee (the "DRC") shall be appointed as described below. Declarant shall appoint the DRC for a period of three (3) years from the date of this Declaration, after which the DRC will be selected by the Board of Directors. The DRC shall be a designated certified architect, appointed by the Board of Directors or the Declarant.

2. *Review.* The DRC shall review all structures for aesthetics, location on a Club Homestead, and compliance with covenants and be responsible for the administration of the Design Rules and Guidelines. The DRC may establish and charge reasonable fees for review of applications hereunder and may require such fees to be paid in full prior to review.

3. *Purpose and Intent of Committee.* The purpose of the DRC is to uphold the aesthetic and environmental integrity of Pine Mountain Ranch. The DRC's intent is to aid the Owners in the following areas:

a. Secure the most desirable structure location on each Club Homestead to take advantage of the surrounding views while securing views and privacy from adjacent neighbors and from other areas of the Property (such location being referred to herein as the "Building Envelope").

b. Provide continuity between residence and supporting outbuildings, if any.

c. Provide architectural harmony between and among all residences while allowing for individuality.

d. Assist in avoiding substandard construction which could be aesthetically displeasing, generate costly corrective measures, as well as influence future resale options.

4. *Guidelines and Procedures.* The Declarant has prepared the Design Rules and Guidelines, which shall apply to all Structures and improvements within the Club Homesteads. The Design Rules and Guidelines may contain general provisions applicable to all of the Club Homesteads, as well as specific provisions which vary among Club Homesteads depending upon their location and unique characteristics.

Amendments to the Design Rules and Guidelines may be made: (a) by Declarant, if within twenty-four (24) months from the date of this Declaration, or (b) after twenty-four (24) months from the date of this Declaration, in a regular or special meeting by the vote of voting Owners representing two-thirds (2/3) of the total votes in the Association. The DRC shall make the Design Rules and Guidelines available to Owners and builders who seek to engage in development or construction within any Club Homestead and all such persons shall conduct their activities in accordance with such Development Guidelines.

5. *Submission of Plans and Specifications.* No grading, vegetation removal, tree removal, construction or improvements of any kind shall be commenced, erected, placed, or maintained on any Club Homestead, nor shall any exterior addition, change, or alteration be made thereto, until the plans and specifications ("Plans") showing site layout, structural design, exterior elevations, exterior materials and colors, signs, landscaping, drainage, lighting, irrigation, utility facilities layout, and screening therefor shall have been submitted to and approved in writing by the DRC. The Design Rules and Guidelines shall set forth the procedure for submission of the Plans.

In reviewing each submission, the DRC may consider visual and environmental impact, ecological compatibility, natural platforms and finish grade elevation, harmony of external design with surrounding structures and environment, and location in relation to surrounding structures

and plant life. The committee may require relocation of native plants within the construction site as a condition of approval of any submission.

The DRC shall, within forty-five (45) days after receipt of each submission of the Plans, advise the party submitting the same, in writing, at an address specified by such party at the time of submission, of (a) the approval of Plans, or (b) the segments or features of the Plans which are deemed by such committee to be inconsistent or not in conformity with this Declaration and/or the Design Rules and Guidelines, the reasons for such finding, and suggestions for the curing of such objections. In the event the DRC fails to advise the submitting party by written notice within the time set forth above of either the approval or disapproval of the Plans, disapproval of the Plans shall be deemed to have been given. Notice shall be deemed to have been given at the time the envelope containing such notice, properly addressed, and postage prepaid, is deposited with the U.S. Postal Service, registered or certified mail, return receipt requested. Personal delivery of such written notice shall, however, be sufficient and shall be deemed to have been given at the time of delivery.

If construction does not commence on a project for which Plans have been approved within twelve (12) months of such approval, such approval shall be deemed withdrawn, and it shall be necessary for the Owner to resubmit the Plans to the DRC for reconsideration.

6. *No Waiver of Future Approvals.* Each Owner acknowledges that the members of the DRC will change from time to time and that interpretation, application, and enforcement of this Declaration and the Design Rules and Guidelines may vary accordingly. Approval of proposals, plans and specifications or drawings for any work done or proposed, or in connection with any other matter requiring approval, shall not be deemed to constitute a waiver of the right to withhold approval as to any similar proposals, plans and specifications, drawings, or other matters subsequently or additionally submitted for approval.

7. *Variance.* The DRC may authorize variances from compliance with any of its guidelines and procedures when circumstances such as topography, natural obstructions or aesthetic or environmental considerations require, but only in accordance with this Declaration and duly adopted rules and regulations. Such variances may only be granted, however, when unique circumstances dictate and no variance shall (a) be effective unless in writing; (b) be contrary to this Declaration; or (c) stop the DRC from denying a variance in other circumstances. For purposes of this Section, the cost of compliance, or the terms of any financing shall not be considered warranting a variance.

8. *Limitation of Liability.* Review and approval of any application pursuant to this Section is made on the basis of aesthetic consideration only and the DRC shall not bear any responsibility for ensuring the structural integrity or soundness of approved construction or modifications, nor for ensuring compliance with building codes and other governmental requirements. Neither the Declarant, the Association, the Board of Directors, the DRC, any committee or member of any of the foregoing shall be held liable for any injury, damages, or loss arising out of the manner or quality of approved construction on any Club Homestead.

9. *Enforcement.* Any Structure or improvement placed or made in violation of this Section shall be deemed to be nonconforming. Upon written request from the Board of Directors

or the Declarant, Owners shall, at their own cost and expense, remove such Structure or improvement and restore the land to substantially the same condition as existed prior to the nonconforming work. Should an Owner fail to remove and restore as required, the Declarant or the Board of Directors or their designees shall have the right to (a) injunctive relief and/or (b) enter the property, remove the violating Structure or improvement and restore the property to substantially the same condition as previously existed. All costs, together with the interest at the maximum rate then allowed by law, may be assessed against the benefited Club Homestead and collected as a Specific Assessment.

Any contractor, subcontractor, agent, employee or other invitee of an Owner who fails to comply with the terms and provisions of this Section and the Design Rules and Guidelines may be excluded by the Declarant or the Board of Directors from the Property. In such event, neither the Declarant, the Association, the DRC or any officers, directors or members of the foregoing shall be held liable to any person for exercising the rights granted by this paragraph.

In addition to the foregoing, the Association shall have the authority and standing to pursue all legal and equitable remedies available to enforce the provisions of this Section and the decisions of the DRC, including but not limited to, injunctive relief and specific performance.

SECTION IX: PARTITION AND ANNEXATION OF PROPERTY; ADDITIONAL CLUB HOMESTEADS

1. *No Partition.* Except as permitted in this Declaration, there shall be no judicial partition of the Property. This Section IX shall not prohibit the Board of Directors from acquiring and disposing of tangible personal property nor from acquiring and disposing of real property which may or may not be subject to this Declaration.

2. *Annexation With Approval of Membership.* The Association may subject real property to the provisions of this Declaration with the consent of the owner of such property, and the affirmative vote of a majority of the Owners of the Association represented at a meeting duly called for such purpose.

Such annexation shall be accomplished by filing a Supplemental Declaration in the land records of Anderson County, Texas, describing the property to be annexed and specifically subjecting it to the terms of this Declaration (the "Supplemental Declaration"). Any such Supplemental Declaration shall be signed by the President and the Secretary of the Association, and by the owner of the annexed property. Any such annexation shall be effective upon the filing of such Supplemental Declaration unless otherwise provided therein.

3. *Additional Club Homesteads.* Declarant reserves the right to add an additional fifteen (15) homesteads to Pine Mountain Ranch through the acquisition of additional property adjoining on either side of the original Pine Mountain Ranch.

4. *Title to Common Area.* Upon the later to occur of (a) the date upon which fifty percent (50%) of the Club Homesteads have been sold and transferred, (b) the date upon which all Club Improvements have been fully completed, or (c) the date upon which the financing which is secured by the Property has been fully satisfied and all liens and security interests securing said financing have been fully released, Declarant shall convey to the Association,

without consideration, all right, title, and interest of Declarant in and to the Common Area. Nothing contained herein shall create an obligation on the part of Declarant to establish any additional common areas.

SECTION X: EASEMENTS

1. *Easements for Maintenance.* There shall be reciprocal easements for maintenance between each Club Homestead and any adjacent Common Area in connection with general maintenance of the Property.

2. *Easements for Utilities, Etc.* There are hereby reserved unto the Association, access and maintenance easements upon, across, over, and under all of the Property to the extent reasonably necessary for the purpose of installing, replacing, relocating, repairing and maintaining roads, walkways, bicycle pathways, trails, ponds, wetlands, drainage systems, signage, and all utilities, including, but not limited to, water, meter boxes, telephone, gas, and electricity. This easement shall not entitle the holders to construct or install any of the foregoing system, facilities, or utilities over, under, or through any dwelling on a Club Homestead, and any damage to a structure or improvement resulting from the exercise of this easement shall promptly be repaired by, and at the expense of, the person exercising the easement. The exercise of this easement shall not unreasonably interfere with the use of any Club Homestead and, except in an emergency, entry onto any Club Homestead shall be made only after reasonable notice to the Owner or occupant.

Declarant specifically grants to any future water suppliers and electric company, easements across the Common Area for ingress, egress, installation, reading, replacing, repairing and maintaining utility meters and boxes. However, the exercise of this easement shall not extend to permitting entry into the dwelling on any Club Homestead, nor shall any utilities be installed or relocated on the Property except as approved by the Board of Directors or Declarant.

3. *Easements for Cross-Drainage.* Every Club Homestead and the Common Area shall be burdened with easements for natural drainage of storm water runoff from other portions of the Property; provided no person shall alter the natural drainage on any Club Homestead so as to materially increase the drainage of storm water onto adjacent portions of the Property without the consent of the Owner of the affected property.

4. *Right of Entry.* The Association shall have the right, but not the obligation, to enter upon any Club Homestead for emergency, security, and safety reasons, to perform maintenance or other work pursuant to the Club Covenants, and to inspect for the purpose of ensuring compliance with the Club Covenants, which right may be exercised by any member of the Board of Directors, the Association, officers, agents, employees, and managers, and all policemen, firemen, ambulance personnel and similar emergency personnel in the performance of their duties. Except in an emergency situation, entry shall only be during reasonable hours and after notice to the Owner. This right of entry shall include the right of the Association to enter upon any Club Homestead to cure any condition which may increase the possibility of a fire or other hazard in the event an Owner fails or refuses to cure the condition within a reasonable time after requested by the Board of Directors, but shall not authorize entry into any single-family,

detached dwelling without permission of the Owner, except by emergency personnel acting in their official capacities.

5. *Owner Easements of Access.* Every Owner has a perpetual, non-exclusive easement for access to and from his Club Homestead along the roads on the Property, which easement is appurtenant to and will pass with the title to every Club Homestead.

6. *Emergency Access Easement.* A general easement is hereby granted to all police, sheriff, fire protection, ambulance, and all other similar emergency agencies or persons to enter upon all roads and upon the Property in the proper performance of their duties.

SECTION XI: MORTGAGEE PROVISIONS

1. *Cure of Delinquent Assessments.* A First Mortgagee will be entitled to cure any delinquency of the Owner of the Club Homestead encumbered by the First Mortgagee in the payment of assessments. In that event, the First Mortgagee will be entitled to obtain a release from the lien imposed or perfected by reason of such delinquency.

2. *Title Taken by First Mortgagee.* Any First Mortgagee who obtains title to a Club Homestead pursuant to the remedies provided in the First Mortgage, including foreclosure of the First Mortgage, will be liable for all assessments due and payable as of the date title to the Club Homestead vests in the First Mortgagee under the statutes of Texas governing foreclosures. Except as may otherwise be provided by statute, such First Mortgagee will not be liable for any unpaid assessments attributable to the Club Homestead which were due and payable prior to the date such title vests in the First Mortgagee.

SECTION XII: DECLARANT'S RIGHTS

Any or all of the rights and obligations of the Declarant set forth in this Declaration or the Bylaws may be transferred to other persons, provided that the transfer shall not reduce an obligation nor enlarge a right beyond that contained in the Declaration or the Bylaws. No such transfer shall be effective unless it is in a written instrument signed by the Declarant and duly recorded in the land records of Anderson County, Texas.

No person shall record any declaration or covenants, conditions and restrictions, or declaration of condominium or similar instrument affecting any portion of the Property without Declarant's review and written consent. Any attempted recordation without such consent shall result in such instrument being void and of no force and effect unless subsequently approved by recorded consent signed by the Declarant.

This Section may not be amended without the written consent of the Declarant.

SECTION XIII: DISPUTE, RESOLUTION AND LIMITATION ON LITIGATION

1. *Agreement to Avoid Costs of Litigation and to Limit Right to Litigate Disputes.* The Association, Declarant, Owners and all persons subject to this Declaration, and any person not otherwise subject to this Declaration who agrees to submit to this Section (collectively "Bound Parties") agree to encourage the amicable resolution of disputes involving the Property,

and to avoid the emotional and financial costs of litigation if at all possible. Accordingly, each Bound Party covenants and agrees that all claims, grievances or disputes between such Bound Party and any other Bound Party involving the Property, including, without limitation, claims, grievances or disputes arising out of or relating to the interpretation, application, or enforcement of the Club Covenants or the Bylaws or the Certificate of Formation (collectively, "Claim"), except for those exempt Claims set forth in Section XIII(2) shall be subject to the procedures set forth in this Section XIII.

2. *Exempt Claims.* The following Claims ("Exempt Claims") shall be exempt from provisions of this Section XIII:

a. Any suit by the Declarant or the Association against any Bound Party to enforce the provisions of Section III;

a. Any suit by the Association or the Declarant to obtain a temporary restraining order (or equivalent emergency equitable relief) and such other ancillary relief as the court may deem necessary in order to maintain the status quo and preserve the Association's or the Declarant's ability to enforce the provisions of Sections VII and VIII;

b. Any suit between Owner (other than the Declarant) seeking redress on the basis of a Claim which would constitute a cause of action under the laws of the State of Texas in the absence of a claim based on the Club Covenants, Bylaws, Certificate of Formation or rules of the Association, if the amount in controversy exceeds five thousand and no/100 dollars (\$5,000.00). Any Bound Party having an Exempt Claim may submit it to the alternative dispute resolution procedures set forth in Section XIII(3), but there shall be no obligation to do so.

3. *Mandatory Procedures for All Other Claims.* Any Bound Party having a Claim ("Claimant") against any other Bound Party ("Respondent"), other than an Exempt Claim shall not file suit in any court or initiate any proceeding before any administrative tribunal seeking redress or resolution of such Claim until it has complied with the following procedures:

a. *Notice.* The Claimant shall notify each Respondent in writing of the Claim (the "Notice"), stating plainly and concisely:

(i) The nature of the Claim, including date, time, location, persons involving, Respondent's role in the Claim, and the provisions of the Club Covenants, the Bylaws, the Certificate of Formation or other authority out of which the Claim arises;

(ii) What Claimant wants Respondent to do or not do to resolve the Claim;
and

(iii) That Claimant wishes to resolve the Claim by mutual agreement with Respondent, and is willing to meet in person with Respondent at a mutually agreeable time and place to discuss in good faith ways to resolve the Claim.

b. Negotiation

(i) Each Claimant and Respondent (the "Parties") shall make a reasonable effort to meet in person and confer for the purpose of resolving the Claim by good faith negotiation.

(ii) Upon receipt of a written request from any Party, accompanied by a copy of the Notice, the Board of Directors may appoint a representative to assist the Parties in resolving the dispute by negotiation, if in its discretion it believes its efforts will be beneficial to the parties and to the welfare of the community.

c. Mediation

(i) If the Parties do not resolve the Claim through negotiation within thirty (30) days of the date of the Notice (or without such other period as may be agreed upon by the Parties) ("Termination of Negotiations"), Claimant shall have thirty (30) additional days within which to submit the Claim to mediation to an independent agency providing mediation services upon which the Parties may mutually agree. If the Parties cannot agree on a mediator, each Party shall select a mediator and the two (2) mediators shall select a third mediator that will mediate the dispute.

(ii) If Claimant does not submit the Claim to mediation (or at least select the Claimant's choice for mediator if the Parties cannot decide who will mediate the dispute) within 30 days after Termination of Negotiations, Claimant shall be deemed to have waived the Claim, and Respondent shall be released and discharged from any and all liability to Claimant on account of such Claim; provided, nothing herein shall release or discharge Respondent from any liability to persons not a Party to the foregoing proceedings.

d. Final and Binding Arbitration

(i) If the Parties do not resolve the Claim through mediation, the Claimant shall have thirty (30) days following termination (as determined by the mediator) of mediation proceedings ("Termination of Mediation") to submit the Claim to arbitration in accordance with the Commercial Rules of Arbitration of the American Arbitration Association or the Claim shall be deemed abandoned, and Respondent shall be released and discharged from any and all liability to Claimant arising out of such Claim; provided, nothing herein shall release or discharge Respondent from any liability to persons not a Party to the foregoing proceedings.

(ii) This subsection (d) is an agreement of the Bound Parties to arbitrate all Claims except Exempt Claims and is specifically enforceable under the applicable arbitration law of the State of Texas. The arbitration award (the "Award") shall be final and binding, and judgment may be entered upon it in any court of competent jurisdiction to the fullest extent permitted under the laws of the State of Texas.

4. Allocation of Costs Resolving Claims.

a. Each Party shall bear all of its own costs incurred prior to and during the proceedings described in Section XIII(3)(a), (b) and (c), including the fees of its attorney or other

representative. Each Party shall share equally all charges rendered by the mediator(s) pursuant to Section XIII(3).

b. Each Party shall bear all of its owns costs (including the fees of its attorney or other representative) incurred after the Termination of Mediation under Section XIII(3) and shall share equally in the costs of conducting the arbitration proceeding (collectively, "Post Mediation Costs"), except as otherwise provided in this subsection; provided, however, if the Claim is rejected in whole or in part, the Claimant shall pay all Post Mediation costs, including the costs incurred by Respondent.

5. *Enforcement of Resolution.* If the Parties agree to resolve any Claim through negotiation or mediation in accordance with Section XIII(3) and any Party thereafter fails to abide by the terms of such Agreement, or if the Parties agree to accept the Award following arbitration and any Party thereafter fails to comply with such Award, then any other Party may file suit or initiate administrative proceedings to enforce such Agreement or Award without the need to again comply with the procedures set forth in Section XIII(3). In such event, the Party taking action to enforce the Agreement or Award shall be entitled to recover from the non-complying Party (or if more than one non-complying Party, from any or all such Parties) all costs incurred in enforcing such agreement or Award, including, without limitation, attorneys' fees and court costs.

SECTION XIV: GENERAL PROVISIONS

1. *Term.* This Declaration shall run with and bind the Property, and shall inure to the benefit of and shall be enforceable by the Association or any Owner, their respective legal representatives, heirs, successors, and assigns, for a term of fifty (50) years from the date this Declaration is recorded. After such time, this Declaration shall be automatically extended for successive periods of ten (10) years, unless an instrument in writing, signed by at least three-fourth (3/4) of the then Owners, has been recorded within the year preceding each extension, agreement to amend, in whole or in part, or terminate this Declaration, in which case this Declaration shall be amended or terminated as specified therein.

2. *Amendment.*

a. *By Declarant.* The Declarant may unilaterally amend this Declaration if such amendment is (i) necessary to bring any provision into compliance with any applicable governmental statutes, rule, regulations or judicial determination; (ii) necessary to enable any reputable title insurance company to issue title insurance coverage on the Club Homesteads; or (iii) required by mortgage loans, including, for example, the Federal National Mortgage Association or Federal Home Loan Mortgage Corporation, to enable it to make, purchase, insure, or guarantee mortgage loans on the Club Homesteads; or (iv) otherwise necessary to satisfy the requirements of any governmental agency. However, any such amendment shall not adversely affect the title to any Club Homestead unless the Owner shall consent thereto in writing. Prior to completion of construction of the Club Improvements, Declarant may unilaterally amend this Declaration for any other purpose, provided the amendment has no material adverse effect upon any right of any Owner.

b. *By Owners.* Thereafter and otherwise, this Declaration may be amended only by the affirmative vote or written consent, or any combination thereof, of voting Owners representing three-fourths (3/4) of the total votes in the Association.

Notwithstanding the above, the percentage of votes necessary to amend a specific clause shall not be less than the prescribed percentage of affirmative votes required for action to be taken under that clause.

c. *Validity and Effective Date of Amendments.* Amendments to this Declaration shall become effective upon recordation in the real property records of Anderson County, Texas, unless a later effective date is specified therein. Any procedural challenge to an amendment must be made within three (3) months of its recordation or such amendment shall be presumed to have been validly adopted. In no event shall a change of conditions or circumstances operate to amend any provisions of this Declaration.

If an Owner consents to any amendment to this Declaration or the Bylaws, it will be conclusively presumed that such Owner has the authority to so consent, and no contrary provisions in any mortgage or contract between the Owner and a third party will affect the validity of such amendment.

No amendment may remove, revoke or modify any right or privilege of the Declarant without the written consent of the Declarant or the assignee of such right or privilege.

3. *Severability.* Invalidation of any provision of this Declaration, in whole or in part, or any application of a provision of this Declaration by judgment or court order shall in no way affect other provisions or application.

4. *Perpetuities.* If any of the covenants, conditions, restrictions or other provisions of this Declaration shall be unlawful, void or voidable for violation of the rule against perpetuities, then such provisions shall continue only until twenty-one (21) years after the death of the last survivor of the now-living descendants of Ted L. Swinney.

5. *Litigation.* No judicial or administrative proceeding shall be commenced or prosecuted by the Association unless approved by a vote of a majority of the voting Owners. This Section shall not apply, however, to , (a) actions brought by the Association to enforce the provisions of this Declaration (including, without limitation, the foreclosure of liens); (b) the imposition and collection of assessments as provided in Section III; (c) proceedings involving challenges to ad valorem taxation; or (d) counterclaims brought by the Association in proceedings instituted against it.

6. *Right of First Refusal.* Any Owner desiring to sell or otherwise transfer title to his or her Club Homestead shall give prior written notice to the President of the Association and to each other Owner of the selling Owner's desire to sell and the price and material terms upon which the selling Owner desires to sell (the "Sale Notice"). For a period of thirty (30) days after each of the foregoing have received the Sale Notice, the Association and each other Owner shall have the right to purchase such selling Owner's Club Homestead on the terms set forth in the Sale Notice (the "Option Period"). This right to purchase shall be exercised by delivering written notice to such selling Owner prior to the expiration of the Option Period (the "Purchase Notice").

If the Association or any other Owner does not reply to the selling Owner prior to the expiration of the Option Period, the Association and each other Owner shall be deemed to have elected not to purchase the Owner's Club Homestead.

In the event the Association or any Owner elects to purchase the Club Homestead of the selling Owner, the Association or such Owner shall purchase the Club Homestead of the selling Owner, on the same terms set forth in the Sale Notice, within forty-five (45) days of the selling Owner's receipt of the Purchase Notice. Should the selling Owner decide, at any time, either (a) to reduce the sales price of the Club Homestead set forth on the Sale Notice by the lesser of five percent (5%) or Twenty-Five Thousand and No/100 Dollars (\$25,000.00), or (b) modify any of the material terms of the Sale Notice, the selling Owner shall provide the President of the Association and all other Owners a new Sale Notice, setting forth the revised (material) terms and price, and the Association shall be entitled to a new Option Period.

[Signature Page Follows]

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IN WITNESS WHEREOF, the undersigned being the Declarant herein, has executed this Declaration this 16 day of Jan. 01, ~~2006~~.

PINE MOUNTAIN RANCH LTD.,
a Texas limited partnership

By: Swinney Management Co., LLC,
a Nevada limited liability company,
its general partner

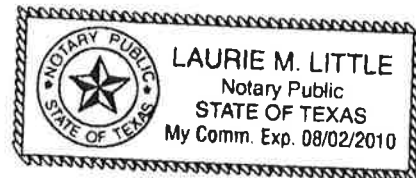
By: [Signature]
Name: TED SWINNEY
Title: G.P.

STATE OF TEXAS §
 §
COUNTY OF DALLAS §

BEFORE ME, the undersigned authority, on this day personally appeared Ted Swinney, General Partner of Swinney Management Co., LLC, general partner of Pine Mountain Ranch, Ltd., a Texas limited partnership, known to me to be the person and officer whose name is subscribed to the foregoing instrument and acknowledged to me that he executed the same for the purposes and consideration therein expressed, as the act and deed of said limited partnership, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 16th day of January, 2008. Fyz

Laurie M. Little
Notary Public, State of Texas



(Typed or Printed Name of Notary)

My Commission Expires: _____

EXHIBIT "A"

159.673 ACRES
PINE MOUNTAIN RANCH, LTD

ANDERSON COUNTY, TEXAS
P.O. LUMPKINS SURVEY, A-478
GEORGE ANDING LEAGUE, A-3

All that certain lot, tract or parcel of land situated in **ANDERSON COUNTY, TEXAS** on the **GEORGE ANDING LEAGUE, A-3**, and **P.O. LUMPKINS SURVEY, A-478**, and being a part of a called 199.460 acre tract as described in the Pine Mountain Ranch, Ltd. DEED OF TRUST, SECURITY AGREEMENT AND FINANCING STATEMENT as recorded in Volume 1877, Page 556 of the Anderson County Real Property Deed Records, and being more particularly described by metes and bounds as follows:

Beginning at a found Fence Corner for corner in the Southeast corner of the said called 199.460 acre tract and being the Northeast corner of the Glenn E. Gomez tract (1636/190 A.C.O.P.R.), the West line of the James Titley called 159.39 acre tract (1607/350, A.C.O.P.R.), in the East line of the said P.O. Lumpkins Survey, A-478 and the West line of the Jacob Johnson Survey, A-440 and being the Southeast corner of designated Lot 31 of this subdivision.

THENCE: S 88°14'06"W, 548.90 feet along the North line of said Gomez tract to a set #5 rebar for corner in the Southwest corner of said designated Lot 31 and the Southeast corner of the designated Lot 36.

THENCE: S 87°53'12"W, 145.75 feet to a set #5 rebar for corner in the Southwest corner of said Lot 36 and the Southeast corner of designated Lot 32.

THENCE: S 88°22'23"W, 138.99 feet to a set #5 rebar in the said Lot 32 Southwest corner and the Southeast corner of designated Lot 33.

THENCE: S 88°08'53"W, 137.89 feet to a set #5 rebar in the said Lot 33 Southwest corner and the Southeast corner of designated Lot 8.

THENCE: S 88°11'07"W, 371.34 feet to a set #5 rebar in the said Lot 8 Southwest corner and the Southeast corner of designated Lot 9A.

THENCE: S 88°11'07"W, 390.63 feet to a set #5 rebar in the said Lot 9A Southwest corner and the Southeast corner of designated Common Area.

THENCE: S 88°10'12"W, 2145.79 feet to a found 5/8" iron in the West margin of County Road 453 right-of-way.

THENCE: following the said County Road 453 right-of-way the following courses and distances:

N 00°59'17" W	300.83'
N 00°02'56" E	50.08'
N 00°46'30" E	267.56'
N 00°48'09" W	131.12'
N 00°25'53" E	107.40'
N 11°56'40" E	135.19'
N 48°12'35" E	113.46'
N 48°39'13" E	106.60'
N 48°42'57" E	129.26'
N 48°46'15" E	120.16'
N 48°47'58" E	120.02'
N 48°50'49" E	286.92'
N 43°39'01" E	42.91'
N 36°28'03" E	201.75'
N 26°14'56" E	246.89'
N 24°17'35" E	137.65'
N 20°10'12" E	514.34' to a set #5 rebar

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for corner in the intersection of said CR 453 West R.O.W. and the South margin of County Road 450 right-of-way.

THENCE: with the South right-of-way of said County Road 450 the following courses and distances:

N 79°37'01" E	548.55'
N 80°56'20" E	24.49'
S 86°10'40" E	171.26'
S 86°51'27" E	147.50'
S 85°26'41" E	127.41'
S 88°16'28" E	33.87'
S 88°16'27" E	321.15' to occupied fence corner for corner

in the Northeast corner of designated Lot 14 of the subdivision.

THENCE: S 00°05'13"W, 487.63 feet along said Lot 14 East line to a set #5 rebar for Southeast of Lot 14 and the water edge of a subdivision lake.

THENCE: S 30°17'23"W, 425.15 feet across said lake to the Northeast corner of designated Lot 17, reference set #5 rebar that S 25°09'38"E, 17.73 feet.

THENCE: S 25°09'42"E, 17.71 feet to a set #5 rebar and continuing S 25°09'38"E, 455.76 feet to a set #5 rebar in the Southeast corner of said Lot 17 and the North margin of a 50 foot road right-of-way.

THENCE: S 49°49'11"E, 573.65 feet along said 50 foot road right-of-way to a set #5 rebar for corner in the Southwest corner of designated Lot 22.

THENCE: N 19°54'25"W, 214.73 feet to a set #5 rebar for corner in the Southwest corner of designated Lot 23 and the Northwest corner of said Lot 22.

THENCE: N 10°57'26"E, 291.70 feet to a set #5 rebar for corner in the Northwest corner of said Lot 23 and designated future development area.

THENCE: S 74°09'10"E, 283.10 feet to a set #5 rebar for corner in the Northwest corner of said Lot 23 and the West of a designated road.

THENCE: S 84°05'26"E, 40.00 feet to a set #5 rebar in the West line of designated Lot 26.

THENCE: N 05°54'34"E, 67.50 feet to a set #5 rebar for corner in the Northwest corner of said Lot 26 and the South line of said future development.

THENCE: S 76°08'34"E, 611.15 feet to a set #5 rebar in fence and being the Northeast corner of said Lot 26 and the West line of W.O.Ward called 41.60 acres(353/153 A.C.D.R.).

THENCE: S 01°58'51"E, 556.62 feet to a set #5 rebar for the corner in the East line of a 40 foot road right-of-way and the Northwest corner of James Titley called 159.39 acres (1607/350 A.C.O.P.R.).

THENCE: S 00°26'05"E, 387.56 feet continuing along said Titley West line to a set #5 rebar for angle point.

THENCE: S 00°36'33"E, 260 feet to the Place of Beginning and containing 159.673 acres.

NOTE: THE COMPANY DOES NOT REPRESENT THAT THE ACREAGE AND/OR SQUARE FOOTAGE CALCULATIONS ARE CORRECT.

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Exhibit B

1. One (1) water well with electrical hookup and piping to existing lakes and one (1) water well to the lake adjacent to the pasture.
2. Two (2) new boat docks sufficient for fishing boats, canoes, kayaks and lounging furniture on the two (2) largest lakes and one (1) casting/fishing dock (location to be determined) on the recently completed lake located in the front pasture.
3. Underground utilities to the Club Homesteads including electricity (TVEC), water (Brushy Creek Community Water Supply), propane (Mallory Propane), and underground telephone service.
4. To the extent necessary, upgrade existing roads, including the walking/jogging trail located in the front pasture, with additional topping.
5. Construct creek with underground water source together with walking trails and picnic pavilion.
6. Complete construction and furnishing of Club Recreation Center and complete construction and landscaping of swimming pool area. Construct outdoor cooking pavilion adjoining Club Recreation Center.
7. Construction and installation of a minimum of two (2) synthetic golf greens. Design and size of the golf greens to be similar to Caddo Creek Club and to be located in front pasture with newly completed lakes.

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Filed For Record on 02/09/07 at 08:48 AM VA
Wanda Burke County Clerk, Anderson County, Tx