

90
c10

201999015447



**DECLARATION OF
COVENANTS, CONDITIONS AND RESTRICTIONS
FOR
BLUESTEM RESERVE**

**(A Planned Community)
Guadalupe County, Texas**

Declarant:

**Gaskin Ranch No. 5 LLC,
a Texas limited liability company**

TABLE OF CONTENTS
Declaration of Covenants, Conditions and Restrictions for
BLUESTEM RESERVE

ARTICLE 1 Definitions1

ARTICLE 2 Property Subject to Document4

 2.1 Property4

 2.2 Additional Property4

 2.3 Adjacent Land Use4

 2.4 Restrictions, Easements and Tract Map Dedications5

 2.5 Road Within Property.....5

ARTICLE 3 Property Easements and Rights5

 3.1 General5

 3.2 Easement for Screening Wall5

 3.3 Easement for Roadway6

 3.4 Easement for Mailboxes6

 3.5 Owner’s Easement of Enjoyment6

 3.6 Rights of Governmental Authorities6

 3.7 Association’s Access Easement6

 3.8 Utility Easement7

 3.9 Mineral Rights7

 3.10 Security8

ARTICLE 4 Common Area8

 4.1 Ownership8

 4.2 Acceptance8

 4.3 Components8

ARTICLE 5 Association Operations9

 5.1 The Association9

 5.2 Board10

 5.3 Membership10

 5.4 Decision-Making10

 5.5 Manager10

 5.6 Communications10

 5.7 Voting11

 5.8 Books and Records11

 5.9 Indemnification11

 5.10 Obligations of Owners11

 5.11 Home Resales12

 5.12 Subdivision Information12

ARTICLE 6 Covenant for Assessments12

 6.1 Purpose of Assessments12

 6.2 Personal Obligation13

 6.3 Control for Assessment Increases13

 6.4 Types of Assessments13

 6.5 Basis and Rate of Assessments15

 6.6 Annual Budget15

6.7	Due Date.....	15
6.8	Reserve Funds	15
6.9	Association's Right to Borrower Money.....	16
6.10	Limitations of Interest	16
6.11	Effect of Nonpayment of Assessments.....	16
6.12	Alternative Payment Schedule	17
6.13	HOA Sale Fees	18
ARTICLE 7 Assessment Lien.....		19
7.1	Assessment Lien.....	19
7.2	Superiority of Assessment Lien.....	19
7.3	Effect of Mortgagee's Foreclosure.....	19
7.4	Notice and Release of Notice	19
7.5	Power of Sale	20
7.6	Foreclosure of Lien	20
7.7	Notice After Foreclosure Sale	20
7.8	Right of Redemption After Foreclosure	20
ARTICLE 8 Enforcing the Documents		21
8.1	Notice and Hearing.....	21
8.2	Remedies	21
8.3	Board Discretion	22
8.4	No Waiver	22
8.5	Recovery of Costs	22
ARTICLE 9 Maintenance and Repair Obligations.....		22
9.1	Association Maintains	22
9.2	Owner Responsibility	23
9.3	Owner's Default in Maintenance.....	23
ARTICLE 10 Insurance.....		23
10.1	General Provisions	23
10.2	Property	24
10.3	General Liability	24
10.4	Directors and Officers Liability.....	24
10.5	Other Coverages.....	24
10.6	Owner's Responsibility for Insurance	24
ARTICLE 11 Mortgagee Protection.....		25
11.1	Introduction	25
11.2	Mortgagee Rights	25
11.3	Limits on Association's Duties	26
ARTICLE 12 Amendments		26
12.1	Consents Required.....	26
12.2	Method of Amendment	26
12.3	Effective	26
12.4	Declarant Provisions	27
12.5	Merger	27
12.6	Condemnation	27

ARTICLE 13	Dispute Resolution	27
13.1	Introduction and Definitions	27
13.2	Mandatory Procedures	28
13.3	Notice	28
13.4	Negotiation	28
13.5	Mediation	28
13.6	Termination of Mediation	29
13.7	Allocation of Costs	29
13.8	Enforcement of Resolution	29
13.9	General Provisions	29
13.10	Litigation Approval and Settlement	29
ARTICLE 14	Declarant Rights and Reservations	30
14.1	General Provisions	30
14.2	Definitions	30
14.3	Declarant Control Period Reservations - Governance	31
14.4	Declarant Control Period Reservations - Financial	31
14.5	Declarant Control Period Reservations	32
14.6	Different Standards	35
14.7	Common Areas	35
14.8	Successor Declarant	35
ARTICLE 15	General Provisions	35
15.1	Compliance	35
15.2	Higher Authority	35
15.3	Notice	35
15.4	Changing Technology	35
15.5	Liberal Construction	36
15.6	Severability	36
15.7	Captions	36
15.8	Exhibits	36
15.9	Interpretation	36
15.10	Duration	36
15.11	Preparer	36
ARTICLE 16	Architectural Covenants and Control	36
16.1	Purpose	36
16.2	Architectural Control During the Development Period	37
16.3	Architectural Control by Association	37
16.4	Limits on Liability	37
16.5	Prohibition of Construction, Alteration and Improvement	38
16.6	Architectural Approval	38
16.7	Landscaping Approval	39
16.8	Architectural Guidelines	39
ARTICLE 17	Construction and Use Restrictions	39
17.1	Variance	39
17.2	Construction Restrictions	39
17.3	Limits to Rights	40
17.4	Association's Right to Promulgate Rules	40
17.5	Accessory Structures	40
17.6	Animal Restrictions	41

17.7	Playground Equipment.....	41
17.8	Annoyance.....	41
17.9	Appearance.....	41
17.10	Business Use	41
17.11	Declarant Privileges	42
17.12	Drainage	42
17.13	Driveways	42
17.14	Fences.....	42
17.15	Flags	42
17.16	Garages.....	42
17.17	Firearms and Fireworks.....	42
17.18	Landscaping	43
17.19	Camping	43
17.20	Leasing of Homes.....	43
17.21	Lights.....	43
17.22	Noise and Odor.....	44
17.23	Disposal of Trash	44
17.24	Occupancy.....	44
17.25	Residential Use.....	44
17.26	Living Area	44
17.27	Screening.....	44
17.28	Signs.....	45
17.29	Communication Equipment.....	46
17.30	Temporary Structures	46
17.31	Vehicles.....	46
17.32	Window Treatments	47
17.33	Window Air Conditioners	47
17.34	Yard Art	47

EXHIBIT A – Description of Real Property

EXHIBIT B – Tract Map

EXHIBIT C – Description of Roadway Easement

**DECLARATION OF
COVENANTS, CONDITIONS AND RESTRICTIONS
FOR BLUESTEM RESERVE**

This Declaration of Covenants, Conditions and Restrictions for Bluestem Reserve is made by GASKIN RANCH NO. 5 LLC, a Texas limited liability company ("Declarant"), on the date signed below. Declarant owns the real property described in *Exhibit A* of this Declaration, together with the improvements thereon.

Declarant desires to establish a general plan of development for the planned community to be known as BLUESTEM RESERVE. Declarant further desires to provide for the preservation, administration and maintenance of portions of BLUESTEM RESERVE, and to protect the value, desirability and attractiveness of BLUESTEM RESERVE. As an integral part of the development plan, Declarant deems it advisable to create a property owners association to perform these functions and activities more fully described in this Declaration and the other Governing Documents described below.

Declarant declares that the property described in *Exhibit A* will be owned, held, transferred, sold, conveyed, leased, occupied, used, insured and encumbered subject to the terms, covenants, conditions, restrictions and easements of this Declaration, including Declarant's representations and reservations in Article 14 below, which run with the real property and bind all parties having or acquiring any right, title or interest in any part of the property, their heirs, successors and assigns, and inure to the benefit of each Owner of any part of the property.

**ARTICLE 1
DEFINITIONS**

The following words and phrases, whether or not capitalized, have specified meanings when used in the Governing Documents, unless a different meaning is apparent from the context in which the word or phrase is used.

1.1 "***Applicable Law***" means the statutes and public laws and ordinances in effect at the time a provision of the Governing Documents is applied, and pertaining to the subject matter of the Governing Documents provisions, statutes and ordinances specifically referenced in the Governing Documents are "***Applicable Law***" on the date of the Governing Document, and are not intended to apply to the Project if they cease to be applicable by operation of law, or if they are replaced or superseded by one or more other statutes or ordinances.

1.2 "***Architectural Reviewer***" means the entity having jurisdiction over a particular application for architectural approval. During the Development Period, the Architectural Reviewer is Declarant, Declarant's designee, or Declarant's delegates. Thereafter, the board-appointed Architectural Control Committee is the Architectural Reviewer.

1.3 "***Assessment***" means any charge levied against a Tract or Owner by the Association, pursuant to the Governing Documents or State law, including but not limited to Regular Assessments,

Special Assessments, Special Common Area Assessments, Individual Assessments and Deficiency Assessments, as defined in Article 8 of this Declaration.

1.4 **"Association"** means the association of Owners of all Tracts in the Property and serving as the "property owners association" defined in Section 202.001(2) of the Texas Property Code. The initial name of the Association is Bluestem Reserve Owners Association, Inc.

1.5 **"Board"** means the board of directors of the Association.

1.6 **"Builder and Design Guidelines"** mean the written guidelines of the Association adopted from time to time by the Association in accordance with the Governing Documents or applicable law relating to construction of improvements on Tracts which will be used by the Architectural Reviewer. The Builder and Design Guidelines may be different depending on the location of the Tracts or other factors deemed appropriate by the Association.

1.7 **"City"** means any incorporated municipality in whose extraterritorial jurisdiction the Property is located.

1.8 **"Common Area"** means portions of real property and improvements thereon that are owned and/or maintained by the Association, as described in Article 4 below. Portions of the Common Area may be allocated to certain Tracts as limited Common Area.

1.9 **"Declarant"** means GASKIN RANCH NO. 5 LLC, a Texas limited liability company, which is developing the Property, or the successors and assigns of GASKIN RANCH NO. 5 LLC, a which are designated a Successor Declarant by GASKIN RANCH NO. 5 LLC, or by any such successor and assign, in a recorded document, executed by both Declarant and Successor Declarant in the case of a voluntary assignment.

Declarant enjoys special rights and privileges to help protect its investment in the Property. These special rights are described in this Declaration. Many of these rights do not terminate until either Declarant: (i) has conveyed all Tracts which may be created out of the Property or (ii) voluntarily terminates these rights by a recorded written instrument.

1.10 **"Declarant Control Period"** is defined in Article 14 of this Declaration.

1.11 **"Declaration"** means this document, as it may be amended from time to time.

1.12 **"Development Period"** is defined in Article 14 of this Declaration.

1.13 **"Governing Documents"** means, singly or collectively as the case may be, this Declaration, the Tract Map, the Bylaws of the Association, the Association's Certificate of Formation, the Builder and Design Guidelines, any Landscaping Guidelines which may be adopted, and the Rules of the Association, as any of these may be amended from time to time. An appendix, exhibit, schedule, or certification accompanying a Governing Document is a part of that Governing Document.

1.14 **"Landscaping Guidelines"** means the written landscape design, installation and maintenance criteria for the Tracts adopted from time to time by the Association in accordance with the Governing Documents or applicable law and which will be used by the Architectural Reviewer. The Landscaping Guidelines may be included as part of the Builder and Design Guidelines. Landscaping Guidelines may be different depending on location of the Tracts or other factors deemed appropriate by the Association. The initial Landscaping Guidelines may be adopted by Declarant for the benefit of the Association.

1.15 **"Majority"** means more than half. A reference to "a majority of Owners" in any Governing Document or applicable law means "Owners of at least a majority of the Tracts", unless a different meaning is specified.

1.16 **"Member"** means a member of the Association, each member being an Owner of a Tract, unless the context indicates that member means a member of the board or a member of a committee of the Association. In the context of votes and decision-making, each Tract has only one membership, although it may be shared by co-Owners of a Tract.

1.17 **"Owner"** means a holder of recorded fee simple title to a Tract. Declarant is the initial Owner of all Tracts. Contract sellers and mortgagees who acquire title to a Tract through a deed in lieu of foreclosure or through judicial or non-judicial foreclosure are Owners. Persons or entities having Ownership interests merely as security for the performance of an obligation are not Owners. Every Owner is a member of the Association. A reference in any Governing Document or applicable law to a percentage or share of Owners or members means Owners of at least that percentage or share of the Tracts, unless a different meaning is specified. For example, "a majority of Owners" means Owners of at least a majority of the Tracts.

1.18 **"Property"** means all the land subject to this Declaration and all improvements, easements, rights and appurtenances to the land that is described in *Exhibit A* to this Declaration and includes every Tract and any Common Area thereon.

1.19 **"Resident"** means an occupant of a dwelling, regardless of whether the person owns the Tract.

1.20 **"Rules"** means rules and regulations of the Association adopted from time to time in accordance with the Governing Documents or applicable law. The initial Rules may be adopted by Declarant for the benefit of the Association.

1.21 **"Special Common Area"** means that portion of the Property designated as Branch Road on the Tract Map located between FM 2623 and terminating at the point where Branch Road connects to County Road 147B. The Special Common Area is described in *Exhibit C* attached. The Special Common Area is assigned for the primary use and benefit of the Tracts which include a portion of the Special Common Area, although all Owners may use Branch Road. The costs associated with the maintenance, repair and use of Branch Road within the Special Common Area due to more intense use by the Owners whose Tracts include portions of Branch Road will be assessed as a Special Common Area Assessment against the Owners of those Tracts to which the Special Common Area is assigned. The Tracts assigned to the Special Common Area are Tract 1 through and including Tract 24 as shown on the Tract Map. Tracts

25-29 have access to County Road 147B or County Road 147 and are not assigned to Special Common Area.

1.22 "*Special Common Area Assessments*" means assessments levied against the Tracts as described in Section 6.

1.23 "*Special Common Area Expenses*" means the estimated and actual expenses which the Association incurs or expects to incur to operate, maintain, repair and replace Special Common Area, which may include a reasonable reserve for capital repairs and replacements.

1.24 "*Tract*" means a portion of the Property intended for independent ownership, on which there is or will be constructed a dwelling, whether or not shown on a Tract Map. As a defined term, "Tract" does not refer to Common Areas, even if shown on the Tract Map. Where the context indicates or requires, "Tract" includes all improvements thereon and any portion of a right-of-way that customarily is used exclusively by and in connection with the Tract. Each Tract will be conveyed by metes and bounds and not by reference to the Tract Map.

1.25 "*Tract Map*" means the drawing of the Property attached hereto as *Exhibit B* of this Declaration, including all easements, setback lines and notes shown thereon as it may be amended from time to time. The Property is exempt from the platting requirements of Guadalupe County, Texas, and the Tract Map attached hereto as *Exhibit B* is not a "subdivision plat" required to be approved by Guadalupe County pursuant to Section 12.002 of the Texas Property Code.

ARTICLE 2

PROPERTY SUBJECT TO DOCUMENT

2.1 **Property.** The real property described in *Exhibit A* is held, transferred, sold, conveyed, leased, occupied, used, insured and encumbered subject to the terms, covenants, conditions, restrictions, liens and easements of this Declaration, including Declarant's representations, rights and reservations in Article 14, which run with the Property and bind all parties having or acquiring any right, title or interest in the Property, their heirs, successors and assigns, and inure to the benefit of each Owner of the Property.

2.2 **Additional Property.** Additional real property may be annexed to BLUESTEM RESERVE and subjected to the Declaration and the jurisdiction of the Association on approval of Owners representing at least 67% of the Tracts in the Property, or, during the Development Period, by Declarant as permitted in Article 14. Annexation of additional property is accomplished by recording a declaration of annexation, including an amendment of *Exhibit A* and *Exhibit B*, in the Real Property Records of Guadalupe County, Texas.

2.3 **Adjacent Land Use.** Declarant makes no representation of any kind as to current or future uses - actual or permitted - of any land that is adjacent to or near the BLUESTEM RESERVE, regardless of what the Tract Map may show as potential uses of adjoining land. Declarant and the Association cannot and do not guarantee scenic views, volumes of traffic on streets around and through BLUESTEM RESERVE, availability of schools or shopping, or any other aspect of the Property that is affected by the uses or conditions of adjacent or nearby land, water or air.

2.4 Restrictions, Easements and Tract Map Dedications. In addition to the easements and restrictions contained in this Declaration, the Property is subject to all restrictions, easements, licenses, leases and encumbrances of record, including any shown or referenced on the Tract Map, each of which is incorporated herein by reference. Each Owner, by accepting an interest in or title to a Tract, whether or not it is so expressed in the instrument of conveyance, covenants and agrees to be bound by prior-recorded restrictions, easements, licenses, leases and encumbrances, and further agrees to maintain any easement that crosses his Tract and for which the Association does not have express responsibility.

2.5 Road Within Property. Because the road within the Special Common Area of BLUESTEM RESERVE is capable of being converted from privately owned to publicly dedicated, and vice versa, this Section addresses both conditions. Branch Road is currently a private road, and as such is part of the Special Common Area which is governed by the Association. Public streets are part of the Common Area only to the extent a governmental body, such as the City or county, authorizes or delegates to the Association. Regarding public streets, the Association, acting through the board, is specifically authorized (1) to accept from a governmental body any delegation of street-related duties, and (2) to act as attorney in fact for the Owners in executing instruments required by public ordinance or public law to impose, modify or remove restrictions or traffic devices (such as speed bumps) on public streets in the Property.

ARTICLE 3 PROPERTY EASEMENTS AND RIGHTS

3.1 General. In addition to other easements and rights established by the Governing Documents, the Property is subject to the easements and rights contained in this Article.

3.2 Easement for Screening Wall. The Association is hereby granted a perpetual easement (the "Screening Wall Easement") over each Tract on or along FM 2623 on the perimeter of the Property that abuts or contains a portion of the Property's entry feature or screening wall, fence or berm for the purposes stated in this Section, regardless of whether or how the Tract Map shows the easement, entry feature or screening wall, fence or berm. The purpose of the Screening Wall Easement is to provide for the existence, repair, improvement and replacement of the Property's entry feature and screening wall, fence or berm, if the Declarant or the Association chooses to erect any type of screening facility to be maintained by the Association as a Common Area. In exercising this Screening Wall Easement, the Association may construct, maintain, improve and replace improvements reasonably related to the entrance and screening of a first class residential subdivision, including: screening walls, fences and/or berms; planter beds, landscaping and plant material; electrical and water meters and equipment, including light fixtures and sprinkler systems; and signage relating to BLUESTEM RESERVE. The Owners of the Tracts burdened with the Screening Wall Easement will have the continual use and enjoyment of their Tracts for any purpose that does not interfere with and prevent the Association's use of the Screening Wall Easement. In addition to the easement granted herein, the Association has the temporary right, from time to time, to use as much as the surface of a burdened Tract as may be reasonably necessary for the Association to perform its contemplated work on the Screening Wall Easement. This easement is perpetual. The Screening Wall Easement will terminate when the purpose of the easement ceases to exist, is abandoned by the Association, or becomes impossible to perform. The Association may assign this easement, or any portion thereof, to the City if the City agrees to accept the assignment. This Screening Wall Easement applies only to the entry features and screening walls installed by Declarant or the Association and replacements thereof and

does not apply or pertain to fences installed on individual Tracts, even though the Tract abuts a major thoroughfare.

3.3 Easement for Roadway. The Association and the Owner of the Tracts assigned to Special Common Area are hereby granted a perpetual easement (the "Roadway Easement") on, over and across the Special Common Area for ingress and egress to and from FM 2623 and County Road 147B. The Roadway Easement is described by metes and bounds on *Exhibit C* attached hereto. The Roadway Easement is self-operative and the conveyance of a Tract assigned to Special Common Area will include the Roadway Easement, whether or not expressed in the deed of conveyance.

3.4 Easement for Mailboxes. The Association is hereby granted a perpetual easement (the "Mailbox Easement") over Tract 1 as shown on the Tract Map for the purpose of installation, maintenance improvement, repair and use by Owners of common mailbox facilities serving BLUESTEM RESERVE. The Mailbox Easement is considered Common Area even though located in the Special Common Area. The Owner of Tract 1 burdened with the Mailbox Easement will have the continual use and enjoyment of Tract 1 for any purpose that does not interfere with the use of the Mailbox Area by the Association and the Owners. The Mailbox Easement is perpetual.

3.5 Owner's Easement of Enjoyment. Every Owner is granted a right and easement of enjoyment over the Common Areas and to use of improvements therein, subject to other rights and easements contained in the Governing Documents. An Owner who does not occupy a Tract delegates this right of enjoyment to the residents of his Tract. Notwithstanding the foregoing, the Special Common Area is reserved for the use of those Owners whose Tracts are subject to Special Common Area Assessments.

3.6 Rights of Governmental Authorities. Governmental authorities with jurisdiction, including its agents and employees, have the right of immediate access to the Common Areas (including Special Common Areas) at all times if necessary, for the welfare or protection of the public, to enforce ordinances or state law, or to improve the appearance of or to preserve public property, public easements or public rights of way.

3.7 Association's Access Easement. Each Owner, by accepting an interest in or title to a Tract, whether or not it is so expressed in the instrument of conveyance, grants to the Association an easement of access and entry over, across, under and through the Property, including without limitation all Common Areas and the Owner's Tract and all improvements thereon including the house and yards for the below-described purposes.

3.7.1 Purposes. Subject to the limitations stated below, the Association may exercise this easement of access and entry for the following express purposes:

- a. To inspect the property for compliance with maintenance and architectural standards.
- b. To perform maintenance that is permitted or required of the Association by the Governing Documents or by applicable law.

- c. To perform maintenance that is permitted or required of the Owner by the Governing Documents or by applicable law, if the Owner fails or refuses to perform such maintenance.
- d. To enforce architectural standards.
- e. To enforce use restrictions.
- f. The exercise of self-help remedies permitted by the Governing Documents or by applicable law.
- g. To enforce any other provision of the Governing Documents.
- h. To respond to emergencies.
- i. To grant easements to utility providers as may be necessary to install, maintain and inspect utilities serving any portion of the Property.
- j. To perform any and all functions or duties of the Association as permitted or required by the Governing Documents or by applicable law.

3.7.2 **No Trespass.** In exercising this easement on an Owner's Tract, the Association is not liable to the Owner for trespass.

3.7.3 **Limitations.** If the exercise of this easement requires entry onto an Owner's Tract, including into an Owner's fenced yard, the entry will be during reasonable hours and after notice to the Owner. This Subsection does not apply to situations that at time of entry are deemed to be emergencies that may result in imminent damage to or loss of life or property.

3.8 **Utility Easement.** The Association may grant permits, licenses and easements over Common Areas for utilities, roads and other purposes necessary for the proper operation of BLUESTEM RESERVE. A company or entity, public or private, furnishing utility service to the Property, is granted an easement over the Property for ingress, egress, meter reading, installation, maintenance, repair or replacement of utility lines and equipment, and to do anything else necessary to properly maintain and furnish utility service to the Property; provided, however, this easement may not be exercised without prior notice to the board. Utilities may include, but are not limited to, water, sewer, trash removal, electricity, gas, telephone, master or cable television and security.

3.9 **Mineral Rights.** Some or all of the Property may be subject to a previous Owner's acquisition, reservation or conveyance of oil, gas or mineral rights pursuant to one or more deeds or other instruments recorded in the Real Property Records of Guadalupe County, Texas, including but not limited to rights to all oil, gas or other minerals lying on, in or under the Property and surface rights of ingress and egress. Because the instruments conveying or reserving mineral interests were recorded prior to this Declaration, those interests in the Property are superior and are not affected by any provision to the contrary in this Declaration. By accepting title to or interest in a Tract, every Owner acknowledges the existence of the mineral rights and/or reservations referenced in this Section and the attendant rights in favor of the Owner or Owners of the mineral interests.

3.10 Security. The Association may, but is not obligated to, maintain or support certain activities within BLUESTEM RESERVE designed, either directly or indirectly, to improve safety in or on the Property. Each Owner and Resident acknowledges and agrees, for himself and his guests, that Declarant, the Association, and their respective directors, officers, committees, agents and employees are not providers, insurers or guarantors of security within the Property. Each Owner and Resident acknowledges and accepts his sole responsibility to provide security for his own person and property and assumes all risks for loss or damage to same. Each Owner and Resident further acknowledges that Declarant, the Association, and their respective directors, officers, committees, agents and employees have made no representations or warranties, nor has the Owner or Resident relied on any representation or warranty, express or implied, including any warranty of merchantability or fitness for any particular purpose, relative to any fire, burglar and/or intrusion systems recommended or installed, or any security measures undertaken within BLUESTEM RESERVE. Each Owner and Resident acknowledges and agrees that Declarant, the Association, and their respective directors, officers, committees, agents and employees may not be held liable for any loss or damage by reason of failure to provide adequate security or ineffectiveness of security measures undertaken.

ARTICLE 4 **COMMON AREA**

4.1 Ownership. The designation of real property as a Common Area is determined by the Tract Map and this Declaration, and not by the ownership of the property. This Declaration contemplates that the Association will eventually hold easement interests to every Common Area capable of independent ownership by the Association. Declarant may install, construct or authorize certain improvements on Common Areas in connection with the initial development of BLUESTEM RESERVE, and the cost thereof is not a common expense of the Association. Thereafter, all costs attributable to Common Areas, including maintenance, insurance and enhancements, are automatically the responsibility of the Association, regardless of the nature of title to the Common Areas, unless this Declaration elsewhere provides for a different allocation for a specific Common Area.

4.2 Acceptance. By accepting an interest in or title to a Tract, each Owner is deemed (1) to accept the Common Area of the Property, and any improvement thereon, in its then-existing "as is" condition; (2) to acknowledge the authority of the Association, acting through its board of directors, for all decisions pertaining to the Common Area; (3) to acknowledge that transfer of a Common Area's title to the Association by or through the Declarant is a ministerial task that does not require acceptance by the Association; and (4) to acknowledge the continuity of maintenance of the Common Area, regardless of changes in the Association's board of directors or management.

4.3 Components. The Common Area of BLUESTEM RESERVE consists of the following components on or adjacent to the Property, even if located on a Tract or a public right-of-way:

- a. Mailbox facilities for the Community.
- b. The Special Common Area (Branch Road).
- c. The formal entrances to BLUESTEM RESERVE, including (if any) the signage and landscaping.

- d. The continuous screening wall (if any) and streetscape along the FM 2623 side of the Property.
- e. The grounds between FM 2623 and the boundary lines of the adjacent Tracts to the extent the Association has a right or duty to maintain or regulate that portion of the road right-of-way.
- f. Any modification, replacement or addition to any of the above-described areas and improvements.
- g. Personal property owned by the Association, such as books and records, office equipment and supplies.

ARTICLE 5
ASSOCIATION OPERATIONS

5.1 **The Association.** The existence and legitimacy of the Association is derived from this Declaration and the Bylaws of the Association.

5.1.1 **Type.** The Association is a non-profit corporation. The subsequent failure of the Association to maintain its corporate charter from time to time does not affect the existence or legitimacy of the Association.

5.1.2 **Applicability.** The Association is subject to the Texas Business Organizations Code ("TBOC"). Because provisions of this Declaration address issues covered by the TBOC, this Declaration is a "Governing Document" as defined by TBOC, and any provision herein is a "Bylaw" as defined by TBOC. The Association is subject to TBOC Chapter 22 - the Nonprofit Corporation Law.

5.1.3 **Name.** A name is not the defining feature of the Association. Although the initial name of the Association is Bluestem Reserve Owners Association, Inc., the Association may operate under any name that is approved by the board and (1) registered by the board with the County Clerk of Guadalupe County, Texas, as an assumed name, or (2) filed by the Association with the Secretary of State as the name of the filing entity. The Association may also change its name by amending the Governing Documents. Another legal entity with the same name as the Association, or with a name based on the name of the Property is not the Association, which derives its authority from this Declaration.

5.1.4 **Duties.** The duties and powers of the Association are those set forth in the Governing Documents, together with the general and implied powers of a property owners association and a nonprofit corporation organized under the laws of the State of Texas. Generally, the Association may do any and all things that are lawful and necessary, proper or desirable in operating for the peace, health, comfort and general benefit of its members, subject only to the limitations on the exercise of such powers as stated in the Governing Documents.

5.1.5 Duration. The Association comes into existence on the date a certificate of formation is filed with the Secretary of State of the State of Texas. The Association will continue to exist at least as long as this Declaration, as it may be amended, is effective against all or part of the Property.

5.2 Board. The Association is governed by a board of directors. Unless the Association's Bylaws or Certificate of Formation provide otherwise, the board will consist of at least 3 persons elected by the members at the annual meeting of the Association, or at a special meeting called for that purpose. Unless the Governing Documents expressly reserve a right, action or decision to the Owners, Declarant, or another party, the board acts in all instances on behalf of the Association. Unless the context indicates otherwise, references in the Governing Documents to the "Association" may be construed to mean "the Association acting through its board of directors".

5.3 Membership. Each Owner is a member of the Association, ownership of a Tract being the sole qualification for membership. Membership is appurtenant to and may not be separated from ownership of the Tract. The board may require satisfactory evidence of transfer of ownership before a purported Owner is entitled to vote at meetings of the Association. If a Tract is owned by more than one person or entity, each co-owner is a member of the Association and may exercise the membership rights appurtenant to the Tract. A member who sells his Tract under a contract for deed may delegate his membership rights to the contract purchaser, provided a written assignment is delivered to the board. However, the contract seller remains liable for all assessments attributable to his Tract until fee title to the Tract is transferred.

5.4 Decision-Making. Any decision or act of the Association may be made by or at the direction of the board, unless the Governing Documents reserve the decision or act to the members, the Declarant, or any other person or group. Unless the Governing Documents or applicable law provide otherwise, any action requiring approval of the members may be approved (1) at a meeting by Owners of at least a majority of the Tracts that are represented at the meeting, provided notice of the meeting was given to an Owner of each Tract, or (2) in writing by Owners of at least a majority of all Tracts, provided the opportunity to approve or disapprove was given to an Owner of each Tract.

5.5 Manager. The board may delegate the performance of certain functions to one or more managers or managing agents of the Association. Notwithstanding a delegation of its functions, the board is ultimately responsible to the members for governance of the Association.

5.6 Communications. This Declaration is drafted in an era of rapidly changing communication technologies. Declarant does not intend to limit the methods by which the Association, Owners and Residents communicate with each other. Such communications may be by any method or methods that are available and customary. For example, if the Association is required by the Governing Documents or applicable law to make information available to Owners of all Tracts, that requirement may be satisfied by posting the information on the Association's website or by using electronic means of disseminating the information, unless applicable law requires a specific method of communication. It is foreseeable that meetings of the Association and voting on issues may eventually be conducted via technology that is not widely available on the date of this Declaration. As communication technologies change, the Association may adopt as its universal standard any technology that is used by Owners of at least 85 percent of the Tracts. Also, the Association may employ multiple methods of communicating with Owners and Residents.

5.7 Voting. One indivisible vote is appurtenant to each Tract; provided, however, during the Declarant Control Period, Declarant will have five votes for each Tract it owns in BLUESTEM RESERVE. After termination of the Declarant Control Period, the total number of votes will equal the total number of Tracts in the Property. If additional property is made subject to this Declaration, the total number of votes will be increased automatically by the number of additional Tracts or tracts, plus any additional votes attributable to Declarant's Tracts. Each vote is uniform and equal to the vote appurtenant to every other Tract, except during the Declarant Control Period. Cumulative voting is not allowed. Votes may be cast by written proxy, according to the requirements of the Association's Bylaws.

5.8 Books and Records. The Association will maintain copies of the Governing Documents and the Association's books, records and financial statements. The Association will make its books and records available to members, on request, for inspection and copying.

5.9 Indemnification. The Association indemnifies every officer, director, committee chair and committee member (for purposes of this Section, "Leaders") against expenses, including attorney's fees, reasonably incurred by or imposed on the Leader in connection with an action, suit or proceeding to which the Leader is a party by reason of being or having been a Leader. A Leader is not liable for a mistake of judgment, negligent or otherwise. A Leader is liable for his willful misfeasance, malfeasance, misconduct or bad faith. This right to indemnification does not exclude any other rights to which present or former Leaders may be entitled. The Association may maintain general liability and director and officer liability insurance to fund this obligation. Additionally, the Association may indemnify a person who is or was an employee, trustee, agent or attorney of the Association, against any liability asserted against him and incurred by him in that capacity and arising out of that capacity. Additionally, the Association may indemnify a person who is or was an employee, trustee, agent or attorney of the Association, against any liability asserted against him and incurred by him in that capacity and arising out of that capacity.

5.10 Obligations of Owners. Without limiting the obligations of Owners under the Governing Documents, each Owner has the following obligations:

5.10.1 Pay Assessments. Each Owner will pay Assessments properly levied by the Association against the Owner or his Tract and will pay Regular Assessments without demand by the Association.

5.10.2 Transfers. Each Owner will pay the applicable HOA Sale Fees described in Article 6 of this Declaration and pursuant to the Notice of HOA Sale Fees in effect at the time of transfer.

5.10.3 Comply. Each Owner will comply with the Governing Documents as amended from time to time.

5.10.4 Reimburse. Each Owner will pay for damage to the Property caused by the negligence or willful misconduct of the Owner, a Resident of the Owner's Tract, or the Owner or Resident's family, guests, employees, contractors, agents or invitees.

5.10.5 Liability. Each Owner is liable to the Association for violations of the Governing Documents by the Owner, a Resident of the Owner's Tract, or the Owner or Resident's

family, guests, employees, agents or invitees, and for costs incurred by the Association to obtain compliance, including attorney's fees whether or not suit is filed.

5.11 Home Resales. For purposes of this Declaration, a "resale" is every sale or conveyance of a Tract (or of an interest in a Tract) that is improved with a house, other than the initial sale by Declarant of the Tract with the newly constructed house to the initial homeowner. This Section applies to every resale of a house Tract.

5.11.1 Resale Certificate. An Owner intending to sell his home will notify the Association and will request a resale certificate from the Association.

5.11.2 No Right of First Refusal. The Association does not have a right of first refusal and may not compel a selling Owner to convey the Owner's Tract to the Association.

5.11.3 HOA Sale Fees. At the time of transfer of a Tract, the HOA Sale Fees described in Article 6 of this Declaration and pursuant to the Notice of HOA Sale Fees in effect at the time of transfer are due and payable.

5.11.4 Information. Within 30 days after acquiring an interest in a Tract, an Owner must provide the Association with the following information: a copy of the settlement statement or deed by which Owner has title to the Tract; the Owner's email address (if any), U.S. postal address and telephone number; any mortgagee's name, address and loan number; the name and telephone number of any Resident other than the Owner; the name, address and telephone number of Owner's managing agent, if any.

5.11.5 Exclusions. The requirements of this Section do not apply to the following transfers: (1) the initial conveyance from Declarant; (2) foreclosure of a mortgagee's deed of trust lien, a tax lien, or the Association's assessment lien; (3) conveyance by a mortgagee who acquires title by foreclosure or deed in lieu of foreclosure; (4) transfer to, from, or by the Association; (5) voluntary transfer by an Owner to one or more co-Owners, or to the Owner's spouse, child or parent; (6) a transfer by a fiduciary in the course of administering a decedent's estate, guardianship, conservatorship or trust; (7) a conveyance pursuant to a court's order, including a transfer by a bankruptcy trustee; or (8) a disposition by a government or governmental agency.

5.12 Subdivision Information. The Association will provide to an Owner, an agent for the Owner, a purchaser of a Tract or the agent for the purchaser, or a title insurance company or its agent, information about BLUESTEM RESERVE as provided in and subject to the conditions set out in Chapter 207 of the Texas Property Code, including a resale certificate or update thereof.

ARTICLE 6

COVENANT FOR ASSESSMENTS

6.1 Purpose of Assessments. The Association will use assessments for the general purposes of preserving and enhancing BLUESTEM RESERVE, and for the common benefit of Owners and Residents, including but not limited to maintenance of real and personal property, management and operation of the Association, and any expense reasonably related to the purposes for which BLUESTEM

RESERVE was developed. If made in good faith, the board's decision with respect to the use of Assessments is final.

6.2 Personal Obligation. An Owner is obligated to pay Assessments levied by the board against the Owner or his Tract. An Owner must make payment to the Association at its principal office or at any other place the board directs. Payments must be made in full regardless of whether an Owner has a dispute with the Association, another Owner, or any other person or entity regarding any matter to which this Declaration pertains. No Owner may exempt himself from his assessment liability by waiver of the use or enjoyment of the Common Area or by abandonment of his Tract. An Owner's obligation is not subject to offset by the Owner, nor is it contingent on the Association's performance of the Association's duties. Payment of Assessments is both a continuing affirmative covenant personal to the Owner and a continuing covenant running with the Tract.

6.3 Control for Assessment Increases. Except as provided in Article 14, this Section of the Declaration may not be amended without the approval of Owners of at least 67% of the Tracts. In addition to other rights granted to Owners by this Declaration, Owners have the following powers and controls over the Association's budget:

6.3.1 Veto Increased Dues. At least 30 days prior to the effective date of an increase in Regular Assessments, the board will notify an Owner of each Tract of the amount of, the budgetary basis for, and the effective date of the increase. The increase will automatically become effective unless Owners holding at least a majority of the votes in the Association disapprove the increase by petition or at a meeting of the Association. In that event, the last-approved budget will continue in effect until a revised budget is approved.

6.3.2 Veto Special Assessment. At least 30 days prior to the effective date of a Special Assessment, the board will notify an Owner of each Tract of the amount of, the budgetary basis for, and the effective date of the Special Assessment. The Special Assessment will automatically become effective unless Owners holding at least a majority of the votes in the Association disapprove the Special Assessment by petition or at a meeting of the Association.

6.4 Types of Assessments. There are five types of Assessments: Regular, Special, Individual, Deficiency and Special Common Area.

6.4.1 Regular Assessments. Regular Assessments are based on the annual budget. Each Tract is liable for its equal share of the annual budget. If the board does not approve an annual budget or fails to determine new Regular Assessments for any year, or delays in doing so, Owners will continue to pay the Regular Assessment as last determined. If during the course of a year the board determines that Regular Assessments are insufficient to cover the estimated common expenses for the remainder of the year, the board may increase Regular Assessments for the remainder of the fiscal year in an amount that covers the estimated deficiency. Regular Assessments are used for common expenses related to the reoccurring, periodic and anticipated responsibilities of the Association, including but not limited to:

- a. Maintenance, repair and replacement, as necessary, of the Common Area, other than the Special Common Area.

- b. Utilities billed to the Association.
- c. Services billed to the Association and serving all Tracts.
- d. Taxes on property owned by the Association and the Association's income taxes, if any.
- e. Management, legal, accounting, auditing and professional fees for services to the Association.
- f. Costs of operating the Association, such as telephone, postage, office supplies, printing, meeting expenses and educational opportunities of benefit to the Association.
- g. Premiums and deductibles on insurance policies and bonds deemed by the board to be necessary or desirable for the benefit of the Association, including fidelity bonds and director and officer liability insurance.
- h. Contributions to the reserve funds.
- i. Any other expense which the Association is required by law or the Governing Documents to pay, or which in the opinion of the board is necessary or proper for the operation and maintenance of BLUESTEM RESERVE or for enforcement of the Governing Documents.

6.4.2 Special Assessments. In addition to Regular Assessments, and subject to the Owners' control for Assessment increases, the board may levy one or more Special Assessments against all Tracts for the purpose of defraying, in whole or in part, common expenses not anticipated by the annual budget or reserve funds. Special Assessments do not require the approval of the Owners, except that Special Assessments for the following purposes must be approved by Owners holding at least a majority of the votes in the Association:

- a. Acquisition of real property, other than the purchase of a Tract at the sale foreclosing the Association's lien against the Tract.
- b. Construction of additional improvements within BLUESTEM RESERVE, but not replacement of original improvements.
- c. Any expenditure that may reasonably be expected to significantly increase the Association's responsibility and financial obligation for operations, insurance, maintenance, repairs or replacement.

6.4.3 Individual Assessments. In addition to Regular and Special Assessments, the board may levy an Individual Assessment against a Tract and its Owner. Individual Assessments may include, but are not limited to: interest, late charges

and collection costs on delinquent Assessments; reimbursement for costs incurred in bringing an Owner or his Tract into compliance with the Governing Documents; fines for violations of the Governing Documents; insurance deductibles; transfer-related fees and resale certificate fees; fees for estoppel letters and project documents; reimbursement for damage or waste caused by willful or negligent acts; common expenses that benefit fewer than all of the Tracts, which may be assessed according to benefit received; fees or charges levied against the Association on a per-Tract basis; and "pass through" expenses for services to Tracts provided through the Association and which are equitably paid by each Tract according to benefit received.

6.4.4 Deficiency Assessments. The board may levy a Deficiency Assessment against all Tracts for the purpose of defraying, in whole or in part, the cost of repair or restoration if insurance proceeds or condemnation awards prove insufficient.

6.4.5 Special Common Area Assessments. In addition to Regular and Special Assessments, the board will levy Special Common Area Assessments against a Tract (and its Owner) which Tract includes a portion of Branch Road designated herein as the Special Common Area. Special Common Area Assessments will be established by the board to pay the costs of maintenance and repair of Branch Road from time to time, including reserves therefor due to the increased use by such Tract Owners. Special Common Area Assessments will be due and payable at the same time as Regular Assessments.

6.5 Basis and Rate of Assessments. The share of liability for common expenses allocated to each Tract is uniform for all Tracts, regardless of a Tract's location or the value and size of the Tract or dwelling; subject, however, to an exemption for Declarant provided in Article 14.

6.6 Annual Budget. The board will prepare and approve an estimated annual budget for each fiscal year. The budget will take into account the estimated income and expenses for the year, contributions to reserve funds, and a projection for uncollected receivables. The board will make the budget or its summary available to an Owner of each Tract, although failure to receive a budget or summary does not affect an Owner's liability for Assessments. The board will provide copies of the detailed budget to Owners who make written request and pay a reasonable copy charge.

6.7 Due Date. The board may levy Regular Assessments and Special Common Area Assessments on any periodic basis – annually, semi-annually, quarterly or monthly. Regular Assessments and Special Common Area Assessments are due on the first day of the period for which levied. Special and Individual Assessments are due on the date stated in the notice of Assessment or, if no date is stated, within 10 days after notice of the Assessment is given. Assessments are delinquent if not received by the Association on or before the due date.

6.8 Reserve Funds. The Association will establish, maintain and accumulate Reserves for operations and for replacement and repair of Common Area improvements and separate Reserves for Special Common Area Assessments. The Association must budget for Reserves and may fund Reserves out of Regular Assessments and Special Common Area Assessments, as appropriate.

6.9 Association's Right to Borrow Money. The Association is granted the right to borrow money, subject to the consent of Owners holding at least a majority of votes in the Association and the ability of the Association to repay the borrowed funds from Assessments. To assist its ability to borrow, the Association is granted the right to encumber, mortgage, pledge or deed in trust any of its real or personal property, and the right to assign its right to future income, as security for money borrowed or debts incurred, provided that the rights of the lender in the pledged property are subordinate and inferior to the rights of the Owners hereunder.

6.10 Limitations of Interest. The Association, and its officers, directors, managers and attorneys, intend to conform strictly to the applicable usury laws of the State of Texas. Notwithstanding anything to the contrary in the Governing Documents or any other document or agreement executed or made in connection with the Association's collection of Assessments, the Association will not in any event be entitled to receive or collect, as interest, a sum greater than the maximum amount permitted by applicable law. If from any circumstances whatsoever, the Association ever receives, collects or applies as interest a sum in excess of the maximum rate permitted by law, the excess amount will be applied to the reduction of unpaid Special and Regular Assessments, or reimbursed to the Owner if those Assessments are paid in full.

6.11 Effect of Nonpayment of Assessments. An Assessment is delinquent if the Association does not receive payment in full by the Assessment's due date. The Association, acting through the board, is responsible for taking action to collect delinquent Assessments. The Association's exercise of its remedies is subject to applicable laws, such as Chapter 209 of the Texas Property Code, and pertinent provisions of the Bylaws. From time to time, the Association may delegate some or all of the collection procedures and remedies, as the board in its sole discretion deems appropriate, to the Association's manager, an attorney, or a debt collector. Neither the board nor the Association, however, is liable to an Owner or other person for its failure or inability to collect or attempt to collect an Assessment. The following remedies are in addition to and not in substitution for all other rights and remedies which the Association has.

6.11.1 Interest. Delinquent Assessments are subject to interest from the due date until paid, at a rate to be determined by the board from time to time, not to exceed the lesser of 18 percent or the maximum permitted by law. If the board fails to establish a rate, the rate is 10 percent per annum.

6.11.2 Late Fees. Delinquent Assessments are subject to reasonable late fees, at a rate to be determined by the board from time to time.

6.11.3 Costs of Collection. The Owner of a Tract against which Assessments are delinquent is liable to the Association for reimbursement of reasonable costs incurred by the Association to collect the delinquent Assessments, including attorneys' fees and processing fees charged by the manager.

6.11.4 Acceleration. If an Owner defaults in paying an Assessment that is payable in installments, the Association may accelerate the remaining installments on 10 days' written notice to the defaulting Owner. The entire unpaid balance of the Assessment becomes due on the date stated in the notice.

6.11.5 Suspension of Vote. No provision in this Declaration may be construed to limit an Owner's right to vote in the Association's election of board members or any matter concerning the rights or responsibilities of the Owner.

6.11.6 Money Judgment. The Association may file suit seeking a money judgment against an Owner delinquent in the payment of Assessments, without foreclosing or waiving the Association's lien for Assessments.

6.11.7 Notice to Mortgagee. The Association may notify and communicate with the holder of any lien against a Tract regarding the Owner's default in payment of Assessments.

6.11.8 Foreclosure of Assessment Lien. As provided by this Declaration, the Association may foreclose its lien against the Tract by judicial or non-judicial means.

6.12 Alternative Payment Schedule. Pursuant to Section 209.0062 of the Texas Property Code, the Association is required to adopt reasonable guidelines to establish an alternative payment schedule by which an Owner may make partial payments for delinquent regular or special assessments or any other amount owed without incurring additional penalties. The Declarant on behalf of the Association hereby adopts the following guidelines with regard to alternative payment schedules for delinquent Assessments and other amounts owed by an Owner:

6.12.1 Term. The minimum term for a payment agreement is three (3) months and the maximum term is 18 months from the date of the Owner's request for a payment plan, unless approved by the Board. Subject to such minimum and maximum terms, the Association will determine the appropriate term of the payment plan in its sole discretion.

6.12.2 Form. Any and all alternative payment agreements must be in writing and signed by the Owner and a duly authorized member of the Board.

6.12.3 Additional Monetary Expense. So long as an Owner is not in default under the terms of the payment agreement, the Owner will not incur additional monetary expenses; however, the Owner is responsible for all reasonable costs associated with administering the payment plan and interest which accrues during the term of the repayment plan.

6.12.4 Application of Payments. If at the time the Association receives a payment, the Owner is not in default under an alternative payment agreement, the Association will apply the payment to the Owner's debt in the following order of priority: (a) any delinquent Assessment; (b) any current Assessment; (c) any attorney's fees or third party collection costs incurred by the Association associated solely with Assessments or any other charge that could provide the basis for foreclosure; (d) any attorney's fees incurred by the Association that are not subject to subsection 6.12.3; (e) any fines assessed by the Association; and (f) any other amounts owed to the Association.

6.12.5 Default. If the Owner defaults under a payment plan agreement, the Association must give the Owner notice and opportunity to cure as provided in Section 209.0064 of the Texas Property Code before turning the account over to the Association's attorney for collection. The Association is not required to enter into an alternative payment agreement with an Owner who failed to honor the terms of a previous payment agreement during the two years following the Owner's default

under the previous payment agreement. At the discretion of the Association, an Owner who failed to honor the terms of a previous payment agreement may be required to waive expedited foreclosure proceedings under Section 209.0092 of the Texas Property Code as a condition to an additional alternative payment agreement. If, at any time, the Association receives payment from an Owner who is in default of an alternative payment agreement, is not required to apply the payment in the order of priority specified in subsection 6.12.4.

6.12.6 Discretion. The Association may reduce or waive some or all of the charges addressed by this policy on an ad hoc basis without waiving the right to charge such fees or future requests.

6.13 HOA Sale Fees. This Section addresses the expenses, fees, charges and contributions (hereafter collectively, the "HOA Sale Fees") that are charged by the Association or its manager, and that arise at the time of a home's sale or purchase. As used in this Section, HOA Sale Fees does not include a buyer's prepaid and/or pro-rata Assessments. HOA Sale Fees are not refundable by the Association or the Association's manager, and may not be regarded as a prepayment of or credit against Assessments. HOA Sale Fees generally fall into two types of categories – budget enhancing fees, such as contributions to the Reserve or operating funds of the Association, and administrative fees, such as fees for resale certificates, estoppel certificates, copies of Governing Documents, compliance inspections, ownership record changes and priority processing.

6.13.1 Notice of HOA Sale Fees. The Association will publicly record a Notice of HOA Sale Fees, which may be recorded as part of the Management Certificate.

6.13.2 Manager's Fees. HOA Sale Fees may be charged by the Association's manager, managing director or managing agent (collectively, "manager") pursuant to a contract between the Association and the manager, and provided there is no duplication of fees by type or amount with fees charged by the Association.

This Article does not obligate the manager to levy HOA Sale Fees. The number, types and amounts of HOA Sale Fees charged by a manager (1) must have the prior written approval of the board, (2) are not subject to the Association's Assessment lien, (3) should not exceed what is customary in amount, kind and number for the local marketplace, and (4) are not payable by the Association unless the management contract so stipulates.

6.13.3 Amendment of Notice. The board, without a vote of the Owners, may amend the Notice of HOA Sale Fees for the following two purposes: (1) to change a stated amount or formula for an HOA Sale Fee, or (2) to conform the Notice of HOA Sale Fees with applicable law regarding HOA Sale Fees. Any other amendment of the Notice requires the approval of Owners holding at least 67% of the votes represented at a meeting of the Association at which a quorum is present, provided notice of the proposed amendment is given with the notice of meeting. During the Development Period, any amendment of the Notice of HOA Sale Fees must have the written and acknowledged consent of Declarant.

6.13.3.1 Effective. To be effective, an amendment or restatement of the Notice of HOA Sale Fees by the Owners or by the board must be in the form of a written instrument (1) referencing the name of the Property, the name of the Association, the recording data of the Declaration, and the recording data of the previously

recorded Notice of HOA Sale Fees, (2) signed and acknowledged by an officer of the Association, certifying the requisite approval of Owners or directors, and (3) recorded in the Real Property Records of Guadalupe County, Texas.

6.13.3.2 Applicability. If the amended or restated Notice of HOA Sale Fees results in an overall reduction of HOA Sale Fees for a conveyance that is pending at the time of the amendment, the lower rate is effective immediately for any closing that occurs after the date the amendment is publicly recorded. If the amended or restated Notice of HOA Sale Fees results in an overall increase of HOA Sale Fees for the Tract being conveyed, the increased amount is not effective until the 90th day after the date on which the amended or restated Notice of HOA Sale Fees is publicly recorded.

6.13.3.3 Distribution. Within 60 days after the amended or restated Notice of HOA Sale Fees is publicly recorded, a copy or report of, or electronic link to, the recorded amended Notice of HOA Sale Fees must be delivered or made available to an Owner of each Tract.

ARTICLE 7

ASSESSMENT LIEN

7.1 Assessment Lien. Each Owner, by accepting an interest in or title to a Tract, whether or not it is so expressed in the instrument of conveyance, covenants and agrees to pay Assessments to the Association. Each Assessment is a charge on the Tract and is secured by a continuing lien on the Tract. Each Owner, and each prospective Owner, is placed on notice that his title may be subject to the continuing lien for Assessments attributable to a period prior to the date he purchased his Tract.

7.2 Superiority of Assessment Lien. The Assessment lien on a Tract is subordinate and inferior to (1) real property taxes and assessments levied by governmental and taxing authorities, (2) a deed of trust or vendor's lien recorded before this Declaration, (3) a recorded deed of trust lien securing a loan for construction of the original dwelling, (4) a first or senior purchase money vendor's lien or deed of trust lien recorded before the date on which the delinquent Assessment became due, (5) a home equity or reverse mortgage lien which is a renewal, extension or refinance of a first or senior purchase money vendor's lien or deed of trust lien recorded before the date on which the delinquent Assessment became due, (6) an FHA-insured or VA-guaranteed mortgage. Except for the foregoing, the Assessment lien is superior to all other liens and encumbrances on a Tract.

7.3 Effect of Mortgagee's Foreclosure. Foreclosure of a superior lien extinguishes the Association's claim against the Tract for unpaid Assessments that became due before the sale but does not extinguish the Association's claim against the former Owner. The purchaser at the foreclosure sale of a superior lien is liable for Assessments coming due from and after the date of the sale, and for the Owner's pro rata share of the pre-foreclosure deficiency as an Association expense.

7.4 Notice and Release of Notice. The Association's lien for Assessments is created by recordation of this Declaration, which constitutes record notice and perfection of the lien. No other recordation of a lien or notice of lien is required. However, the Association, at its option, may cause a notice of the lien to be recorded in the Real Property Records of Guadalupe County, Texas. If the debt is

cured after a notice has been recorded, the Association will record a release of the notice at the expense of the curing Owner.

7.5 Power of Sale. By accepting an interest in or title to a Tract, each Owner grants to the Association a private power of non-judicial sale in connection with the Association's Assessment lien. The board may appoint, from time to time, any person, including an officer, agent, trustee, substitute trustee or attorney, to exercise the Association's lien rights on behalf of the Association, including the power of sale. The appointment must be in writing and may be in the form of a resolution recorded in the minutes of a board meeting.

7.6 Foreclosure of Lien. The Assessment lien may be enforced by foreclosure conducted in accordance with the provisions and requirements of Applicable Law, such as Chapter 209 of the Texas Property Code. In any foreclosure, the Owner is required to pay the Association's costs and expenses for the proceedings, including reasonable attorneys' fees, subject to applicable provisions of the Bylaws and applicable law, such as Chapter 209 of the Texas Property Code. The Association has the power to bid on the Tract at foreclosure sale and to acquire, hold, lease, mortgage and convey same. The Association may not foreclose the Assessment lien if the debt consists solely of (i) fines, (ii) attorneys' fees associated with fines assessed, or (iii) copy charges under its Open Records Policy added to the Owner's account as an Assessment pursuant to Section 209.005 of the Texas Property Code.

7.7 Notice After Foreclosure Sale. After the Association conducts a foreclosure sale of an Owner's Tract, the Association must send to the Owner and to each lienholder of record, not later than the 30th day after the date of the foreclosure sale, a written notice stating the date and time the sale occurred and informing the Tract Owner and each lienholder of record of the right of the Tract Owner and lienholder to redeem the Property. The notice must be sent by certified mail, return receipt requested, to the Tract Owner's last known mailing address, as reflected in the records of the Association, the address of each holder of a lien on the Tract subject to foreclosure evidenced by the most recent deed of trust filed of record in the Real Property Records of Guadalupe County, Texas, and the address of each transferee or assignee of a deed of trust who has provided notice to the Association of such assignment or transfer. Notice proved by a transferee or assignee to the Association must be in writing, contain the mailing address of the transferee or assignee, and be mailed by certified mail, return receipt requested, or United States mail with signature confirmation to the Association according to the mailing address of the Association pursuant to the most recent Management Certificate filed of record. If a recorded instrument does not include an address for the lienholder, the Association does not have a duty to notify the lienholder as provided by this Section. For purposes of this Section, the Tract Owner is deemed to have given approval for the Association to notify the lienholder. No later than the 30th day after the date the Association sends notice, the Association must record an affidavit in the Real Property Records, stating the date on which notice was sent and containing a legal description of the Tract. Any person is entitled to rely conclusively on the information contained in the recorded affidavit. The notice requirements of this Section also apply to the sale of an Owner's Tract by a sheriff or constable conducted as provided by a judgment obtained by the Association.

7.8 Right of Redemption After Foreclosure. The Owner of a Tract in BLUESTEM RESERVE or a lienholder of record may redeem the Property from any purchaser at a sale foreclosing the Association's Assessment Lien not later than the 180th day after the date the Association mails written notice of the sale to the Owner and lienholder under Sections 209.010 and 209.011 of the Texas Property Code. A lienholder of record may not redeem the Tract as provided herein before 90 days after the date the Association mails

written notice of the sale to the Tract Owner and the lienholder under the Texas Property Code, and only if the Tract Owner has not previously redeemed. A person who purchases a Tract at a sale foreclosing the Association's Assessment lien may not transfer ownership of the Tract to a person other than a redeeming Tract Owner during the redemption period. To redeem property purchased at the foreclosure sale, the Tract Owner or lienholder must pay all amounts as required by Section 209.011 of the Texas Property Code.

ARTICLE 8 **ENFORCING THE DOCUMENTS**

8.1 **Notice and Hearing.** Before the Association may exercise certain of its remedies for a violation of the Governing Documents or damage to the Property, the Association must give an Owner written notice and an opportunity for a hearing, according to the requirements and procedures in the Bylaws and in applicable law, such as Chapter 209 of the Texas Property Code. Notices are also required before an Owner is liable to the Association for certain charges, including reimbursement of attorneys' fees incurred by the Association.

8.2 **Remedies.** The remedies provided in this Article for breach of the Governing Documents are cumulative and not exclusive. In addition to other rights and remedies provided by the Governing Documents and by law, the Association has the following right to enforce the Governing Documents, subject to applicable notice and hearing requirements (if any):

8.2.1 **Nuisance.** The result of every act or omission that violates any provision of the Governing Documents is a nuisance, and any remedy allowed by law against a nuisance, either public or private, is applicable against the violation.

8.2.2 **Fine.** The Association may levy reasonable charges, as an Individual Assessment, against an Owner and his Tract if the Owner or Resident, or the Owner or Resident's family, guests, employees, agents or contractors violate a provision of the Governing Documents. Fines may be levied for each act of violation or for each day a violation continues and does not constitute a waiver or discharge of the Owner's obligations under the Governing Documents.

8.2.3 **Suspension.** Subject to any limitations of applicable law, the Association may suspend the right of Owners and Residents to use Common Areas for any period during which the Owner or Resident, or the Owner or Resident's family, guests, employees, agents or contractors violate the Governing Documents. A suspension does not constitute a waiver or discharge of the Owner's obligations under the Governing Documents.

8.2.4 **Self-Help.** The Association has the right to enter any part of the Property, including Tracts, to abate or remove, using force as may reasonably be necessary, any improvement, thing, animal, person, vehicle or condition that violates the Governing Documents. In exercising this right, the board is not trespassing and is not liable for damages related to the abatement. The board may levy its costs of abatement against the Tract and Owner as an Individual Assessment. The board will make reasonable efforts to give the violating Owner prior notice of its intent to exercise self-help. The notice may be given in any manner likely to be received by the Owner. Prior notice is not required (1) in the case of emergencies, (2) to remove violative signs, (3) to remove violative debris, or

(4) to remove any other violative item or to abate any other violative condition that is easily removed or abated and that is considered a nuisance, dangerous, or an eyesore to the neighborhood.

8.2.5 Suit. Failure to comply with the Governing Documents will be grounds for an action to recover damages or for injunctive relief to cause any such violation to be remedied, or both. Prior to commencing any legal proceeding, the Association will give the defaulting party reasonable notice and an opportunity to cure the violation.

8.3 Board Discretion. The board may use its sole discretion in determining whether to pursue a violation of the Governing Documents, provided the board does not act in an arbitrary or capricious manner. In evaluating a particular violation, the board may determine that under the particular circumstances (1) the Association's position is not sufficiently strong to justify taking any or further action; (2) the provision being enforced is or may be construed as inconsistent with applicable law; (3) although a technical violation may exist, it is not of such a material nature as to be objectionable to a reasonable person or to justify expending the Association's resources; or (4) that enforcement is not in the Association's best interests, based on hardship, expense or other reasonable criteria.

8.4 No Waiver. The Association and every Owner has the right to enforce all restrictions, conditions, covenants, liens and charges now or hereafter imposed by the Governing Documents. Failure by the Association or by any Owner to enforce a provision of the Governing Documents is not a waiver of the right to do so thereafter. If the Association does waive the right to enforce a provision, that waiver does not impair the Association's right to enforce any other part of the Governing Documents at any future time. No officer, director or member of the Association is liable to any Owner for the failure to enforce any of the Governing Documents at any time.

8.5 Recovery of Costs. The costs of curing or abating a violation are at the expense of the Owner or other person responsible for the violation. If legal assistance is obtained to enforce any provision of the Governing Documents, or in any legal proceeding (whether or not suit is brought) for damages or for the enforcement of the Governing Documents or the restraint of violations of the Governing Documents, the prevailing party is entitled to recover from the non-prevailing party all reasonable and necessary costs incurred by it in such action, including reasonable attorneys' fees.

ARTICLE 9

MAINTENANCE AND REPAIR OBLIGATIONS

9.1 Association Maintains. The Association's maintenance obligations will be discharged when and how the board deems appropriate. The Association maintains, repairs and replaces, as a common expense, the portions of the Property listed below, regardless of whether the portions are on Tracts or Common Areas:

- a. The Common Areas.
- b. Any real and personal property owned by the Association, but which is not a Common Area, such as a house Tract owned by the Association.

- c. Any property adjacent to BLUESTEM RESERVE if maintenance of same is deemed to be in the best interests of the Association, and if not prohibited by the Owner or operator of said property.
- d. Any area, item, easement or service, the maintenance of which is assigned to the Association by this Declaration or by the Tract Map.

9.2 Owner Responsibility. Every Owner has the following responsibilities and obligations for the maintenance, repair and replacement of the Property, subject to the architectural control requirements of Article 16 and the use restrictions of Article 17:

9.2.1 House Maintenance. Each Owner, at the Owner's expense, must maintain all improvements on his Tract, including but not limited to the dwelling, fences, sidewalks and driveways. Maintenance includes preventative maintenance, repair as needed, and replacement as needed. Each Owner is expected to maintain his Tract's improvements at a level, to a standard, and with an appearance that is commensurate with the neighborhood. Specifically, each Owner must repair and replace worn, rotten, deteriorated and unattractive materials, and must regularly repaint all painted surfaces.

9.2.2 Avoid Damage. An Owner may not do any work or to fail to do any work which, in the reasonable opinion of the board, would materially jeopardize the soundness and safety of the Property, reduce the value of the Property, adversely affect the appearance of the Property, or impair any easement relating to the Property.

9.2.3 Responsible for Damage. An Owner is responsible for his own willful or negligent acts and those of his or the Resident's family, guests, agents, employees or contractors when those acts necessitate maintenance, repair or replacement to the Common Areas or the property of another Owner.

9.3 Owner's Default in Maintenance. If the board determines that an Owner has failed to properly discharge his obligation to maintain, repair and replace items for which the Owner is responsible, the board may give the Owner written notice of the Association's intent to provide the necessary maintenance at Owner's expense. The notice must state, with reasonable particularity, the maintenance deemed necessary and a reasonable period of time in which to complete the work. If the Owner fails or refuses to timely perform the maintenance, the Association may do so at Owner's expense, which is an Individual Assessment against the Owner and his Tract. In case of an emergency, however, the board's responsibility to give the Owner written notice may be waived and the board may take any action it deems necessary to protect persons or property, the cost of the action being the Owner's expense.

ARTICLE 10 **INSURANCE**

10.1 General Provisions. All insurance affecting the Property is governed by the provisions of this Article, with which the board will make every reasonable effort to comply. The cost of insurance coverages and bonds maintained by the Association is an expense of the Association. Insurance policies and bonds obtained and maintained by the Association must be issued by responsible insurance companies authorized to do business in the State of Texas. The Association must be the named insured on all policies

obtained by the Association. Each Owner irrevocably appoints the Association, acting through its board, as his trustee to negotiate, receive, administer and distribute the proceeds of any claim against an insurance policy maintained by the Association. Additionally:

10.1.1 Notice of Cancellation or Modification. Each insurance policy maintained by the Association should contain a provision requiring the insurer to give at least 10 days' prior written notice to the board before the policy may be canceled, terminated, materially modified, or allowed to expire, by either the insurer or the insured.

10.1.2 Deductibles. An insurance policy obtained by the Association may contain a reasonable deductible, which will be paid by the party who would be liable for the loss or repair in the absence of insurance. If a loss is due wholly or partly to an act or omission of an Owner or Resident or their invitees, the Owner must reimburse the Association for the amount of the deductible that is attributable to the act or omission.

10.2 Property. To the extent it is reasonably available, the Association will obtain property insurance for insurable Common Area improvements. Also, the Association will insure the improvements on any house Tract owned by the Association.

10.3 General Liability. The Association will maintain a commercial general liability insurance policy over the Common Areas - expressly excluding the liability of each Owner and Resident within his Tract - for bodily injury and property damage resulting from the operation, maintenance or use of the Common Areas. If the policy does not contain a severability of interest provision, it should contain an endorsement to preclude the insurer's denial of an Owner's claim because of negligent acts of the Association or other Owners.

10.4 Directors and Officers Liability. To the extent it is reasonably available, the Association will maintain director and officer liability insurance, errors and omissions insurance, indemnity bonds, or other insurance the board deems advisable to insure the Association's directors, officers, committee members and managers against liability for an act or omission in carrying out their duties in those capacities.

10.5 Other Coverages. The Association may maintain any insurance policies and bonds deemed by the board to be necessary or desirable for the benefit of the Association, including but not limited to worker's compensation insurance, fidelity coverage, and any insurance and bond requested and required by an Underwriting Lender for planned unit developments as long as an Underwriting Lender is a mortgagee or an Owner.

10.6 Owner's Responsibility for Insurance. Each Owner must obtain and maintain property insurance on all insurable improvements on his Tract, in an amount sufficient to cover 100 percent of the replacement cost of any repair or reconstruction in event of damage or destruction from any insured hazard. Further, each Owner must obtain and maintain general liability insurance on his Tract. Each Owner must provide the Association with proof or a certificate of insurance on request by the Association from time to time. If an Owner fails to maintain required insurance, or to provide the Association with proof of same, the board may obtain insurance on behalf of the Owner who will be obligated for the cost as an Individual Assessment. The board may establish additional minimum insurance requirements, including types and minimum amounts of coverage, to be individually obtained and maintained by Owners if the insurance is deemed necessary or desirable by the board to reduce potential risks to the Association or other Owners.

Each Owner and resident are solely responsible for insuring his personal property in his dwelling and on the Tract, including furnishings, vehicles and stored items.

ARTICLE 11 **MORTGAGEE PROTECTION**

11.1 **Introduction.** This Article establishes certain standards for the benefit of Mortgagees, as defined below.

11.1.1 ***"Underwriting Lender"*** means Federal Home Loan Mortgage Corporation (Freddie Mac), Federal Housing Administration (HUD/FHA), Federal National Mortgage Association (Fannie Mae), or U. S. Department of Veterans Affairs (VA), singly or collectively. The use of this term and these institutions may not be construed as a limitation on an Owner's financing options nor as a representation that the Property is approved by any institution.

11.1.2 ***"Mortgagee"*** means a holder, insurer or guarantor of a purchase money mortgage secured by a recorded senior or first deed of trust lien against a Tract, or any renewal, modification or refinancing thereof. In dealing with the Association, a Mortgagee may be represented by a mortgage service, agent or representative.

11.1.3 ***"Eligible Mortgagee"*** means a Mortgagee that submits to the Association a written notice containing its name and address, the loan number, the identifying number and street address of the mortgaged Tract, and the types of actions for which the Eligible Mortgagee requests timely notice. A single notice per Tract will be valid so long as the Eligible Mortgagee holds a mortgage on the Tract. The board will maintain this information.

11.2 **Mortgagee Rights.**

11.2.1 **Lien Superiority.** As stated in the Assessment Lien Article of this Declaration, the lien in a Mortgagee's recorded deed of trust is superior to the Association's lien for Assessments.

11.2.2 **Termination.** An action to terminate the legal status of the Property after substantial destruction or condemnation must be approved by at least 51 percent of Eligible Mortgagees, in addition to the required consents of Owners. An action to terminate the legal status for reasons other than substantial destruction or condemnation must be approved by at least 67% of Eligible Mortgagees.

11.2.3 **Inspection of Books.** Mortgagees may inspect the Association's books and records, including the Governing Documents, by appointment, during normal business hours.

11.2.4 **Amending Governing Documents.** If a Mortgagee requests from the Association compliance with the guidelines of an Underwriting Lender, the board, without approval of Owners or Mortgagees, may amend this Article and other provisions of the Governing

Documents, as necessary, to meet the requirements of the Underwriting Lender. This Article is supplemental to, not a substitution for, any other provision of the Governing Documents. In case of conflict, this Article controls.

11.2.5 Attend Meetings. A representative of an Eligible Mortgagee may attend and address any meeting which an Owner may attend.

11.2.6 Insurance. If an Underwriting Lender is a Mortgagee or an Owner, at the request of the Underwriting Lender the Association will comply with the Underwriting Lender's insurance requirements to the extent the requirements are reasonable and available, and do not conflict with other insurance requirements of this Declaration.

11.3 Limits on Association's Duties.

11.3.1 Which Mortgagees. The Association's affirmative obligations to Mortgagees under the Governing Documents extend only to those Mortgagees of whom the Association has actual knowledge. This Article may not be construed to require the Association to perform title research to ascertain the existence and identity of a Mortgagee on a Tract. Any duty of the Association to a Mortgagee is conclusively satisfied if performed for Mortgagees known to the Association, without regard to other holders of liens on Tracts. The Association may rely on the information provided by Owners and Mortgagees.

11.3.2 Communications with Mortgagee. If the Governing Documents or public law require the consent of Mortgagees for an act, decision or amendment by the Association, the approval of a Mortgagee is implied when the Mortgagee fails to respond within 30 days after receiving the Association's written request for approval of a proposed amendment, provided the Association's request was delivered by certified or registered mail, return receipt requested.

ARTICLE 12 **AMENDMENTS**

12.1 Consents Required. As permitted by this Declaration, certain amendments of this Declaration may be executed by Declarant alone, or by the board alone. Otherwise, amendments to this Declaration must be approved by Owners holding at least 67% of the votes in the Association, and by Declarant during the Declarant Control Period. Approval of Owners does not require that the amendment be signed by the consenting Owners, or that consents be executed and acknowledged by the approving Owners.

12.2 Method of Amendment. For an amendment that requires the approval of Owners, this Declaration may be amended by any method selected by the board from time to time, pursuant to the Bylaws, provided the method gives an Owner of each Tract the substance if not exact wording of the proposed amendment, a description of the effect of the proposed amendment, and an opportunity to vote for or against the proposed amendment.

12.3 Effective. To be effective, an amendment approved by the Owners or by the board must be in the form of a written instrument (1) referencing the name of the Property, the name of the Association,

and the recording data of this Declaration and any amendments hereto; (2) signed and acknowledged by an officer of the Association certifying the requisite approval of Owners or directors and, if required, Eligible Mortgagees; and (3) recorded in the Official Public Records of Guadalupe County, Texas, except as modified by the following Section.

12.4 Declarant Provisions. Declarant has an exclusive right to unilaterally amend this Declaration for the purposes stated in Article 14. An amendment that may be executed by Declarant alone is not required to name the Association or to be signed by an officer of the Association. No amendment may affect Declarant's rights under this Declaration without Declarant's written and acknowledged consent, which must be part of the recorded amendment instrument. This Section may not be amended without Declarant's written and acknowledged consent.

12.5 Merger. Merger or consolidation of the Association with another association must be evidenced by an amendment to this Declaration. The amendment must be approved by Owners holding at least 67% of the votes in the Association and by Declarant during the Declarant Control Period. Upon a merger or consolidation of the Association with another association, the property, rights and obligations of another association may, by operation of law, be added to the properties, rights and obligations of the Association as a surviving association pursuant to the merger. The surviving or consolidated association may administer the provisions of the Governing Documents within BLUESTEM RESERVE, together with the covenants and restrictions established upon any other property under its jurisdiction. No merger or consolidation, however, will affect a revocation, change or addition to the covenants established by this Declaration within the Property.

12.6 Condemnation. In any proceeding, negotiation, settlement or agreement concerning condemnation of the Common Area, the Association will be the exclusive representative of the Owners. The Association may use condemnation proceeds to repair and replace any damage or destruction of the Common Area, real or personal, caused by the condemnation. Any condemnation proceeds remaining after completion, or waiver, of the repair and replacement will be deposited in the Association's reserve funds.

ARTICLE 13 **DISPUTE RESOLUTION**

13.1 Introduction and Definitions. The Association, the Owners, Declarant, all persons subject to this Declaration, and any person not otherwise subject to this Declaration who agrees to submit to this Article (collectively, the "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 Party hereby covenants and agrees that this Article applies to all claims as hereafter defined. As used in this Article only, the following words, when capitalized, have the following specified meanings:

13.1.1 "*Claim*" means any claim, grievance or dispute between Parties involving the Properties, except Exempt Claims as defined below, and including without limitation:

- a. Claims arising out of or relating to the interpretation, application or enforcement of the Governing Documents.
- b. Claims relating to the rights and/or duties of Declarant as Declarant under the Governing Documents.

c. Claims relating to the design, construction or maintenance of the Property.

13.1.2 "**Claimant**" means any Party having a Claim against any other Party.

13.1.3 "**Exempt Claims**" means the following claims or actions, which are exempt from this Article:

- a. The Association's claim for Assessments, and any action by the Association to collect Assessments.
- b. An action by a Party to obtain a temporary restraining order or equivalent emergency equitable relief, and such other ancillary relief as the court deems necessary to maintain the status quo and preserve the Party's ability to enforce the provisions of this Declaration.
- c. Enforcement of the easements, architectural control, maintenance, and use restrictions of this Declaration.
- d. A suit to which an applicable statute of limitations would expire within the notice period of this Article, unless a Party against whom the Claim is made agrees to toll the statute of limitations as to the Claim for the period reasonably necessary to comply with this Article.

13.1.4 "**Respondent**" means the Party against whom the Claimant has a Claim.

13.2 **Mandatory Procedures.** Claimant may not file suit in any court or initiate any proceeding before any administrative tribunal seeking redress or resolution of its Claim until Claimant has complied with the procedures of this Article.

13.3 **Notice.** Claimant must notify Respondent in writing of the Claim (the "Notice"), stating plainly and concisely: (1) the nature of the Claim, including date, time, location, persons involved, and Respondent's role in the Claim; (2) the basis of the Claim (i.e., the provision of the Governing Documents or other authority out of which the Claim arises); (3) what Claimant wants Respondent to do or not do to resolve the Claim; and (4) that the Notice is given pursuant to this Section.

13.4 **Negotiation.** Claimant and Respondent will make every reasonable effort to meet in person to resolve the Claim by good faith negotiation. Within 60 days after Respondent's receipt of the Notice, Respondent and Claimant will meet at a mutually acceptable place and time to discuss the Claim. At such meeting or at some other mutually agreeable time, Respondent and Respondent's representatives will have full access to the property that is subject to the Claim for the purposes of inspecting the property. If Respondent elects to take corrective action, Claimant will provide Respondent and Respondent's representatives and agents with full access to the property to take and complete corrective action.

13.5 **Mediation.** If the parties negotiate but do not resolve the Claim through negotiation within 120 days from the date of the Notice (or within such other period as may be agreed on by the parties), Claimant will have 30 additional days within which to submit the Claim to mediation under the auspices of

14.4.1 Association Budget. During the Declarant Control Period, the Declarant-appointed board will establish a projected budget for BLUESTEM RESERVE as a fully developed, fully constructed and fully occupied residential community with a level of services and maintenance that is typical for similar types of developments in the general area of the Property, using cost estimates that are current for the period in which the budget is prepared. The Association budget may not include enhancements voluntarily provided by Declarant to facilitate the marketing of new homes in the Property.

14.4.2 Budget Funding. During the Declarant Control Period only, Declarant is responsible for the difference between the Association's actual operating expenses and the Regular Assessments as defined in Section 6.4.1 and the Special Common Area Assessments received from Owners other than Declarant and will provide any additional funds necessary to pay actual cash outlays of the Association. On termination of the Declarant Control Period, Declarant will cease being responsible for the difference between the Association's operating expenses and the Assessments received from Owners other than Declarant.

14.4.3 Declarant Assessments and Reserves. During the Declarant Control Period, any real property owned by Declarant is not subject to assessment by the Association. During the Declarant Control Period, Declarant is not required to make contributions to the Association's reserve funds for the Tracts owned by Declarant. Declarant's obligation to fund the difference in the Association's operating expenses may not be construed to require Declarant to fund reserve accounts.

14.4.4 Commencement of Assessments. During the initial development of the Property, Declarant may elect to postpone the Association's initial levy of Regular Assessments and/or Special Common Area Assessments until a certain number of Tracts are sold. During the Declarant Control Period, Declarant will determine when the association first levies Regular Assessments and Special Common Area Assessments against the Tracts. Prior to the first levy, Declarant will be responsible for all operating expenses of the Association.

14.4.5 Expenses of Declarant. Expenses related to the completion and marketing of the Property will be paid by Declarant and are not expenses of the Association.

14.4.6 Budget Control. During the Declarant Control Period, the right of Owners to veto Assessment increases or Special Assessments is not effective and may not be exercised.

14.5 Declarant Control Period Reservations. Declarant reserves the following easements and rights, exercisable at Declarant's sole discretion, at any time during the Declarant Control Period:

14.5.1 Withdrawal. During the Declarant Control Period, Declarant may withdraw real property from the Property and the effect of this Declaration (1) if the Owner of the withdrawn property consents to the withdrawal, and (2) if the withdrawal does not significantly and detrimentally change the appearance, character, operation or use of the Property.

14.5.2 Changes in Development Plan. All Tracts still owned by Declarant may be modified from the initial development plan to respond to opportunities in the marketplace. Subject to approval by a governmental entity, if applicable, Declarant may only change the sizes, dimensions and configurations of Tracts.

14.5.3 Architectural Control. During the Development Period, Declarant has the absolute right to serve as the Architectural Reviewer pursuant to Article 16. Declarant may from time to time, but is not obligated to, delegate all or a portion of its reserved rights under Article 16 and this Article to (1) an architectural control committee appointed by the board, or (2) a committee comprised of architects, engineers or other persons who may or may not be members of the Association. Any such delegation must be in writing and must specify the scope of delegated responsibilities. Any such delegation is at all times subject to the unilateral rights of Declarant:

- (1) to revoke such delegation at any time and reassume jurisdiction over the matters previously delegated; and
- (2) to veto any decision which Declarant, in its sole discretion, determines to be inappropriate or inadvisable for any reason.

14.5.4 Amendment. During the Development Period, Declarant may amend this Declaration and the other Governing Documents, without consent of other Owners or any Mortgagee, for any purpose.

14.5.5 Completion. During the Development Period, Declarant has (1) the right to complete or make improvements indicated on the Tract Map; (2) the right to sell or lease any Tract owned by Declarant; and (3) an easement and right to erect, construct and maintain on and in the Common Area and Tracts owned or leased by Declarant whatever Declarant determines to be necessary or advisable in connection with the construction, completion, management, maintenance, leasing and marketing of BLUESTEM RESERVE, including, without limitation, parking areas, temporary buildings, temporary fencing, portable toilets, storage areas, dumpsters, trailers and commercial vehicles of every type.

14.5.6 Easement to Inspect and Right to Correct. During the Development Period, Declarant reserves for itself the right, but not the duty, to inspect, monitor, test, redesign, correct and relocate any structure, improvement or condition that may exist on any portion of the Common Area Property, including the Tracts, and a perpetual non-exclusive easement of access throughout the Property to the extent reasonably necessary to exercise this right. Declarant will promptly repair, at its sole expense, any damage resulting from the exercise of this right. By way of illustration but not limitation, relocation of a screening wall located on a Tract may be warranted by a change of circumstance, imprecise siting of the original wall, or desire to comply more fully with public codes and ordinances. This Section may not be construed to create a duty for Declarant or the Association.

14.5.7 Promotion. During the Development Period, Declarant reserves for itself an easement and right to place or install signs, banners, flags, display lighting, potted plants, exterior decorative items, seasonal decorations, temporary window treatments, and seasonal landscaping on the Property, including items and locations that are prohibited to other Owners and Residents, for purposes of promoting, identifying and marketing BLUESTEM RESERVE and/or Declarant's houses, Tracts, developments, or other products located outside the Property. Declarant reserves an easement and right to maintain, relocate, replace or remove the same from time to time within the Property. Declarant also reserves the right to sponsor marketing events - such as open houses, MLS tours, and brokers' parties - at the Property to promote the sale of Tracts.

14.5.8 Offices. During the Development Period, Declarant reserves for itself the right to use dwellings owned or leased by Declarant as models, storage areas and offices for the marketing, management, maintenance, customer service, construction and leasing of the Property and/or Declarant's developments or other products located outside the Property. Also, Declarant reserves for itself the easement and right to make structural changes and alterations on and to Tracts and dwellings used by Declarant as models, storage areas and offices, as may be necessary to adapt them to the uses permitted herein.

14.5.9 Access. During the Development Period, Declarant has an easement and right of ingress and egress in and through the Property for purposes of constructing, maintaining, managing and marketing BLUESTEM RESERVE, and for discharging Declarant's obligations under this Declaration. Declarant also has the right to provide a reasonable means of access for the home buying public through any existing or future gate that restricts vehicular access to the Property in connection with the active marketing of Tracts and homes by Declarant, including the right to require that the gate be kept open during certain hours and/or on certain days. This provision may not be construed as an obligation or intent to gate the Property.

14.5.10 Utility Easements. During the Development Period, Declarant may grant permits, licenses and easements over, in, on, under and through the Property for utilities, roads and other purposes necessary for the proper development and operation of the Property. Declarant reserves the right to make changes in and additions to the easements on any Tract or Common Area, as shown on the Tract Map, to more efficiently or economically install utilities or other improvements. Utilities may include, but are not limited to, water, sewer, trash removal, electricity, gas, telephone, television, cable, internet service and security.

14.5.11 Assessments. For the duration of the Development Period after the Declarant Control Period ends, each Tract owned by Declarant is subject to mandatory assessment by the Association in the same manner as the Tract of any other Owner.

14.5.12 Land Transfers. During the Development Period, any transfer of an interest in the Property to or from Declarant is not subject to any transfer-related provision in the Governing Documents, including without limitation an obligation for transfer or resale certificate fees and the transfer-related provisions of Article 6 of this Declaration.

14.6. Different Standards. Declarant has the right (1) to establish specifications for the construction of all initial improvements in BLUESTEM RESERVE, (2) to establish different specifications for each neighborhood within the Property, and (3) to grant variances or waivers from community-wide standards to certain neighborhoods of the Property.

14.7 Common Areas. Any initial Common Area improvement will be installed, constructed or authorized by Declarant, the cost of which is not a common expense of the Association. For every Common Area capable of being conveyed to the Association, Declarant will convey title to the Common Area to the Association by one or more deeds with or without warranty. At the time of conveyance to the Association, the Common Areas will be free of encumbrance except for the property taxes accruing for the year of conveyance. Declarant's conveyance of title is a ministerial task that does not require and is not subject to acceptance by the Association or the Owners. The transfer of control of the Association at the end of the Declarant Control Period is not a transfer of Common Areas requiring inspection, evaluation, acceptance or approval of Common Area improvements by the Owners.

14.8 Successor Declarant. Declarant may designate one or more Successor Declarants for specified designated purposes and/or for specified portions of the Property, or for all purposes and all of the Property. To be effective, the designation must be in writing, signed and acknowledged by Declarant and Successor Declarant, and recorded in the Official Public Records of Guadalupe County, Texas. Declarant (or Successor Declarant) may subject the designation of Successor Declarant to limitations and reservations. Unless the designation of Successor Declarant provides otherwise, a Successor Declarant has the rights of Declarant under this Section and may designate further Successor Declarants.

ARTICLE 15 **GENERAL PROVISIONS**

15.1 Compliance. The Owners hereby covenant and agree that the administration of the Association will be in accordance with the provisions of the Governing Documents and applicable laws, regulations and ordinances, as same may be amended from time to time, of any governmental or quasi-governmental entity having jurisdiction over the Association or Property.

15.2 Higher Authority. The Governing Documents are subordinate to federal and state law and local ordinances. Generally, the terms of the Governing Documents are enforceable to the extent they do not violate or conflict with local, state or federal law or ordinance. In the event of a conflict between the Governing Documents, the hierarchy of authority is as follows: this Declaration (highest), Association's Certificate of Formation, Bylaws and the Rules and Guidelines (lowest). Within the Declaration, Article 14 has the highest authority.

15.3 Notice. All demands or other notices required to be sent to an Owner or Resident by the terms of this Declaration may be sent by electronic, ordinary or certified mail, postage prepaid, to the party's last known address as it appears on the records of the Association on the date the notice is issued. If an Owner fails to give the Association an address for sending notices, all notices may be sent to the Owner's Tract, and the Owner is deemed to have been given notice, whether or not he actually receives it.

15.4 Changing Technology. The Governing Documents are drafted at the end of an era that uses ink on paper to communicate, to give notice, and to memorialize decisions. The next era of communications may be paperless, relying on electronic communications for many activities that are

customarily papered on the date of this Declaration. As technology changes, the terms of the Governing Documents that pertain to communications, notices and documentation of decisions may be interpreted and applied in ways that are consistent with and customary for the then current technology for standard business practices, without necessity of amending the Governing Document.

15.5 Liberal Construction. The terms and provision of each Governing Document are to be liberally construed to give effect to the purposes and intent of the Governing Document. All doubts regarding a provision, including restrictions on the use or alienability of property, will be resolved first to give effect to Declarant's intent to protect Declarant's interests in the Property, and second in favor of the operation of the Association and its enforcement of the Governing Documents, regardless which party seeks enforcement.

15.6 Severability. Invalidation of any provision of this Declaration by judgment or court order does not affect any other provision, which remains in full force and effect. The effect of a general statement is not limited by the enumeration of specific matters similar to the general.

15.7 Captions. In all Governing Documents, the captions of articles and sections are inserted only for convenience and are in no way to be construed as defining or modifying the text to which they refer.

15.8 Exhibits. The following exhibits are attached to this Declaration and incorporated herein by reference: *Exhibit A* – Description of Property, *Exhibit B* – Tract Map, *Exhibit C* – Description of Roadway Easement, and *Exhibit D* – Building and Design Guidelines.

15.9 Interpretation. Whenever used in the Governing Documents, unless the context provides otherwise, a reference to a gender includes all genders. Similarly, a reference to the singular includes the plural, the plural the singular, where the same would be appropriate.

15.10 Duration. Unless terminated or amended by Owners as permitted herein, the provisions of this Declaration run with and bind the Property and will remain in effect perpetually to the extent permitted by law.

15.11 Preparer. This Declaration was prepared in the law offices of REAGAN BURRUS PLLC, 401 Main Plaza, Suite 200, New Braunfels, Texas 78130.

ARTICLE 16

ARCHITECTURAL COVENANTS AND CONTROL

16.1 Purpose. Because the Tracts are part of a single, unified community, this Declaration creates rights to regulate the design, use and appearance of the Tracts and Common Areas in order to preserve and enhance the Property's value and architectural harmony. One purpose of this Article is to promote and ensure the level of taste, design, quality and harmony by which BLUESTEM RESERVE is developed and maintained. Another purpose is to prevent improvements and modifications that may be widely considered to be radical, curious, odd, bizarre or peculiar in comparison to then existing improvements. A third purpose is to regulate the appearance of every aspect of proposed or existing improvements on a Tract, including but not limited to dwellings, fences, landscaping, retaining walls, yard art, sidewalks and driveways, and further including replacements or modifications of original construction

or installation. During the Development Period, a primary purpose of this article is to reserve and preserve Declarant's right of architectural control.

16.2 Architectural Control During the Development Period. During the Development Period, neither the Association, the board of directors, nor a committee appointed by the Association or board (no matter how the committee is named) may involve itself with the approval of new homes on vacant Tracts. During the Development Period, the Architectural Reviewer for new homes on vacant Tracts is the Declarant or its delegates.

16.2.1 Declarant's Rights Reserved. Each Owner, by accepting an interest in or title to a Tract, whether or not it is so expressed in the instrument of conveyance, covenants and agrees that Declarant has a substantial interest in ensuring that the improvements within BLUESTEM RESERVE enhance Declarant's reputation as a community developer and do not impair Declarant's ability to sell homes in the Property. Accordingly, each Owner agrees that, during the Development Period, no improvements will be started or progressed on Owner's Tract without the prior written approval of Declarant, which approval may be granted or withheld at Declarant's sole discretion. In reviewing and acting on an application for approval, Declarant may act solely in its self-interest and owes no duty to any other person or any organization. Declarant may designate one or more persons from time to time to act on its behalf in reviewing and responding to applications.

16.2.2 Delegation by Declarant. During the Development Period, Declarant may from time to time, but is not obligated to, delegate all or a portion of its reserved rights under this Article to (1) a modifications or architectural committee appointed by Declarant or by the board, (2) a modifications or architectural committee elected by the Owners, or (3) a committee comprised of architects, engineers or other persons who may or may not be members of the Association. Any such delegation must be in writing and must specify the scope of delegated responsibilities. Any such delegation is at all times subject to the unilateral rights of Declarant (1) to revoke such delegation at any time and reassume jurisdiction over the matters previously delegated and (2) to veto any decision which Declarant in its sole discretion determines to be inappropriate or inadvisable for any reason.

16.3 Architectural Control by Association. Unless and until such time as Declarant delegates all or a portion of its reserved rights to the Architectural Control Committee (the "ACC"), or the Development Period is terminated or expires, the Association has no jurisdiction over architectural matters. On termination or expiration of the Development Period, or earlier if delegated in writing by Declarant, the Association, acting through the ACC will assume jurisdiction over architectural control. The ACC will consist of at least 3 but not more than 7 persons appointed by the board, pursuant to the Bylaws. Members of the ACC serve at the pleasure of the board and may be removed and replaced at the board's discretion. At the board's option, the board may act as the ACC, in which case all references in the Governing Documents to the ACC are construed to mean the board. Members of the ACC need not be Owners or residents, and may but need not include architects, engineers and design professionals whose compensation, if any, may be established from time to time by the board.

16.4 Limits on Liability. The Architectural Reviewer has sole discretion with respect to taste, design and all standards specified by this Article. The Architectural Reviewer and each of its members has no liability for decisions made in good faith by the Architectural Reviewer, and which are not arbitrary or

capricious. The Architectural Reviewer is not responsible for: (1) errors in or omissions from the plans and specifications submitted to the Architectural Reviewer, (2) supervising construction for the Owner's compliance with approved plans and specifications, or (3) the compliance of the Owner's plans and specifications with governmental codes and ordinances, state and federal laws.

16.5 Prohibition of Construction, Alteration and Improvement. Without the Architectural Reviewer's prior written approval, a person may not construct a dwelling or make an addition, alteration, improvement, installation, modification, redecoration or reconstruction of or to the Property, if it will be visible from a street, another Tract or the Common Area. The Architectural Reviewer has the right but not the duty to evaluate every aspect of construction, landscaping and property use that may adversely affect the general value or appearance of the BLUESTEM RESERVE.

16.6 Architectural Approval. To request architectural approval, an Owner must make written application to the Architectural Reviewer and submit two identical sets of plans and specifications showing the nature, kind, shape, color, size, materials and locations of the work to be performed. In support of the application, the Owner may, but is not required to, submit letters of support or non-opposition from Owners of Tracts that may be affected by the proposed change. The application must clearly identify any requirement of this Declaration for which a variance is sought. The Architectural Reviewer will return one set of plans and specifications to the applicant marked with the Architectural Reviewer's response, such as "Approved", "Denied" or "More Information Required". The Architectural Reviewer will retain the other set of plans and specifications, together with the application, for the Architectural Reviewer's files. Verbal approval by an Architectural Reviewer, the Declarant, an Association director or officer, a member of the ACC, or the Association's manager does not constitute architectural approval by the appropriate Architectural Reviewer, which must be in writing.

16.6.1 Deemed Approval. Under the following limited conditions, the applicant may presume that his request has been approved by the Architectural Reviewer:

- a. If the applicant or a person affiliated with the applicant has not received the Architectural Reviewer's written response approving, denying or requesting additional information within 60 days after delivering his complete application to the Architectural Reviewer.
- b. If the proposed improvement or modification strictly conforms to requirements and construction specifications contained in this Declaration and in any Builder and Design Guidelines for the Property in effect at the time of application.

If those conditions are satisfied, the Owner may then proceed with the improvement, provided he adheres to the plans and specifications which accompanied his application, and provided he initiates and completes the improvement in a timely manner. In exercising deemed approval, the burden is on the Owner to document the Architectural Reviewer's actual receipt of the Owner's complete application. Under no circumstance may approval of the Architectural Reviewer be deemed, implied or presumed for an improvement or modification that would require a variance from the requirements and construction specifications contained in this Declaration and in any Builder and Design Guidelines for the Property in effect at the time of application.

16.6.2 **Building Permit.** If the application is for work that requires a building permit from a governmental body, the Architectural Reviewer's approval is conditioned on the issuance of the appropriate permit. The Architectural Reviewer's approval of plans and specifications does not mean that they comply with the requirements of the governmental body. Alternatively, governmental approval does not ensure Architectural Reviewer approval.

16.6.3 **Declarant Approved.** Notwithstanding anything to the contrary in this Declaration, any improvement to BLUESTEM RESERVE made or approved by Declarant during the Development Period is deemed to have been approved by the Architectural Reviewer.

16.7 **Landscaping Approval.** To preserve the aesthetic appearance of the BLUESTEM RESERVE project, no clearing, landscaping, grading or excavation shall be implemented and installed on a Tract in the Property unless and until the plans related thereto have been submitted to and approved in writing by the ACC. In the installation of landscaping and maintenance of his Tract, each Owner shall comply with the Landscaping Guidelines. Owners shall place special attention on the continued effort by all members to remove/eliminate any and all cedar trees on their Tract.

16.8 **Architectural Guidelines.** Declarant during the Development Period, and the Association thereafter, may publish Building and Design Guidelines which may be revised from time to time to reflect changes in technology, style and taste. The initial Building and Design Guidelines for BLUESTEM RESERVE are attached as *Exhibit D*.

ARTICLE 17

CONSTRUCTION AND USE RESTRICTIONS

17.1 **Variance.** The use of the Property is subject to the restrictions contained in this Article, and subject to rules adopted pursuant to this Article. The board or the Architectural Reviewer, as the case may be, may grant a variance or waiver of a restriction or rule on a case-by-case basis when unique circumstances dictate, and may limit or condition its grant. Circumstances which may support a variance include topography, natural obstructions, hardship, or aesthetic or environmental considerations. The inability to obtain approval of any governmental agency, the issuance of a permit or the terms of any financing will not be deemed or considered a hardship warranting a variance. To be effective, a variance must be in writing. The grant of a variance does not affect a waiver or estoppel of the Association's right to deny a variance in other circumstances. Approval of a variance or waiver may not be deemed, implied or presumed under any circumstance.

17.2 **Construction Restrictions.** Without the Architectural Reviewer's prior written approval for a variance, improvements constructed on every Tract must have the characteristics described in *Exhibit D*, as amended from time to time, which may be treated as the minimum requirements for improving and using a Tract. The Architectural Reviewer and the board may promulgate additional rules and restrictions, as well as interpretations, additions and specifications of the restrictions contained in this Article. An Owner should review the Association's current architectural restrictions, if any, before planning improvements, repairs or replacements to his Tract and dwelling.

17.3 Limits to Rights. No right granted to an Owner by this Article or by any provision of the Governing Documents is absolute. The Governing Documents grant rights with the expectation that the rights will be exercised in ways, places and times that are customary for the neighborhood. This Article and the Governing Documents as a whole do not try to anticipate and address every creative interpretation of the restrictions. For example, an Owner's right to have a sign advertising the home for sale is not the right to mount the sign on the chimney and illuminate it with pulsating neon lights. The right of access to a home is not the right to land helicopters on the Tract. The rights granted by this Article and the Governing Documents are at all times subject to the board's determination that a particular interpretation and exercise of a right is significantly inappropriate, unattractive or otherwise unsuitable for the neighborhood, and thus constitutes a violation of the Governing Documents. In other words, the exercise of a right or restriction must comply with the spirit of the restriction as well as with the letter of the restriction.

17.4 Association's Right to Promulgate Rules. The Association, acting through its board, is granted the right to adopt, amend, repeal and enforce reasonable Rules and penalties for infractions thereof regarding the occupancy, use, disposition, maintenance, appearance and enjoyment of BLUESTEM RESERVE. In addition to the restrictions contained in this Article, each Tract is owned and occupied subject to the right of the board to establish Rules, and penalties for infractions thereof, governing:

- a. Use of Common Areas.
- b. Hazardous, illegal or annoying materials or activities on the Property.
- c. The use of Property-wide services provided through the Association.
- d. The consumption of utilities billed to the Association.
- e. The use, maintenance and appearance of exteriors of dwellings and Tracts.
- f. Landscaping and maintenance of yards.
- g. The occupancy and leasing of dwellings.
- h. Animals.
- i. Vehicles.
- j. Disposition of trash and control of vermin, termites and pests.
- k. Anything that interferes with maintenance of the Property, operation of the Association, administration of the Governing Documents, or the quality of life for residents.

17.5 Accessory Structures. Accessory structures, such as dog houses, gazebos, barns, storage sheds, playhouses and greenhouses, are permitted as long as they are typical for BLUESTEM RESERVE in terms of type, number, size, location, color, material and height. Accessory structures may not be located in front yards or in unfenced portions of side yards facing streets. If an accessory structure that is visible from a street or another Tract is installed on a Tract without the prior written approval of the Architectural

Reviewer, the Architectural Reviewer reserves the right to determine that the accessory structure is unattractive or inappropriate or otherwise unsuitable for the Property and may require the Owner to screen it or to remove it. Accessory structures are permitted prior to the construction of a primary residence on the Tract, however, the primary residence must be completed within three (3) years of approval by the Architectural Reviewer. No more than three (3) accessory structures will be allowed without specific approval of the ACC.

17.6 Animal Restrictions. No animal, bird, fish, reptile or insect of any kind may be kept, maintained, raised or bred anywhere on the Property for any commercial purpose. Horses, cattle, mules, sheep, goats and chickens (hens only – no roosters and no guinea fowl) may be kept on Tracts, provided such animals are housed in a suitable cage, barn or other such facility. No hen house may exceed 1,000 square feet of total area. The board may adopt, amend and repeal Rules regulating the types, sizes, numbers, locations and behavior of animals at the Property. If the Rules fail to establish animal occupancy quotas, no more than four dogs, four cats or other customary domesticated household pets in aggregate (excluding in such maximum number, fish and birds) and no more than one animal unit per three acres of land contained in the subject Tract may be maintained on each Tract. An animal unit is one goat, sheep, horse, mule or bovine. Domesticated pets must be kept in a manner that does not disturb the peaceful enjoyment of Residents of other Tracts. Domesticated pets must be maintained inside the dwelling or in a fenced yard, but only if they do not disturb Residents of other Tracts. Resident is responsible for the removal of his pet's waste from the Property. Unless the Rules provide otherwise, a Resident must prevent his pet from relieving itself on the Common Area or the Tract of another Owner. An Owner is responsible for any damage to persons or property caused by that Owner's pet, livestock or other animals, but the board has no obligation to enforce this covenant. All livestock and pets must be registered, licensed and inoculated against disease as required by law. The board in its discretion may approve other animals for show (for example, swine, sheep, fowl) in youth programs such as 4H, FFA, FHA, or other area youth livestock programs.

17.7 Playground Equipment. All playground equipment must be located behind the back wall of the primary residence and all setbacks.

17.8 Annoyance. No Tract or Common Area may be used in any way that: (1) may reasonably be considered annoying to neighbors; (2) may be calculated to reduce the desirability of BLUESTEM RESERVE as a residential neighborhood; (3) may endanger the health or safety of residents of other Tracts; (4) may result in the cancellation of insurance on the Property; or (5) violates any law. The board has the sole authority to determine what constitutes an annoyance.

17.9 Appearance. Both the Tract and the dwelling must be maintained in a manner so as not to be unsightly when viewed from the street or neighboring Tracts. The Architectural Reviewer is the arbitrator of acceptable appearance standards.

17.10 Business Use. A Resident may use a dwelling for business uses, such as telecommuting, personal business, and professional pursuits, provided that: (1) the uses are incidental to the primary use of the dwelling as a residence; (2) the uses conform to applicable governmental ordinances; (3) the uses do not entail visits to the Tract by employees or the public in quantities that materially increase the traffic to and from the Tract; and (4) the uses do not interfere with the residential use and enjoyment of neighboring Tracts by other residents. No garage sale, yard sale, moving sale, rummage sale or similar activity may be conducted on any Tract. Notwithstanding the foregoing limitations, the board may sponsor a community-wide garage or rummage sale at such location or locations the board deems appropriate from time to time.

No provision in this Section will be deemed to limit any activity of Declarant or by a builder with the consent of Declarant involving the sale of Tracts or the construction of improvements thereon.

17.11 Declarant Privileges. Declarant has reserved a number of rights and privileges to use the Property in ways that are not available to other Owners and Residents, as provided in Article 14 of this Declaration. Declarant's exercise of a Development Period right that appears to violate a rule or a use restriction of this Article does not constitute waiver or abandonment of the restriction by the Association as applied to Owners other than Declarant.

17.12 Drainage. No person may interfere with the established drainage pattern over any part of BLUESTEM RESERVE unless an adequate alternative provision for proper drainage has been approved by the board.

17.13 Driveways. A driveway must be constructed by the Owner connecting the garage to the abutting street, including the portion of the driveway in the road right of way, in accordance with plans approved by the Architectural Reviewer. Owner must repair any damages done to the pavement and ditches in the road right of way caused by the driveway connection. The driveway portion of a Tract may not be used for any purpose that interferes with its ongoing use as a route of vehicular access to the garage. Without the board's prior approval, a driveway may not be used: (1) for storage purposes, including storage of boats, trailers and inoperable vehicles; or (2) for repair or restoration of vehicles.

17.14 Fences. The plans for all fences must be approved by the Architectural Reviewer, which has the power to specify acceptable materials and/or fence design for specific areas. The Owner of each Tract shall be responsible for the proper maintenance of all fences on his Tract. Each of the Owners of adjacent Tracts with a fence located on the common line between the Tracts shall be responsible for the maintenance of such fence. Entry gates, designed in harmony with the subdivision, are allowed but may only be installed following approval of the Architectural Reviewer.

17.15 Flags. Each Owner and resident of BLUESTEM RESERVE has a right to fly the flag on his Tract. The United States flag ("Old Glory"), the Texas state flag ("Lone Star Flag"), and/or an official flag of any branch of the U.S. Armed Forces may be displayed in a respectful manner on each Tract, subject to reasonable standards adopted by the Association for the height, size, illumination, location and number of flagpoles. All flag displays must comply with public flag laws. No other types of flags, pennants, banners, kites, or similar types of displays are permitted on a Tract if the display is visible from a street or Common Area. The flagpole must be constructed of permanent, long-lasting material with a finish approved by the Architectural Reviewer. Flags must be maintained in a good condition.

17.16 Garages. All dwellings constructed on a Tract must have an attached or detached garage with the front of the garage even with or behind the front wall of the primary residence. Garage doors are to be kept closed at all times except when a vehicle is entering or leaving.

17.17 Firearms and Fireworks. Except as provided herein, hunting (using firearms) and shooting are not permitted anywhere on or from the Tracts in BLUESTEM RESERVE. Bow hunting is permitted provided arrows stay within the Tract from which they are shot. Bird hunting is permitted using shotgun shells with no larger than Number 8 shot. No skeet shooting or recurrent discharge of firearms is permitted. The Association is not required to enforce the provisions of this Section by confronting an armed person.

17.18 Landscaping. The Owner of each Tract must routinely maintain the areas of his Tract, which are visible from the Street or adjacent property. Grass and weeds must be kept mowed to prevent unsightly appearance, and all, roadways, drives and walkways shall be maintained. Dead or damaged trees and shrubbery, viewable from the streets, Common Area, or neighboring properties must be promptly removed or replaced, and if not removed by the Owner upon request, then the Association may remove or cause to be removed such trees or shrubbery at the Owner's expense and will not be liable for damage caused by such removal. The Association may, at its option, require that the Owner plant and install shrubbery and other screening devices around boxes, transformers and other aboveground utility equipment located on the Tracts, and mow and maintain the grass, shrubbery or other screening devices around such utility equipment. No trees of size greater than a 3-inch caliper, shall be removed, cut down or otherwise destroyed, within 100 lineal feet of all lot lines, unless required for the installation of driveways, utilities, as specified by the local utility provider, or approved in advance by the Architectural Reviewer. All Tracts located at street intersections must be landscaped so as to permit safe sight across the street corners. No fence, wall, hedge or shrub planting may be placed or permitted to remain where this would create a traffic or sight problem. No person may perform landscaping, planting or gardening on the Common Area without the board's prior written authorization.

17.19 Camping. Overnight camping using tents, recreational vehicles, or other common items is allowed on individual Tracts, however, these items must be placed on the Tract behind the back wall of the primary residence, or not directly visible to adjoining properties. In the event the primary residence has not been constructed overnight camping and related items are restricted to durations not to exceed 72 hours before being removed from the premises.

17.20 Leasing of Homes. An Owner may lease or rent the dwelling on his Tract pursuant to a written lease agreement furnished to the Association for a term no shorter than 30 days. Short term or transient rentals, those for less than 30 days, are strictly prohibited and are considered an unpermitted business use. Whether or not it is so stated in a lease, every lease is subject to the Governing Documents. An Owner is responsible for providing his tenant with copies of the Governing Documents and notifying him of changes thereto. Failure by the tenant or his invitees to comply with the Governing Documents, federal or state law, or local ordinance is deemed to be a default under the lease. When the Association notifies an Owner of his tenant's violation, the Owner must promptly obtain his tenant's compliance or exercise his rights as a landlord for tenant's breach of lease. If the tenant's violation continues or is repeated, and if the Owner is unable, unwilling or unavailable to obtain his tenant's compliance, then the Association has the power and right to pursue the remedies of a landlord under the lease or state law for the default, including eviction of the tenant. The Owner of a leased Tract is liable to the Association for any expenses incurred by the Association in connection with enforcement of the Governing Documents against his tenant. The Association is not liable to the Owner for any damages, including lost rents, suffered by the Owner in relation to the Association's enforcement of the Governing Documents against the Owner's tenant.

17.21 Lights. Exterior light sources on a Tract should be unobtrusive, shielded to prevent glare, directed away from neighboring homes and yards, with little if any spillover light on neighboring property. All visible exterior light fixtures on a Tract should be consistent in style and finish with the architecture of the home.

17.22 Noise and Odor. A resident must exercise reasonable care to avoid making or permitting to be made loud, disturbing or objectionable noises or noxious odors that are likely to disturb or annoy Residents of neighboring Tracts. The Rules may prohibit the use of noise-producing security devices.

17.23 Disposal of Trash. No trash, rubbish, garbage, debris, or offensive material of any kind shall be kept or allowed to remain on any Tract, nor shall any Tract be used or maintained as a dumping ground for such materials. All such matter shall be placed in sanitary refuse containers constructed of metal, plastic or masonry materials with tight fitting sanitary covers or lids and placed in an area adequately screened from public view by planting or fencing. All rubbish, trash, and garbage shall be regularly removed and not allowed to accumulate. Equipment used for the temporary storage and/or disposal of such material prior to removal shall be kept in a clean and sanitary condition and shall comply with all current laws and regulations and those which may be promulgated in the future by any federal, state, county, municipal or other governmental body with regard to environmental quality and waste disposal. In a manner consistent with good housekeeping, the Owner of each Tract shall remove such prohibited matter from his Tract at regular intervals at his expense.

17.24 Occupancy. Except as provided herein, other than the completed principal dwelling, no thing or structure on a Tract may be occupied as a residence at any time by any person. This provision applies, without limitation, to the garage, mobile homes, campers and storage sheds. Barns with overnight accommodations are permitted, provided (i) the living area in the barn is no larger than 1,800 square feet, and (ii) the principal dwelling on the Tract must be substantially completed and ready for occupancy within three years from the date the barn was approved by the Architectural Reviewer.

17.25 Residential Use. The use of a house Tract is limited exclusively to residential purposes or any other use permitted by this Declaration, including limited business uses described above. No more than one principal dwelling is permitted on any one Tract and may be occupied by a single family. For the purposes of this Declaration, "single family" means and refers to any number of individuals living together as a single household unit and the household employees of such household unit. The Architectural Reviewer may grant a variance to allow a second principal dwelling on a Tract for family members such as parents or children, if circumstances warrant in the Architectural Reviewer's discretion.

17.26 Living Area. The living area of heated and cooled space of the principal dwelling constructed on a Tract may not be less than 2,000 square feet, exclusive of porches. The living area of any guest house or cottage on a Tract improved with a principal dwelling may not be more than 50% of the area of the principal dwelling, exclusive of porches, decks and overhangs.

17.27 Screening. The Architectural Reviewer may require that the following items must be screened from the view of the public and neighboring Tracts and dwellings, if any of these items exists on the Tract: (1) satellite reception equipment; (2) clotheslines, drying racks, and hanging clothes, linens, rugs, or textiles of any kind; (3) yard maintenance equipment; (4) wood piles and compost piles; (5) accessory structures that do not have prior approval of Architectural Reviewer; (6) garbage cans and refuse containers; (7) anything determined by the board to be unsightly or inappropriate for a residential subdivision. Screening may be achieved with fencing or with plant material, such as trees and bushes, or any combination of these. If plant material is used, a reasonable period of time is permitted for the plants to reach maturity as an effective screen. As used in this Section, "screened from view" refers to the view of a person in a passenger vehicle driving on a street or alley, or the view of a person of average height standing in the middle of a yard of an adjoining Tract.

17.28 Signs. No sign or emblem of any kind may be kept or placed upon any Tract or mounted, painted, or attached to any fence without the approval of the Architectural Reviewer, with the following exceptions:

- a. For Sale Signs. An Owner may erect one sign on his Tract, not exceeding 2' x 3' in area, fastened only to a stake in the ground and extending not more than three (3) feet above the surface of such Tract advertising the property for sale, provided that all *for sale* signs must be uniform in a color required by Declarant.
- b. Declarant's Signs. Declarant may erect and maintain a sign or signs deemed reasonable and necessary for the construction, development, operation, promotion, leasing and sale of the Tracts.
- c. Builders' Signs. A selected General Contractor may utilize one professional sign of not more than five (5) square feet in size per Tract for job location identification. All signs must be removed within 10 days following completion of construction or installation of that which was contracted. No sub-contractor signs are allowed at any time.
- d. Political Signs. Political signs, not greater in size then 2' x 2', may be erected upon a Tract by the Owner of such Tract advocating the election of one or more political candidates, or the sponsorship of a political party, issue or proposal, provided that such signs shall not be erected more than thirty (30) days in advance of the election to which they pertain and shall be removed within five (5) days after such election. No more than one sign per candidate, political party, issue or proposal is allowed.
- e. School Spirit Signs. Signs containing information about one or more children residing in the single-family residence and the school they attend shall be permitted so long as the sign is not more than 36" x 36". There shall be no more than one sign for each child under the age of eighteen (18), residing in the primary residence. Banners are not permitted.
- f. Security Signs/Stickers/No Trespassing. Signs or stickers provided to an Owner by a commercial security or alarm company providing service to the single-family residences shall be permitted so long as the sign is not more than 12" x 12", or the sticker is no more than 4" x 4". There shall be no more than one sign per Tract and stickers on no more than fifty percent (50%) of the windows and one on the front door or front entry area. No trespassing signs are allowed to be placed on Tracts viewable to the public as long as they conform to local codes.

No sign permitted by this Section shall be lighted, nor placed in any common area or easement. In addition to any other remedies provided for in this Declaration, the Board of Directors or its duly authorized agent shall have the power to enter upon a Tract to remove any sign which violates this Section provided the violating Owner has been given forty-eight (48) hours written notice by the Board of Directors of its intent to exercise options provided for in these covenants. All costs incurred by the Board, including reasonable attorney's fees actually incurred, shall be assessed against the violating Owner and shall be collected as provided for herein for the collection of Assessments.

17.29 Communication Equipment. Each resident of BLUESTEM RESERVE will avoid doing or permitting anything to be done that may unreasonably interfere with the television, radio, telephonic, electronic, microwave, cable or satellite reception on the Property. Antennas, satellite or microwave dishes, and receiving or transmitting towers that are visible from a street or from another Tract are prohibited within the Property, except (1) reception-only antennas or satellite dishes designed to receive television broadcast signals, (2) antennas or satellite dishes that are one meter or less in diameter and designed to receive direct broadcast satellite service (DBS), or (3) antennas or satellite dishes that are one meter or less in diameter or diagonal measurement and designed to receive video programming services via multipoint distribution services (MDS) (collectively, the "Antenna") are permitted if located (a) inside the structure (such as in an attic or garage) so as not to be visible from outside the structure, (b) in a fenced yard, or (c) attached to or mounted on the rear wall of a structure below the eaves. If an Owner determines that an Antenna cannot be located in compliance with the above guidelines without precluding reception of an acceptable quality signal, the Owner may install the Antenna in the least conspicuous location on the Tract where an acceptable quality signal can be obtained. The Association may adopt reasonable rules for the location, appearance, camouflaging, installation, maintenance, and use of the Antennas to the extent permitted by public law.

17.30 Temporary Structures. Except for "accessory structures" as described above, improvements or structures of a temporary or mobile nature, such as tents, portable sheds and mobile homes, may not be placed on a Tract. However, an Owner or Owner's contractor may maintain a temporary structure (such as a portable toilet or construction trailer) on the Tract during construction of the dwelling.

17.31 Vehicles. The term "vehicles", as used herein, shall refer to all vehicles including, without limitation, automobiles, trucks, motor homes, recreational vehicles, boats, trailers, motorcycles, mini-bikes, scooters, go-carts, campers, buses, and vans, including such vehicles with the motor removed. All vehicles on the Property, whether owned or operated by the Resident or Resident's families and guests, are subject to this Section and Rules adopted by the board. The board may adopt, amend and repeal Rules regulating the types, sizes, numbers, conditions, uses, appearances, and locations of vehicles on the Property. The board may affect the removal of any vehicle in violation of this Section or the Rules without liability to the Owner or operator of the vehicle.

17.31.1 Parking in Street. The parking of vehicles on public streets is prohibited.

17.31.2 Prohibited Vehicles. Without prior written board approval, no vehicle, mobile or otherwise, may be kept, parked, or stored anywhere on the Property for more than 72 hours if the vehicle is visible from a street, Common Area, or from another Tract. This restriction does not apply to vehicles and equipment temporarily on the Property in connection with the construction or maintenance of a dwelling. Long term parking of vehicles is allowed as long as it is parked behind the back wall of the primary residence and in a manner not visible to adjoining lot owners. Vehicles that transport inflammatory or explosive cargo are prohibited from the Property at all times.

17.31.3 Use of Pathways or Unpaved Common Area. No vehicles are permitted on pathways or unpaved Common Area except for public safety vehicles and others as authorized by the board.

17.31.4 Livestock and Wildlife Right of Way. All motorized vehicles must yield to livestock or wildlife on the Property.

17.31.5 Speed Limit. Unless and until changed or modified by rule adopted by the Association, the speed limit on all roads in BLUESTEM RESERVE is 20 mph.

17.32 Window Treatments. All window treatments within the dwelling that are visible from the street or another dwelling must be maintained in good condition and must not detract from the appearance of the Property. The Architectural Reviewer may require an Owner to change or remove a window treatment that the Architectural Reviewer determines to be inappropriate or unattractive. The Architectural Reviewer may prohibit the use of certain colors or materials for window treatments.

17.33 Window Air Conditioners. No window or wall-type air conditioners are permitted to be used, erected, placed, or maintained on or in any primary residence, except as may be approved by the Architectural Reviewer. In no case will a window or wall-type air conditioner be approved if it is visible from any street, common area, or adjoining lot.

17.34 Yard Art. The Association is interested in the appearance of all portions of a house Tract that are visible from the street or from a neighboring Tract, including yards, porches, sidewalks, window sills, and chimneys (hereafter collectively, the "yard"). Some changes or additions to a yard may defy easy categorization as an improvement, a sign or landscaping. This Section confirms that all aspects of a visible yard are within the purview of the Architectural Reviewer.

EXECUTED effective this 29th day of March, 2019.

GASKIN RANCH NO. 5 LLC

By Sue C. Gaskin
Name: Sue C. Gaskin
Title: manager

THE STATE OF TEXAS §

COUNTY OF Gonzales §

This instrument was acknowledged before me on MARCH 29, 2019, by Sue C. Gaskin, manager of GASKIN RANCH NO. 5 LLC, a Texas limited liability company, on behalf of same and in the capacity herein stated.

Lori Ann Dupree
Notary Public, State of Texas

