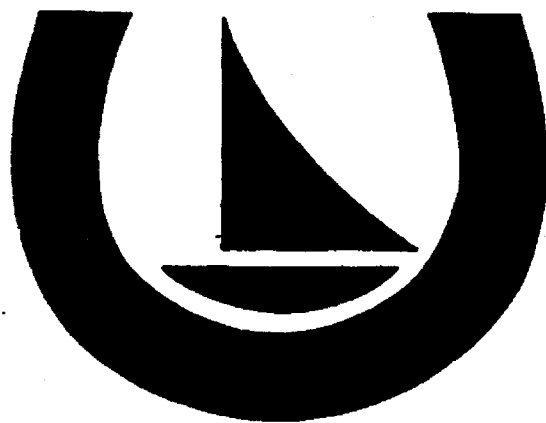


DECLARATION OF RESERVATIONS



HORSESHOE BAY

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DECLARATION OF RESERVATIONS
HORSESHOE BAY
COUNTIES OF LLANO AND BURNET, TEXAS

This declaration ("Declaration") made this the 5th day of July, 1971, by Lake Lyndon B. Johnson Improvement Corporation, a Texas corporation, having its principal office at Marble Falls, Texas ("Declarant").

WHEREAS, Declarant may at any time and from time to time hereafter, commit, cause or permit to be committed to this Declaration, certain land situated in Llano and Burnet Counties, Texas, as Declarant may elect in the exercise of its sole discretion; and, whereas, in the event Declarant elects to commit, cause or permit any such land to be committed to this Declaration, Declarant shall file, cause or permit to be filed of record in Llano County and such other county in which the applicable land is situated, one or more plats meeting the formal requirements set forth in this Declaration; and,

WHEREAS, this Declaration shall cover and be applicable only to such land which Declarant shall commit, cause or permit to be committed to this Declaration by the filing of a plat or plats meeting the formal requirements set forth in this Declaration; and,

WHEREAS, this Declaration shall not cover or be applicable to any land, including, without imitation, land now owned or hereafter acquired by Declarant unless and until Declarant shall commit, cause or permit the same to be committed to this Declaration by the filing of a plat or plats meeting the formal requirements set forth in this Declaration; and, in such event, this Declaration shall only cover and be applicable to the lands actually committed to this Declaration in such plat or plats and all prior and subsequent plats meeting the formal requirements hereof; and,

WHEREAS, this Declaration shall never be deemed to obligate Declarant to commit, cause or permit any land to be committed to this Declaration, unless and until Declarant, in the exercise of its sole discretion, elects to commit, cause or permit the same to be committed hereto;

NOW, THEREFORE, KNOW ALL MEN BY THESE PRESENTS THAT, Declarant hereby certifies and declares that Declarant has and does hereby establish as a general plan ("Plan") for the subdivision ("Subdivision") known as "Horseshoe Bay," the following conditions ("Conditions") for the protection, maintenance, development and improvement of all land ("Subdivision Land") described in and covered by any plat or plats ("Plat" and or "Plats"), which Declarant may at any time and from time to time hereafter file of record in the county in which the applicable land is situated, provided, each Plat shall meet the formal requirements ("Formal Requirements") set forth below:

(1) FORMAL REQUIREMENTS

1.1 The Formal Requirements of a Plat filed under and pursuant to this Declaration and for the purpose of committing the land covered thereby to this Declaration are as follows:

(a) The Plat shall be executed by Declarant and or any person or entity acting by, through and under the authority of Declarant as set forth herein, and filed for record in Llano County and, if appropriate, any other

county in which the land covered thereby is situated.

(b) The Plat shall contain the plat of a survey of the land covered thereby and shall be certified by a licensed public land surveyor or registered professional engineer of the State of Texas.

(c) The Plat shall contain the following legend:

"This Plat has been filed under and pursuant to that certain Declaration ('Declaration') dated _____, 1971 by Lake Lyndon B. Johnson Improvement Corporation, a Texas corporation, which Declaration is filed in Llano County under County Clerk's File Number _____ and is recorded in the Records of Llano County, Texas; and is filed in Burnet County under County Clerk's File Number _____ and is recorded in the Records of Burnet County, Texas, and all land included in and covered by this Plat is hereby committed to the Declaration, which is incorporated herein and made a part hereof for all purposes."

(d) The Plat shall subdivide the land covered thereby into one or more lots ("Lot" and or "lots"), which shall be restricted R-1, R-2, R-4, R-6 and or C-2 or otherwise, as set forth in the Conditions of this Declaration; and or into one or more tracts ("Tract" and or "Tracts") which, subject to the provisions of Section 3.1 hereof, may be unrestricted at the time of filing of the Plat.

(e) The Plat may dedicate to public or private use the applicable easements for roads, streets, utilities and the like in the sole discretion of Declarant.

1.2 Any Plat meeting the Formal Requirements set forth above shall commit the land covered thereby to this Declaration, and such land shall then become and thereafter be part of the Subdivision Land, as herein defined.

1.3 All Subdivision Land shall be owned, held, leased, sold and or conveyed by Declarant, and any subsequent owner of all or any part thereof or any right, title or interest therein, subject to this Declaration and the Conditions hereof. This Declaration and the Conditions hereof shall be binding upon and inure to the benefit of the Subdivision Land and or any part thereof, including, without limitation, each and every Lot and or Tract into which the same may be subdivided, and shall be binding upon and inure to the benefit of each and every Owner thereof, or any part thereof, or any right, title or interest therein. This Declaration and the Conditions hereof shall constitute covenants running with the applicable Subdivision Land and or any part thereof, including, without limitation, each and every Lot and or Tract into which the same may be subdivided as provided herein, and shall constitute a mutual covenant and equitable servitude burdening each part of said Subdivision Land and inuring to the benefit of each other part thereof and burdening each Lot and or Tract in favor of each other Lot and or Tract.

1.4 The term "Owner" shall mean the owner of fee simple title to the Subdivision Land or any part thereof, including, without limitation, any Lot and or Tract. The term Owner shall include Declarant if and to the extent Declarant is owner of fee simple title to the Subdivision Land or any part thereof. In the case of a contract for deed or similar instrument (Contract for Deed") in which Declarant is the owner of fee simple title to the Lot or Land covered thereby

and is grantor in said Contract for Deed and a third party is grantee in said Contract for Deed Declarant shall be deemed to be the Owner of the Lot or Land covered by said Contract for Deed until the third party, or the heirs, successors, assigns or legal representatives of said third party have paid twenty-five (25%) percent of the total principal amount of the purchase price provided for in said Contract for Deed, whereupon said third party, or the heirs, successors, as signs or legal representatives of said third party, shall be deemed to be the Owner of said Lot or Lots so long as said Contract for Deed shall remain in good standing and no default shall occur thereunder.

1.5 The term "Land" shall be synonymous with "Subdivision Land," and shall mean Lot and or Tract, as the case may be.

(2) Committee of Architecture

2.1 Declarant shall appoint initially a Committee of Architecture ("Committee") consisting of three (3) members ("Members") who shall be natural persons.

2.2 The Members shall serve at will of Declarant, and the Declarant shall have the right and power at any time and from time to time to create and fill vacancies on the Committee.

2.3 Declarant shall have the right, at its election at any time, to transfer the power of appointment of the Committee to any persons or civic group. In such event, all rights and obligations of Declarant to appointment of the Committee shall thereupon terminate and shall thereafter be vested in the assignee of such power; provided, that in the event such assignee should fail or refuse to exercise the power, Declarant shall have the right but not the duty to exercise the power of appointment of the Committee.

2.4 It shall be the general purpose of the Committee to provide for maintenance of high standard of architecture and construction in such manner as to enhance the aesthetic properties and structural soundness of the developed subdivision.

2.5 The Committee shall be guided by and, except when in their sole discretion good planning would dictate to the contrary, controlled by this Declaration. The judgment of the Committee shall be final, conclusive and binding.

The Committee shall make available a copy of this Declaration to any Owner upon request, at the expense of such Owner.

2.6 The Committee shall determine whether the Conditions contained in this Declaration are being complied with; however, no act or failure or refusal of the Committee to initiate action to challenge a real or threatened violation of this Declaration and the Conditions or otherwise to act on its own initiative shall be deemed to constitute waiver of any right or duty of the Committee at any time or from time to time thereafter to initiate such action and or enforce compliance with this Declaration and the Conditions. The Committee may act or refuse to act in any real or threatened violation of this Declaration and the Conditions, all in the exercise of its sole discretion.

2.7 The Committee shall adopt reasonable rules and regulations for the conduct of its duties. In this connection, without limitation, the Committee may

fix the time and place for its regular meetings, and for such special meetings as may be necessary, and shall keep written minutes of its meetings, which shall be open for inspection to any Owner upon the written consent of any one of the Members of said Committee. Said Committee shall by a majority vote elect one of its members as Chairman and one of its members as Secretary, and the duties of such Chairman and Secretary shall be such as usually pertain to such offices. Any and all rules or regulations adopted by said Committee regulating its procedure may be changed by said Committee from time to time by majority vote and none of said rules or regulations shall be deemed to be any part of said Conditions.

(3) Conditions

The additional conditions of this Declaration are as follows:

3.1 Platting, Lot Classification, Easements:

(a) Each Plat shall subdivide the land covered thereby into one or more Lots which shall be identified by number and or into one or more Tracts which shall be identified by letters.

(b) Each Lot shall be restricted R-1, R-2, R-4, R-6 or C-2 or otherwise as permitted herein, by an appropriate identification on the face of the Plat and or by a separate instrument filed of record by the Declarant, filed in the appropriate county at the time the Plat is filed of record in such County.

(c) Each Tract shall constitute land committed to this Declaration but not subdivided into a Lot or Lots and not restricted at the time of filing of the Plat. Each Tract shall be deemed to be classified C-2 unless otherwise classified by Declarant. Declarant shall have the right but not the obligation at any time and from time to time thereafter to file of record a Plat or Plats subdividing any Tract or Tracts or any part thereof into one or more Lots and or Tracts and restricting, classifying and or reclassifying the same as set forth above.

(d) Each Plat shall identify the land covered thereby as Horseshoe Bay, Lots _____ through and including _____, and or Tracts _____ through and including _____ or similar identification, in order to eliminate confusion and or duplication of the identification of Lots and or Tracts in the Subdivision.

(e) Each Lot shall be restricted to one of the following classifications ("Classifications"):

- R-1 - Single Family Residential District
- R-2 - Two Family Residential District
- R-4 - Multiple Residential District
- R-6 - Apartment, Townhouse and Cottage District
- C-2 - Commercial District

Declarant may at any time and from time to time add additional Classifications by executing and recording one or more supplements to this Declaration, designating and defining such Classification; provided, such supplement is filed at or prior to the use of such additional Classification.

Each Classification shall be binding as to Lot and or Tract usage subject to the other provisions as set forth in this Declaration and the Conditions.

(f) Declarant reserves the right at any time and from time to time to resubdivide and or reclassify any or all Lots and or Tracts which are then owned by Declarant if and to the extent Declarant deems such action desirable, in the sole discretion of Declarant. In such event, Lots and or Tracts shall be deemed to be resubdivided and reclassified when Declarant files an amended Plat reflecting such resubdivision and or redesignation in Llano County and any other county in which the applicable Lots and or Tracts are located. Declarant may exercise the right to resubdivide and or reclassify Lots and or Tracts which are then owned by Declarant even though Declarant shall have previously sold and or contracted to sell other Lots or Land in the Subdivision. This subsection shall never be deemed to authorize Declarant to resubdivide and or reclassify any Lot or Tract owned by Declarant which is subject to an outstanding Contract for Deed or similar instrument in favor of a third party.

(g) Declarant hereby reserves a right of way and easement 15 feet wide along the rear lot lines of each Lot and 5 feet wide over all other perimeter boundaries of each Lot, together with an unobstructed easement above the same for any or all utilities and drainage, including, without limitation, television and or communication cables; provided, that where said utility and drainage easements are shown on the applicable Plat in different widths and or locations, the width and location of such easements on the Plat shall control.

Declarant further reserves an easement under and above all roads and streets in the Subdivision for the purpose of installing, operating and maintaining any and all improvements in connection with the utility and drainage easements.

Declarant reserves the right to assign and or dedicate, assign and or convey said utility and or drainage easements and any rights and interests therein at any time and from time to time in Declarant's sole discretion.

This Declaration shall never be deemed to obligate Declarant to furnish, construct or maintain or cause to be furnished, constructed or maintained any road, street, utility and or drainage easement and or any improvements on any of the foregoing.

Owners shall have no cause of action against Declarant, its successors or assigns, employees and or agents, either at law or in equity, for any damage or otherwise caused by the installing, operating, maintaining, repairing and or replacing the above utility and or drainage easements and or any improvement thereon.

3.2 Improvement Standards

The following provisions shall be applicable to all Subdivision Land regardless of classification.

A.1 Structural

No building, fence, patio, boat dock, or other structure shall be erected, altered, added to, placed or permitted to remain on any Lot or Land until and unless the plans showing floor areas, external design, structural

details and plot plan showing the ground location of the intended structure have been first delivered to the Committee and approved in writing and a building permit issued by the Committee as to, but not limited to, the external design including color and quality, the conformity and harmony with existing or proposed structures in the Subdivision and the height of the structure insofar as it may obstruct the view of the surrounding Lots, the location of the structure on the Lot, the quality and type of materials and aesthetic qualities. No alterations in the exterior appearance of an existing building or structure shall be made without approval of the Committee. These requirements also extend to boat docks, ornamental structures, fences, walls and piers, including but not limited to the location, design, height, length and type of construction and to any and all structures over or in the water, any bulkheads or moving of soil in, or out of the water, or on land, which in the opinion of the Committee is a significant moving of soil. No natural drainage shall be changed, altered or diverted, without approval of the Committee. The Committee may require a reasonable fee prior to checking or appraising said plans. On any structure submitted for approval, the Committee may require changes, deletions, or revisions in order that the architectural and general appearance of all such buildings and grounds be in keeping with the architecture of the neighborhood and otherwise comply with the Conditions. All structures shall conform to the requirements of the Uniform Building Code as published by the International Conference of Building Officials, current edition, and the requirements of the National Electrical Code, as published by the National Fire Protection Association, current edition, as a guide to sound construction and electrical installation practices and comply with the applicable laws, ordinances, rules and regulations of the governmental authorities having or asserting jurisdiction, including, without limitation, appropriate departments of the county in which property is located and the State of Texas, whichever are the more restrictive.

Notwithstanding any other provisions of this Declaration, it is and shall remain the right, prerogative and jurisdiction of the Committee to review applications and grant approvals and building permits for exceptions to and variations from this Declaration and the Conditions. Exceptions to and variations from this Declaration and the Conditions, and, in general, other forms of deviations from these restrictions imposed by this Declaration may be made when and only when such exceptions, variances and deviations do not in any way detract from the appearance of the premises, and are not in any way detrimental to the public welfare or to the property of other persons located in the vicinity thereof, all in the sole opinion of the Committee. Any exception and or variation made or permitted by the Committee shall apply only to the specific instance for which such exception or variation is made or permitted, and shall not be deemed to apply to any other similar situation. Without limitation, the designated maximum building height and maximum yard requirements and or any other provision herein, may be waived by the Committee, when in their opinion, such structures relate to sound architectural planning and conform to the over all design and pattern of the development.

A.2 Air Conditioning Units

No air conditioning unit, evaporative cooler, or other object, which in the opinion of the Committee is unsightly, shall be placed upon or above the roof of any dwelling or other building except and unless the same is architecturally concealed from view in plans submitted to and approved by the Committee and then only when, to the satisfaction of the Committee, the same is not aesthetically objectionable and is otherwise in conformity with the over all development of the Subdivision.

A.3 Moorings, Piers or Docks

No mooring, pier, dock or other device for swimming or boating shall be erected or installed except with the approval of the Committee and in accord with the requirements of appropriate lake authorities and subject to the other terms and conditions of this Declaration. The maintenance and or removal of any such device or installation shall at all times be subject to the requirements of said Committee or authorities. This Declaration shall never be deemed to authorize the construction of a mooring, pier, dock or other device where such construction or use is in violation of the property rights of others and or the laws, rules and regulations of applicable governmental authorities.

A.4 Building Exterior

With the exception of buildings and structures constructed by Declarant, all structures must have exterior walls of at least 50% masonry on the street fronting walls and shall not have less than 30% masonry covering on the total of all exterior walls. The exterior portion of all walls, that are not masonry, shall be painted or stained immediately upon completion or shall have color mixed in the final structural application, excepting acceptable woods that are commonly used without such finishes, so that all such materials shall have a finished appearance.

A.5 Tanks, Butane, Etc.

No butane, or other tank, used for the storage of gases or liquids for fuel shall be placed on a Lot or Land unless the same is architecturally concealed from view. In the event natural gas is made available to any Lot or Land, then the Owner thereof shall promptly connect to the source of natural gas and discontinue the use of butane gas.

A.6 Fences, Walls and Hedges

No fence or wall or hedge shall be constructed on any Lot or Land nearer to any front street than is permitted for the house or building on said Lot or Land, nor nearer than 30 feet of the 825' contour of Lake Lyndon B. Johnson. The height, construction material and style of each fence or wall shall be subject to approval of the Committee, provided no fence or wall exceeding 7 feet in height shall be built on any Lot or Land.

A.7 Elevated Structure Design

Other than buildings and structures constructed by Declarant, no structure on any Lot or Land shall be constructed or placed upon "stilts," pilings, piers, etc., unless same are enclosed with walls of continuity of design conforming with the principal structure. This Section does not cover mooring, piers, docks, etc. which are covered by Section A.3 hereof.

A.8 Yard Lighting

Structures constructed on all Lots or Land will be required, before completion to place near the street serving the Lot or Land, a decorative electric yard light. The type and location of light shall be selected and controlled by the Committee. Such light shall not exceed 6 1/2 feet in height and shall be controlled by a light sensitive switch. Each yard light and light sensitive switch for same shall be maintained by the Owner in a manner so that the light shall burn all night.

A.9 Utilities

All utilities and utility services on all Lots or Land shall be installed underground and no above surface utility wires will be installed on any Lot or Land outside any structure. This section shall not be applicable to the utilities and utility services of Declarant.

A.10 Clothes Lines

Clothes lines shall be installed so as not to detract from the aesthetic values of the property and shall be so placed to be concealed from view from all public rights of way, and shall be subject to approval of the Committee.

A.11 Plumbing and Sewage

All structures shall have completed and approved plumbing and sewerage installations before occupancy. Such plumbing shall conform to the requirements of the Uniform Plumbing Code as published by the Western Plumbing Association, current edition, as a guide to sound plumbing practices, and shall comply with all laws, ordinances, rules and regulations of governmental authorities having and asserting jurisdiction.

Where a central sanitary sewerage system is made available to any Lot or Land on which a structure is located or being constructed, it is required that the structure be connected to and use such system. Where a central sanitary sewerage system is not available to any Lot or Land, the Owner may install a septic tank provided such septic tank and attached drain fields are acceptable and meet the requirements of the proper governmental authorities having or asserting jurisdiction with respect thereto. Any malfunction of any septic tank and or drainage field system, after being reported to the Owner by Declarant or the appropriate authority, and not repaired within the time designated by such authority or seven (7) days, whichever occurs first, shall be cause for termination of water service to such Owner and or the applicable Lot and or Tract until such repairs are effected.

A.12 Drainage Structures

Drainage structures under private driveways shall always have a net drainage opening area of sufficient size, in the opinion of the Committee, to permit free flow of water without backwater.

3.3 Land Use - General

The following provisions shall be applicable to all Subdivision Land regardless of Classification:

B.(1) Advertising

No sign, advertisement, billboard or advertising structure of any kind shall be erected or allowed on any of the unimproved Lots or Land and no signs shall be erected or allowed to remain on any Lots or Land, improved or unimproved, except as expressly provided in the Uses Permitted section of the particular type of Classification, and except as erected by or approved by Declarant.

B.(2) Building Area

No Lot shall be resubdivided or reclassified; provided Declarant may resubdivide and or reclassify Lots and or Tracts as provided in Section 3.1 hereof. No structure shall be erected, placed or maintained on any portion of any Lot, which portion has an area of less than a full Lot as designated on the applicable Plat. If one structure is constructed on an area consisting of more than one Lot, the combined area, for the purpose of set back requirements, shall be considered one Lot.

B.(3) Garages and Carports

All Land classified as (R-1) Single Family and (R-2) Two Family shall provide for at least one garage or carport of no less than 200 square feet per dwelling unit and such structure shall be connected to the main structure. The connection may be by a breezeway. No garage that is not completely enclosed will open directly on the street. All garage and or carport structures shall be enclosed on at least two sides, provided such structures located on corner lots shall be completely enclosed. No unsightly storage shall be permitted which is visible from the street. No trucks or unsightly vehicles or other matter shall be stored or kept for any purposes, including repair, on any Lots or Land or driveways, excepting that after the main dwelling has been completed, this provision shall not apply to boats and campers that are not used for occupancy within the subdivision. Such storage must be in enclosed garages or storage facilities protected from the view of the public and streets within the Subdivision and other residents of the Subdivision. This Section does not apply to buildings and facilities of the Declarant.

B.(4) Water Supply

No individual water wells shall be allowed on any Lot or Land where water is made available to such Lot or Land from a central water system. The Owner of a Lot or Land shall use the water from a central water system where the system is made available to such Lot or Land from the central water system supply. Nothing herein contained shall be construed as prohibiting the Declarant from drilling a well or wells or permitting the drilling of same, on the reserved areas of said Subdivision, for the purpose of supplying water to the Owners of any Lot or Land in said Subdivision.

B.(5) Occupancy, Parking and Mobile Occupancy

No mobile home, trailer, tent, lean-to, shack or other temporary structures of any nature shall be used for occupancy, or placed upon any Lot or Land or road or street that is not specifically designed for such usage by Declarant. No garage, servant's quarters or guest cottage shall be constructed on any Lot prior to the construction of the main residence, residences, or commercial structures. No building material of any kind or character shall be placed or stored upon any Lot or Land until Owner has his plans and specifications approved by the Committee and has obtained a building permit from same and construction has commenced, and then such materials must be stored solely within the Lot lines.

No house trailer, camper, mobile home or any such vehicle designed for living or camping shall be parked within the Subdivision, nor shall any such vehicle remain overnight in the Subdivision except in areas as provided above by Declarant for this purpose. No boat and or boat trailer shall be permitted to remain overnight on any street or driveway exposed to public view, except as provided above.

Both prior to and after occupancy of a dwelling on any Lot, the owner shall provide appropriate space for off-the-street parking for his vehicle or vehicles.

B.(6) Construction of Private Boat Docks

No moorings, docks or piers shall be constructed or maintained on any Lot or Land within 1500 feet of the marina improvements constructed or to be constructed by the Declarant as part of the Ancillary Facilities hereinafter described. Such distance shall be measured in each direction from the marina improvements along the 825' contour of Lake Lyndon B. Johnson.

No boat or vessel which in the opinion of the Committee are unsightly or detract from the appearance of the Subdivision shall be permitted to remain docked or moored at any pier, dock or mooring constructed for or used in connection with any Lot or Land in the Subdivision. This Section shall not be applicable to boats or vessels docked or moored at the Ancillary Facilities.

B.(7) Dust and Erosion Control

Under no circumstances shall the Owner of any Lot or Land disturb the natural soil or grasses unless the Owner immediately thereafter, constructs on, paves, gravels, or replants such disturbed areas with ground cover approved by the Committee.

B.(8) Easements

Easements for installation, operation, maintenance, repair and replacement of utilities and drainage, including the trimming and or removal of trees and brush for drainage facilities, are reserved as shown on the applicable Plat and or as set out in the Declaration. Within these easements, no structure, fences, planting or other material shall be placed or permitted to remain which may damage or interfere with the installation and maintenance of utilities, or which

may change the direction of flow of drainage channels in the easements or which may obstruct or retard the flow of water through drainage channels. The easements include, without limitation, the right of ingress and egress thereon at reasonable times to such easements for construction, maintenance, repair and replacement purposes, without consent or approval of the Owner of the applicable Lot or Land and without compensation or redress to the Owner of said Lot or Land by reason of such construction, maintenance, repair or replacement. Any improvements placed in the easement area by the Owner of any Lot or Land may be removed and replaced by the Declarant and or any person or entity having any right, title or interest in the easement, including, without limitation, any public authority or utility company, all without liability to and at the expense of the Owner of said Lot or Land. The easement area of each Lot or Land and all improvements thereon shall be maintained continuously by the Owner of the Lot or Land covered by said easement, except for those improvements which are owned by the Owner of the easement such as the applicable public authority or utility company.

B.(9) Electrical Power

No source of electrical energy shall be brought to the Lot or Land or used upon any Lot or Land unless and until the Committee has approved plans and specifications for the erection of the permanent improvements to be located on said Lot or Land. The Owner of such Lot or Land shall pay for connecting charges by the Utility company, including individual or semi-individual transformers and or meters required.

B.(10) Occupancy of Structures

No structure shall be occupied or used for the purpose for which it is designed or built or for any other purpose until the exterior shall have been completed and the structure connected to an acceptable sanitary sewer which has been approved by the Committee and a certificate to that effect shall have been issued by the Committee. With reasonable diligence, and in all events, within four (4) months from the commencement of construction, unless an extension of this time is specifically approved in writing by the Committee, any structure commenced shall be completed as to its exterior and all temporary structures shall be removed, and within thirty (30) days thereafter, all materials stored or used for construction, including the contractor's temporary offices, chemical toilets, construction debris and related facilities, shall be removed.

B.(11) Hunting and Firearms

No hunting shall be allowed in this Subdivision and any discharge of firearms is strictly prohibited except in such area or areas that the Declarant may designate or construct facilities suitable for such purposes.

B.(12) Storage of Tools and Trash

The storage of tools, landscaping instruments, household effects, machinery or machinery parts, trailers, empty or filled containers, boxes or bags, trash, materials, or other items that shall, in the opinion of the Committee, in appearance detract from the aesthetic values of the property, shall be so placed and stored to be concealed from view of all public rights

of way and the Owners of other Lots or Land. Trash for collection may be placed in enclosed sanitary containers at the street right of way line on regular collection days for a period not to exceed twelve hours prior to pick up. Trash, garbage or other waste and debris shall at all times be kept in enclosed sanitary containers. Any incinerator or other equipment for the storage or disposal of such material shall be kept in a clean, sanitary and sightly condition. Storage of junk, inoperative or unlicensed cars, and other unsightly objects on any Lot or Land is expressly prohibited.

B.(13) Grass and Weeds

The Owner of each Lot and Land shall keep grass, weeds and vegetation (except as part of the landscaping plan and as approved by the Committee), trimmed or cut so that the same shall remain in a neat and attractive condition. Upon any failure of the Owner to comply with this requirement, within thirty (30) days after notice by the Declarant and or the Committee to said Owner of such condition, Declarant and or the Committee or its agent may enter upon said Lot or Land to comply with said request at the expense of the Owner, provided that the same shall not exceed Fifteen (\$15.00) Dollars per Lot per each notice, which amount may be increased from time to time at the discretion of the Committee.

B.(14) Drilling and Mining

No water well, oil, gas or mineral mining, exploring, drilling, development, refining, quarrying or other operations of a related nature shall be permitted upon or in any Lot or Land without the prior written authorization of the Committee.

B.(15) Easements

All Lots and Land in the Subdivision are and shall be expressly subject to any and all easements and rights of way of record and are subject to natural drainage easements.

B.(16) Mineral Rights

Subject to outstanding mineral and or royalty interests, if any, relative to any Lot or Land, Declarant reserves unto itself, all minerals on, in and under each Lot or Land, but waives any and all rights of ingress and egress on the applicable Lot or Land for any purpose having to do with said minerals, including, without limitation, exploring, mining or otherwise.

3.4 Land Use Areas--Residential

In addition to the preceding provisions, the following shall be applicable to all Land classified R-1, R-2, R-4 and R-6 as defined herein.

C.(1) Livestock, Poultry and Pets

No animals, livestock or poultry of any kind shall be raised, bred or kept on any Lot, except that dogs, cats or other household pets may be kept provided they are not kept, bred or maintained for any commercial purposes and are not kept in quantities which create an annoyance or nuisance to the neighborhood.

C.(2) Landscaping

No trees, plants, shrubs or foliage shall be planted, kept or maintained in such a manner as, in the opinion of the Committee, shall create a serious potential hazard to the other residents of the area.

C.(3) Spaces between Building--Passageways

Where more than one building or a multiple dwelling is located on a Lot, the following spaces and passageways shall be provided and maintained:

(a) There shall be at least ten feet between every one family dwelling, two family dwelling, multiple dwelling and any other building on the same Lot. These regulations do not apply to required spaces between accessory buildings and other buildings on the same Lot, which requirements are otherwise provided for by the provisions of C.(4) hereof.

(b) There shall be a passageway at least ten feet in width extending from a street to one entrance of each dwelling unit in a multiple dwelling, unless there is an entrance to the dwelling unit open onto the street or into a hallway opening onto the street.

(c) Where dwellings or group dwellings arranged around a court, the average width of the court shall not be less than 20 feet. Such court may serve as the passageway for rear buildings or as the space between buildings.

C.(4) Accessory Buildings

The accessory buildings and structures necessary to such use may occupy not more than fifty (50) percent of a required rear yard, may not be more than fifteen (15) feet in height, and must be located at least ten (10) feet from the nearest part of a main building. No accessory building shall be erected closer than fifteen (15) feet to the line of an abutting Lot to the rear and no such building shall occupy any portion of a required front or side yard.

Except for boat houses, if located at the water's edge or over the water on waterfront Lots, all garages, guest houses, servant's quarters, structures for storage, boat storage structures and other buildings erected on any Lot or Lots in conjunction with any one resident, must be attached to the main residence by a common wall or by covered breezeway or passageway.

C.(5) Side Yard Setback--Reverse Corner Lots

In the case of a reversed corner Lot, there shall be a side yard setback on the street side of the corner Lot of not less than the front yard requirements for the Lots in the rear of such corner Lot.

3.5 R-1 Single Family Residential District

The following uses and regulations shall apply in the R-1 Single Family Residential District unless otherwise provided in these reservations.

D.(1) Uses Permitted

- (a) A One Family dwelling
- (b) The accessory building and structures necessary to such use located on the same Lot.
- (c) Maintaining mail address for commercial, professional and business license purposes only. No commercial, professional or business use shall be permitted. Without limitation, no stock in trade, supplies, nuisance producing apparatus or equipment shall be kept on the premises, and no employees or assistants shall be engaged for said services on the premises. Except as otherwise provided in this Section, no signs shall be displayed.
- (d) One professionally made sign of not to exceed one (1) square foot in area containing only the name and title or occupation of the occupant.
- (e) Temporary sign not to exceed six (6) square feet in area giving the names of the contractors, engineers and architects during construction period.

D.(2) Maximum Building Height

Two levels not to exceed 25' above highest natural contour line of the applicable Lot.

D.(3) Minimum Yard Requirements

Except as specified to the contrary on the Plat, which specification shall control, the following shall apply:

- (a) Front yard setbacks shall conform to a minimum depth of twenty-five (25) feet from the front property line to the closest structural projection, including porches, but not including eaves, overhangs, planters or fireplaces.
- (b) A principal structure shall provide total side yards of not less than fifteen (15) feet with not less than five (5) feet on one (1) side. Corner Lots shall maintain a minimum setback of twenty-five (25) feet from the side street line.
- (c) A rear yard shall be maintained of at least fifteen (15) feet feet from the property line to the nearest building line.
- (d) Except boat docks and boat houses built at water's edge or over water, no structure on any Waterfront Lot shall be located nearer the 825' contour than 30', without special permission from the Committee. The location of boat docks and boat houses, etc., shall be subject to approval of the Committee. The Committee shall issue permission for variation of this requirement only when, in the sole opinion of the Committee, such variation is aesthetically and architecturally sound.

D.(4) Maximum Area of Dwelling

Notwithstanding uses permitted herein, no more than fifty (50) percent of the total Lot area shall be used for the Dwelling and other structures.

D.(5) Minimum Dwelling Unit Size

All residences located North of R.M. or F.M. 2147 shall require not less than the following number of square feet of ground or first floor living area, excluding carport, garage, covered porches, covered contiguous patios or other similar appendages, on the Lots as specified below.

1800 square feet: for all Lots contiguous with any portion of the golf course including fairway and all Lots contiguous with the 825' contour of Lake Lyndon B. Johnson, as well as the second row of Lots back from the golf course as described above, and the second row of Lots back from the 825' contour of Lake Lyndon B. Johnson. The term "second row of Lots," as used herein, shall mean all Lots which are not contiguous with but which either adjoin Lots contiguous with the 825' contour of Lake Lyndon B. Johnson and or the golf course or which are across the street from Lots which are contiguous with said 825' contour or the golf course, as the case may be.

1200 square feet: for all other Lots located in this area, being North of R.M. or F.M. Road 2147.

All residences located South of R.M. or F.M. Road 2147 shall require not less than the following number of square feet of ground or first floor living area.

1800 square feet: excluding carport, garage, covered porches, covered contiguous patios or other similar appendages for all Lots fronting any portion of the golf course including fairways and the second row of Lots from the golf course as described above.

1200 square feet of ground or first floor area including carport, garage, covered porches, and contiguous patios, providing that a minimum of 80% of such floor area is enclosed dwelling portions, for all other Lots in this area being located South of R.M. or F.M. Road 2147.

3.6 R.2 Two Family Residential District

The following uses and regulations shall apply in the R-2 Two Family Residential District unless otherwise provided in these reservations.

E.(1) Uses Permitted

- (a) Any use permitted in the R-1 area.
- (b) Two Family Dwelling or two (2) One Family Dwellings.
- (c) The accessory buildings necessary to such use located on the same Lot.
- (d) One (1) professionally made sign per dwelling unit of not to exceed one (1) square foot in area containing only the name and title or occupation of the occupant.
- (e) Temporary sign of not to exceed six (6) square feet in area giving names of the contractors, engineers and architects during construction period.

E.(2) Maximum Building Height

Two levels not to exceed 25 feet above the highest natural contour line of the applicable Lot.

E.(3) Minimum Yard Requirements

Except as specified to the contrary on the Plat, which specifications shall control, the following shall apply:

(a) Front yard setbacks shall conform to a minimum depth of twenty-five (25) feet from the front property line to the nearest structural projection, including porches, but not including eaves, overhangs, planters or fireplaces.

(b) A side yard setback shall be maintained of at least five (5) feet in depth from all side property lines to the building line of any structure. Corner Lots shall maintain a minimum setback of twenty-five (25) feet from the side street line.

(c) A rear yard shall be maintained of at least fifteen (15) feet from the property line to the nearest building line, excepting fences, walls and hedges when constructed as provided for in the preceding provisions.

E.(4) Maximum Area of Dwelling

Notwithstanding uses permitted herein, no more than fifty (50%) of the total Lot area shall be used for the dwellings and other structures.

E.(5) Minimum Dwelling Unit Size

All two family residences shall require not less than nine hundred fifty (950) square feet of floor area for each unit including carport, garage, covered porches, covered contiguous patios, etc., with a minimum area of seven hundred fifty (750) square feet for enclosed living area in the dwelling portion of each unit; provided that if such two family residence is located on an R-2 Lot that is situated either contiguous to any portion of the golf course or the 825' contour of Lake Lyndon B. Johnson or the second row of lots, as hereinbefore defined, then, and in such event, the enclosed living area in the dwelling portion of each unit shall be no less than nine hundred fifty (950) square feet.

3.7 R-4 Multiple Residential District

The following uses and regulations shall apply in the R-4 Multiple Residential District unless otherwise provided in these reservations.

F.(1) Uses Permitted

- (a) Any use permitted in the R-1 and R-2 areas.
- (b) Multiple Family Dwellings and or Apartment Houses.
- (c) The accessory buildings necessary to such use located on the same Lot.
- (d) One (1) professionally made sign of not to exceed (3) square feet in area containing only the name and title or occupation of the occupant.

(e) One (1) professionally made unlighted sign not to exceed six (6) square feet in area containing only the name of the apartment or dwelling structure.

(f) Temporary sign of not to exceed six (6) square feet in area giving the names of the contractors, engineers and architects during the construction period.

F.(2) Maximum Building Height

Two levels not to exceed thirty (30) feet from the highest natural contour line of the applicable Lot.

F.(3) Minimum Yard Requirements

Except where there is specifically called out on the Plat, which specification shall control, the following shall apply:

(a) Front yard setbacks shall conform to a minimum depth of twenty-five (25) feet from the front property line to the closest structural projection, including porches, but not including eaves, overhangs, planters or fireplaces.

(b) A side yard setback shall be maintained of at least five (5) feet in depth from all side property lines to the building line of any structure. Corner Lots shall maintain a minimum setback of twenty-five (25) feet wide from the side street line.

(c) A rear yard shall be maintained to at least fifteen (15) feet from the property line to the nearest building line.

F.(4) Maximum Area of Dwelling

Notwithstanding uses permitted herein, no more than fifty (50) percent of the total Lot area shall be used for the dwelling and other structures.

F.(5) Minimum Automobile Parking Requirements

One and one-half (1 1/2) off-street parking spaces for each two (2) bedroom or more dwelling units or one (1) off-street parking space for each one (1) bedroom unit or bachelor apartment. A full parking space shall be provided in each instance where a fractional space would otherwise be required. Under no circumstances will any parking be permitted within the setback areas adjacent to streets or on the streets.

F.(6) Minimum Dwelling Unit Size

Each and every dwelling unit on the premises shall consist of at least seven hundred fifty (750) square feet of living area for structures having less than 20 living units. For structures containing over 20 dwelling units, the Committee will set, in each individual instance, the minimum square footage area required for each dwelling unit.

3.8 R-6 Apartment, Townhouse and Cottage District

The following uses and regulations shall apply in the R-6 Apartment, Townhouse and Cottage District unless otherwise provided in these reservations.

G.(1) Uses Permitted

- (a) (i) Apartments; (ii) Townhouses and (iii) Cottages.
- (b) Any uses permitted in the R-4 Area of this Declaration with the following exceptions:

- (i) All Lots shall be used for apartments, townhouses or cottages, individually owned or owned in condominium.

- (ii) Each apartment, townhouse and cottage residence may have appurtenant thereto a two-car carport and golf cart storage area or such carports and golf cart storage areas may be a part of the common elements.

- (iii) Accessory buildings or structures necessary to such use may be erected upon the same Lot or parcel subject to the approval of the Committee.

- (iv) Any signs erected shall conform to Paragraph 1 of the Requirements of Residential Land Use---General of these Regulations.

G.(2) Maximum Building Height

Not more than twenty five (25) feet above the highest natural contour line of the applicable Lot; provided in the case of multiple dwelling complexes of more than 20 dwelling units, the Committee may increase the maximum building height.

G.(3) Minimum Yard Requirements

Same as in the R-4 area except that front setback lines shall be 20' and rear setback shall be fifteen (15) feet.

G.(4) Maximum Area of Dwelling

Notwithstanding uses permitted herein, no more than sixty percent (60%) of the total Lot area shall be used for the dwelling units and other structures.

G.(5) Minimum Automobile Parking Requirements

One and one-half (1 1/2) parking spaces for each two (2) bedroom or more dwelling units or one (1) parking space for each one (1) bedroom unit or bachelor apartment. A full parking space shall be provided in each instance from a fractional space would otherwise be required. Under no circumstances will any parking be permitted within the setback area adjacent to streets or on the streets.

G.(6) Minimum Dwelling Unit Size

The maximum living area of each dwelling unit in any one Multiple Dwelling complex having more than 20 dwelling units shall be set in each instance by the Committee; provided the minimum size shall be no more than

the minimum dwelling unit size for Multiple Dwelling complexes having less than 20 units. For Multiple Dwelling complexes having less than 20 units, the minimum dwelling unit size shall be as follows:

- (a) Apartments. Each and every dwelling on the premises shall consist of at least seven hundred fifty (750) square feet of living area.
- (b) Townhouses. Each and every dwelling unit on the premises shall consist of at least twelve hundred (1200) square feet of living area.
- (c) Cottages. Each and every dwelling unit on the premises shall consist of at least fourteen hundred (1400) square feet of living area.

3.9 C-2 General Commercial District

In addition to the preceding provisions, the following uses and regulations shall apply in the C-2 General Commercial District.

H.(1) Uses Permitted

- (a) Retail or wholesale stores or businesses not involving any kind of manufacture, processing or treatment of products other than that which is clearly incidental to the retail or wholesale business conducted on the premises.
- (b) Automobile parking areas.
- (c) Automotive service stations (including super-service stations), where approved by the Committee.
- (d) Public utility or public services buildings and structures necessary to such use.
- (e) Restaurants, tea rooms and cafes, including on and off premises sale of alcoholic beverages, where the law provides.
- (f) Theatres or auditoriums (except for drive-in theatres).
- (g) Such other types of retail and wholesale businesses shall be permitted where in the sole opinion of the Committee, such businesses are compatible with the uses permitted above and with other businesses conducted or planned for the immediately adjacent areas.
- (h) The accessory buildings and structures necessary to such use located on the same Lot or Land.

H.(2) Maximum Building Height

Two levels of twenty-five (25) feet above highest natural countour of the applicable Lot or Land.

H.(3) Storage of Materials

The storage of supplies and equipment, boxes, refuse, trash, materials, machinery or machinery parts, or other items that shall in appearance detract from the aesthetic values of the property, shall be so placed and stored to be concealed from view the general public.

H.(4) Maximum Area of Building

Building area shall not exceed sixty percent (60%) of the Lot or Land area.

(4) Special Provisions

4.1 Lake Bottom

The Declarant states that the lake bottom abutting this Subdivision up to the 825' contour is privately owned by third parties not the Declarant, subject to a recorded easement in favor of the Lower Colorado River Authority for flooding purposes; and to a non-exclusive use recorded easement in favor of Declarant, its successors and assigns, covering a strip 10 feet wide lakeward from the 825' contour for the limited purposes of providing access to the water and for the construction of docks, piers and the like, subject to the conditions stated in said easement. Subject only to the foregoing, the owner of the lake bottom up to the 825' contour has reserved all rights and privileges of ownership relative to said lake bottom to the 825' contour, including, without limitation, the right to construct structures on and over the lake. The rights of Declarant and each Owner are and shall be expressly subject to the foregoing.

4.2 Ancillary Facilities and Club Membership

Declarant has constructed or proposes to construct certain facilities ("Ancillary Facilities") such as the yacht club, golf course, marina, stables, pro shop, parks and other such facilities on the Subdivision Land or part thereof or in the general vicinity of the Subdivision Land. This Declaration shall never be deemed to obligate Declarant to commence or complete any such Ancillary Facilities and or to commence or continue to operate the same, all of which shall be in the sole discretion of the Declarant. The lands on which the Ancillary Facilities have been or may be constructed are not and shall not be deemed to be part of the Subdivision Land unless and until Declarant shall commit the same to this Declaration by filing a Plat meeting the Formal Requirements as set forth above.

Subject to approval thereof by the membership committee of any club or clubs using said Ancillary Facilities or any part thereof, Declarant may but shall not be obligated to extend membership privileges in such club or clubs to any Owner of any Lot or Land in the Subdivision, as well as other persons who are interested and qualified, subject to payment of initiation fees, dues and applicable charges.

4.3 Nuisances

No noxious or offensive activities shall be carried on upon any Lot or Land, nor shall anything be done thereon which may be or may become an annoyance or nuisance to the Subdivision.

4.4 Maintenance Fee and Property Owner's Association

Each Lot and Tract, except those owned by Declarant, shall be subject to an annual maintenance fee, payable January 1, in advance each year. Said fee shall be established and collected by Declarant, its successors or assigns, until the formation of a Property Owner's Association ("Association") as herein provided.

Until the formation of the Association, as herein provided, Declarant establishes said fee at Forty-Eight (\$48.00) Dollars per Lot, or dwelling unit thereon, whichever is the greater. When the Association has been formed, the Association shall have the right at anytime to reduce and or increase the maintenance fee, to the extent it deems such reduction and or increase to be in the best interest of the Subdivision; provided such increase or reduction is uniform as to all Lots in the Subdivision.

All maintenance fees shall be deposited in a fund to be maintained and used by Declarant for the purpose of improving and maintaining streets, parkways and easements, security protection, maintaining and operating the water system and all other purposes necessary or desirable in the sole opinion of Declarant to benefit the Subdivision; provided that when 50% of the Lots in the Subdivision have been deeded to the Owner thereof, excluding Declarant, the maintenance fees shall be deposited in a fund to be maintained and used by the Association for the above stated purposes and such other purposes as may be necessary or desirable in the opinion of the Association to benefit the Subdivision. Maintenance funds may also be used for the maintenance of private property in the Subdivision, including the private property of Declarant in the Subdivision and the Ancillary Facilities whether or not the same are in the Subdivision. In addition and without limitation of the foregoing, the collection, maintenance and use of maintenance fees and funds shall never be deemed to impose any duty or obligation on Declarant and or the Association to improve and maintain streets, parkways and easements, security protection, maintaining and operating the water system or otherwise beyond use of the maintenance funds on hand and available for such use after allowing for reasonably anticipated future expenses of like nature and contingencies.

The Association shall be formed when fifty percent (50%) of the Lots in the Subdivision have been deeded to the Owners thereof, excluding Declarant. The Association shall act by vote of a majority in interest of the Owners of the Subdivision Land, voting in accordance with its procedures established in accordance with its Bylaws. All Owners of Lots and or Land, including Declarant, shall be members of the Association. The Association may be a corporation organized under the Texas Non-Profit Corporation Act.

The obligation to pay the maintenance fee shall be secured by a lien on each Lot in favor of the Declarant until the Association is established as set forth herein and thereafter in favor of the Association, but it is expressly provided such lien shall in all respects be subordinate and inferior to any and all liens previously or subsequently voluntarily placed on said Lots by Declarant and or by the Owners of said Lots; provided any foreclosure of said voluntary liens by judicial or nonjudicial foreclosure shall be expressly subject to the liens securing the maintenance fees provided for herein and provided such judicial or non-judicial foreclosure shall never extinguish or be deemed to extinguish the lien securing any maintenance fees which may then be due or may become due thereafter.

4.5 Minerals and Royalties

This Declaration is expressly subject to the oil, gas, and or minerals and or royalty interest, if any, which are outstanding of record affecting the applicable portions of the Subdivision Land.

4.6 Certain Rights of Declarant

Declarant shall have the right but not the obligation at any time and from time to time to cause or permit the owners of other land adjoining or in the vicinity of the Subdivision to commit said lands or any part thereof to this Declaration and the Conditions thereof, and in such event Declarant may delegate any or assign all or part of the rights and privileges, duties and obligations of the Declarant under this Declaration to the owner of such other land, subject to the following terms and conditions: In the event Declarant exercises the rights herein reserved, Declarant shall execute and deliver to the owner of such other land an instrument in writing and in recordable form wherein Declarant shall grant said right to said owner. Said instrument shall contain a legal metes and bounds description of the land as to which said right is granted and said instrument shall contain a specific grant of any and all rights and privileges, duties and obligations of the Declarant under this Declaration which may be delegated and or assigned to the owner of said other land with respect to said other land if and to the extent the owner thereof shall commit the same to this Declaration. All rights and privileges and all duties and obligations of the Declarant not expressly delegated and or assigned in such instrument shall be deemed to be reserved to and may be exercised by Declarant as to such other land if and to the extent owner thereof shall commit the same to this Declaration. Upon receipt of the above instrument and at any time and from time to time thereafter the owner of such other land shall have the right but not the obligation to commit any or all of such other land to this Declaration by filing a Plat meeting the Formal Requirements hereof, except that such Plat shall be executed by such other owner and or the successors and assigns of such other owner in lieu of Declarant.

(5) General Provisions

5.1 Duration

The covenants and Conditions of this Declaration shall run with the Subdivision Land and shall be binding upon all parties and all persons claiming under them for a period of twenty-five (25) years from the date this Declaration is filed for record in Llano & Burnet Co.'s Texas, after which time the covenants and Conditions shall be automatically extended for successive periods of ten (10) years unless terminated by an instrument of termination meeting the following requirements.

The instrument of termination shall be in writing and shall be executed and acknowledged by the then Owners of a majority in interest of fee title to the Subdivision Land (excluding the Subdivision Land included in roads and streets), and must be filed of record in Llano and Burnet Counties, Texas.

The instrument of termination shall be effective to terminate this Declaration and the Conditions at the expiration date of the initial 25 year term if said instrument of termination is filed of record as set forth above during the initial 25 year term or if filed of record as set forth above during any 10 year period of extension and shall be effective to terminate this Declaration and the Conditions at the end of said 10 year period of extension.

5.2 Amendments

This Declaration and any or all of the Conditions set out herein may be amended by an instrument of amendment meeting the following requirements. The instrument of amendment shall be in writing and shall be executed and acknowledged by the then Owners of a majority in interest of the fee title of the Subdivision Land (excluding the portion of the Subdivision Land included in roads and streets) and must be filed of record in Llano and Burnet Counties, Texas. Without limitation, the instrument of amendment may amend Section 5.1 hereof. The instrument of amendment shall be deemed to be effective on the date the instrument is filed of record in Llano and Burnet Counties, Texas. Any amendment to this Declaration shall be binding on all Lots and Owners after the effective date thereof, but shall apply to any building or structures not started at the time of such effective date.

5.3 Notices

Any notice required to be sent to any Owner under the provisions of this Declaration shall be deemed to have been properly sent when mailed postpaid to the last known address of the person who appears as Owner on the records of Declarant (or after 50% of the Lots in the Subdivision have been deeded to the Owners thereof, excluding Declarant, the records of the Association) at the time of such mailing. This Section shall never be deemed to obligate Declarant and or the Association to maintain records of addresses or to give notices. It shall be the duty of each Owner to keep Declarant and or the Association currently advised as to the address of Owner.

5.4 Declarant

The term "Declarant" shall mean the above named Declarant, its successors and assigns, and shall include any person or entity to which Declarant may assign and or delegate its rights and privileges and duties and obligations hereunder, which rights and privileges, duties and obligations are and shall be assignable. In this connection, Declarant shall have the right but not the obligation to assign its rights and privileges, duties and obligations, in whole or in part, to any persons, civic group and or the Association. Declarant shall be relieved of any and all responsibility under the Declaration if and to the extent Declarant shall make such assignments.

5.5 Severability

In the event that any of the provisions of this Declaration conflict with any other provisions hereof and or with the applicable Plat, the more restrictive provisions shall govern.

In this connection, without limitation, Declarant shall have the right at its election to impose additional special conditions on any Lot or Lots which special conditions, if any, shall be set forth on the face of the Plat and or in a separate instrument filed at the same time and in connection with said Plat. Said additional special conditions shall be binding on the particular Lot or Lots covered thereby and shall be deemed to be part of the Conditions of this Declaration.

If any paragraph, section, sentence, clause or phrase of the Conditions and covenants herein contained shall be or become illegal, null or void for any reason or shall be held by any court of competent jurisdiction to be illegal, null or void, the remaining paragraphs, sections, sentences, clauses or phrases of this Declaration shall continue in full force and effect and shall not be affected thereby. It is hereby declared that said remaining paragraphs, sections, sentences, clauses and phrases would have been and are imposed irrespective of the fact that any one or more other paragraphs, sections, sentences, clauses or phrases and or shall become or be illegal, null or void.

5.6 Enforcement

If any Owner of any Lot or Land shall violate or attempt to violate this Declaration or any of the Conditions or covenants herein, it shall be lawful for Declarant, the Committee or any Members thereof, the Association, or any Owner of any Lot or Land in the Subdivision to prosecute any proceeding at law or in equity against the person or persons violating or attempting to violate this Declaration or any such Conditions or covenants and to prevent such violation or threat of violation and or to recover damages for such violation or threat of violation, including reasonable attorney's fees and in general to pursue and seek such other remedies and or relief as may be permitted at law and or in equity, including, without limitation, specific performance. Without limitation, in order to enhance and protect the value of the Lots described herein, the right to prosecute any proceeding at law or in equity against any person or persons violating or attempting to violate any Conditions either to prevent such violations or to recover damages or other dues for each violation is also expressly reserved to Declarant; however, this Section shall never be deemed to obligate Declarant to threaten or prosecute any proceeding in law or equity, or otherwise enforce this Declaration or the Conditions.

Breach of any of the Conditions or covenants hereof by any Owner shall not in anywise affect any valid mortgage or lien made by said Owner or a predecessor or successor in title of such Owner; provided said mortgage or lien was made in good faith and for value and not made for the purpose of defeating the purposes of such Conditions or covenants.

IN WITNESS WHEREOF, Lake Lyndon B. Johnson Improvement Corporation has caused its corporate name and seal to be hereunto affixed by its officers thereunto duly authorized, this 24th day of July, 1971

LAKE LYNDON B. JOHNSON IMPROVEMENT
CORPORATION

ATTEST:

By /s/ Norman C. Hurd
Norman C. Hurd, President

/s/ Dorothy Hurd
Secretary

THE STATE OF TEXAS)(

COUNTY OF BURNET)(

On this 24th day of July, 1971, before me, the undersigned officer, personally appeared Norman C. Hurd, who acknowledged himself to be the President of Lake Lyndon B. Johnson Improvement Corporation, a Texas corporation, and that he as such President being authorized so to do, executed the foregoing instrument for the purposes therein contained, by signing the name of the corporation as such officer.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal.

/s/ Clayton Nolen

Notary Public in and for Burnet
County, Texas

SUPPLEMENT AND AMENDMENT
TO
DECLARATION OF RESERVATIONS
HORSESHOE BAY
COUNTIES OF LLANO AND BURNET, TEXAS

This supplement ("Supplement") to the Declaration of Reservations, Horseshoe Bay, ("Declaration") heretofore made on July 5, 1971, and filed of record in Volume 177, Page 280, of the Records of Llano County, Texas, and in Volume 189, Page 637, of the Records of Burnet County, Texas, provides as follows:

WHEREAS, said Declaration reserves to Declarant therein (Lake Lyndon B. Johnson Improvement Corporation) the right at any time and from time to time to cause or to permit the owners of other land adjoining or in the vicinity of the Horseshoe Bay Subdivision to commit said other land or part thereof to the Declaration, all upon and subject to the terms and conditions of the Declaration; and

WHEREAS, on November 22, 1971, Declarant entered into an agreement ("Agreement") with Kings Land, Inc. ("Assignee"), which Agreement is attached hereto as Exhibit A and hereby made a part hereof, wherein said Assignee did commit the land described in such Agreement to the Declaration; and

WHEREAS, the said Declaration may, in accord with its terms, be amended by an instrument in writing executed and acknowledged by the owners of a majority in interest of the fee title of the subdivision land; and

WHEREAS, Declarant and Assignee are the owners of a majority in interest of the fee title of the subdivision land;

NOW, THEREFORE, for and in consideration of these presents and other good and valuable consideration, the receipt and sufficiency of which is acknowledged, Declarant and Assignee hereby supplement and amend the said Declaration as follows:

A. By the reflection therein of the said Agreement attached hereto as Exhibit A and the entitling of said Declaration as:

"DECLARATION OF RESERVATIONS
HORSESHOE BAY AND HORSESHOE BAY SOUTH
COUNTIES OF LLANO AND BURNET, TEXAS"

B. By the addition thereto of provisions for a district in the subdivision for mobile homes, as follows:

5.7: M-1-MOBILE HOME DISTRICT

The following uses and regulations shall apply in the M-1-Mobile Home District unless otherwise provided in this Declaration, except that Sections 3.2-A.4, 3.3-B.3 and 3.4-C.4 of this Declaration shall not apply to the M-1-Mobile Home District.

(1) Uses Permitted:

- (a) A single-family mobile home dwelling on a lot, except that "double trailers" such as "double tens" and "double twelves" or an expanding unit designed to form one complete dwelling may be placed on a lot.
- (b) A cabana, ramada, patio slab, carport, and a small utility closet not larger than 7'x9', the plans and designs of which shall be subject to the prior written approval of the Committee.
- (c) Maintaining mail address for commercial, professional and business license purposes only, provided no stock in trade, supplies, nuisance producing apparatus or equipment are kept on the premises, and provided that no employees or assistants are engaged for said services on the premises, and except as otherwise provided in the Section, no signs are displayed.
- (d) One (1) professionally made sign per dwelling unit not to exceed one (1) square foot in area containing only the name and title or home occupation of the occupant.
- (e) One (1) professionally made unlighted sign not to exceed four (4) square feet in area advertising the premises for sale, lease or rent, located not nearer than ten (10) feet to adjoining premises, nor nearer than five (5) feet to a street line.

(2) Maximum Mobile Home Height:

One level not to exceed fifteen (15) feet or 2 levels not to exceed twenty-five (25) feet above the highest contour line of applicable lot.

(3) Minimum Yard Requirements:

Except where there is specifically designated on the Subdivision Map, which specification shall control, the following shall apply:

- (a) Front yard setbacks shall conform to a minimum depth of ten (10) feet from the front property line to the closest structural projection, including porches, but not including awnings, overhangs, or planters.
- (b) A side yard setback shall be maintained of at least five (5) feet in depth from all side property lines to the building line of any structure, with a minimum clearance of forty (40) inches from awnings or other projections to the side property line. Corner lots shall maintain a minimum setback of ten (10) feet from the side street line.

- (c) A rear yard shall be maintained of at least fifteen (15) feet from the property line to the nearest building line, excepting fences, walls, and hedges when used as a property or boundary lines separation.

(4) Maximum Area of Dwelling:

Notwithstanding uses permitted herein, no more than fifty percent (50%) of the total lot area shall be used for the mobile home and other structures.

(5) Subdivision of Lots:

No lot or parcel of land shall be divided into smaller lots or parcels whether for lease, sale or rental purposes, provided that variations may be granted by the Committee.

(6) Minimum Dwelling Unit Size:

All mobile homes shall require not less than seven hundred (700) square feet of floor area for any single family mobile home including contiguous patios, cabana, ramada, carport or similar structure with a minimum floor area of five hundred (500) square feet for the living area in the dwelling portion of the mobile home.

(7) Approval of Plans:

No mobile home, building, addition, accessory, fence, wall, patio, or other improvement shall be commenced, erected, or maintained, nor shall any addition to or change or alteration therein be made until the plans and specifications showing the nature, kind, shape, height, materials, floor plans, location, and approximate cost of such structure or improvement have been submitted to and approved in writing by the Committee.

(8) Mobile homes-Size-Plumbing Systems:

No mobile home may be placed on any lot until approved in writing by the Committee as to size, condition and appearance. Said mobile homes must have complete sanitary facilities, including among others a lavatory, toilet, wash basin, tub or shower, kitchen sink, and must be connected to sewage outlets in conformity with state or county health requirements. The plumbing shall conform to the requirements of the Southern Standard Plumbing Code as published by the Southern Building Code Congress, current edition, as a guide to sound plumbing practices.

(9) Tie Down of Mobile Homes:

Each mobile home shall be securely anchored at each corner by a chain of not less than 3/8" to a buried block of concrete anchor weighing not less than 300 pounds or the equivalent thereof.

(10) Garages and Carports:

Garages and carports are not required but may be constructed on a lot with the prior written approval of the Committee.

(11) Spaces Below Mobile Homes-Enclosed:

The space beneath the mobile home must be underpinned with a skirting of matching metal, stone or other such material as may be approved by the Committee of Architecture within 60 days of date of placing the mobile home on its designated lot.

(12) Awnings:

Open and closed awnings shall be permitted, the size, design and placement of which shall be subject to the approval of the Committee.

(13) Mail Boxes:

Mail boxes shall be only of a design approved by, and installed in a location designated by the Committee.

(14) Parking and Automobiles:

(a) No structure on any lot shall be occupied in this District until off-street parking for at least two automobiles has been provided on said lot. These required spaces and the drive thereto shall be surfaced with a permanent all-weather pavement.

(b) No parking shall be allowed on the streets of this District.

(c) No repairing or overhauling of cars or other vehicles is permitted on the lots or on the streets in this District.

C. By amending the last sentence of Section 3.1 (f) to read as follows:

"This subsection shall never be deemed to authorize Declarant to resubdivide and or reclassify any lot or Tract owned by Declarant which is subject to an outstanding Contract for Deed or similar instrument in favor of a third party, unless such resubdivision or reclassification is joined in by such third party."

D. By changing the title of Paragraph A.2 of Section 3.2 to read "Air Conditioning Units and Television Antennae" and adding the following sentence to such paragraph:

"Unconcealed outside television antennae shall be allowed hereunder, unless aesthetically objectionable or not in conformity with the overall development of the subdivision to the satisfaction of the Committee, until such time as cable television is available."

E. By rewording the first paragraph of Section 3.1 (g) to read as follows:

"(g) Declarant hereby reserves a right of way and easement 15 feet wide along each lot line fronting a street, 10 feet wide along each back lot line and 5 feet wide along each side lot line, together with an unobstructed easement above the same for any or all utilities and drainage, including, without limitation, television and or communication cables; provided, that where said utility and drainage easements are shown on the applicable plat if different widths and/or locations, the width and location of such easements on the plat shall be constant."

F. By such rewording Paragraph A.9 of Section 3.2 to read as follows:

"All utilities and utility services on all lots or land shall be installed underground and no above surface utility wires will be installed on any lot or land outside any structure, unless otherwise provided on any Plat or Plats filed of record covering such lot or land. This limitation shall not be applicable to the utilities and utility services of Declarant."

IN WITNESS WHEREOF, Lake Lyndon B. Johnson Improvement Corporation and Kings Land, Inc., have caused their corporate names and seals to be hereunto affixed by their officers thereunto duly authorized, this 14th day of February, 1972.

LAKE LYNDON B. JOHNSON IMPROVEMENT
CORPORATION

By: /s/ Norman C. Hurd
Norman C. Hurd, President

ATTEST:

/s/ Dorothy E. Hurd

KINGS LAND, INC.

By: /s/ Frank Dan King
Frank Dan King, President

ATTEST:

/s/ William K. Lucy

THE STATE OF TEXAS)
COUNTY OF)
 SS.

On this the 14th day of February, 1972, before me, the undersigned officer, personally appeared Norman C. Hurd who acknowledged himself to be the President of Lake Lyndon B. Johnson Improvement Corporation, a Texas corporation, and that he as such President being authorized so to do, executed the foregoing instrument for the purposes therein contained, by signing the name of the corporation as such officer.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal.

(SEAL)

/s/ Clayton Nolen
Notary Public in and for
County, Texas

THE STATE OF TEXAS)
COUNTY OF)
 SS.

On this the 14th day of February, 1972, before me the undersigned officer, personally appeared Frank Dan King who acknowledged himself to be the President of Kings Land, Inc., a Texas corporation and that he as such President being authorized so to do, executed the foregoing instrument for the purposes therein contained, by signing the name of the corporation as such officer.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal.

/s/ Clayton Nolen
Notary Public in and for
County, Texas

(SEAL)

APPENDIX B
AGREEMENT
(HORSESHOE BAY SOUTH)

THE STATE OF TEXAS)
COUNTY OF BURNET)

This agreement ("Agreement") dated Nov. 22, 1971, by and between Lake Lyndon B. Johnson Improvement Corporation ("LBJ") and Kings Land Inc. (Assignee).

WITNESSETH:

WHEREAS, on July 5, 1971, LBJ made a certain Declaration of Reservations ("Declaration") covering a subdivision ("Subdivision") known as Horseshoe Bay, which Declaration is recorded in Volume 177, Page 280 of the Records of Llano County, Texas, and Volume 189, Page 637 of the Records of Burnet County, Texas; and,

WHEREAS, said Declaration reserves to the Declarant therein the right at any time and from time to time to cause or permit the owners of other land adjoining or in the vicinity of the Subdivision to commit said other land or part thereof to the Declaration, all upon and subject to the terms and conditions of the Declaration; and,

WHEREAS, Assignee is owner of 674.905 acres, more or less (said "Land") situated in Burnet County, Texas, more particularly described in Exhibit A which is attached hereto and made a part hereof for all purposes, subject to the liens, easements, rights of way, reservations and other encumbrances more particularly described in said Exhibit A; and,

WHEREAS, Assignee has requested LBJ to grant to Assignee, its successors and assigns, the right to commit all or part of said Land to the Declaration and LBJ deems that such grant will be in its best interest and LBJ is willing to grant said right upon and subject to the terms and conditions hereof;

NOW, THEREFORE, for and in consideration of Ten Dollars (\$10.00) and other good and valuable consideration including the mutual agreement herein set forth, the receipt and sufficiency of which is hereby acknowledged, LBJ and Assignee have and by these presents do agree as follows:

(1) LBJ hereby grants to Assignee the right but not the obligation at any time and from time to time hereafter at the sole election of Assignee to commit said Land or any part thereof to the Declaration by making and filing of record in Llano and Burnet Counties, Texas, a Plat duly executed by Assignee, which Plat complies with the Formal Requirements set forth in Section 1.1 of the Declaration covering the portion of said Land to be committed to the Declaration (the portion of said Land committed to the Declaration pursuant to the terms hereof shall be called the "Committed Land").

(2) In the event Assignee commits said Land or any part thereof to the Declaration, LBJ hereby reserves all rights and privileges, duties, and obligations of the Declarant in and under the Declaration with respect to the Committed Land, save and except only the following rights and privileges of the Declarant which are hereby delegated to Assignee insofar and only insofar as the same cover the Committed Land:

(a) Assignee shall have the right to plat the Committed Land into one or more Lots and or Tracts in compliance with the applicable provisions of the Declaration, including Section 1.1(a) through (e) and Section 3.1(a) through (g) thereof. Assignee shall have the right to resubdivide the same to the same extent and upon the same terms and conditions as LBJ, as Declarant, may resubdivide its own land pursuant to the Declaration, including Section 3.1 thereof. All Lots and or Tracts into which the Committed Land may be platted shall be identified as Lots K _____ through and including K _____ and or Tract K _____ through and including Tract K _____, as the case may be. The Plat or Plats filed by Assignee shall be identified as "Horseshoe Bay South."

(b) Assignee shall restrict each Lot constituting the Committed Land into any of the Classifications then in effect under the Declaration as provided in Section 3.1 of the Declaration and any subsequent amendments thereof and as permitted in subparagraph 2 (c) hereof. Assignee shall have the right to reclassify the Committed Land to the same extent and on the same terms and conditions as LBJ, as Declarant, may reclassify its own land as provided in the Declaration, including Section 3.1 (f) thereof. Assignee shall not have the right to add additional Classifications as permitted in Section 3.1 (e) save and except as permitted in subparagraph 2 (c) hereof.

(c) LBJ hereby authorizes Assignee to supplement Section 3.1 (Platting, Lot Classification, Easements) of the Reservations with respect to any or all of the Committed Land in order to add an additional Classification to be known as M-1-Mobile Home District. Assignee may make such amendment by preparing and filing of record in Llano and Burnet Counties, Texas, a supplement to the Restrictions which shall set forth the uses and regulations which shall apply in the M-1-Mobile Home District. Assignee shall have the right to determine the rules and regulations applicable to the M-1-Mobile Home District.

(d) Assignee shall have the right to impose additional special conditions on the Committed Land or any part thereof to the same extent and on the same conditions as LBJ, as Declarant, may impose additional restrictions on its own land pursuant to the Declaration, including Section 5.5 thereof.

(e) LBJ hereby authorizes Assignee to amend Section 3.2 A.9 (utilities) of the Reservations with respect to all or part of the Committed Land in order to permit the installation of utility poles, wires, and appurtenances on or above ground level. Assignee may make such amendments with respect to any Lot or Lots and any Tract or Tracts by stating on the applicable Plat or Plats that utility poles, wires and appurtenances on specific Lots and or Tracts and adjacent streets may be installed on or above ground level.

(f) Assignee shall have the right to dedicate to public or private use the applicable easements for roads, streets, utilities and the like relative to the Committed Land in the sole discretion of Assignee.

(g) Assignee agrees with respect to each Lot constituting part of the Committed Land, to reserve in favor of Assignee and LBJ, as Declarant under the Declaration, in addition to the easements for utilities and drainage as provided in Section 3.1 (9) of the Declaration, an easement for utilities and drainage ten (10) feet wide along lot line or lines of said Lot adjoining a street or streets in the Subdivision, said ten (10) foot easement shall include and not be in addition to the five (5) foot wide easement provided for in said Section 3.1 (g) along said lot line or lines.

(h) Without limitation, LBJ, as Declarant under the Declaration, expressly reserves all other rights and privileges of the Declarant with respect to the Committed Land, including, without limitation, the following:

(i) LBJ, as Declarant, reserves all the rights and privileges of the Declaration as set forth in Sections 2.1 through and including 2.7 of the Declaration with respect to the Committee of Architecture ("Committee").

(ii) LBJ, as Declarant, reserves all the rights and privileges set forth in Section 3.1 (e) of the Declaration to add additional Classifications save and except as permitted in subparagraph 2 (c) hereof.

(iii) LBJ reserves the right but not the obligation pursuant to Section 4.2 of the Declaration to extend membership in the Ancillary Facilities to any Owner of any Lot or Subdivision Land constituting part of the Committed Land.

(iv) LBJ, as Declarant, reserves the right to establish and collect annual maintenance fees as provided in Section 4.4 of the Declaration, subject to the provisions of Section 3(f) of this Agreement.

(v) LBJ, as Declarant, reserves the right at any time and from time to time to cause or permit the owners of other land adjoining or in the vicinity of the Subdivision to commit said lands or any part thereof to the Declaration and the Conditions thereof as provided in the Declaration, including Section 4.6 thereof.

(3) LBJ and Assignee agree in general as follows relative to the Committed Land:

(a) This Agreement and the Declaration shall cover and be applicable only to such portion of said Land, if any, which Assignee shall commit or cause or permit to be committed to the Declaration by the filing of a plat or plats meeting the Formal Requirements set forth in the Declaration and this Agreement. This Agreement and the Declaration shall not cover or be applicable to any such portion of said Land, unless and until Assignee shall commit the same to the Declaration by the filing of a plat or plats meeting the Formal Requirements set forth in the Declaration. This Agreement shall never be deemed to obligate Assignee to commit said Land or any part thereof to the Declaration unless and until Assignee, in the exercise of its sole discretion, elects to commit the same to the Declaration.

(b) In the event Assignee shall commit said Land or any part thereof to the Declaration, the Committed Land shall be deemed to be part of the Subdivision Land and shall be subject to the Declaration for all purposes.

All Committed Land shall be owned, held, leased, sold and or conveyed by Assignee and any subsequent owner of all or any part thereof, or any right, title or interest therein, subject to the Declaration and the Conditions thereof. The Declaration and the Conditions thereof shall be binding upon and inure to the benefit of the Committed Land and or any part thereof, including, without limitation, each and every Lot and or Tract into which the same may be subdivided, and shall be binding upon and inure to the benefit of each and every Owner thereof, or any part thereof, or any right, title or interest therein. The Declaration and the Conditions thereof shall constitute covenants running with the Subdivision Land, which includes the Committed Land and each and every Lot or Tract into which the Committed Land may be subdivided as provided herein, and shall constitute a mutual covenant and equitable servitude burdening each part of said Subdivision Land, including the Committed Land, and inuring to the benefit of each other part thereof and burdening each Lot and or Tract in favor of each other Lot and and or Tract in said Committed Land and or the Subdivision Land.

(c) The term "Owner" shall include the owner of fee simple title to the Committed Land or any part thereof, including, without limitation, any Lot and or Tract constituting part of the Committed Land. The term "Owner" shall include Assignee if and to the extent Assignee is owner of fee simple title to the Committed Land or any part thereof. In the case of a contract for deed or similar instrument ("Contract for Deed") in which Assignee is the owner of fee simple title to the Lot or Land covered thereby and is grantee in said Contract for Deed, Assignee shall be deemed to be the Owner of the Lot or Land covered by said Contract for Deed until the third party, or the heirs, successors, assigns or legal representatives of said third party, have paid twenty-five (25%) percent of the total principal amount of the purchase price provided for in said Contract for Deed, whereupon said third party, or the heirs, successors, assigns or legal representatives of said third party, shall be deemed to be the Owner of said Lot or Lots so long as said Contract for Deed shall remain in good standing and no default shall occur thereunder.

(d) The Committee established pursuant to the Declaration, including Sections 2.1 through and including 2.9 thereof, will have the same rights and powers with respect to the Committed Land as with respect to all other Subdivision Land.

(e) The rights of way and easements reserved as set forth in Sections 1.1(e) and or 3.1(g) of the Declaration, insofar and only insofar as the same cover the Committed Land, are and shall be reserved for the non-exclusive use and benefit of LBJ, as Declarant under the Declaration, and Assignee; and LBJ hereby assigns to Assignee the non-exclusive right and privilege to use the same for the purposes for which the same are created. Assignee shall have the right to relocate said rights of way and easements at any time by replatting, if and to the extent replatting thereof by Assignee is authorized pursuant to any other provisions hereof and if and to the extent LBJ, as Declarant, its successors or assigns, have not commenced the use thereof.

(f) Each Lot and Tract, except those owned by Assignee, shall be subject to the annual maintenance fee provided for in the Declaration, including Section 4.4 thereof, which fee shall be payable January 1, in

advance each year. Said fee shall be established and collected by LBJ, as Declarant under the Declaration, until formation of the Property Owners Association ("Association"), all as provided in the Declaration. Without limitation, the Committed Land shall be part of the Subdivision.

LBJ and Assignee agree that within the sole discretion of LBJ, as Declarant under the Declaration, all maintenance fees paid to LBJ, as Declarant, attributable to the Committed Land, may be used for any or all of the uses and purposes set forth in the Declaration, including Section 4.4 thereof, and shall be subject to the terms and conditions of said Declaration.

The liens covering each Lot constituting the Committed Land securing the obligation to pay maintenance fees to the extent the same run in favor of the Declaration, shall run in favor of LBJ, as Declarant, and or the Association as provided in the Declaration.

(g) Without limitation, Lots constituting part of the Committed Land shall be deemed to be Lots in the Subdivision for purposes of the Declaration, including Section 4.4 thereof.

(h) For purposes of Section 5.1 of the Declaration, the Owners of the Committed Land shall be deemed to be Owners of Subdivision Land for purposes of determining a majority of interest in the Subdivision Land, all as provided in said Section.

(i) Without limitation, if any Owner of any Lot or any portion of the Subdivision Land, including, without limitation, the Committed Land, shall violate or attempt to violate the Declaration or any part of the Conditions or covenants thereof, it shall be lawful for LBJ, as Declarant, Assignee, the Committee or any Members thereof, the Association or any Owner of any Lot or any portion of the Subdivision Land, including, without limitation, the Committed Land, to pursue any of the remedies provided for or permitted in Section 5.6 of the Declaration.

(j) The Declaration may be amended or supplemented at any time and from time to time by complying with the terms and conditions of Section 5.2 thereof and all such amendments shall be binding upon and inure to the benefit of the Committed Land. Without limitation, the Committed Land shall be deemed to be Subdivision Land for the purposes of Section 5.2 of the Declaration.

(k) LBJ hereby assigns without warranty to Assignee the non-exclusive right and privilege to use the name "Horseshoe Bay South," together with the right to use the mark, a copy of which, marked Exhibit "B", is attached hereto, in connection with the Committed Land. As between LBJ and Assignee, Assignee agrees that LBJ is the owner of said name and mark.

(l) This Agreement shall never be deemed to grant to Assignee any right, title or interest in and to any assets or property, whether real, personal or otherwise, of LBJ and or in and to any other rights, titles or interests owned and or claimed by LBJ. Without limitation, this Agreement shall never be deemed to grant Assignee any right, title or interest in or to any land described in that certain Deed dated May 5, 1971 from Hurd Properties, Inc. to LBJ covering 765.55 acres, more or less, recorded in Volume 176, Page 122 of the Deed Records of Llano County, Texas, and or any Contract of Sale covering said property or any part thereof or any improvements thereon

or otherwise. In the event Assignee commits any part of said Land to the Declaration pursuant to the terms and conditions hereof, Assignee shall have the rights and privileges granted under the Declaration and this Agreement insofar and only insofar as the Declaration covers the Committed Land.

(m) This Agreement shall never be deemed to grant to LBJ any right, title or interest in and to any assets or property, whether real, personal or otherwise, of Assignee and or in and to any other rights, titles or interest owned or claimed by Assignee. Without limitation, this Agreement shall never be deemed to grant LBJ any right, title or interest in or to any land described in that certain deed dated August 24, 1971, from C.T. Hedges and wife, Jim Willis Hedges, covering 674.905 acres, more or less, recorded in Volume 190, Page 703 of the Deed Records of Burnet County, Texas and or any Contract of Sale covering said property or any part thereof or any improvements thereon or otherwise. In the event Assignee commits any part of said Land to the Declaration pursuant to the terms and conditions hereof, LBJ shall have the rights and privileges granted under the Declaration and this Agreement insofar and only insofar as the Declaration covers the Committed Land.

(4) LBJ and Assignee further agree in general as follows:

(a) Terms herein which are defined in the Declaration, including, without limitation, the terms "Owner," "Subdivision Land," "Declaration," "Conditions," "Formal Requirements," "Lot," "Tract," "Plat," "Committee," "Association," "Maintenance Fee" and the like shall be defined for purposes of this Agreement as said terms are defined in the Declaration. The terms "Land," as used in this agreement, shall mean the land described in Exhibit "A" hereof and shall not mean "Land" as that term is defined in the Declaration.

(b) This Agreement shall be binding upon and inure to the benefit of the parties hereto, their respective successors, assigns and legal representatives.

WITNESS the execution hereof on the date set forth above.

LAKE LYNDON B. JOHNSON IMPROVEMENT
CORPORATION

By /s/ Norman C. Hurd
President

ATTEST:

/s/ Dorothy E. Hurd
Secretary

KINGS LAND INC.

By /s/ Frank Dan King
President

ATTEST:

/s/ William K. Lucy
Secretary

Attachment: Ex.A--Description of 674.905 acres, more or
less

Ex. B--Mark

THE STATE OF TEXAS){
COUNTY OF BURNET){

BEFORE ME, the undersigned authority, on this day personally appeared Norman C. Hurd, known to me to be the person and officer whose name is subscribed to the foregoing instrument, and acknowledged to me that the same was the act of LAKE LYNDON B. JOHNSON IMPROVEMENT CORPORATION, a Texas Corporation, and that he executed the same as the act of such corporation for the purposes and consideration therein expressed, and in the capacity therein stated.

GIVEN under my hand and seal of office this 22nd day of November, 1971.

/s/ Cheron Lucy
Notary Public in and for Burnet
County, Texas

THE STATE OF TEXAS){
COUNTY OF BURNET

BEFORE ME, the undersigned authority, on this day personally appeared Frank Dan King, known to me to be the person and officer whose name is subscribed to the foregoing instrument, and acknowledged to me that the same was the act of KINGS LAND INC., a Texas Corporation and that he executed the same as the act of said Corporation for the purposes and consideration therein expressed, and in the capacity therein stated.

GIVEN under my hand and seal of office this 22nd day of November, 1971

/s/ Cheron Lucy
Notary Public in and for Burnet
County, Texas

Being 674.905 acres of land in Burnet County, Texas, consisting of the approximate acreage out of the following surveys:

John H. Darlin No. 4.....	313.6 Ac.
A.C. Fuchs No. 1448.....	28.5 Ac.
J. Harrell No. 510.....	64.9 Ac.
F. Leuders No. 602.....	33.8 Ac.
J. Harrell No. 513.....	74.1 Ac.
C.L. Fuchs No. 419.....	160.0 Ac.

And being out of that certain 855.44 acre tract conveyed to C.T. Hedges by John A. Nieman, et ux, by deed dated July 11, 1947, and recorded in Volume 99, Page 514 of the Burnet County Deed Records,

Beginning at a fence corner for the Northwest corner of the tract and being the Southwest corner of that certain tract of land conveyed to Morris A. Elms from C.T. Hedges by Deed which is recorded in Volume 129, page 14 of the Burnet County Deed Records, to which reference is made for further description:

Thence with fence along the North line of this tract and South line of said Elms tract and South line of Castle Terrace Subdivision No. 2, N 89° 07' E 2343.93 ft. to a corner thereof in the West line of said Engle King Survey;

Thence with fence following the approximate line of said Engle King Survey as follows:

S 00° 03' 14" W 207.7 ft. S 02° 48' 35" E 225.91 ft.,
S 00° 49' 34" E 1066.24 ft. S 07° 22' 26" E 43.50 ft.,
S 10° 40' 44" W 39.7 ft., S 00° 52' 19" W 102.81 ft.,
S 01° 54' 25" E 207.09 ft., and S 24° 19' 57" E 33.85 ft.

to a corner thereof, a stone mound at the Southwest corner of said Engle King Survey bears West 7 ft.;

Thence with fence and the approximate South line of said Engle King Survey generally paralleling an old stone fence S 89° 55' 04" E 2107.35 ft. to a corner near the West line of said Leuders Survey and the Northeast corner of said Harrell Survey No. 110;

Thence with fence S 00° 44' 33" E 580.75 ft. to a corner thereof;

Thence with fence N 89° 51' 13" E 2451.1 ft. to a corner thereof;

Thence with fence S 00° 33' 50" E 1953.14 ft. to a corner thereof called the Southeast corner of said Harrell Survey No. 513;

Thence with fence called the South line of said Survey 513, S 53° 54' 39" W 1933.14 ft. to a corner thereof called the South corner of said Survey 513 and the Southeast corner of said Fuchs Survey No. 419;

Thence with fence and the approximate South line of said Fuchs Survey S 88° 22' 48" W 1758.02 ft. to a corner thereof;

Thence with fence S 89° 37' 52" W 4783.55 ft. to a corner thereof;

Thence with fence as follows:

N 01° 16' 15" W 1389.45 ft. N. 89° 56' 10" E 1250.44 ft.
N 01° 07' 06" W 1649.31 ft. N 34° 41' 42" W 57.47 ft.,
N 03° 28' 32" W 95.4 ft. N 06° 42' 05" E 80.43 ft.
N 19° 21' 04" E 70.73 ft. and N 01° 16' 27" W 2307.62 ft.
to the place of beginning.

Subject to the liens, easements, rights of way, reservations and other encumbrances, if any, described in that certain deed dated August 24, 1971, from C.T. Hedges and wife, Jim Willis Hedges, grantors, in favor of Kings Land, Inc., grantee, recorded in Volume 190, Page 703-705 of the Deed Records of Burnet County, Texas.

Exhibit "A"

SECOND
AMENDMENT
TO
DECLARATION OF RESERVATIONS
HORSESHOE BAY
COUNTIES OF LLANO AND BURNET, TEXAS

This Second Amendment ("Amendment") to the Declaration of Reservations, Horseshoe Bay, heretofore made on July 5, 1971, and filed of record in Volume 177, Page 280, of the Records of Llano County, Texas, and in Volume 189, Page 637, of the Records of Burnet County, Texas, as supplemented and amended by that certain Supplement and Amendment dated February 14, 1972, and recorded in Volume 180, Page 725 of the Records of Llano County, Texas and in Volume 193, Page 643, of the Records of Burnet County, Texas, (said Declaration as supplemented and amended shall be referred to herein as the "Declaration").

WHEREAS, said Declaration reserves to Declarant therein (Lake Lyndon B. Johnson Improvement Corporation) the right at any time and from time to time to cause or to permit the owners of other land adjoining or in the vicinity of the Horseshoe Bay Subdivision to commit said other land or part thereof to the Declaration, all upon and subject to the terms and conditions of the Declaration; and

WHEREAS, on November 22, 1971, Declarant entered into an agreement ("Agreement") with Kings Land, Inc. ("Assignee"), wherein Declarant authorized Assignee to commit the land described in such Agreement to the Declaration; and whereas Assignee has committed a portion of the land described in said Agreement to the Declaration; and

WHEREAS, the said Declaration may, in accord with its terms, be amended by an instrument in writing executed and acknowledged by the Owners of a majority in interest of the fee title of the Subdivision Land (excluding the portion of the Subdivision Land included in roads and streets); and

WHEREAS, the undersigned are the Owners of a majority in interest of the fee title of the Subdivision Land (excluding the portion of the Subdivision Land in roads and streets);

NOW, THEREFORE, for and in consideration of these presents and other good and valuable consideration, the receipt and sufficiency of which is acknowledged, the undersigned, hereby amend the said Declaration effective as of the date of the filing hereof in Llano and Burnet Counties, Texas, as follows:

- (1) Subsection 1.4 under Section (1) Formal Requirements; is hereby supplemented and amended to add the following:

In the event Declarant sells or conveys any Lot or Land pursuant to a vendors lien deed, note and deed of trust in a transaction wherein the cash downpayment, if any, by the grantee

is less than twenty five (25%) percent of the total purchase price for said Lot or Land, Declarant shall be deemed to be the Owner of the Lot or Land covered by said deed until the grantee, or the heirs, successors, assigns or legal representatives of the grantee, shall have paid twenty five (25%) percent of the said purchase price, whereupon said grantee, or the heirs, successors, assigns or legal representatives of the grantee shall be deemed to be the Owner of said Lot or Land.

- (2) Section 3.3 Land Use - General, B. (16) Mineral Rights: is hereby amended to read as follows:

The Subdivision Land is subject to outstanding mineral and or royalty interests, if any, relative thereto, as reflected of record. Declarant makes no reservation unto itself of any minerals on, in and under any Lot or Land constituting part of the Subdivision Land.

- (3) Section 3.3 Land Use - General, is hereby supplemented and amended to add the following additional Subsection:

B. (17) Camping Areas

Declarant shall have the right to dedicate one or more areas in the Subdivision Land as Camping Area. Camping Areas shall be designated as such on the applicable Plat or Plats covering the portion or portions of the Subdivision Land dedicated as Camping Area. Camping Areas may be utilized for camping upon and subject to such rules and regulations relating to the use thereof as may be prescribed from time to time in writing by the Declarant; provided that when the Association has been formed, upon and subject to such rules and regulations relating to the use thereof as may be prescribed by the Association. The rules and regulations, if any, in effect from time to time shall be posted in a conspicuous place at each entrance to each Camping Area. Notwithstanding any provision of the Declaration (including Section 3.3B (5) to the contrary, the rules and regulations applicable to the Camping Areas may permit the use thereof by house trailers, campers, mobile homes and any such vehicle designed for living or camping.

- (4) Section 4.1 Lake Bottom is hereby amended to read as follows:

The Declarant states that the lake bottom abutting this Subdivision up to the 825' contour is privately owned by third parties not the Declarant, subject to a recorded easement in favor of the Lower Colorado River Authority for flooding purposes; and to a recorded non-exclusive use easement in favor of Declarant, its successors and assigns, covering a strip 25 feet wide lakeward from the 825' contour for the limited purpose of providing access to the water and for the construction of docks, piers and the like, subject to the conditions stated in said easement. Subject only to the foregoing, the owner of the lake bottom up to the 825' contour has reserved all rights and privileges of ownership relative to said lake bottom to the 825' contour, including, without limitation, the right to construct structures on and over the lake. The rights of Declarant and each Owner are and shall be expressly subject to the foregoing.

(5) Section 4.2 Ancillary Facilities and Club Membership is hereby supplemented to add the following:

(a) Without limitation, Declarant may but shall never be deemed obligated to do any or all of the following at any time and from time to time: maintain and operate the Ancillary Facilities or any of them; and or sell, convey, lease, assign, mortgage, pledge, restrict, dedicate to the public or otherwise dispose of and or encumber the Ancillary Facilities or any part thereof and or any of Declarant's right, title or interest therein.

(b) Without limitation, this Declaration shall never be deemed to limit or deny the right and privilege of (i) the owner or owners of the Ancillary Facilities or any part thereof and or any lessee, operator and or other person or entity claiming by, through or under such owner or owners, and or (ii) in the event any club or clubs use said Ancillary Facilities or any part thereof, such club or clubs, at any time and from time to time, from imposing and collecting monetary consideration for the use of said facilities, the service thereof, the availability thereof and or any activity relative thereto as they deem necessary or appropriate, including without limitation, user charges, food or beverage charges, green and court fees, equipment rentals, stable fees, riding charges, instruction fees, slip fees, initiation fees, membership dues, special membership assessments, and or any other direct or indirect charge, any and or all of which may be for profit, subject only to the exception set forth in Subsection (c) below.

(c) As the exception to the foregoing, in the event any club or clubs use said Ancillary Facilities or any part thereof and membership is extended to the Owner of any Lot or Land in the Subdivision, no initiation fee shall be charged to such Owner with respect to any such club or clubs. The term initiation fee shall be synonymous with initial membership fee but shall not be deemed to include membership dues. For purpose of this Subsection, the term Owner shall be deemed to cover or include the owner of a dwelling unit situated on any such Lot or Land.

(d) In the event the Declarant should grant any privilege with respect to the Ancillary Facilities or any part thereof to the Owners of the Subdivision Land, or any part thereof, as a class, the same privilege shall be deemed granted to all Owners of the Subdivision Land, as a class. Without limitation, in the event the Declarant, Lake Lyndon B. Johnson Improvement Corporation, should grant any privilege with respect to the Ancillary Facilities, or any part thereof, to the Owners of the portion of the Subdivision Land known as Horseshoe Bay, or any part thereof, as a class, the same privilege shall be deemed granted to the Owners, as a class, of all Subdivision Land, including, without limitation, the portions thereof known as Horseshoe Bay and Horseshoe Bay South and any other land then or thereafter constituting the Subdivision Land as provided in the Declaration. This Section shall never be deemed to obligate Declarant (i.e., Lake Lyndon B. Johnson Improvement Corporation, Kings Land, Inc. and or any other person or entity constituting the

Declarant and or having any of the privileges of the Declarant as provided in the Declaration) to grant any privilege with respect to the Ancillary Facilities or any part thereof. This Section shall never be deemed to authorize any person or entity having any of the rights or privileges of the Declarant to grant any privilege with respect to the Ancillary Facilities without the express prior written authorization of the Declarant, Lake Lyndon B. Johnson Improvement Corporation. In the event Declarant should grant any privilege with respect to the Ancillary Facilities or any part thereof, such grant may be in any form or substance and for such term as the Declarant granting same shall deem necessary or appropriate. Without limitation, such grant may be in the form of the adoption of a self imposed unwritten policy subject to modification or termination for any reason at any time and from time to time or may be in the form of a formal written instrument which may be binding upon and inure to the benefit of the appropriate parties, their successors and assigns. The term "Privilege" shall mean privilege with respect to use of the applicable facilities and shall never be deemed to grant or to authorize the granting of any right, title or interest in the Ancillary Facilities or any part thereof to the Owners of the Subdivision or any part thereof or to any other person or entity. Use of the term "grant" herein shall never be deemed to imply conveyance of any right, title or interest in the Ancillary Facilities or any part thereof.

(e) After formation of a Property Owner's Association, Declarant shall convey fee title to all parks constituting part of the Subdivision Land to the Property Owner's Association as soon as reasonably possible after Declarant has completed its development of such parks. Said conveyance shall be subject to all easements, reservations and encumbrances of record. Declarant shall have the right to impose such special restrictions as it deems necessary or appropriate in order to restrict said parks for park purposes.

- (6) Section 4.4 Maintenance Fee and Property Owner's Association is hereby supplemented, amended and restated as follows:

Section 4.4 Maintenance Fee, Golf Course Maintenance Fund, Subdivision Maintenance Fund, Assessments, Assessment Fund, Horseshoe Bay Maintenance Fund, Inc., Horseshoe Bay Property Owner's Association, Inc.

Each Lot and Tract or dwelling unit thereon, except those owned by Declarant, shall be subject to an annual maintenance fee ("Maintenance Fee") and, if applicable, any special assessment for capital improvements ("Assessment") as hereinafter provided, payable January 1, in advance each year. Said Maintenance Fee and Assessment shall be established, collected and expended by Declarant, its successors or assigns upon and subject to the following terms and conditions:

(.1) Declarant has created Horseshoe Bay Maintenance Fund, Inc., a Texas non-profit corporation, as a collection and enforcement agency ("Collection Agent"), and, pursuant to the authority of Section 5.4, the Declarant has assigned to said Collection Agent, the duty and

obligation of the Declarant hereunder to collect and enforce payment of the Maintenance Fees and Assessments. The Collection agent shall collect and enforce payment of all Maintenance Fees and Assessments established pursuant to this Declaration. The Collection Agent shall not have the power or authority to establish, reduce or increase the Maintenance Fee and or Assessments provided for in this Declaration.

(.2) Declarant will create the Horseshoe Bay Property Owner's Association, Inc., a Texas non-profit corporation ("Association") as soon as reasonably possible after adoption of this Amendment. The Association shall perform the function of the Association as provided in the Declaration, including without limitation, this amendment thereof. When fifty (50%) percent of the Lots in the Subdivision have been deeded to the Owners thereof, excluding Declarant, the Association shall be entitled to establish the Maintenance Fee. When the Association is entitled to establish the Maintenance Fee, the Association shall have the right at any time and from time to time thereafter to reduce and or increase the Maintenance Fee to the extent it deems such reduction and or increase to be in the best interest of the Subdivision; provided such increase or reduction is uniform as to all Lots and Tracts, or dwelling units thereon, in the Subdivision excluding the properties which are not subject to the Maintenance Fee as provided herein. The Association shall never have the right to change, increase or reduce the amount, percentage payment obligation or any other terms or conditions of the portions of the Maintenance Fee payable to the Golf Course Owner for the Golf Course Maintenance Fund hereinafter defined. The Association shall be a Texas non-profit corporation with members. Each person or entity being the Owner of any Lot and Tract or dwelling unit thereon in the Subdivision shall be a member of the Association. Members shall be entitled to one (1) vote for each Lot and Tract or dwelling unit thereon of which such member is Owner. Declarant and Assignee may be members of the Association; provided the combined vote of Declarant and Assignee shall never exceed forty-nine (49%) percent of the total vote regardless of the number of Lots and Tracts or dwelling units thereon of which Declarant and Assignee may be Owner.

(.3) The Declarant hereby establishes the Maintenance Fee at forty-eight (\$48.00) dollars per Lot and Tract, or dwelling unit thereon, whichever is the greater. Each duplex unit, triplex unit, motel unit, hotel unit, apartment unit and or condominium unit situated on any Lot or Tract shall be deemed to be one dwelling unit for all purposes of the Declaration including this Subsection. The Maintenance Fee established by the Declarant shall continue in effect unless and until reduced or increased by the Association pursuant to the terms hereof. This Subsection is subject to the additional terms and conditions of Subsection 4.4.9 hereof.

(.4) Promptly upon receipt thereof, the Collection Agent will pay all Maintenance Fees actually collected, less and except the reasonable actual direct cost and expense of collection and enforcement, to the Golf Course Owner for the Golf Course Maintenance Fund and to the Association for the Subdivision Maintenance Fund pursuant to the terms hereof. Promptly upon receipt thereof, the Collection Agent will pay all Assessments actually collected, less and except

the reasonable actual direct cost and expense of collection and enforcement, to the Association pursuant to the terms hereof.

(.5) The Association may establish the Assessment for the purpose of defraying, in whole or in part, the cost of any construction or reconstruction, unexpected repair or replacement of a described capital improvement upon the common properties of the Subdivision, including the necessary fixtures and personal property related thereto, provided that any such Assessment shall have the assent of two thirds in interest of the Owners of Lots and Tracts, or dwelling units thereon in the Subdivision, voting in person or by proxy, at a meeting duly called for such purpose. Written notice of any such meeting shall be given to all members of the Association in the manner provided for in the By Laws of the Association at least thirty (30) days in advance and shall set forth the purpose of the meeting. An Assessment may be made applicable to up to a total of five (5) calendar years, one of which shall be the calendar year in which the Assessment is established. The Assessment shall be uniform as to all Lots and Tracts, or dwelling units thereon, in the Subdivisions excluding the properties which are not subject to the Assessment as provided herein.

(.6) Golf Course Maintenance Fund: Commencing January 1, 1974, promptly upon receipt thereof, and so long as Golf Course Owner shall maintain and operate or cause the Golf Course to be maintained and operated, Collecting Agent shall pay fifty (50%) percent of the dollar amount of each Maintenance Fee actually collected or \$25.00 per Lot and Tract, or dwelling unit thereon, whichever is the greater amount, to the Golf Course Owner; which proceeds shall be deposited by the Golf Course Owner in a fund ("Golf Course Maintenance Fund") to be maintained and used by the Golf Course Owner for the purpose of paying and or reimbursing the Golf Course Owner for the cost and expense of Golf Course Maintenance, Operation and Ownership, hereinafter defined. The term "Golf Course Owner" shall mean the owner or owners of fee simple title to the Golf Course or any part thereof and or any interest therein at any time and from time to time. The term "Golf Course" shall mean the Horseshoe Bay Golf Course as defined in Section 5.7.1 in this Amendment. The term "Golf Course Maintenance, Operation and Ownership" shall mean any activity or function customarily and reasonably associated with the maintenance, operation and ownership of a golf course of like nature, type, use and location, including without limitation, maintenance of fairways, greens, tees and roughs, lakes and ponds, roads, paths, landscaping and the like; purchase, maintenance, repair, replacement and operation of improvements, fixtures, furniture and furnishings, including without limitation, maintenance buildings, pro shop, pro shop trade fixtures, and golf course water supply and irrigation system; purchase, maintenance, repair, replacement and operation of machinery and equipment, tools, materials, and supplies for maintenance and operation of the Golf Course, including golf carts; payment of ad valorem taxes and assessments; utility charges; insurance premiums; food and beverage service; purchase and sale of merchandise; defense and or payment of applicable tort and or contract claims; administration and supervision; and all other activities and functions customarily and reasonable associated with the maintenance, operation and ownership of a golf course of like nature, type, use and location. Subject

to the terms and conditions hereof, and without limitation, the Golf Course Owner shall have the right, in its sole discretion, to assign, lease and or sublease any or all of its rights and privileges, duties and obligations hereunder or in whole or in part at any time and from time to time to any other party or parties provided such assignment lease and or sublease shall never relieve the Golf Course Owner from its duty to account for and pay the proceeds of the Golf Course Maintenance Fund pursuant to the terms hereof. On or before 120 days after the end of each calendar year, Golf Course Owner shall furnish an annual statement to Declarant and the Association relative to the Golf Course Maintenance Fund for the prior calendar year which statement shall include a computation of Net Operating Loss of the Golf Course, as herein defined, for such prior calendar year.

In the event the proceeds of the Golf Course Maintenance Fund actually received by the Golf Course Owner during any calendar year exceed the Net Operating Loss of the Golf Course during such calendar year, then, on or before 120 days after the end of such calendar year, Golf Course Owner shall pay such excess (or if there is no Net Operating Loss during such year, shall pay the entire proceeds of the Golf Course Maintenance Fund received) direct, without interest, to the Association.

As used herein, the term "Net Operating Loss of the Golf Course" during any calendar year shall mean the amount, determined by the accountants then employed by the Golf Course Owner, to be the net loss from the operation of the Golf Course for such period. In making such determination, such firm of accountants shall apply generally accepted accounting principles and shall make such determination as they think necessary and appropriate with respect to (i) accrual of income and deductions; (ii) useful life of tangible and intangible assets (depreciation or amortization shall be taken ratably over the useful life of the assets as thus determined); (iii) allocation of overhead and other indirect expenses, and (iv) other questions presented in determining such Net Operating Loss. Such determination shall be made without regard to any amounts paid or payable to the Golf Course Owner by the Association.

The Golf Course Owner shall maintain or cause to be maintained books, records and accounts with respect to the Golf Course Maintenance Fund and Net Operating Expense of the Golf Course. Said books, records and accounts shall be available to Declarant and the Association and their representatives at reasonable times during normal business hours. Upon request of Declarant and or the Association, Golf Course Owner shall cause said books, records, and accounts to be audited annually by an independent certified public accountant reasonably satisfactory to the Golf Course Owner and the party requesting such audit at the expense of the party requesting such audit; provided that in the event the audit reflects a material deficiency in payment of excess Golf Course Maintenance Fund by the Golf Course Owner to the Association pursuant to the terms hereof, the audit shall be at the expense of the Golf Course Owner.

In addition and without limitation, the receipt and use of proceeds of the Golf Course Maintenance Fund shall never be deemed to impose any duty or obligation on Declarant and or the Golf Course Owner to maintain or operate or cause the Golf Course or any part thereof or any improvements thereon to be maintained or operated.

The term "maintain and operate" the Golf Course shall mean to take care of the Golf Course and to cause the same to function as a golf course; provided said term shall never be deemed to imply that the Golf Course shall be maintained or operated to a particular standard or to a standard in excess of that reasonably practicable within the income and receipts of the Golf Course, and said term shall never be deemed to imply that the Golf Course shall be available to any particular person or class of persons. Without limitation this Declaration shall never be deemed to deny or limit the right of the Golf Course Owner to establish or cause to be established such rules and regulations as the Golf Course Owner deems necessary or appropriate in connection with the Golf Course Maintenance, Operation and Ownership.

In the event more than one entity or person shall be or become Golf Course Owner at any time or from time to time hereafter, said person or persons constituting Golf Course Owner shall designate and appoint in writing one entity or person to act at any given time as Golf Course Owner's Representative for purposes hereof, subject to the following terms and conditions: The parties constituting Golf Course Owner shall deliver written notice of such designation and appointment to the Collection Agent and Association. The parties constituting Golf Course Owner shall have the right at any time and from time to time to revoke and or change the designation and appointment of Golf Course Owner's Representative by delivery of written notice thereof to the Collection Agent and Association. The Collection Agent and Association shall not be bound by any designation and appointment or revocation or change thereof until ten (10) calendar days after delivery of the written notice to the applicable party. The Collection Agent and Association shall be entitled to rely on the acts and agreements of Golf Course Owner's Representative as binding the Golf Course Owner. The designation and appointment of Golf Course Owner shall never be deemed to change, increase or reduce the rights, privileges, duties or obligations of any party, including Golf Course Owner, Collection Agent and or the Association.

(.7) Subdivision Maintenance Fund and Assessment Fund.
Commencing January 1, 1974, promptly upon receipt thereof, Collecting Agent shall pay to the Association the balance of each Maintenance Fee, less the reasonable cost and expense of collection and enforcement of the Maintenance Fee and less payment of the applicable portion thereof to the Golf Course Owner for the Golf Course Maintenance Fund. In addition, Collecting Agent shall pay to the Association the Assessments actually collected, less the reasonable cost and expense of collection and enforcement, as herein provided.

The above proceeds of the Maintenance Fee shall be deposited in a fund ("Subdivision Maintenance Fund") to be maintained and used by the Association for the purpose of paying and or reimbursing the Association for the cost and expense of Subdivision Maintenance, hereinafter defined. The term "Subdivision Maintenance" shall mean promoting the safety, health, welfare and recreation of the property owners and residents of the Subdivision, including without limitation, improving and maintaining streets, parks, parkways and easements, security protection, and all other purposes necessary or desirable in the sole opinion of the Association. In the discretion of the Association, Subdivision Maintenance may include maintenance and or repair of the Ancillary Facilities or any part thereof.

The above proceeds of the Assessment shall be deposited by the Association in a fund ("Assessment Fund") to be maintained and used by the Association for the purpose of paying and or reimbursing the Association for the cost and expense of the capital improvements for which the Assessment was established. The Subdivision Maintenance Fund and the Assessment Fund shall be separate funds and shall be maintained, administered and accounted for as separate funds.

On or before 120 days after the end of each calendar year, the Association shall furnish an annual statement to Declarant relative to the Subdivision Maintenance Fund and or Assessment Fund for the prior calendar year.

The Association shall maintain separate books, records and accounts with respect to the Subdivision Maintenance Fund and Assessment Fund. Said books, records and accounts shall be available to Declarant and its representatives at reasonable times during normal business hours. Upon request of Declarant, the Association shall cause said books, records and accounts to be audited annually at the expense of the party requesting such audit; provided that in the event the audit reflects a material irregularity by the Association, the Association shall pay for the audit.

The rights, powers, duties and obligations of the Association may be exercised by Horseshoe Bay Maintenance Fund, Inc. until formation of the Association after which time said rights, powers, duties and obligations shall be exercised by the Association subject to the Association's right of assignment as set forth herein. Subject to the terms and conditions hereof, the Association shall have the right, in its sole discretion, to assign its rights and privileges, duties and obligations hereunder in whole or in part at any time and from time to time to any third party or parties; provided such assignment shall never relieve the Association from its duties or liabilities hereunder.

(.8) The obligation to pay the Maintenance Fee and Assessments, whether or not it shall be so expressed in any contract, deed or conveyance, shall be a charge and lien on each Lot and Tract and dwelling unit thereon and shall be a continuing lien on each such Lot and Tract and dwelling unit thereon in favor of the Declarant and its assignee, the Collection Agent, but it is expressly provided such lien shall in all respects be subordinate and inferior to any and all liens previously or subsequently voluntarily placed on said Lots and Tracts, or dwelling units thereon, provided any foreclosure of said voluntary liens by judicial or nonjudicial foreclosure shall

be expressly subject to the liens securing the Maintenance Fees and Assessments provided for herein and provided such judicial or nonjudicial foreclosure shall never extinguish or be deemed to extinguish the lien securing any Maintenance Fees and Assessments which may then be due or may become due thereafter. Each such Maintenance Fee and Assessment together with interest thereon and cost of collection thereof as hereinafter provided shall also be the personal obligation of the person or entity who was the Owner of such property at the time the Maintenance Fee or Assessment becomes due, (i.e., January 1 of each calendar year), subject to the applicable provisions of Subsection 4.4.9 hereof.

(.9) Section 4.4.3 is subject to the following additional terms and conditions:

(a) The following portions of the Subdivision Land will be subject to the Maintenance Fee and Assessments:

(i) Lots and Tracts or dwelling units thereon fee title to which is vested in others than Declarant regardless of the amount paid toward the purchase price thereof. Said Lots and Tracts shall become subject to Maintenance Fee and Assessment commencing January 1 after conveyance thereof by the Declarant. Dwelling units shall become subject to maintenance fee and Assessment as hereinafter provided.

(ii) Lots and Tracts or dwelling units thereon fee title to which is vested in Declarant subject to valid contracts for deed regardless of the amount paid toward the purchase price thereof. Said Lots and Tracts or dwelling units thereon shall become subject to Maintenance Fee and Assessment commencing January 1 after date of the applicable contract for deed.

(iii) In the case of a duplex, triplex, motel, hotel, apartment, condominium or other structure containing more than a single dwelling unit, the Maintenance Fee and Assessment shall become effective on January 1 following substantial completion of the applicable structure. In the case of a structure containing more than a single dwelling unit, the Maintenance Fee and Assessment shall constitute a charge and lien against the structure and the applicable land based on the number of dwelling units therein; provided in the case of a structure containing more than a single dwelling unit which constitutes a condominium under the Texas Condominium Law, the Maintenance Fee and Assessment shall constitute a charge and lien against each condominium unit and its interest in the general and limited common elements of the condominium.

(iv) In the event an Assessment is in effect on January 1 when any Lot, Tract or dwelling unit thereon becomes subject to Maintenance Fee and Assessment, said Lot, Tract or dwelling unit shall be subject only to the Assessment and or installments thereof due on said January 1 and thereafter.

(b) The following portions of the Subdivision Land will not be subject to the Maintenance Fee and or Assessment:

(i) Lots and Tracts or dwelling units thereon fee title to which is vested in Declarant not subject to a contract for deed. In the event Declarant, as owner of fee title to any Lot or Tract or dwelling unit thereon cancels a contract of sale as to such Lot or Tract or dwelling unit thereon fee title to said Lot or Tract or

dwelling unit thereon shall be vested in Declarant free and clear of any lien or charge for any Maintenance Fee and or Assessment whether due or past due. Declarant shall never be deemed liable for any Maintenance Fee and or Assessment whether due or past due in the event of cancellation of a contract for deed.

(ii) Any portion of the Subdivision Land fee title to which is vested in the Association.

(c) The Horseshoe Bay Golf Course, Horseshoe Bay Clubhouse and Marina, Horseshoe Bay Stables and Horseshoe Bay Airstrip described in Section 5.7 hereof, shall not be subject to the Maintenance Fee or Assessment in any event.

(d) If fee title to a Lot or Tract or dwelling unit thereon is vested in Declarant subject to a lien, mortgage, deed of trust, mineral reservation, easement, restriction or other encumbrance, fee title thereto shall be deemed to be vested in Declarant for purposes hereof. The term "Declarant" shall mean the above named Declarant, its successors and assigns, and any person or entity exercising or succeeding to the rights, powers, duties and obligations of the Declarant, including Assignee.

(.10) In addition and without limitation of the foregoing, the collection, maintenance and use of Maintenance Fees shall never be deemed to impose any duty or obligation on Declarant and or the Association to improve and maintain streets, parkways and easements, security protection or otherwise beyond use of the proceeds of such Maintenance Fee on hand and available for such use after allowing for reasonably anticipated future expenses of like nature and contingencies.

(7) The Declaration is hereby supplemented and amended to add the following:

Section 5.7. Special Restrictions

(.1) In addition to the other terms and conditions hereof, for Ten Dollars (\$10.00) and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Lake Lyndon B. Johnson Improvement Corporation, owner of fee simple title to the Burdened Land hereinafter described, subject to outstanding liens, easements, reservations and encumbrances of record, hereby imposes the following special restrictions ("Special Restrictions") upon the Horseshoe Bay Golf Course, Horseshoe Bay Clubhouse and Marina, Horseshoe Bay Stable and Horseshoe Bay Airstrip, which tracts and parcels of land are identified as such respectively on the Plat marked Exhibit "A" and made a part hereof for all purposes (hereinafter called "Burdened Land"):

- (c) The Horseshoe Bay Golf Course is hereby restricted for Golf Course Use.
- (b) The Horseshoe Bay Clubhouse and Marina is hereby restricted for Clubhouse and Marina Use.
- (c) The Horseshoe Bay Stable is hereby restricted for Stable Use.
- (d) The Horseshoe Bay Airstrip is hereby restricted for Airstrip Use.

(.2) The above terms shall be defined as follows for purpose of the Special Restrictions:

(a) The term "Golf Course Use" shall mean use as a golf course, including without limitation, any and all uses usually and customarily associated with a golf course and golf pro shop, including without limitation, food, beverage and or liquor service, any and or all of which may be on a commercial basis.

(b) The term "Clubhouse and Marina Use" shall mean use as a clubhouse and marina, including without limitation, any an all uses usually and customarily associated with the clubhouse and marina, of a real estate and resort development, including without limitation, food, beverage and or liquor service, tennis and swimming, any and or all of which may be on a commercial basis.

(c) The term "Stable Use" shall mean use as a stable, including without limitation, any and all uses usually and customarily associated with a stable, including without limitation, food, beverage and or liquor service, any and or all of which may be on a commercial basis.

(d) The term "Airstrip Use" shall mean use as an airstrip and aircraft facility, including without limitation, any and all uses usually and customarily associated with an airstrip and aircraft facility, any and or all of which may be on a commercial basis. The term "aircraft facility" may include, without limitation, facilities for any or all of the following: runways, taxiways, aprons, hangers, fuel storage and service, maintenance and repair, manufacture, sales, instruction, rental of aircraft and or vehicles, automobile and or aircraft service.

The term "commercial basis" shall mean that charges may be made for the use of the applicable facility, the services thereof, the availability thereof and or any activity related thereto, any and or all of which may be for profit.

(.3) The Special Restrictions shall be binding upon the Burdened Land for the duration of this Declaration and shall be enforceable by Declarant, Association, the Committee and any other person or entity empowered to enforce the restrictions contained in the Declaration. The Special Restrictions may be amended or modified in any manner provided in the Declaration for the amendment or modification thereof. The Special Restrictions shall constitute covenants running with the Burdened Land for the duration of this Declaration as set forth above.

General Provisions

Defined terms used herein are defined as said terms are defined in the Declaration, subject to any qualification thereof for specific purposes as provided herein. The covenants and restrictions of the Declaration, as amended hereby, shall run with and bind the Subdivision Land, and, without limitation, shall inure to the benefit of and be enforceable by Declarant, Horseshoe Bay Maintenance Fund, Inc., the Association, the Committee and or any Owner of the Subdivision Land or any part thereof for the term thereof upon and subject to the terms and conditions thereof.

IN WITNESS WHEREOF, the undersigned have caused their corporate names and seals to be hereunto affixed by their officers thereunto duly authorized, this 20th day of February , 1974.

LAKE LYNDON B. JOHNSON
IMPROVEMENT CORPORATION

ATTEST:

/s/ Dorothy E. Hurd

By /s/ Norman C. Hurd

KINGS LAND, INC.

ATTEST:

/s/ William K. Lucy

By /s/ Frank Dan King

THE STATE OF TEXAS))

COUNTY OF))

On this the 20th day of February , 19 74 , before me, the undersigned officer, personally appeared Norman C. Hurd , who acknowledged himself to be the President of Lake Lyndon B. Johnson Improvement Corporation, a Texas corporation, and that he as such President being authorized so to do, executed the foregoing instrument for the purposes therein contained, by signing the name of the corporation as such officer.

IN WITNESS WHEREOF, I have here to set my hand and official seal.

/s/ Jennie Chrisman
Notary Public in and for Llano
County, Texas

THE STATE OF TEXAS))

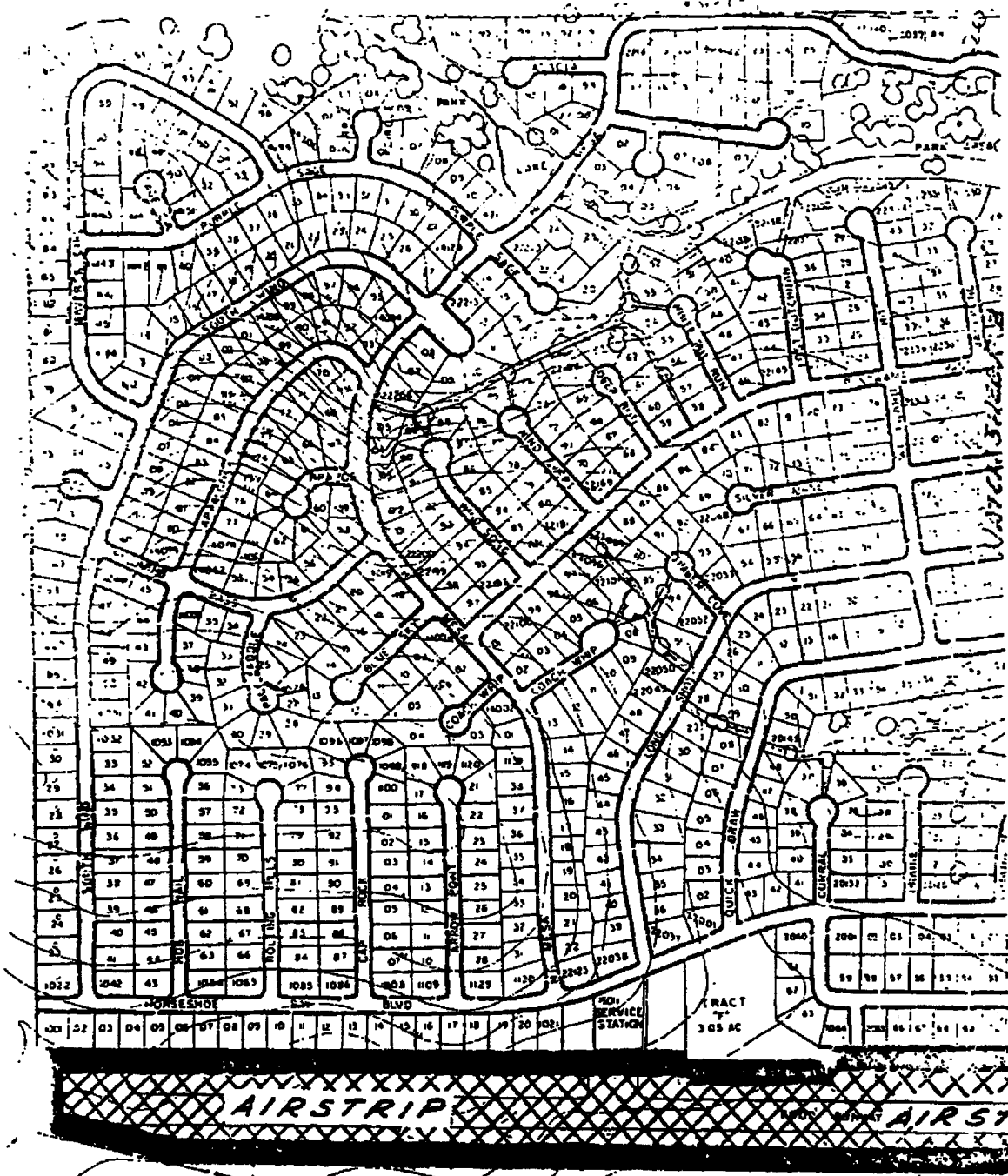
COUNTY OF))

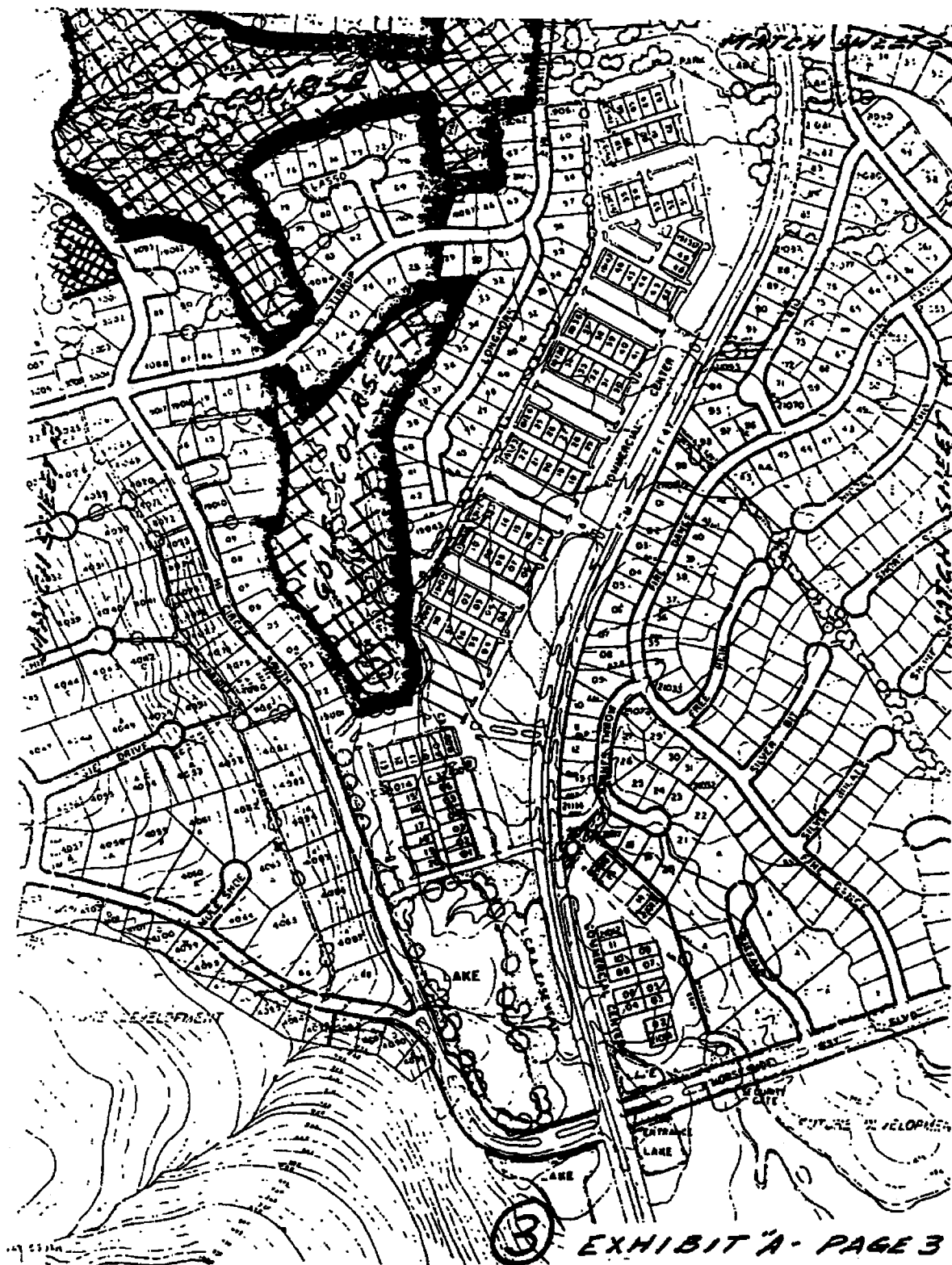
On this the 20th day of February , 19 74 , before me, the undersigned officer, personally appeared Frank Dan King , who acknowledged himself to be the President of Kings Land, Inc., a Texas corporation and that he as such President being authorized so to do, executed the foregoing instrument for the purposes therein contained, by signing the name of the corporation as such officer.

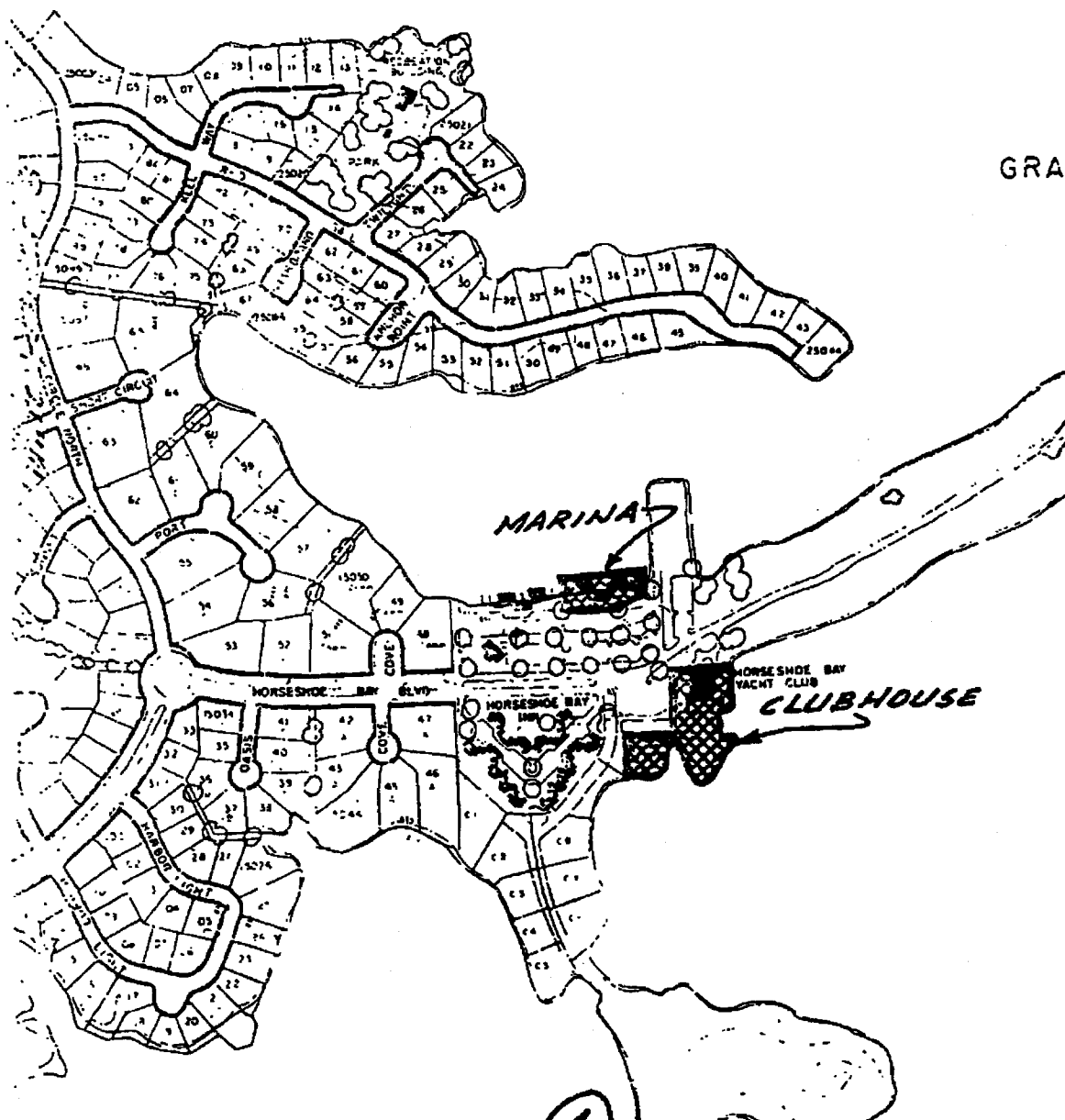
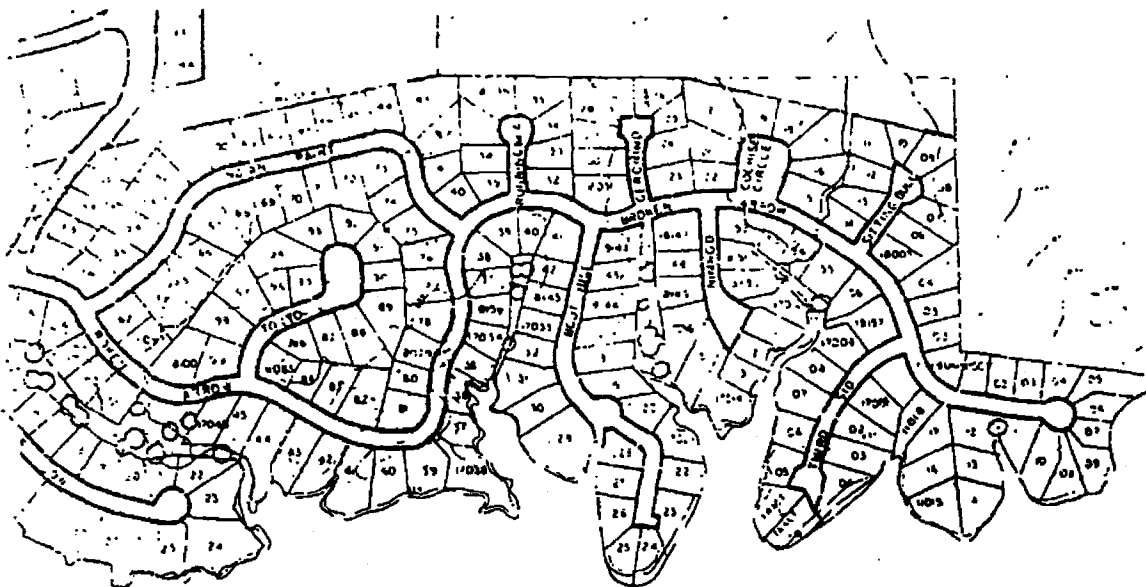
IN WITNESS WHEREOF, I have here to set my hand and official seal.

/s/ Jennie Chrisman
Notary Public in and for Llano
County, Texas

EXHIBIT "A" - Pages 1 thru 6



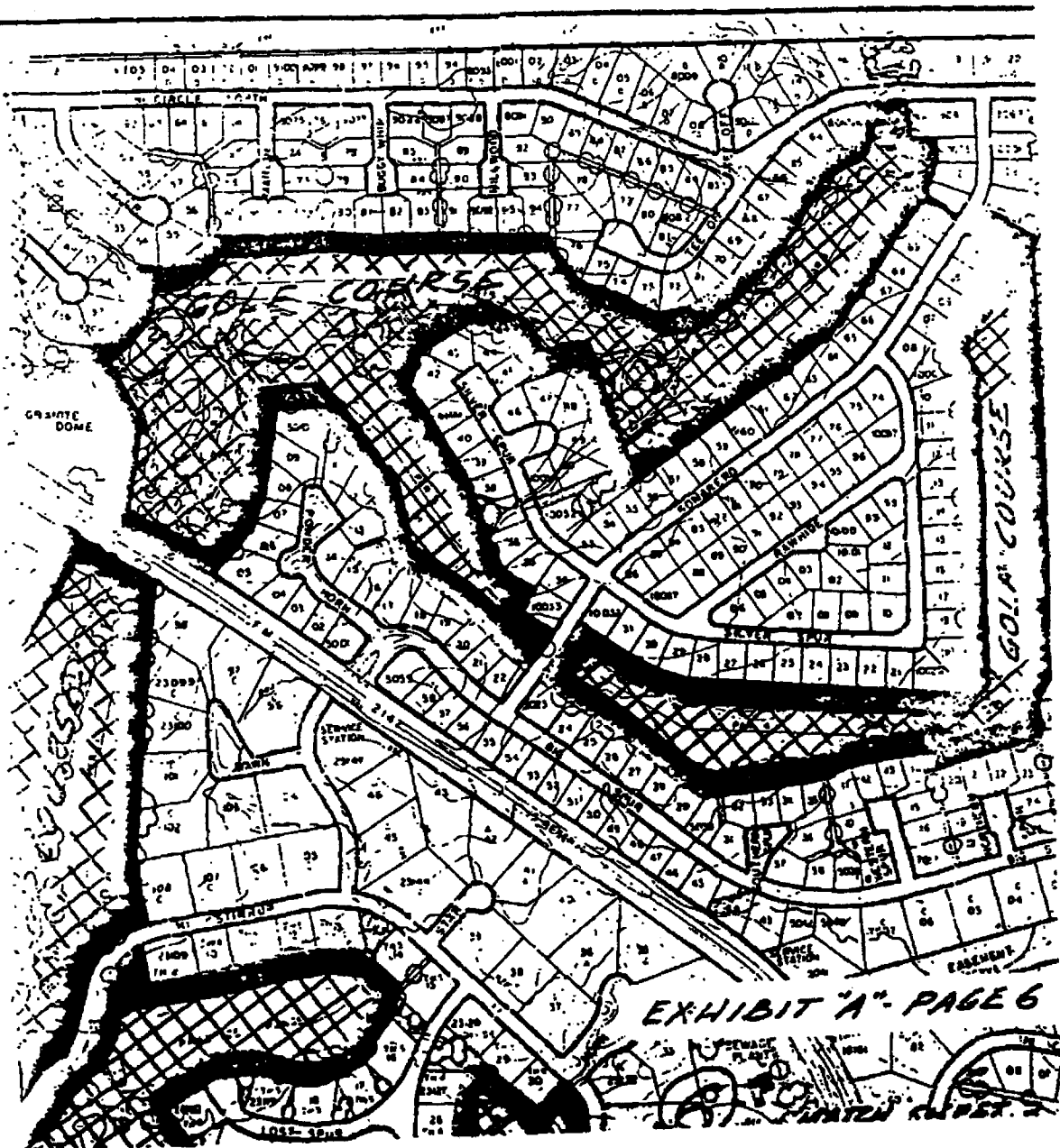




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EXHIBIT "A"-PAGE 4



THIRD
AMENDMENT
TO
DECLARATION OF RESERVATIONS
HORSESHOE BAY
COUNTIES OF LLANO AND BURNET, TEXAS

This Third Amendment ("Amendment") to the Declaration of Reservations, Horseshoe Bay, heretofore made on July 5, 1971, and filed of record in Volume 177, Page 280, of the Records of Llano County, Texas, and in Volume 189, Page 637, of the Records of Burnet County, Texas, as supplemented and amended by that certain Supplement and Amendment dated February 14, 1972 and recorded in Volume 180, Page 725 of the Records of Llano County, Texas and in Volume 193, Page 643, of the Records of Burnet County, Texas, and Second Amendment dated February 20, 1974 recorded in Volume 194, Page 422 of the Records of Llano County, Texas and in Volume 210, Page 240 of the Records of Burnet County, Texas, (said Declaration as supplemented and amended shall be referred to herein as the "Declaration").

WHEREAS, said Declaration reserves to Declarant therein (Lake Lyndon B. Johnson Improvement Corporation) the right at any time and from time to time to cause or to permit the owners of other land adjoining or in the vicinity of the Horseshoe Bay Subdivision to commit said other land or part thereof to the Declaration, all upon and subject to the terms and conditions of the Declaration; and

WHEREAS, on November 22, 1971, Declarant entered into an agreement ("Agreement") with Kings Land, Inc. ("Assignee"), wherein Declarant authorized Assignee to commit the land described in such Agreement to the Declaration; and whereas Assignee has committed a portion of the land described in said Agreement to the Declaration; and

WHEREAS, the said Declaration may, in accord with its terms, be amended by an instrument in writing executed and acknowledged by the then Owners of a majority in interest of the fee title of the Subdivision Land (excluding the portion of the Subdivision Land included in roads and streets); and

WHEREAS, Declarant may hereafter commit additional lands to the Subdivision; and whereas Declarant may wish to impose special additional restrictions on all or part of any additional lands Committed to the Subdivision;

WHEREAS, Declarant proposes certain amendments in the Declaration as set forth herein;

WHEREAS, the undersigned are the Owners of a majority in interest of the fee title of the Subdivision Land (excluding the portion of the Subdivision Land in roads and streets);

NOW, THEREFORE, for and in consideration of these presents and other good and valuable consideration, the receipt and sufficiency of which is acknowledged, the undersigned, hereby amend the said Declaration effective as of the date of the filing hereof in Llano and Burnet Counties, Texas, as follows:

(1) Section 3.3 B.(1) Land Use - General - Advertising is hereby supplemented, amended and restated as follows:

B.(1) Land Use - General - Advertising

No sign, advertisement, billboard or other advertising structure of any kind (including but not limited to signs, advertisements, billboards or other advertising structures promoting sales of any Lots or Land) shall be erected or allowed on any of the unimproved Lots or Land and no sign shall be erected or allowed to remain on any Lots or Land, improved or unimproved, except as expressly provided in the Uses Permitted section of the particular type of Classification, and except as erected by or approved by Declarant. In addition and without limitation, no sign, advertisement, billboard or other advertising structure of any kind (including but not limited to signs, advertisements, billboards or other advertising structures promoting sales of Lots or Land) shall be erected or allowed on any right of way or easement, whether dedicated for public use or not, without prior written approval of the Committee, which approval may be withheld for any reason. It shall be the duty of the Committee to remove or cause to be removed any sign, advertisement, billboard or other advertising structure erected or allowed in violation of these restrictions; provided the Committee shall never be deemed liable for failing or refusing to exercise said duty.

(2) Section 4.2 (d) Ancillary Facilities and Club Membership is hereby supplemented by adding the following:

In the event the Declarant should grant any privilege with respect to the Ancillary Facilities or any part thereof to the Owners of the Subdivision Land, or any part thereof, as a class, one and only one family shall be entitled to the privilege of Owner with respect to each Lot, Tract or dwelling unit thereon. The term 'family' shall mean the individual Owner of said Lot, Tract or dwelling unit, as well as the spouse and children under 21 years of age, natural or adopted, of the one individual Owner. In case there exists more than one individual Owner of said Lot, Tract or dwelling unit thereon, only one of said individual Owners shall be entitled to the privilege of Owner for purpose of this Subsection. In case the Owner of the Lot, Tract or dwelling unit thereon is a corporation, partnership, association or entity other than an individual, the family entitled to the applicable privilege with respect to the Ancillary Facilities shall be the family of one individual who is designated in writing by the Owner as the one individual entitled to the applicable privilege. In case the Owner of the Lot, Tract or dwelling unit thereon is a combination of one or more individual Owners and entities other than individual owners, only the family of one individual (who is an individual Owner or who is an owner of the applicable entity and who is designated in writing by the Owner) shall be the family of one entity entitled to the applicable privilege. In case the Owner of the Lot, Tract or dwelling unit thereon is other than one individual,

said Owner shall have the right, subject to the other terms hereof, to change the family of the individual designated as being entitled to the applicable privilege; provided said right to change may not be exercised more often than once each twelve (12) months non-cumulative without the prior written consent of the owner or owners of the applicable Ancillary Facilities, which consent may be withheld for any reason. In the case of a conflicting claim of entitlement to the privilege of Owner for purpose of this Subsection 4.2(d), privileges may be denied to all who assert the privilege until the dispute is resolved. Where designation is provided for herein, such designation shall be in writing; shall be in such form as the owner or owners of the applicable Ancillary Facility shall require and shall be actually delivered to and receipted for by the owner or owners of the applicable Ancillary Facility.

(3) Section 4.4 Maintenance Fee and Property Owner's Association is hereby supplemented, amended and restated as follows:

Section 4.4 Maintenance Fee, Subdivision Maintenance Fund, Property Owner's Association Fund, Golf Course Maintenance Fund, Assessment Fund, Horseshoe Bay Maintenance Fund, Inc., Horseshoe Bay Property Owner's Association, Inc., Horseshoe Bay Assessment Association, Inc.

Each Lot and Tract or dwelling unit thereon, except those owned by Declarant, shall be subject to an annual maintenance fee ("Maintenance Fee" and, if applicable, any special assessment for capital improvements ("Assessment")) as hereinafter provided, payable January 1, in advance each year. Said Maintenance Fee and Assessment shall be established, collected and expended by Declarant, its successors or assigns upon and subject to the following terms and conditions:

(.1) Maintenance Fee, Subdivision Maintenance Fund, Property Owner's Association Fund and Golf Course Maintenance Fund: The Maintenance Fee shall be made up of three (3) separate and distinct funds (collectively called "Funds" and singularly called "Fund") to be known as the Property Owner's Association Fund, the Assessment Association Fund and the Golf Course Maintenance Fund. The dollar amount of the Maintenance Fee and the dollar amount of the Maintenance Fee allocated to each Fund is established by Declarant pursuant to this Amendment.

The power to increase or reduce the Maintenance Fee and the dollar amount thereof allocated to each Fund is vested solely in the Horseshoe Bay Assessment Association, Inc. (i.e. the new and additional property owner's association hereinafter described to be known as the Assessment Association). Subject to the limitations set forth herein the Horseshoe Bay Assessment Association, Inc. (i.e. the "Assessment Association") shall have the power to increase or reduce the dollar amount of the Maintenance Fee and the dollar amount thereof allocated to each Fund; provided the dollar amount per Lot, Tract or dwelling unit thereon of the Maintenance Fee must always be equal to the total aggregate dollar amount per Lot of the three (3) Funds. Subject to the other terms and

conditions hereof, Horseshoe Bay Assessment Association, Inc. (i.e. the "Assessment Association") shall have the power to increase or reduce the dollar amount of the Maintenance Fee allocated to each Fund independently of the amount thereof allocated to each other Fund and the power to levy special Assessments for capital improvements as hereinafter set forth.

Horseshoe Bay Property Owner's Association, Inc. (i.e. the existing property owner's association known as the "Property Owner's Association") shall not have the power or authority to increase or reduce the Maintenance Fee or the dollar amount thereof allocated to any Fund and shall not have the power to levy special Assessments for capital improvements.

The power to collect and enforce collection of the Maintenance Fee is vested in the Collection Agent. The Collection Agent has the duty to distribute the proceeds of the Funds, making up the Maintenance Fee to the following entities: the proceeds of the Property Owner's Association Fund to the Horseshoe Bay Property Owner's Association, Inc. (i.e. the existing property owners association which is known herein as the Association); the proceeds of the Assessment Association Fund to the Horseshoe Bay Assessment Association, Inc. (i.e. the new property owners association to be known herein as the Assessment Association); and the proceeds of the Golf Course Maintenance Fund to the Golf Course Owner.

All matters relative to the Maintenance Fee, the Property Owner's Association Fund, Assessment Association Fund and the Golf Course Maintenance Fund will be governed by the remaining subsections of this Section 4.4

(.2) Horseshoe Bay Maintenance Fund, Inc., the Collection Agent: Declarant has heretofore created Horseshoe Bay Maintenance Fund, Inc., a Texas non-profit corporation, as a collection and enforcement agency ("Collection Agent"), and, pursuant to the authority of Section 5.4 of the original Declaration, the Declarant has heretofore assigned to said Collection Agent, the duty and obligation of the Declarant hereunder to collect and enforce payment of the Maintenance Fees and Assessments. The Collection Agent shall collect and enforce payment of all Maintenance Fees and Assessments established pursuant to this Declaration. The Collection Agent shall not have the power or authority to establish, reduce or increase the Maintenance Fee and or Assessments provided for in this Declaration.

(.3) Horseshoe Bay Assessment Association, Inc., the Assessment Association: Declarant will create a new and additional property owner's association, a Texas non-profit corporation, ("Assessment Association") as soon as reasonably possible after adoption of this Amendment. The Assessment Association shall be named Horseshoe Bay Assessment Association, Inc. The Assessment Association shall perform the following function ("Assessment Function") as provided in the Declaration, including without limitation, this amendment thereof. The Assessment Association shall not perform any function other than the Assessment Function.

The Assessment Association shall have the right to exercise any or all of the functions included in the Assessment Function at any time and from time to time after the effective date of this Amendment. The Assessment Function shall mean the right to perform any of the following functions when it deems such performance to be in the best interest of the Subdivision: (for purposes of the remaining provisions of this Section 4.4, the term "per Lot" shall mean "per Lot, Tract or dwelling unit thereon in the Subdivision excluding properties which are not subject to the Maintenance Fee" when used in the context of the dollar amount per Lot of Maintenance Fee or the dollar amount per Lot of any Fund, and, each duplex unit, triplex unit, motel unit, hotel unit, apartment unit and or condominium unit situated on any Lot or Tract shall be deemed to be one dwelling unit for all purposes of this Section):

- (a) increase or reduce the dollar amount per Lot of the Maintenance Fee;
- (b) increase but not reduce the dollar amount per Lot of the Maintenance Fee allocated to the Golf Course Maintenance Fund;
- (c) increase or reduce the dollar amount per Lot of the Maintenance Fee allocated to the Property Owner's Association Fund;
- (d) increase or reduce the dollar amount per Lot of the Maintenance Fee allocated to the Assessment Association Fund;
- (e) to levy special Assessments for capital improvements pursuant to Section 4.2.9.

The right of the Assessment Association to perform the above functions is expressly subject to the following terms, conditions and limitations:

- (1) In the event the Assessment Association increases or reduces the dollar amount per Lot allocated to any Fund or Funds, it shall make the appropriate increase or reduction in the dollar amount of the Maintenance Fee per Lot. This subsection shall never be deemed to authorize the Assessment Association to reduce the dollar amount per Lot allocated to the Golf Course Maintenance Fund.
- (2) Any increase or reduction in the dollar amount per Lot of Maintenance Fee; any increase in the dollar amount per Lot of the Maintenance Fee allocated to Golf Course Maintenance Fund; and any increase or reduction in the dollar amount per Lot of the Property Owner's Association Fund or the Assessment Fund shall be uniform as to all Lots and Tracts, or dwelling units thereon in the Subdivision excluding properties which are not subject to Maintenance Fee as provided herein.
- (3) Any increase or reduction in the dollar amount of the Maintenance Fee and or the allocation thereof as set forth herein which shall be adopted by the Assessment Association shall become effective on January 1 after such adoption.

The Assessment Association shall be a Texas non-profit corporation with members. Each person or entity being the Owner of any Lot and Tract or dwelling unit thereon in the Subdivision shall be a member of the Assessment Association. Members shall be entitled

to one (1) vote for each Lot and Tract or dwelling unit thereon of which such member is Owner. Declarant and Assignee may be members of the Association; provided the combined vote of Declarant and Assignee shall never exceed forty-nine (49%) percent of the total vote regardless of the number of Lots and Tracts or dwelling units thereon of which Declarant and Assignee may be Owner.

(.4) Horseshoe Bay Property Owner's Association, Inc., the Property Owner's Association: The existing Property Owner's Association (i.e., the entity known as Horseshoe Bay Property Owner's Association, Inc.) shall continue in force and effect and shall be entitled to exercise any and all functions provided for in the Declaration to be exercised by the Property Owner's Association; provided the Property Owner's Association shall not exercise the Assessment Function.

(.5) Maintenance Fee, Golf Course Maintenance Fund, Property Owner's Association Fund, Assessment Association Fund: The Declarant hereby establishes the Maintenance Fee at forty-eight (\$48.00) dollars per Lot and establishes the initial allocation thereof to the Funds as follows:

- (a) The Golf Course Maintenance Fund is established to be twenty-five (\$25.00) dollars per Lot.
- (b) The Property Owner's Association Fund is initially established to be twenty-one (\$21.00) dollars per Lot.
- (c) The Assessment Association Fund is initially established to be two (\$2.00) dollars per Lot.

The foregoing shall be charged to each Lot and Tract, or dwelling unit thereon, whichever is the greater. For example, if an apartment containing 10 dwelling units is situated on one Lot, the initial Maintenance Fee (\$48.00 per Lot) attributable thereto shall be \$480, being ten times \$48.00, and said amount shall be allocated to each of the three separate funds as herein provided. The dollar amount per Lot of the Maintenance Fee and the dollar amount per Lot of the Maintenance Fee allocated to each Fund shall be subject to automatic escalation or deescalation as provided in Section 4.4.7 hereof. The dollar amount per Lot of the Maintenance Fee and the dollar amount thereof per Lot allocated to each Fund as established by this Amendment shall continue in effect unless and until reduced or increased by the Assessment Association pursuant to the terms hereof and or until increased by operation of the escalation provisions hereof. The preceding sentence shall not be deemed to authorize the Assessment Association to reduce the dollar amount per Lot of the Maintenance Fee allocated to the Golf Course Maintenance Fund.

(.6) Additional Base Maintenance Fee Attributable to Additional Land: Declarant may from time to time hereafter commit, cause or permit third parties to commit additional land to the Subdivision after the date this Third Amendment is adopted (hereinafter referred to as "Additional Land") upon and subject to the terms, conditions and limitations set forth in the Declaration. In addition to its other rights and privileges

as set forth in the Declaration relative to the commitment of Additional Land to the Subdivision, Declarant (and any assignee of the power of Declarant to commit Additional Land to the Subdivision with respect to the Additional Land committed to the Subdivision by such assignee) shall have the right to impose and establish an Additional Base Maintenance Fee with respect to any or all Additional Land which Declarant commits to the Subdivision and makes subject to the Additional Base Maintenance Fee, herein called "Additional Land subject to the Additional Base Maintenance Fee", pursuant to the terms and conditions set forth below:

(a) The Additional Base Maintenance Fee shall be a dollar amount per Lot for each Lot, Tract or dwelling unit thereon included in the Additional Land subject to the Additional Base Maintenance Fee excluding properties which are not subject to the Maintenance Fee as defined in Section 4.2.15(d) hereof.

(b) The Additional Base Maintenance Fee shall be allocated to any or all of the Funds and may be allocated entirely to one Fund pursuant to the subsequent terms and conditions hereof.

(c) The Declarant, its successors or assigns, shall impose and establish the dollar amount of the Additional Base Maintenance Fee, if any, and shall designate the Additional Land subject to the Additional Base Maintenance Fee, if any, and shall allocate the Additional Base Maintenance Fee to any or all Funds by adding the following statement to the Plat which commits the applicable land to the Subdivision. "The following described Land covered by this Plat (describe land) is subject to an initial Additional Base Maintenance Fee equal to \$_____ per Lot, Tract or dwelling unit thereon (excluding properties which are not subject to the Maintenance Fee) and the dollar amount per Lot, Tract or dwelling unit thereon of said fee is hereby allocated initially to the following Fund or Funds provided for in the Declaration: \$_____ to the Golf Course Maintenance Fund; \$_____ to the Property Owner's Association Fund; and \$_____ to the Assessment Fund."

(d) The Additional Base Maintenance Fee and the allocation thereof once imposed and established by the Declarant, its successors and assigns, as set forth above shall continue in force and effect (subject only to escalation as provided in Subsection (e) hereof) and may not be amended, modified, increased, reduced or changed in any manner other than by Amendment of the Declaration. Without limitation, neither the Association nor the Assessment Association shall have the right to amend, modify, increase, reduce or change in any manner the Additional Base Maintenance Fee and or the allocation thereof once imposed and established as set forth above.

(e) The dollar amount of the Additional Base Maintenance Fee and the dollar amount thereof allocated to any or all Funds shall be subject to the Maintenance Fee escalation and deescalation provisions set forth in Section 4.4.7 hereof.

(f) The Additional Land subject to the Additional Base Maintenance Fee shall be subject to both the Maintenance Fee and the Additional Base Maintenance Fee. The Maintenance Fee (but not the Additional Base Maintenance Fee) with respect to the Additional Land subject to the

Additional Base Maintenance Fee and the allocation thereof to the Funds may be increased or reduced by the Assessment Association upon and subject to the terms and conditions of this Declaration and any such increase or decrease shall be uniform as to all Lots and Tracts or dwelling units thereon in the Subdivision including the Additional Land subject to the Additional Base Maintenance Fee. The fact that a portion of the Subdivision Land is not subject to the Additional Base Maintenance Fee and that a portion of the Subdivision Land is subject to the Additional Base Maintenance Fee shall not be deemed to make not uniform an increase or reduction in the Maintenance Fee or the allocation thereof to any Fund which is itself otherwise uniform as to all Subdivision Land. For example, if the Maintenance Fee applicable to all Subdivision Land is \$48 per Lot (allocated \$25 per Lot to the Golf Course Maintenance Fund, \$21 per Lot to the Property Owner's Fund and \$2 per Lot to the Assessment Association Fund), and a portion of the Subdivision Land is Additional Land subject to an Additional Base Maintenance Fee equal to \$100 per Lot (allocated \$50 per Lot to the Golf Course Maintenance Fund; \$45 per Lot to the Property Owner's Association Fund and \$5 per Lot to the Assessment Association Fund), the Assessment Association may increase the Maintenance Fee from \$48 per Lot (allocated as set forth above) to \$96 per Lot (allocated \$60 per Lot to the Golf Course Maintenance Fund; \$29 per Lot to the Property Owner's Association Fund; and \$7 per Lot to the Assessment Association Fund); provided such increase is applicable to all Subdivision Land, including the Additional Land subject to the Additional Base Maintenance Fee; whereupon the Subdivision Land, excluding the Additional Land subject to the Additional Base Maintenance Fee, shall be subject to the increased Maintenance Fee (allocated as set forth above) and the Additional Land subject to the Additional Base Maintenance Fee shall be subject to the increased Maintenance Fee (allocated as set forth above) plus the Additional Base Maintenance Fee (allocated as set forth above).

(g) This Subsection 4.4.6 shall never be deemed to authorize Declarant or Assignee to impose any Additional Base Maintenance Fee on any Land Committed to the Subdivision on or prior to the date of this Third Amendment.

(.7) Maintenance Fee Escalation and Deescalation: Commencing on January 1, 1977 and on January 1 of each and every consecutive calendar year thereafter the dollar amount per Lot of the Maintenance Fee and Additional Base Maintenance Fee, if any, and the dollar amount per Lot thereof allocated to each Fund for such calendar year shall each be escalated or deescalated automatically if and to the extent the application of the formula set forth below results in any such increase. The amount of the escalation or deescalation, if any, shall be computed by multiplying the dollar amount per Lot (of the Maintenance Fee and Additional Base Maintenance Fee, if any, and the dollar amount per Lot thereof allocated to each Fund) in effect during the preceding calendar year by a fraction the numerator of which shall be X amount and the denominator of which shall be Y amount. X amount in said fraction shall be equal to the Index Figure for January 1 of the calendar year for which the Maintenance Fee is assessed and payable. Y amount in said fraction shall be equal to the Index Figure for January 1 of the preceding calendar year (provided that for the first such calculation

to be made on January 1, 1977, the X amount shall be the Index Figure for January 1, 1975). In the event Y amount exceeds X amount the Maintenance Fee and the amount thereof allocated to any Fund (including the Golf Course Maintenance Fund) shall be deescalated in such calendar year by application of this Section. In the event Y amount is less than X amount, the Maintenance Fee and the amount thereof allocated to each Fund (including the Golf Course Maintenance Fund) shall be escalated in such calendar year by application of this Section.

The "Index Figure" referred to above shall be the Index Figure for the latest month for which the Index Figure has been reported immediately preceding the applicable dates described above as shown by the Consumer's Price Index, the United States, All Cities Average, All Items and Commodity Groups ("Index") issued by the Bureau of Labor Statistics of the United States Department of Labor. Should the Bureau of Labor Statistics change the manner of computing the above, the Bureau of Labor Statistics shall be requested to furnish a conversion factor designed to adjust the new Index to the Index previously in use, and the new Index shall be adjusted on the basis of the conversion factor. If the described Index shall no longer be published, another generally recognized as authoritative shall be substituted by the Association.

(.8) Special Limitation re Assessment Association: Promptly upon receipt thereof, the Collection Agent will pay all Maintenance Fees actually collected to the entity entitled thereto, as follows: The proceeds of the Golf Course Maintenance Fund shall be paid to the Golf Course Owner; the proceeds of the Property Owner's Association Fund will be paid to the Property Owner's Association and the proceeds of the Assessment Association Fund, less and except the reasonable actual direct cost and expense of collection and enforcement, shall be paid to the Assessment Association. In the event the proceeds payable to the Assessment Association provide the Assessment Association with more than \$2,500 working capital funds for such calendar year, including unexpected funds on hand from prior calendar years, the excess shall be deemed to be part of the Golf Course Maintenance Fund and the Property Owner's Association Fund in the proportion of one-half (1/2) to each, and shall be paid promptly to the Golf Course Owner and the Property Owner's Association. In the event the reasonable actual direct cost and expense of collection and enforcement exceeds the Assessment Association Fund, the Collection Agent shall deduct the excess from the Golf Course Maintenance Fund and the Property Owner's Association Fund in the proportion of one-half (1/2) to each.

(.9) Assessment: The Assessment Association may establish the Assessment for the purpose of defraying, in whole or in part, the cost of any construction or reconstruction, unexpected repair or replacement of a described capital improvement upon the common properties of the Subdivision, including the necessary fixtures and personal property related thereto, provided that any such Assessment shall have the assent of two thirds in interest of the Owners of Lots and Tracts, or dwelling units thereon in the Subdivision, voting in person or by proxy, at a meeting duly called for such purpose. Written notice of any such meeting shall be given to all members of the Assessment Association in the manner provided for in the By Laws of the Assessment Association at least thirty (30) days in advance and shall set forth the purpose of the meeting. An Assessment may be made applicable to up to a total of five (5) calendar years, one of which shall be the calendar year in which the Assessment is established. The Assessment shall be uniform

as to all Lots and Tracts, or dwelling units thereon, in the Subdivision excluding the properties which are not subject to the Assessment as provided herein.

(.10) Golf Course Maintenance Fund: Commencing January 1, 1976, promptly upon receipt thereof, and so long as Golf Course Owner shall maintain and operate or cause the Golf Course to be maintained and operated, Collection Agent shall pay the proceeds of the Golf Course Maintenance Fund to the Golf Course Owner; which proceeds shall be deposited by the Golf Course Owner in a special account to be maintained and used by the Golf Course Owner solely for the purpose of paying and or reimbursing the Golf Course Owner for the cost and expense of Golf Course Maintenance, Operation and Ownership, hereinafter defined. The term "Golf Course Owner" shall mean the owner or owners of fee simple title to the Golf Course or any part thereof and or any interest therein at any time and from time to time. The term "Golf Course" shall mean the Horseshoe Bay Golf Course as defined in Section 5.7.1 in the Second Amendment, as supplemented by Section (4) of this Amendment. The term "Golf Course Maintenance, Operation and Ownership" shall mean any activity or function customarily and reasonably associated with the maintenance, operation and ownership of a golf course of like nature, type, use and location, including without limitation, maintenance of fairways, greens, tees and roughs, lakes and ponds, roads, paths, landscaping and the like; purchase, maintenance, repair, replacement and operation of improvements, fixtures, furniture and furnishings, including without limitation, maintenance buildings, pro shop, pro shop trade fixtures, and golf course water supply and irrigation system; purchase, maintenance repair, replacement and operation of machinery and equipment, tools, materials, and supplies for maintenance and operation of the Golf Course, including golf carts; payment of ad valorem taxes and assessments; utility charges; insurance premiums; food and beverage service; purchase and sale of merchandise; defense and or payment of applicable tort and or contract claims; administration and supervision; and all other activities and functions customarily and reasonably associated with the maintenance, operation and ownership of a golf course of like nature, type, use and location. Subject to the terms and conditions hereof, and without limitation, the Golf Course Owner shall have the right, in its sole discretion, to assign, lease and or sublease any or all of its rights and privileges, duties and obligations hereunder or in whole or in part at any time and from time to time to any other party or parties. On or before 120 days after the end of each calendar year, Golf Course Owner shall furnish an annual statement to Declarant and the Property Owner's Association showing the disposition of the proceeds of the Golf Course Maintenance Fund for the prior calendar year.

The Golf Course Owner shall maintain or cause to be maintained books, records and accounts with respect to expenditure of the proceeds of the Golf Course Maintenance Fund. Said books, records and accounts shall be available to Declarant and the Property Owner's Association and their representatives at reasonable times during normal business hours. Upon request of Declarant and or the Property Owner's Association, Golf Course Owner shall cause said books, records, and accounts to be audited annually by an independent certified public accountant reasonably satisfactory to the Golf Course Owner and the party requesting such audit at the expense of the party requesting such audit.

In addition and without limitation, the receipt and use of proceeds of the Golf Course Maintenance Fund shall never be deemed to impose any duty or obligation on Declarant and or the Golf Course Owner to maintain or operate or cause the Golf Course or any part thereof of any improvements thereon to be maintained or operated. The preceding sentence shall never be deemed to authorize use of the proceeds of the Golf Course Fund for any purpose other than for the purpose of paying and or reimbursing the Golf Course Owner for the cost and expense of Golf Course Maintenance, Operation and Ownership.

The term "maintain and operate" the Golf Course shall mean to take care of the Golf Course and to cause the same to function as a golf course; provided said term shall never be deemed to imply that the Golf Course shall be maintained or operated to a particular standard or to a standard in excess of that reasonably practicable within the income and receipts of the Golf Course; and said term shall never be deemed to imply that the Golf Course shall be available to any particular person or class of persons. Without limitation this Declaration shall never be deemed to deny or limit the right of the Golf Course Owner to establish or cause to be established such rules and regulations as the Golf Course Owner deems necessary or appropriate in connection with the Golf Course Maintenance, Operation and Ownership.

In the event more than one entity or person shall be or become Golf Course Owner at any time or from time to time hereafter, said person or persons constituting Golf Course Owner shall designate and appoint in writing one entity or person to act at any given time as Golf Course Owner's Representative for purposes hereof, subject to the following terms and conditions: The parties constituting Golf Course Owner shall deliver written notice of such designation and appointment to the Collection Agent and Property Owner's Association. The parties constituting Golf Course Owner shall have the right at any time and from time to time to revoke and or change the designation and appointment of Golf Course Owner's Representative by delivery of written notice thereof to the Collection Agent and Property Owner's Association. The Collection Agent and Property Owner's Association shall not be bound by any designation and appointment or revocation or change thereof until ten (10) calendar days after delivery of the written notice to the applicable party. The Collection Agent and Property Owner's Association shall be entitled to rely on the acts and agreements of Golf Course Owner's Representative as binding the Golf Course Owner. The designation and appointment of Golf Course Owner shall never be deemed to change, increase or reduce the rights, privileges, duties or obligations of any party, including Golf Course Owner, Collection Agent and or the Property Owner's Association.

(.11) Property Owner's Association Fund: Commencing January 1, 1976, promptly upon receipt thereof, Collection Agent shall pay the proceeds of the Property Owner's Association Fund to the Property Owner's Association. In addition, Collection Agent may pay to the Property Owner's Association the portion of any Assessment which shall be dedicated by the Assessment Association for payment to the Property Owner's Association less its prorata portion of the reasonable cost and expense of collection and enforcement, as herein provided.

The above proceeds of the Property Owner's Association Fund shall be deposited in a special account to be maintained and used by the Property Owner's Association for the purpose of paying and or reimbursing the Property Owner's Association for the cost and expense of performing the Property Owner's Association Function herein defined. The term "Property Owner's Association Function" shall mean improving and maintaining streets, parks, parkways and easements, security protection, owning, maintaining and operating all land and improvements now owned or hereafter acquired by the Property Owner's Association; owning, maintaining and operating all vehicles, machinery and equipment necessary or appropriate in the sole discretion of the Property Owner's Association to perform its function and all other functions reasonably incident to maintenance of the safety, health, welfare and recreation of the property owners and residents of the Subdivision; provided the Property Owner's Association shall not perform the Assessment Function. The term "owning" shall embrace all functions associated with ownership of the applicable land, improvement, machinery, equipment and the like, including, without limitation, maintenance, repair, removal, addition, replacement.

The above proceeds of the Assessment, if any, dedicated in the Assessment to be paid to the Property Owner's Association, shall be deposited by the Property Owner's Association in a special account to be maintained and used by the Property Owner's Association for the purpose of paying and or reimbursing the Property Owner's Association for the cost and expense of the capital improvements for which the Assessment was established. The Property Owner's Association Fund and the Assessment Fund shall be separate funds and shall be maintained, administered and accounted for as separate funds.

On or before 120 days after the end of each calendar year, the Property Owner's Association shall furnish an annual statement to Declarant relative to the Property Owner's Association Fund and Assessment Fund for the prior calendar year.

The Property Owner's Association shall maintain separate books, records and accounts with respect to the Property Owner's Association Fund and Assessment Fund. Said books, records and accounts shall be available to Declarant and its representatives at reasonable times during normal business hours. Upon request of Declarant, the Property Owner's Association shall cause said books, records and accounts to be audited annually at the expense of the party requesting such audit; provided that in the event the audit reflects a material irregularity by the Property Owner's Association, the Property Owner's Association shall pay for the audit.

Subject to the terms and conditions hereof, the Property Owner's Association shall have the right, in its sole discretion, to assign its rights and privileges, duties and obligations hereunder in whole or in part at any time and from time to time to any third party or parties; provided such assignment shall never relieve the Property Owner's Association from its duties or liabilities hereunder.

(.12) Assessment Association Fund: Commencing January 1, 1976, promptly upon receipt thereof, Collection Agent shall pay the proceeds of the Assessment Association Fund to the Assessment Association, less the reasonable cost and expense of collection and enforcement of the Maintenance Fee and other deduction as provided in Section 4.2.8 hereof.

The above proceeds of the Assessment Association Fund shall be deposited in a special account to be maintained and used by the Assessment Association for the purpose of paying and or reimbursing the Assessment Association for the cost and expense or perpetuating its existence and performing the Assessment Function.

On or before 120 days after the end of each calendar year, the Assessment Association shall furnish an annual statement to Declarant relative to the Assessment Association Fund for the prior calendar year.

The Assessment Association shall maintain separate books, records and accounts with respect to the Assessment Association Fund. Said books, records and accounts shall be available to Declarant and its representatives at reasonable times during normal business hours. Upon request of Declarant, the Assessment Association shall cause said books, records and accounts to be audited annually at the expense of the party requesting such audit; provided that in the event the audit reflects a material irregularity by the Assessment Association, the Assessment Association shall pay for the audit.

The right of the Assessment Association to increase or reduce the dollar amount per Lot of the Maintenance Fee and the allocation thereof to the Funds as provided herein shall not be deemed to authorize or permit the Assessment Association to make any other change or modification in the terms or conditions of the Declaration, including without limitation the method of computing, collecting, enforcing, allocating or distributing the Maintenance Fee's use and or accounting for the proceeds of the Funds or otherwise.

(.13) Lien to Secure Maintenance Fee: The obligation to pay the Maintenance Fee and Assessments, whether or not it shall be so expressed in any contract, deed or conveyance, shall be a charge and lien on each Lot and Tract and dwelling unit thereon and shall be a continuing lien on each such Lot and Tract and dwelling unit thereon in favor of the Declarant and its assignee, the Collection Agent, but it is expressly provided such lien shall in all respects be subordinate and inferior to any and all liens previously or subsequently voluntarily placed on said Lots and Tracts, or dwelling units thereon, provided any foreclosure of said voluntary liens by judicial or nonjudicial foreclosure shall be expressly subject to the liens securing the Maintenance Fees and Assessments provided for herein and provided such judicial or nonjudicial foreclosure shall never extinguish or be deemed to extinguish the lien securing any Maintenance Fee and Assessment which may then be due or may become due thereafter. Each such Maintenance Fee and Assessment together with interest thereon and cost of collection thereof as hereinafter provided shall also be the personal obligation of the person or entity who was the Owner of such property at the time the Maintenance Fee or Assessment becomes due, (i.e., January 1 of each calendar year), subject to the applicable provisions of Section 4.4. The Additional Base Maintenance Fee shall be deemed to be part of the Maintenance Fee for purpose of this Section and Section 4.2.15 with respect to the Additional Land subject to the Additional Base Maintenance Fee.

(.14) Collection and Enforcement Cost: Section 4.2.12 provides in part that the Collection Agent shall pay the proceeds of the Assessment Association Fund to the Assessment Association less the reasonable cost and expense of collection and enforcement. The overall cost and expense of collection and enforcement shall be computed on a cash basis during the applicable accounting period.

(.15) Miscellaneous: Section 4.4 is subject to the following additional terms and conditions:

(a) The following portions of the Subdivision Land will be subject to the Maintenance Fee and Assessments:

(i) Lots and Tracts or dwelling units thereon fee title to which is vested in others than Declarant regardless of the amount paid toward the purchase price thereof. Said Lots and Tracts shall become subject to Maintenance Fee and Assessment commencing January 1 after conveyance thereof by the Declarant. Dwelling units shall become subject to Maintenance Fee and Assessment as hereinafter provided.

(ii) Lots and Tracts or dwelling units thereon fee title to which is vested in Declarant subject to valid contracts for deed regardless of the amount paid toward the purchase price thereof. Said Lots and Tracts or dwelling units thereon shall become subject to Maintenance Fee and Assessment commencing January 1 after date of the applicable contract for deed.

(iii) In the case of a duplex, triplex, motel, hotel, apartment, condominium or other structure containing more than a single dwelling unit, the Maintenance Fee and Assessment shall become effective on January 1 following substantial completion of the applicable structure. In the case of a structure containing more than a single dwelling unit, the Maintenance Fee and Assessment shall constitute a charge and lien against the structure and the applicable land based on the number of dwelling units therein; provided in the case of a structure containing more than a single dwelling unit which constitutes a condominium under the Texas Condominium Law, the Maintenance Fee and Assessment shall constitute a charge and lien against each condominium unit and its interest in the general and limited common elements of the condominium.

(iv) In the event an Assessment is in effect on January 1 when any Lot, Tract or dwelling unit thereon becomes subject to Maintenance Fee and Assessment, said Lot, Tract or dwelling unit shall be subject only to the Assessment and or installments thereof due on said January 1 and thereafter.

(b) The following portions of the Subdivision Land will not be subject to the Maintenance Fee and or Assessment:

(i) Lot and Tracts or dwelling units thereon fee title to which is vested in Declarant not subject to a contract for deed. In the event Declarant, as owner of fee title to any Lot or Tract or dwelling unit thereon cancels a contract of sale as to such Lot or Tract or dwelling unit thereon fee title to said Lot or Tract or dwelling unit thereon shall be vested in Declarant free and clear of any lien or charge for any Maintenance Fee and or Assessment whether due or past due. Declarant shall never be deemed liable for any Maintenance Fee and or Assessment whether

due or past due in the event of cancellation of a contract for deed.

(ii) Any portion of the Subdivision Land fee title to which is vested in the Property Owner's Association.

(c) The Horseshoe Bay Golf Course, Horseshoe Bay Clubhouse and Marina, Horseshoe Bay Stables and Horseshoe Bay Airstrip described in Section 5.7 of the Second Amendment to the Declaration are not part of the Subdivision and shall not be subject to the Maintenance Fee or Assessment in any event.

(d) Tract J(17.881 acres) shown on Plat 28.1 shall not be subject to the Maintenance Fee or Assessment in any event.

(e) If fee title to a Lot or Tract or dwelling unit therein is vested in Declarant subject to a lien, mortgage, deed or trust, mineral reservation, easement, restriction or other encumbrance, fee title thereto shall be deemed to be vested in Declarant for purposes hereof. The term "Declarant" shall mean the above named Declarant, its successors and assigns, and any person or entity exercising or succeeding to the rights, powers, duties and obligations of the Declarant, including Assignee.

(.16) General Limitation: In addition and without limitation of the foregoing, the collection, enforcement and use of Maintenance Fees shall never be deemed to impose any duty or obligation on Declarant, the Property Owner's Association, Assessment Association or Collection Agent to perform beyond use of the proceeds of such Maintenance Fee to which each is entitled and which is on hand and available for such use after allowing for reasonably anticipated future expenses of like nature and contingencies.

(.17) The Maintenance Fee and Assessment provided for in the Second Amendment to the Declaration of Reservations of Horseshoe Bay shall be and remain effective until the Maintenance Fee provided for in this Third Amendment to the Declaration of Reservations of Horseshoe Bay becomes effective.

(4) The term "Golf Course" as defined in Section 5.7.1 of the Second Amendment is hereby supplemented to include any golf course and or golf courses upon which the Declarant, its successors, or assigns, shall impose, cause, or permit to be imposed the Special Restrictions restricting the same to Golf Course use all as defined in the Declaration and any prior or subsequent amendment thereof. Any and all such golf courses shall be deemed to the Golf Course for all purposes of the Declaration. Without limitation, in the event there shall exist more than one Golf Course, the allocation of the Golf Course Maintenance Fund (i.e. the portion of the Maintenance Fee and any Additional Base Maintenance Fee allocated to the Golf Course Maintenance Fund) between or among the Golf Courses shall be solely in the discretion of the Golf Course Owner.

General Provisions

Defined terms used herein are defined as said terms are defined in the Declaration subject to any qualification thereof for specific purposes as provided herein. The covenants and restrictions of the Declaration, as amended hereby, shall run with and bind the Subdivision Land, and, without limitation, shall inure to the benefit of and be enforceable by Declarant, Horseshoe Bay Maintenance Fund, Inc., the Association, the Assessment Association, the Committee and or any Owner of the Subdivision Land or any part thereof for the term thereof upon and subject to the terms and conditions thereof.

IN WITNESS WHEREOF, the undersigned have caused their corporate names and seals to be hereunto affixed by their officers thereunto duly authorized, this 3rd day of December 1975.

LAKE LYNDON B. JOHNSON
IMPROVEMENT CORPORATION

ATTEST:

By /s/ Norman C. Hurd
Norman C. Hurd, President

/s/ Dorothy E. Hurd

KINGS LAND INC.

ATTEST:

By /s/ Frank Dan King
Frank Dan King, President

/s/ William K. Lucy

THE STATE OF TEXAS)(

COUNTY OF LLANO)(

Before me, the undersigned authority, on this day personally appeared Norman C. Hurd, President of Lake Lyndon B. Johnson Improvement Corporation, known to me to be the person and officer whose name is subscribed to the foregoing instrument as President of Lake Lyndon B. Johnson Improvement Corporation, a Texas corporation and acknowledged to me that he executed the same for the purposes and consideration therein expressed and in the capacity stated, and as the act and deed of said corporation.

Given under my hand and seal of office this 3rd day of December, 1975.

/s/ Pat Hannusch
Notary Public in and for Llano
County, Texas

THE STATE OF TEXAS)(

COUNTY OF LLANO)(

Before me, the undersigned authority, on this day personally appeared Frank Dan King, President of Kings Land Inc., known to me to be the person and officer whose name is subscribed to the foregoing instrument as President of Kings Land Inc., a Texas corporation, and acknowledged to me that he executed the same for the purposes and consideration therein expressed and in the capacity stated, and as the act and deed of said corporation.

Given under my hand and seal of office this 3rd day of December, 1975.

/s/Pat Hannusch
Notary Public in and for Llano
County, Texas

DELEGATION OF RIGHTS UNDER
DECLARATION OF RESERVATIONS

4377

THE STATE OF TEXAS §
 §
COUNTIES OF LLANO AND BURNET §

This Delegation of Rights Under Declaration of Reservations (the "Delegation") is made this 3/15 day of July, 1990, by Wayne Hurd ("Hurd") and Lake Lyndon B. Johnson Improvement Corporation, a Texas corporation ("LBJ"), acting jointly, to Horseshoe Bay Civic Association Inc., a Texas corporation (the "Civic Association").

WHEREAS, LBJ is named as the Declarant under the terms of that certain Declaration of Reservation filed of record in Volume 177, page 280 et seq., of the records of Llano County, Texas, and in Volume 189, page 637 et seq., of the records of Burnet County, Texas, as supplemented and amended by that certain Supplement and Amendment dated February 14, 1972, and recorded in Volume 180, page 725 et seq., of the records of Llano County, Texas, and in Volume 193, page 643 et seq., of the records of Burnet County, Texas, and as further amended by that certain Second Amendment dated February 20, 1974, recorded in Volume 194, page 422, et seq., of the records of Llano County, Texas, and in Volume 210, page 240 et seq., of the records of Burnet County, Texas, and as further amended by that certain Third Amendment dated December 3, 1975, recorded in Volume 207, page 50 et seq., of the records of Llano County, Texas, and in Volume 223, page 771, of the records of Burnet County, Texas (said Declaration of Reservations, as supplemented and amended, being hereinafter referred to for all purposes as the "Declaration");

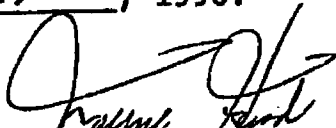
WHEREAS, by instrument dated October 7, 1986, recorded in Volume 331, page 238, et seq., of the records of Llano County, Texas, and in Volume 329, page 162, et seq., of the records of Burnet County, Texas, LBJ delegated to Hurd all of LBJ's rights as Declarant under the Declaration;

WHEREAS, LBJ and Hurd desire to provide for a further delegation of the rights of the Declarant under the Declaration, to be effective upon the earlier of a written renunciation by Hurd of his rights as the delegate of LBJ or the death of Hurd;

NOW, THEREFORE, for good and valuable consideration, including the agreement by the Civic Association to perform the duties and responsibilities of the Declarant under the Declaration, the receipt and sufficiency of such consideration being hereby acknowledged, LBJ and Hurd do hereby, jointly and severally, irrevocably delegate, assign, transfer, and convey to the Civic Association all rights, duties, privileges, and

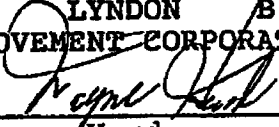
responsibilities of the Declarant under the Declaration, to the full and complete extent thereof, including, but not limited to, the right to sign and approve all plats, re-plats, deeds, architectural plans, and other documents and instruments as "Delegate of Lake Lyndon B. Johnson Improvement Corporation" or in such other form as may be necessary or appropriate under the Declaration, which shall for all purposes have the same effect as if the Declarant had executed the subject instrument; provided, however, that this irrevocable delegation shall not be effective until the earlier of the following occurs: (i) Hurd renounces his position as Delegate under the Declaration by a signed instrument filed of record in Llano and Burnet Counties, Texas, or (ii) the death of Hurd.

EXECUTED THIS 31st DAY OF July, 1990.



WAYNE HURD

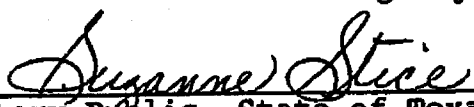
LAKE LYNDON B. JOHNSON
IMPROVEMENT CORPORATION

By: 

Wayne Hurd
President

STATE OF TEXAS §
COUNTY OF Llano §

This instrument was acknowledged before me on July 31, 1990, by Wayne Hurd.



Notary Public, State of Texas

(Stamped or Printed Name of Notary)

My Commission Expires: _____



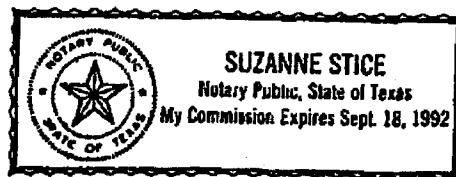
STATE OF TEXAS §
COUNTY OF Llano §
 §

This instrument was acknowledged before me on July 31, 1990, by Wayne Hurd, President of Lake Lyndon B Johnson Improvement Corporation, a Texas corporation, on behalf of said corporation.

Suzanne Stice
Notary Public, State of Texas

(Stamped or Printed Name of Notary)

My Commission Expires: _____



When recorded return to:
Lake LBJ Investment Corporation
P.O. Box 4000
Horseshoe Bay, Texas 78654

FILED FOR RECORD 1 DAY OF AUGUST, 1990, AT 12:47 O'CLOCK P M.
RECORDED THIS THE 1ST DAY OF AUGUST, 1990, AT 1:51 O'CLOCK P M.
MILLIE WILLIAMS, COUNTY CLERK, BURNET COUNTY, TEXAS. BY: Debbie Smith DEPUTY.

VOL. 485 PAGE 217

SUPPLEMENT TO DECLARATION OF RESERVATIONS
OF HORSESHOE BAY AND ASSIGNMENT OF RIGHTS

5260

THE STATE OF TEXAS §

KNOW ALL MEN BY THESE PRESENTS THAT:

COUNTY OF LLANO §

COUNTY OF BURNET §

This Supplement to Declaration of Reservations of Horseshoe Bay and Assignment of Rights (the "Supplement") is made by LAKE LYNDON B. JOHNSON IMPROVEMENT CORPORATION, a Texas corporation, duly acting as the original Declarant under that certain Declaration of Reservations, Horseshoe Bay, heretofore made on July 5, 1971, and filed of record in Volume 177, page 280 et seq., of the Records of Llano County, Texas, and in Volume 189, page 637 et seq. of the Records of Burnet County, Texas, as supplemented and amended by that certain Supplement and Amendment to Declaration of Reservations, Horseshoe Bay, Counties of Llano and Burnet, Texas, dated February 14, 1972, and filed of record in Volume 180, page 725 et seq., of the Records of Llano County, Texas, and in Volume 193, page 643 et seq., of the Records of Burnet County, Texas, and as further supplemented and amended by that certain Second Amendment to Declaration of Reservations, Horseshoe Bay, Counties of Llano and Burnet, Texas, dated February 20, 1974, and filed of record in Volume 194, page 422 et seq., of the Records of Llano County, Texas, and in Volume 210, page 240 et seq., of the Records of Burnet County, Texas, and further amended and supplemented by that certain Third Amendment to Declaration of Reservations, Horseshoe Bay, Counties of Llano and Burnet, Texas, dated December 3, 1975, and filed of record in Volume 207, page 50 et seq., of the Records of Llano County, Texas, and in Volume 223, page 771 et seq., of the Records of Burnet County, Texas (said Declaration of Reservations, as amended and supplemented, being hereinafter referred to for all purposes as the "Declaration"), joined herein by WAYNE HURD, of Llano County, Texas (hereinafter referred to for all purposes as "Hurd"), acting pursuant to that certain Delegation of Rights Under Declaration of Reservations dated October 7, 1986, and recorded in Volume 331, pages 938-943, of the Records of Llano County, Texas, and in Volume 379, pages 162-167, of the Records of Burnet County, Texas.

W I T N E S S E T H:

WHEREAS, Section 3.1(e) of the Declaration provides that the Declarant may at any time and from time to time add additional Classifications by executing and recording one or more supplements to the Declaration, designating and defining such Classification, provided such supplement is filed at or prior to the use of such additional Classification;

WHEREAS, Lake Lyndon B. Johnson Improvement Corporation and Wayne Hurd, duly acting as the Declarant under the Declaration,

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desire to add an additional Classification as permitted by Section 3.1(e) of the Declaration, which Classification has not heretofore been used and will not be used until after the filing of this Supplement in the Records of Llano and Burnet Counties, Texas;

NOW, THEREFORE, acting as the Declarant under the Declaration and pursuant to the authority granted to the Declarant under Section 3.1(e) of the Declaration, Lake Lyndon B. Johnson Improvement Corporation and Wayne Hurd hereby add the following Classification under the Declaration and supplement Section 3.1(e) of the Declaration to add the following Classification:

"FD- Future Development Land"

FURTHERMORE, Lake Lyndon B. Johnson Improvement Corporation and Wayne Hurd, acting as the Declarant under the Declaration, and pursuant to the authority granted to the Declarant under Section 3.1(e) of the Declaration, hereby supplement the Declaration to add the following Section 3.11:

3.11 FD Future Development Land

(a) A Lot or Tract of land which is designated as Future Development Land shall be restricted in accordance with Section 3.2 of the Declaration, but otherwise shall be unrestricted as to use until such time as such Lot and/or Tract, or portion thereof, is reclassified by the then owner thereof by the filing of an amended plat or plats showing such Lot and/or Tract or portion thereof and the new classification thereof; provided, however, the restrictions imposed under Section 3.2 shall not be applicable to any existing buildings, structures, or other improvements located on the Lot or Tract at the time it is designated as Future Development Land. Without limiting the foregoing, any Lot or Tract or portion thereof which is classified as Future Development Land shall, while so classified, not be subject to the provisions of Section 3.3 of the Declaration.

(b) The then fee title owner of a Lot or Tract or applicable portion thereof which is classified as Future Development Land shall have the right, but not the obligation, in the exercise of such fee title owner's sole discretion, to change at any time and from time to time the Classification of any Lot or Tract or any portion thereof which is classified as Future Development Land by either (i) filing or causing to be filed an amended plat or plats to reclassify all or any portion of such Future Development Land, or (ii) filing in the Real Property Records of the County where the Lot, Tract, or applicable part thereof is located a written notice of change of classification executed by the then fee title

owner and describing the property for which the reclassification is applicable; which reclassification shall, in either case, be effective upon filing of the plat or upon filing of the notice of change of classification with the applicable county clerk.

(c) A Lot and/or Tract which is classified as Future Development Land may while so classified be withdrawn from the Declaration at any time, in whole or in part, by the fee title owner thereof, determined at the time the Lot or Tract is committed to the Subdivision as Future Development Land, or by such owner's heirs, successors, or assigns (hereinafter referred to as the "Committing Owner"), filing in the real property records of the county in which the land is located, a written instrument executed by the Committing Owner, which instrument shall describe the land to be withdrawn from the Declaration and shall state that the land is withdrawn from the Declaration. The consent or approval of the Declarant, any other Owner, the Property Owner's Association, or any other person or any governmental entity shall not be necessary for the withdrawal of the described land from the Declaration. Upon the recording of the instrument of withdrawal from the Declaration by the Committing Owner, such described land shall no longer be a part of the Subdivision, such described land shall no longer be Subdivision Land within the meaning of the Declaration, and the provisions of the Declaration shall not apply in whole or in part to such withdrawn land.

FURTHERMORE, Lake Lyndon B. Johnson Improvement Corporation and Wayne Hurd, acting as the Declarant under the Declaration and as authorized and permitted by the Declaration do hereby ASSIGN, TRANSFER, DELEGATE, CONVEY and VEST unto the person or entity who is the owner thereof at the time a Lot and/or Tract is committed to the Declaration as Future Development Land, and such owner's heirs, successors, and assigns, all rights, powers, duties, and obligations of the Declarant and the Committee of Architecture under the Declaration with respect to such Lot and/or Tract, and such person or entity shall continue thereafter to hold and retain all rights, powers, duties, and obligations of the Declarant and the Committee of Architecture with respect to such Lot and/or Tract, notwithstanding any subsequent sale, transfer, or other conveyance of such Lot and/or Tract or any portion thereof to any third person or entity; provided, however, that the person or entity who is the owner of the Lot and/or Tract at the time it is committed to the Declaration as Future Development Land may freely assign by an instrument in writing filed of record in the county in which the Future Development Land is located the rights of the Declarant and/or the Committee of Architecture to any third person or entity with respect to such Lot and/or Tract or portion or portions thereof; and provided further that such person or entity

may reserve and retain all or any part of the rights of Declarant and/or the Committee of Architecture in connection with any future conveyance of any Lot and/or Tract which is designated as Future Development Land under the Declaration.

EXECUTED THIS 4th DAY OF SEPTEMBER, 1991.

LAKE LYNDON B. JOHNSON
IMPROVEMENT CORPORATION

By: [Signature]
Wayne Hurd, President

[Signature]
WAYNE HURD, DECLARANT

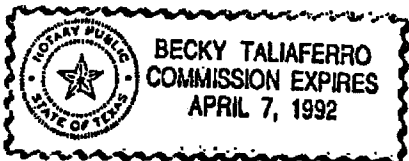
VOL. 508 PAGE 285

ACKNOWLEDGEMENT

STATE OF TEXAS
COUNTY OF LLANO

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This instrument was acknowledged before me on this 4TH day of SEPTEMBER, 1991, by Wayne Hurd, President of Lake Lyndon B. Johnson Improvement Corporation, a Texas corporation, on behalf of said corporation.



Becky Taliaferro
Notary Public, State of Texas

(Printed or Stamped Name of Notary)

My Commission Expires: _____

STATE OF TEXAS
COUNTY OF LLANO

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§

This instrument was acknowledged before me on this 4TH day of SEPTEMBER, 1991, by Wayne Hurd.



Becky Taliaferro
Notary Public, State of Texas

(Printed or Stamped Name of Notary)

My Commission Expires: _____

FILED FOR RECORD 5th DAY OF SEPTEMBER, 1991, AT 4:01 O'CLOCK A. M.
RECORDED THIS THE 10th DAY OF SEPTEMBER, 1991.
JANET PARKER, COUNTY CLERK, BURNET COUNTY, TEXAS. BY: J. Blackberry DEPUTY.

SUPPLEMENT TO DECLARATION OF RESERVATIONS
OF HORSESHOE BAY AND ASSIGNMENT OF RIGHTS

5261

THE STATE OF TEXAS §

KNOW ALL MEN BY THESE PRESENTS THAT:

COUNTY OF LLANO §

COUNTY OF BURNET §

This Supplement to Declaration of Reservations of Horseshoe Bay and Assignment of Rights (the "Supplement") is made by LAKE LYNDON B. JOHNSON IMPROVEMENT CORPORATION, a Texas corporation, duly acting as the original Declarant under that certain Declaration of Reservations, Horseshoe Bay, heretofore made on July 5, 1971, and filed of record in Volume 177, page 280 et seq., of the Records of Llano County, Texas, and in Volume 189, page 637 et seq. of the Records of Burnet County, Texas, as supplemented and amended by that certain Supplement and Amendment to Declaration of Reservations, Horseshoe Bay, Counties of Llano and Burnet, Texas, dated February 14, 1972, and filed of record in Volume 180, page 725 et seq., of the Records of Llano County, Texas, and in Volume 193, page 643 et seq., of the Records of Burnet County, Texas, and as further supplemented and amended by that certain Second Amendment to Declaration of Reservations, Horseshoe Bay, Counties of Llano and Burnet, Texas, dated February 20, 1974, and filed of record in Volume 194, page 422 et seq., of the Records of Llano County, Texas, and in Volume 210, page 240 et seq., of the Records of Burnet County, Texas, and further amended and supplemented by that certain Third Amendment to Declaration of Reservations, Horseshoe Bay, Counties of Llano and Burnet, Texas, dated December 3, 1975, and filed of record in Volume 207, page 50 et seq., of the Records of Llano County, Texas, and in Volume 223, page 771 et seq., of the Records of Burnet County, Texas (said Declaration of Reservations, as amended and supplemented, being hereinafter referred to for all purposes as the "Declaration"), joined herein by WAYNE HURD, of Llano County, Texas (hereinafter referred to for all purposes as "Hurd"), acting pursuant to that certain Delegation of Rights Under Declaration of Reservations dated October 7, 1986, and recorded in Volume 331, pages 938-943, of the Records of Llano County, Texas, and in Volume 379, pages 162-167, of the Records of Burnet County, Texas.

W I T N E S S E T H:

WHEREAS, Section 3.1(e) of the Declaration provides that the Declarant may at any time and from time to time add additional Classifications by executing and recording one or more supplements to the Declaration, designating and defining such Classification, provided such supplement is filed at or prior to the use of such additional Classification;

WHEREAS, Lake Lyndon B. Johnson Improvement Corporation and Wayne Hurd, duly acting as the Declarant under the Declaration,

desire to add an additional Classification as permitted by Section 3.1(e) of the Declaration, which Classification has not heretofore been used and will not be used until after the filing of this Supplement in the Records of Llano and Burnet Counties, Texas;

NOW, THEREFORE, acting as the Declarant under the Declaration and pursuant to the authority granted to the Declarant under Section 3.1(e) of the Declaration, Lake Lyndon B. Johnson Improvement Corporation and Wayne Hurd hereby add the following Classification under the Declaration and supplement Section 3.1(e) of the Declaration to add the following Classification:

"A-1 Amenities Land"

FURTHERMORE, Lake Lyndon B. Johnson Improvement Corporation and Wayne Hurd, acting as the Declarant under the Declaration, and pursuant to the authority granted to the Declarant under Section 3.1(e) of the Declaration, hereby supplement the Declaration to add the following Section 3.10:

"3.10 A-1 Amenities Land

(a) A Lot or Tract which is designated as Amenities Land shall be subject to such restrictions and reservations, if any, as may be imposed from time to time or at any time by Lake LBJ Investment Corp., a Texas corporation, or its successors or assigns (hereinafter referred to as the "Amenities Owner"), but otherwise such Lot or Tract shall be wholly unrestricted as to use, except for such restrictions, if any, as may have been imposed under Section 5.7 of the Second Amendment to this Declaration prior to the designation of the Lot or Tract as Amenities Land, and except for such other valid restrictions and covenants, if any, arising other than under this Declaration as may be binding upon the Lot or Tract at the time it is designated as Amenities Land. Notwithstanding any other provision in this Declaration to the contrary, and without limiting the foregoing, in no event shall the construction of any building, structure, or other improvement located on any Amenities Land ever be subject to approval by the Declarant, the Committee, any Owner, the Property Owner's Association, or any other person or quasi-governmental entity or board, and further in no event shall any Amenities Land ever be subject to charge or imposition for any Maintenance Fee, Assessment, building permit fee, construction inspection fee, or other charge, fee, or assessment of any kind or character. The Amenities Owner shall have the absolute and irrevocable right, in the exercise of its sole discretion, to approve the design, construction, and location of all buildings, structures, and other improvements of any kind or character located

on any Lot or Tract which is designated as Amenities Land, including but not limited to all landscaping and all signs located on Amenities Land.

(b) The Amenities Owner shall have the right, but not the obligation, in the exercise of its sole discretion, to change at any time and from time to time the Classification of any Lot or Tract or any portion thereof which is Amenities Land by either (i) filing or causing to be filed an amended plat or plats to reclassify all or any portion of such Amenities Land, or (ii) filing in the Real Property Records of the County where the Lot, Tract, or applicable part thereof is located a written notice of change of classification executed by the Amenities Owner and describing the property for which the reclassification is applicable; which reclassification shall, in either case, be effective upon filing of the plat or upon filing of the notice of change of classification with the applicable county clerk.

(c) A Lot or Tract which is classified as Amenities Land may be withdrawn from the Declaration at any time, in whole or in part, by the Amenities Owner filing, in the real property records of the county where the applicable Amenities Land is located, a written instrument executed and acknowledged by the Amenities Owner, which shall describe the Amenities Land to be withdrawn from the Declaration and shall state that the land is withdrawn from the Declaration. The consent or approval of Declarant, any Owner, the Property Owner's Association, or any other person or any governmental entity shall not be necessary for the withdrawal of the land from the Declaration. Upon the filing of the instrument of withdrawal from the Declaration by the Amenities Owner, such described land shall no longer be a part of the Subdivision, such described land shall no longer be Subdivision Land within the meaning of the Declaration, and the provisions of this Declaration shall not apply in whole or in part to such described land; provided, however, if the land being withdrawn was already subject to the Special Restrictions under Section 5.7 of the Second Amendment to this Declaration at the time it was originally designated as Amenities Land, it shall still be subject to such Special Restrictions after its withdrawal from the Declaration."

FURTHERMORE, Lake Lyndon B. Johnson Improvement Corporation and Wayne Hurd, acting as the Declarant under the Declaration and as authorized and permitted by the Declaration do hereby ASSIGN, TRANSFER, DELEGATE, CONVEY and VEST unto Lake LBJ Investment Corp., a Texas corporation, and its successors and assigns (hereinafter

referred to as "Assignee"), all rights, powers, duties, and obligations of the Declarant and the Committee of Architecture under the Declaration with respect to any Lot and/or Tract which is designated as Amenities Land under the Declaration; provided further that Assignee may hereafter assign the rights of Declarant and/or the Committee of Architecture to any third person or entity without limitation with respect to any Lot and/or Tract which is designated as Amenities Land under the Declaration; and provided further that Assignee may reserve and retain all or any part of the rights of Declarant and/or the Committee of Architecture in connection with any future conveyance of any Lot and/or Tract which is designated as Amenities Land under the Declaration.

EXECUTED THIS 4th DAY OF SEPTEMBER, 1991.

LAKE LYNDON B. JOHNSON
IMPROVEMENT CORPORATION

By: [Signature]
Wayne Hurd, President

[Signature]
WAYNE HURD, DECLARANT

VOL. 508 PAGE 290

ACKNOWLEDGEMENT

STATE OF TEXAS

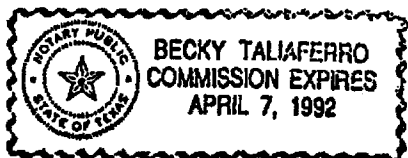
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COUNTY OF LLANO

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This instrument was acknowledged before me on this 4TH day of SEPTEMBER, 1991, by Wayne Hurd, President of Lake Lyndon B. Johnson Improvement Corporation, a Texas corporation, on behalf of said corporation.



Becky Taliaferro
Notary Public, State of Texas

(Printed or Stamped Name of Notary)

My Commission Expires: _____

STATE OF TEXAS

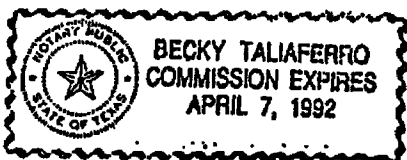
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COUNTY OF LLANO

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This instrument was acknowledged before me on this 4TH day of SEPTEMBER, 1991, by Wayne Hurd.



Becky Taliaferro
Notary Public, State of Texas

(Printed or Stamped Name of Notary)

My Commission Expires: _____

FILED FOR RECORD 5th DAY OF SEPTEMBER, 1991, AT 9:01 O'CLOCK A. M.
RECORDED THIS THE 10th DAY OF SEPTEMBER, 1991.
JANET PARKER, COUNTY CLERK, BURNET COUNTY, TEXAS. BY: J. Blackaby DEPUTY.

FOURTH AMENDMENT TO DECLARATION OF RESERVATIONS
HORSESHOE BAY
COUNTIES OF LLANO AND BURNET, TEXAS

THE STATE OF TEXAS §
 §
COUNTY OF LLANO §
COUNTY OF BURNET §

KNOW ALL MEN BY THESE PRESENTS THAT:

This Fourth Amendment to Declaration of Reservations, Horseshoe Bay, Counties of Llano and Burnet, Texas (this "Amendment"), being an amendment to that certain Declaration of Reservations, Horseshoe Bay, heretofore made on July 5, 1971, and filed of record in Volume 177, page 279 et seq., of the Records of Llano County, Texas, and in Volume 189, page 637 et seq. of the Records of Burnet County, Texas, as supplemented and amended by that certain Supplement and Amendment to Declaration of Reservations, Horseshoe Bay, Counties of Llano and Burnet, Texas, dated February 14, 1972, and filed of record in Volume 180, page 725 et seq., of the Records of Llano County, Texas, and in Volume 193, page 643 et seq., of the Records of Burnet County, Texas, and as further supplemented and amended by that certain Second Amendment to Declaration of Reservations, Horseshoe Bay, Counties of Llano and Burnet, Texas, dated February 20, 1974, and filed of record in Volume 194, page 422 et seq., of the Records of Llano County, Texas, and in Volume 210, page 240 et seq., of the Records of Burnet County, Texas, and as further amended and supplemented by that certain Third Amendment to Declaration of Reservations, Horseshoe Bay, Counties of Llano and Burnet, Texas, dated December 3, 1975, and filed of record in Volume 207, page 50 et seq., of the Records of Llano County, Texas, and in Volume 223, page 771 et seq., of the Records of Burnet County, Texas, and as further supplemented by that certain Supplement to Declaration of Reservations of Horseshoe Bay and Assignment of Rights dated September 4, 1991, recorded in Volume 399, page 272 et seq., of the Records of Llano County, Texas, and in Volume 508, page 282 et seq., of the Records of Burnet County, Texas, and as further supplemented by that certain Supplement to Declaration of Reservations of Horseshoe Bay and Assignment of Rights dated September 4, 1991, recorded in Volume 399, page 278 et seq., of the Records of Llano County, Texas, and in Volume 508, page 287 et seq., of the Records of Burnet County, Texas (said Declaration of Reservations, as heretofore amended and supplemented, being hereinafter referred to for all purposes as the "Declaration").

W I T N E S S E T H:

WHEREAS, Section 5.2 of the Declaration provides for amendment of the Declaration by an instrument of amendment which shall be in writing and shall be executed and acknowledged by the then Owners of a majority in interest of the fee title of the Subdivision Land (excluding the portion of the Subdivision Land included in roads

and streets) and which must be filed of record in Llano and Burnet Counties, Texas; and

WHEREAS, the undersigned Lake Lyndon B. Johnson Improvement Corporation, a Texas corporation, Lake LBJ Investment Corp., a Texas corporation, Norman C. Hurd, Trustee #1, Norman C. Hurd, Individually and as Executor of the Estate of Dorothy E. Hurd, Deceased, and Wayne and Eileen Hurd, Individually (hereinafter referred to for all purposes in this Amendment as the "Majority Owners") are as of the date of execution and recording of this Amendment the Owners of a majority in interest of the fee title of the Subdivision Land (excluding the portion of the Subdivision Land included in roads and streets), as certified in the Affidavit and Certification of Donald Sherman, Registered Public Land Surveyor No. 1877, attached hereto as Exhibit "A" and incorporated herein by reference for all purposes; and

WHEREAS, the Majority Owners join in the execution of this Amendment for the purpose of amending the Declaration as set forth herein, with the intent of correcting, improving, and reforming the Declaration; and

WHEREAS, as provided in Section 5.2 of the Declaration, this Amendment shall be effective on the date that it is recorded in Llano and Burnet Counties, Texas;

NOW, THEREFORE, for and in consideration of these presents and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged and agreed, the Majority Owners, as authorized and permitted by Section 5.2 of the Declaration, hereby amend the Declaration effective as of the date of filing of this Amendment in Llano and Burnet Counties, Texas:

(1) Section 1.1(a) of the Declaration is hereby amended and restated in its entirety as follows:

(a) The Plat shall be executed by Declarant or by any person or entity acting by, through, or under the authority of Declarant as set forth herein, and filed of record in Llano County, Texas, and, if appropriate, any other county in which the land covered by the Plat is located. Declarant hereby grants to the Amenities Owner the right to commit Amenities Land to the Subdivision. Declarant hereby grants to Norman C. Hurd, Trustee #1, and his successors and assigns, the right to commit Future Development Land to the Subdivision.

(2) The Declaration is hereby amended by the addition of the following new Section 1.1(f):

The Plat shall only be recorded in the county where the land covered thereby is located; provided, however, if

the land covered by the Plat is located in more than one county, the Plat shall be recorded in each county where land covered by the Plat is located.

(3) The Declaration is amended by the addition of the following new Section 1.6:

1.6 The term "Amenities" shall mean all recreational and resort facilities and properties and supporting facilities and properties owned by Lake LBJ Investment Corp., a Texas corporation, or its subsidiaries, successors, or assigns, and operated by Horseshoe Bay Resort and Conference Center, Inc., a Texas corporation, or its subsidiaries, successors, or assigns, or by Horseshoe Bay Management Company, or its subsidiaries, successors, or assigns, including, but not limited to, the Horseshoe Bay yacht club and conference center, stables, tennis center, golf courses, and other recreational and resort facilities, present and future.

(4) The Declaration is hereby amended by the addition of the following new Section 1.7:

1.7 The term "Club" shall mean Horseshoe Bay Resort and Conference Center, Inc., a Texas corporation, and Horseshoe Bay Management Company, a Texas corporation, and their subsidiaries, successors, and assigns, as operator of the Amenities.

(5) The Declaration is amended by the addition of the following new Section 1.8:

1.8 The term "Amenities Owner" shall mean Lake LBJ Investment Corp., a Texas corporation, or its subsidiaries, successors, or assigns, as owner of all or substantially all of the Amenities. Notwithstanding any other provision of this Declaration to the contrary, any right or privilege which is granted to the Amenities Owner under this Declaration may be exercised by any assignee or delegate of the Amenities Owner, including, but not limited to, the Club.

(6) The Declaration is hereby amended by the addition of the following new Section 1.9:

1.9 The term "Common Area" shall mean all land (including all structures, improvements, and equipment located thereon) wherever located which is (a) owned by Horseshoe Bay Property Owners' Association, Inc., a Texas nonprofit corporation, or its successors or assigns, including, but not limited to, all land upon which

streets and roads are located which are in the Subdivision or serve the Subdivision, including, but not limited to, all land described in that certain Correction Deed Without Warranty (Horseshoe Bay Roads) from Lake Lyndon B. Johnson Improvement Corporation, et al., as grantors, to Horseshoe Bay Property Owners' Association, Inc., as grantee, dated June 14, 1990, and recorded in Volume 371, pages 961-1007, of the Real Property Records of Llano County, Texas, (b) regardless of fee title ownership, all entrances to the Subdivision on FM 2147, (d) the Horseshoe Bay Lighthouse, and (e) regardless of fee title ownership, any other land so designated by the Amenities Owner.

(7) The Declaration is hereby amended by the addition of the following new Section 1.10:

1.10 The term "Property Owners' Association" shall refer to Horseshoe Bay Property Owners' Association, Inc., a Texas non-profit corporation incorporated on March 4, 1974 (Charter No. 00338951-01)."

(8) The Declaration is hereby amended by the addition of the following new Section 1.11:

1.11 The term "Maintenance Fund Association" shall mean Horseshoe Bay Maintenance Fund, Inc., a Texas nonprofit corporation incorporated on June 4, 1973 (Charter No. 00325737-01).

(9) The Declaration is hereby amended by the addition of the following new Section 1.12:

1.12 The term "Terminating Event" shall mean any of the following occurring after January 1, 1992: (a) any event which is described as a Terminating Event in this Declaration, (b) the sale of any Lot or Tract at a foreclosure sale, other than a foreclosure sale by Lake Lyndon B. Johnson Improvement Corporation, a Texas corporation, and (c) the sale of any Lot or Tract at a judicial tax sale unless the purchaser at the judicial tax sale is Lake Lyndon B. Johnson Improvement Corporation, a Texas corporation.

(10) The Declaration is hereby amended by the addition of the following new Section 1.13:

1.13 The term "Primary Street" shall mean and include (a) Horseshoe Bay Boulevard, Clayton Nolen Boulevard, Hi Circle South, Horseshoe Bay West Boulevard, and (b) any other street or road in or serving the Subdivision which is so designated by the Amenities Owner.

(11) The Declaration is hereby amended by the addition of the following new Section 1.14:

1.14 The term "Additional Land" means all additional land which has been committed or caused or permitted to be committed to the Subdivision since December 3, 1975, as well as all additional land which in the future is committed or caused or permitted to be committed to the Subdivision, and which additional land is out of that certain 2,496.857 acres, more or less, described in two deeds both dated December 20, 1972, from Buena Vista Corporation of Beaumont, as grantor, to Norman C. Hurd, Trustee and Wayne Hurd, Trustee, as grantees, and recorded respectively in Volume 186, page 333 et seq., of the Records of Llano County, Texas, and in Volume 186, page 343 et seq., of the Records of Llano County, Texas.

(12) The Declaration is hereby amended by the addition of the following new Section 1.15:

1.15 The term "Annual Inflation Adjustment" shall mean an annual adjustment in the dollar amount stated in this Declaration, such annual adjustment to be made on January 1 of each year using the same formula and Index as set forth in Section 4.4(.7) of this Declaration.

(13) The Declaration is hereby amended by the addition of the following new Section 1.16:

1.16 Whenever Lake Lyndon B. Johnson Improvement Corporation, a Texas corporation, is identified in this Declaration, it shall mean the Texas corporation of that name as well as such other corporation or corporations which shall succeed to ownership of all or part of the Subdivision Land inventory of Lake Lyndon B. Johnson Improvement Corporation, a Texas corporation, and which corporation or corporations shall be designated in an instrument filed of record in Llano and Burnet Counties, Texas, which instrument shall be executed by Lake Lyndon B. Johnson Improvement Corporation, a Texas corporation, and by Declarant in order to be effective.

(14) The Declaration is hereby amended by the addition of the following new Section 2.8:

2.8 The Committee may grant a variance or exception to the building and setback restrictions contained in this Declaration when, in the sole judgment and discretion of the Committee, such variance or exception would not be inconsistent with the maintenance of a high standard of architecture and construction in the Subdivision and

would not be inconsistent with the aesthetic standards of the Subdivision.

(15) Section 3.1(a) of the Declaration is hereby amended and restated in its entirety as follows:

(a) Each Plat shall subdivide the land covered thereby into one or more Lots or Tracts, which shall be identified by number in the case of Lots and letter in the case of Tracts.

(16) Section 3.1(e) of the Declaration is hereby amended and restated in entirety as follows:

(e) Each Lot or Tract shall be restricted to one of the following classifications ("Classifications"):

- R-1 - Single Family Residential District
- R-2 - Two Family Residential District
- R-4 - Multiple Residential District
- R-6 - Apartment, Townhouse and Cottage District
- M-1 - Mobile Home District
- C-2 - Commercial District
- A-1 - Amenities Land
- F-D - Future Development Land

Declarant may at any time and from time to add additional Classifications by executing and recording one or more supplements to this Declaration, designating and defining such Classification, provided, such supplement is filed at or prior to the use of such additional Classification. All supplements heretofore filed by Declarant are hereby ratified and confirmed.

Each Classification shall govern as to the permitted usage of the Lots and Tracts so classified, subject to the other provisions set forth in this Declaration and the Conditions.

(17) Section 3.1(f) of the Declaration is hereby amended and supplemented to add the following provisions thereto:

Any replat or reclassification of any Subdivision Land, must be approved by Declarant, except as otherwise provided in Section 3.10 with respect to Amenities Land and in Section 3.11 with respect to Future Development Land. Notwithstanding the foregoing, the Amenities Owner and Norman C. Hurd, Trustee # 1, and his successor or assign, shall each have the right to resubdivide and/or reclassify at any time and from time to time any Lot or Tract or portion thereof which is owned by the Amenities Owner or Norman C. Hurd, Trustee #1, or his successor or

assign, and the Lot or Tract or portion thereof shall be deemed to be resubdivided and/or reclassified when the Amenities Owner or Norman C. Hurd, Trustee #1, or his successor or assign, shall have filed an amended Plat reflecting such resubdivision and/or reclassification in the county in which the Lot or Tract or applicable portion thereof is located.

(18) Section 3.2 (A.1) of the Declaration is hereby amended to add the following as the last paragraph:

Declarant shall have the right to establish a schedule of charges to be imposed upon Owners for building permits for the construction of any structure or other improvement on any Lot or Tract. Declarant shall have the right and authority to collect such charges for building permits prior to the commencement of construction, and Declarant may delegate to the Committee the right to collect such charges. The amount of such charges shall be set in the sole discretion and determination of Declarant. Declarant shall also have the right and authority to inspect all construction underway on any Lot or Tract to verify compliance with the requirements and Conditions of this Declaration, and each Owner hereby grants to Declarant and Declarant's agents, employees, representatives, successors and assigns, an irrevocable license and easement to come onto the Owner's Lot or Tract for the purpose of inspecting construction. The charges collected for building permits shall be used to defray the costs and expenses of inspection of construction and for the costs of enforcement of this Declaration by the Declarant, with any excess funds being the property of Declarant.

(19) Section 3.2 (A.2) of the Declaration is hereby amended and restated as follows:

A.2 Air Conditioning Units and Television Antennae

No air conditioning unit, evaporative cooler, or other object or device which, in the sole opinion of the Committee, is unsightly shall be placed upon or above the roof of any building, except and unless the same is architecturally concealed from view in accordance with plans submitted to and approved by the Committee prior to the installation thereof and then only when, to the satisfaction of the Committee, the same is not aesthetically or architecturally objectionable and is otherwise in conformity with the aesthetic standards of the Subdivision. No television antenna, radio antenna, radio receiver, satellite dish, or other similar device for receiving or transmitting radio, television, or other

electronic signals shall be erected on the Subdivision Land or on any building or other structure located on any Subdivision Land unless screened from view in a manner acceptable to the Committee in the exercise of its sole discretion. Roof-type television antennas may be installed provided, in the determination of the Committee, they are installed in such location and position that they cannot be seen against the skyline from any vantage point located off the applicable Lot or Tract. No form of radio or television signals, or other form of electromagnetic radiation or transmission shall be permitted to originate from any Lot or Tract which, in the sole determination of the Committee, unreasonably interferes with the reception of radio and television signals within the Subdivision. Notwithstanding the foregoing, Declarant, the Property Owners' Association, Lake LBJ Municipal Utility District, the Club, and the Amenities Owner, and their respective assigns, shall not be prohibited from installing and operating equipment and related facilities necessary for master antenna, security, cable television, mobile radio, and other similar systems within the Subdivision.

(20) The second paragraph of Section 3.3 B.(5) of the Declaration is hereby amended and restated in its entirety as follows:

No house trailer, camper, mobile home, motorhome, or other similar vehicle designed for living or camping and no commercial truck, tractor, tractor trailer, motorcycle, motorized bicycle, or other similar vehicle shall be parked within the Subdivision, either during the daytime or at night, except in such area, if any, as may be designated by Declarant for such purpose. No boat, boat trailer, or other watercraft shall be permitted to remain overnight on any street or driveway exposed to public view, but must be stored or placed in a boat slip, boathouse, or other suitable facility approved by and acceptable to the Committee in the exercise of its sole discretion.

(21) Section 3.3 B.(6) of the Declaration is hereby amended to delete the first paragraph thereof.

(22) Section 3.3 B.(10) is hereby amended and restated in its entirety as follows:

No structure shall be occupied or used for the purpose for which it is designed or built or for any other purpose until the exterior thereof shall have been completed and the structure connected to an acceptable

sanitary sewer which has been approved by the Committee and a certificate to that effect shall have been issued by the Committee. Following issuance of a building permit by the Committee, the construction contemplated thereby shall be completed within one (1) year from the date of the building permit, with all construction materials and equipment, contractor's temporary offices, chemical toilets, and any other temporary structures removed from the applicable Lot or Tract. Failure to complete all construction within one (1) year after issuance of a building permit, or within such longer period as may be approved by the Committee in the exercise of its sole discretion, shall constitute a Terminating Event with respect to the Lot or Tract upon which construction has commenced and has not been completed. In the event that construction has not commenced within six (6) months of the date of issuance of the building permit, the building permit shall be null and void and of no further force or effect, and it shall be necessary for the Owner to reapply for a new building permit to the Committee. Once commenced, construction shall be diligently prosecuted to completion.

(23) Section 3.3 B.(13) of the Declaration is hereby amended and restated in its entirety as follows:

The Owner of each Lot and Tract shall keep all grass, weeds, and vegetation (except as part of any landscaping plan approved by the Committee) trimmed and cut so that the same shall remain in a neat and attractive condition as determined in the sole discretion and judgment of the Committee. Upon the failure of any Owner to comply with this requirement, Declarant or the Committee may provide written notice to the Owner and if the Owner fails to remedy the condition within thirty (30) days' after transmittal of the notice to the Owner, Declarant or the Committee or their respective agents may enter upon the Lot or Tract and remedy the violation and may charge the Owner the greater of \$45.00 or the actual cost of remedying the violation. The sum of \$45.00 stated in this Section shall be subject to an Annual Inflation Adjustment beginning in 1992 and each year thereafter. The failure of the Owner to pay the foregoing charge within ninety (90) days after the transmittal of a billing statement to the Owner by Declarant or the Committee shall be a Terminating Event under Section 4.2 of this Declaration.

(24) Section 3.4 C.(1) of the Declaration is hereby amended and restated in its entirety as follows:

No animals, livestock, or poultry of any kind shall

be raised, bred, or kept on any Lot, except that dogs, cats, and other household pets may be kept provided that they are not kept, bred, or maintained for any commercial purposes and are not kept in quantities which, in the sole discretion and judgment of the Committee, create an annoyance or nuisance. Pets shall be kept under leash when walked or exercised away from the Owner's Lot. If in the sole discretion of the Committee it is determined that a particular animal constitutes a nuisance, such animal shall be removed from the Subdivision by the owner thereof, and if the owner thereof cannot be determined or is otherwise unknown, then the Property Owners' Association is authorized and directed to remove the animal from the Subdivision.

(25) Section 3.5 D.(2) of the Declaration is hereby amended and restated in its entirety as follows:

D.(2) Maximum Building Height

The maximum building height shall be thirty-two (32) feet above the highest natural contour of the applicable Lot or Tract.

(26) Section 3.6 E.(2) of the Declaration is hereby amended and restated in its entirety as follows:

E.(2) Maximum Building Height

The maximum building height shall be thirty-two (32) feet above the highest natural contour of the applicable Lot or Tract.

(27) Section 3.7 F.(2) of the Declaration is hereby amended and restated in its entirety as follows:

F.(2) Maximum Building Height

The maximum building height shall be thirty-two (32) feet above the highest natural contour of the applicable Lot or Tract.

(28) Section 3.8 G.(2) of the Declaration is hereby amended and restated in its entirety as follows:

G.(2) Maximum Building Height

The maximum building height shall be thirty-two (32) feet above the highest natural contour of the applicable Lot or Tract; provided that in the case of a multiple dwelling complex containing more than 20 dwelling units, the Committee may increase the maximum building height in

the exercise of its sole discretion.

(29) Section 3.9 of the Declaration is hereby amended and restated in its entirety as follows:

3.9 C-2 General Commercial District

In addition to the preceding provisions, the following uses and regulations shall apply in the C-2 General Commercial District.

H.(1) Uses Permitted

(a) Retail or wholesale stores or businesses not involving any kind of manufacture, processing, or treatment of products other than that which is clearly incidental to the retail or wholesale business conducted on the premises; provided, however, except with the express prior written permission of the Amenities Owner, (i) no retail or wholesale business engaged in the sale of golf and/or tennis equipment, merchandise, or services may be constructed or operated, and (ii) no health spa or health club or similar facility may be constructed or operated.

(b) Automobile parking areas.

(c) Automotive service stations where approved by the Committee.

(d) Public utility or public service buildings and structures necessary to such use and approved by the Committee.

(e) Restaurants, tea rooms and cafes, including on and off premises sale of alcoholic beverages, where the law provides, where approved by the Committee.

(f) Theaters and auditoriums (except for drive-in theaters) where approved by the Committee.

(g) Such other types of retail and wholesale businesses shall be permitted when in the sole discretion and determination of the Committee such use is compatible with the uses permitted above and the general scheme of development for the Subdivision Land; provided, however, in no event shall any hotel, motel, or other similar commercial lodging facility (including, but not limited to, any time share program) be permitted unless owned and/or operated by the Amenities Owner and/or the

Club.

(h) Such accessory buildings and structures to be located on the same Lot or Tract as may be reasonably necessary and appropriate in the sole discretion and determination of the Committee.

H.(2) Maximum Building Height

The maximum building height shall be thirty-two (32) feet above the highest natural contour of the applicable Lot or Tract.

H.(3) Storage of Materials

The open or visible storage of supplies and equipment, boxes, refuse, trash, materials, machinery or machinery parts, or other items of any kind or character which in the sole discretion and determination of the Committee detract from the aesthetic values of the Subdivision is prohibited.

H.(4) Maximum Area of Building

Building area shall not exceed sixty percent (60%) of the area of the Lot or Tract, unless the Committee determines in the exercise of its sole discretion that a greater percentage would not be incompatible with the aesthetic values of the Subdivision.

H.(5) Signs

Prior to construction or installation thereof, all exterior signs, including the location, design, color, size, and lighting thereof, must be approved by Declarant and the Amenities Owner.

H.(6) Landscaping

All commercial structures shall be landscaped with an automatic watering system. Prior to installation, all landscaping plans must be submitted to and approved by Declarant and the Amenities Owner. If landscaping is not maintained in accordance with the approved landscaping plan or otherwise to the satisfaction of Declarant and the Amenities Owner, then the Property Owners' Association shall remedy the deficiencies at its cost, but the Property Owners' Association may recover the cost thereof from the Owner of the applicable Lot or Tract.

(30) The Declaration was previously supplemented by addition of the following new Section 3.10, which supplementation is hereby ratified, confirmed, and adopted by the Majority Owners, and the Declaration is hereby amended to include the following new Section 3.10:

3.10 A-1 Amenities Land

(a) A Lot or Tract which is designated as Amenities Land shall be subject to such restrictions and reservations, if any, as may be imposed from time to time or at any time by the Amenities Owner, but otherwise such Lot or Tract shall be wholly unrestricted as to use, except for such restrictions, if any, as may have been imposed under Section 5.7 of this Declaration prior to the designation of the Lot or Tract as Amenities Land, and except for such other valid restrictions and covenants, if any, arising other than under this Declaration as may be binding upon the Lot or Tract at the time it is designated as Amenities Land. Notwithstanding any other provision in this Declaration to the contrary, and without limiting the foregoing, in no event shall the construction of any building, structure, or other improvement located on any Amenities Land ever be subject to approval by the Declarant, the Committee, any Owner, the Property Owners' Association, or any other person or quasi-governmental entity or board, and further in no event shall any Amenities Land ever be subject to charge or imposition for any Maintenance Fee, Assessment, building permit fee, construction inspection fee, or other charge, fee, or assessment of any kind or character. The Amenities Owner shall have the absolute and irrevocable right, in the exercise of its sole discretion, to approve the design, construction, and location of all buildings, structures, and other improvements of any kind or character located on any Lot or Tract which is designated as Amenities Land, including but not limited to all landscaping and all signs located on Amenities Land.

(b) The Amenities Owner shall have the right, but not the obligation, in the exercise of its sole discretion, to change at any time and from time to time the Classification of any Lot or Tract or any portion thereof which is Amenities Land by either (i) filing or causing to be filed an amended plat or plats to reclassify all or any portion of such Amenities Land, or (ii) filing in the Real Property Records of the County where the Lot, Tract, or applicable part thereof is located a written notice of change of classification executed by the Amenities Owner and describing the property for which the reclassification is applicable;

which reclassification shall, in either case, be effective upon filing of the plat or upon filing of the notice of change of classification with the applicable county clerk.

(c) A Lot or Tract which is classified as Amenities Land may be withdrawn from the Declaration at any time, in whole or in part, by the Amenities Owner filing, in the real property records of the county where the applicable Amenities Land is located, a written instrument executed and acknowledged by the Amenities Owner, which shall describe the Amenities Land to be withdrawn from the Declaration and shall state that the land is withdrawn from the Declaration. The consent or approval of Declarant, any Owner, the Property Owners' Association, or any other person or any governmental entity shall not be necessary for the withdrawal of the land from the Declaration. Upon the recording of the instrument of withdrawal from the Declaration by the Amenities Owner, such land shall no longer be a part of the Subdivision, such land shall no longer be Subdivision Land within the meaning of the Declaration, and the provisions of this Declaration shall not apply in whole or in part to such land; provided, however, if the land being withdrawn was already subject to the Special Restrictions under Section 5.7 at the time it was originally designated as Amenities Land, it shall still be subject to such Special Restrictions after its withdrawal from the Declaration.

(31) The Declaration was previously supplemented by addition of the following new Section 3.11, which supplementation is hereby ratified, confirmed, and adopted by the Majority Owners, and the Declaration is hereby amended to include the following new Section 3.11:

3.11 FD Future Development Land

(a) A Lot or Tract of land which is designated as Future Development Land shall be restricted in accordance with Section 3.2 of the Declaration, but otherwise shall be unrestricted as to use until such time as such Lot and/or Tract, or portion thereof, is reclassified by the then owner thereof by the filing of an amended plat or plats showing such Lot and/or Tract or portion thereof and the new classification thereof; provided, however, the restrictions imposed under Section 3.2 shall not be applicable to any existing buildings, structures, or other improvements located on the Lot or Tract at the time it is designated as Future Development Land. Without limiting the foregoing, any Lot or Tract or portion thereof which is classified as Future Development

Land shall, while so classified, not be subject to the provisions of Section 3.3 of the Declaration.

(b) The then fee title owner of a Lot or Tract or applicable portion thereof which is classified as Future Development Land shall have the right, but not the obligation, in the exercise of such fee title owner's sole discretion, to change at any time and from time to time the Classification of any Lot or Tract or any portion thereof which is Future Development Land by either (i) filing or causing to be filed an amended plat or plats to reclassify all or any portion of such Future Development Land, or (ii) filing in the Real Property Records of the County where the Lot, Tract, or applicable part thereof is located a written notice of change of classification executed by the then fee title owner and describing the property for which the reclassification is applicable; which reclassification shall, in either case, be effective upon filing of the plat or upon filing of the notice of change of classification with the applicable county clerk.

(c) A Lot and/or Tract which is classified as Future Development Land may be withdrawn from the Declaration at any time, in whole or in part, by the then fee title owner thereof filing, in the real property records of the county where the land is located, a written instrument executed by the then fee title owner of the land, which instrument shall describe the land to be withdrawn from the Declaration and shall state that the land is withdrawn from the Declaration. The consent or approval of the Declarant, any Owner, the Property Owners' Association, or any other person or any governmental entity shall not be necessary for the withdrawal of the land from the Declaration. Upon the recording of the instrument of withdrawal from the Declaration by the then owner of the land, such land shall no longer be a part of the Subdivision, such land shall no longer be Subdivision Land within the meaning of the Declaration, and the provisions of the Declaration shall not apply in whole or in part to such withdrawn land.

(32) Section 4.2 of the Declaration is hereby amended and restated in its entirety as follows:

4.2 Amenities and Club Membership

(a) The Amenities Owner is the owner of the Amenities and has the right to operate and control the Amenities as it sees fit in the exercise of its sole and absolute discretion. The Amenities Owner and the Club may impose and collect such fees and charges for the use

of the Amenities or any part thereof as the Amenities Owner determines to be appropriate in the exercise of its sole and absolute discretion without limitation. All moneys so collected are the sole property of the Amenities Owner or the Club, as applicable, and may be used, expended, distributed, transferred, loaned, given, paid, or disposed of in the exercise of the sole and absolute discretion of the Amenities Owner and the Club without limitation.

(b) The Amenities Owner has the right to sell, lease, convey, rent, mortgage, pledge, assign, transfer, restrict, dedicate, encumber, demolish, restore, rebuild, reconstruct, rehabilitate, terminate, or otherwise deal with all or any portion of the Amenities without restriction or restraint of any kind or character.

(c) The Amenities Owner shall be under no obligation to operate or maintain all or any portion of the Amenities.

(d) No land owned by the Amenities Operator shall be deemed to be a part of the Subdivision Land unless it is covered by a plat meeting the requirements of this Declaration and filed of record in the county where the land is located. Notwithstanding any other provision to the contrary contained in this Declaration, the Amenities Owner shall not be responsible for the payment of any Maintenance Fees, Assessments, or other charges.

(e) The Owner of a Lot or Tract has no rights with respect to the Amenities except and only as set forth in this Section 4.2. Without limiting the foregoing, the Owner of a Lot or Tract has no equitable rights, licenses, servitude, easements, rights of use or access, or other rights with respect to the Amenities, except and only as specifically granted in this Section 4.2 and not otherwise.

(f) The Amenities Owner is not required to operate the Amenities or any portion thereof as a public facility, and the Amenities Owner may restrict access to the Amenities to members in good standing of any private club operated by the Amenities Owner or the Club or any successor thereto (any such private club being hereinafter referred to as a "Country Club"). The Amenities Owner may without restriction create such classes of membership in any Country Club, including temporary memberships extended to guests staying in lodging owned, operated, and/or managed by the Amenities Owner, the Club, or any affiliated company, without restriction. No Owner of a Lot or Tract has a right to

be a member in any Country Club, whether operated presently or in the future by the Amenities Owner or the Club, and admission to and continuation of membership in any Country Club shall in all events be within the sole and absolute discretion of the Amenities Owner and the Club. Admission as a member in any Country Club does not create in the member any property interest or right of any kind or character, either vested or contingent, with respect to the Amenities or the Country Club. All memberships in any Country Club shall be owned by the Club and members are provided only the use of a membership while they are members.

(g) In the event that the Amenities Owner or the Club or any successor thereto extends an invitation to membership in any Country Club, whether operated presently or in the future by the Amenities Owner or by the Club or any successor thereto, to any Owner of a Lot or Tract or dwelling unit thereon, the Amenities Owner or the Club shall have the right to charge an initiation fee in such amount as determined by the Amenities Owner or the Club in the exercise of its sole discretion, and the Amenities Owner or the Club may establish such different classes of membership and charge such different initiation fees for such classes of membership as the Amenities Owner or the Club determines in the exercise of its sole discretion, and the Amenities Owner or the Club may impose such monthly and other periodic dues and charges, assessments, and other fees and charges upon the members in the Country Club as are deemed appropriate by the Amenities Owner or the Club in the exercise of its sole discretion; provided, however, that prior to January 1, 2011 A.D., and provided that the applicable Lot, Tract, or dwelling unit has not been the subject of a Terminating Event, the Amenities Owner may not charge an initiation fee to (i) any Owner (hereinafter referred to as a "First Owner") who purchased or in the future purchases his Lot, Tract, or dwelling unit from Lake Lyndon B. Johnson Improvement Corporation, a Texas corporation, (ii) any Owner who purchased or in the future purchases his Lot, Tract, or dwelling unit thereon from a First Owner, (iii) any other Owner who owns a Lot, Tract, or dwelling unit in the Subdivision on the effective date of the Fourth Amendment to this Declaration (hereinafter referred to as a "Current Owner"), and (iv) any Owner who in the future purchases his Lot, Tract, or dwelling unit in the Subdivision from a Current Owner. If at any time prior to January 1, 2011 A.D. any Owner commits or any Lot, Tract, or dwelling unit thereon is the subject of a Terminating Event, then the Lot and/or Tract or dwelling unit owned by such Owner shall no longer be eligible for the waiver of the

initiation fee as provided herein, whether still owned by the Owner who was guilty of the Terminating Event or who owned the Lot or Tract or dwelling unit at the time of the Terminating Event or whether owned by an immediate or mediate successor to such Owner. Notwithstanding any other provision herein to the contrary, the foregoing provisions with respect to waiver of initiation fees shall only be applicable with respect to the use of Amenities which are in existence on January 1, 1992, and shall not apply to the use of any future Amenities.

(h) In the event that the Amenities Owner should grant any privilege with respect to the Amenities to the Owners of the Subdivision Land, or any part thereof, as a class, one and only one family shall be entitled to the privilege of Owner with respect to each Lot, Tract, or dwelling unit thereon. The term "family" shall mean the individual Owner of the applicable Lot, Tract, or dwelling unit thereon, as well as the spouse and any children under 21 years of age, natural or adopted, of the one individual Owner. In case there exists more than one individual Owner of the Lot, Tract, or dwelling unit thereon, only one of said individual Owners shall be entitled to the privilege of Owner for the purposes of this subsection. In the event that the Owner of the Lot, Tract, or dwelling unit thereon is a corporation, partnership, association, or other entity other than an individual, the family entitled to the applicable privilege with respect to the Amenities shall be the immediate family of the one individual who is designated in writing by the Owner as the individual entitled to the applicable privilege. In the event that the Owner of the Lot, Tract, or dwelling unit thereon is a combination of one or more individual Owners and entities other than individual Owners, only the family of one individual (who must be an individual Owner or a shareholder, partner, or owner of an entity which is also an Owner and who is designated in writing by all Owners of the Lot, Tract, or dwelling unit thereon) shall be the family entitled to the applicable privilege. In case the Owner of the Lot, Tract, or dwelling unit thereon is other than one individual, the Owner shall have the right, subject to the other terms hereof, to change the family of the individual designated as being entitled to the applicable privilege; provided said right to change the designation may not be exercised more often than once every twelve (12) months noncumulative without the prior written consent of the Amenities Owner, which consent may be withheld in the sole discretion of the Amenities Owner. In the case of a conflicting claim to entitlement to the privilege, the privilege may be withheld until the dispute is resolved to the satisfaction of the Amenities

Owner. All written designations required hereunder shall be in such form as required by the Amenities Owner, shall be executed by such persons and/or entities as may be required by the Amenities Owner, and shall not be effective unless and until received by the Amenities Owner.

(i) The Amenities Owner owes no legal duties or responsibilities, fiduciary or otherwise, to the Property Owners' Association or to the Maintenance Fund Association.

(33) Section 4.4 of the Declaration is hereby amended and restated in its entirety as follows, and the provisions thereof shall be immediately effective in all respects, except that the amount of the Base Maintenance Fee and the Additional Base Maintenance Fee for January 1, 1992 and the allocation thereof between Lake LBJ Investment Corp., a Texas corporation, Horseshoe Bay Assessment Association, Inc., a Texas nonprofit corporation, and Horseshoe Bay Property Owners' Association, Inc., a Texas nonprofit corporation, shall be determined for the year 1992 in accordance with the provisions of the Third Amendment to the Declaration, and beginning January 1, 1993, the amount of the Base Maintenance Fee and the Additional Base Maintenance Fee, and the allocation thereof between Lake LBJ Investment Corp., a Texas corporation, Horseshoe Bay Maintenance Fund, Inc., a Texas nonprofit corporation, and Horseshoe Bay Property Owners' Association, Inc., a Texas nonprofit corporation, shall be determined in accordance with the provisions of Section 4.4 of the Declaration as amended and restated by this Amendment:

Section 4.4 Maintenance Fees and Assessments

(.1) Base Maintenance Fee. Each Lot and Tract or dwelling unit thereon in the Subdivision, except those owned by Declarant or the Amenities Owner, shall be subject to an annual maintenance fee ("Base Maintenance Fee"), as hereinafter provided, payable January 1, in advance each year.

The initial dollar amount of the Base Maintenance Fee is hereby established at \$132.00 (United States dollars). If more than one dwelling unit is located upon any Lot or Tract, then each dwelling unit is subject to a Base Maintenance Fee. Office buildings and commercial buildings shall be subject to a Base Maintenance Fee for each 1,200 square feet of air conditioned and/or heated space or fraction thereof.

The Base Maintenance Fee is the personal obligation of the Owner of each Lot, Tract, or dwelling unit on January 1 of the applicable year.

Commencing January 1, 1993, the Base Maintenance Fee shall be increased or decreased automatically (but in no event decreased in any year below \$132.00) based upon application of the Annual Inflation Adjustment. The dollar amount of the Base Maintenance Fee after the Annual Inflation Adjustment is hereinafter referred to for all purposes as the "Minimum Base Maintenance Fee Amount."

The right and authority to establish, collect, and distribute the Base Maintenance Fee is reserved by and unto the Maintenance Fund Association.

(.2) Assessments. Each Lot and Tract or dwelling unit thereon in the Subdivision, except those owned by Declarant or the Amenities Owner shall be subject to any Assessment made by the Property Owners' Association as hereinafter provided. If more than one dwelling unit is located upon any Lot or Tract, then each dwelling unit shall be subject to the full amount of any Assessment.

Any Assessment shall be the personal obligation of the Owner of the Lot, Tract, or dwelling unit thereon determined as of January 1 after the Assessment is established by the Property Owners' Association.

The right and authority to establish, collect, and expend any Assessment is reserved by and unto the Property Owners' Association.

(.3) Additional Base Maintenance Fee. Each Lot and Tract or dwelling unit thereon in the Subdivision, which constitutes or is located upon Additional Land, except those owned by Declarant or by the Amenities Owner, shall be subject to an additional annual maintenance fee ("Additional Base Maintenance Fee"), as hereinafter provided, payable January 1, in advance each year.

The initial dollar amount of the Additional Base Maintenance Fee is hereby established at \$212.86 (United States dollars). If more than one dwelling unit is located upon any Lot or Tract which constitutes Additional Land, then each dwelling unit is subject to the Additional Base Maintenance Fee. Office buildings and commercial buildings shall be subject to an Additional Base Maintenance Fee for each 1,200 square feet of air conditioned and/or heated space or fraction thereof.

The Additional Base Maintenance Fee is the personal obligation of the Owner of the applicable Lot, Tract, or dwelling unit determined on January 1 of the applicable

year.

Commencing January 1, 1993, the Additional Base Maintenance Fee shall be increased or decreased automatically (but in no event decreased in any year below \$212.86) based upon application of the Annual Inflation Adjustment. The dollar amount of the Additional Base Maintenance Fee after the Annual Inflation Adjustment is hereinafter referred to for all purposes as the "Adjusted Additional Base Maintenance Fee Amount."

The right and authority to establish, collect, and distribute the Additional Base Maintenance Fee is reserved by and unto the Maintenance Fund Association.

(.4) Maintenance Fund Association. The Maintenance Fund Association is hereby charged with the following rights, authorities, duties, and responsibilities with respect to Base Maintenance Fees and Additional Base Maintenance Fees (hereinafter collectively referred to as "Maintenance Fees"):

(a) calculation and verification of the Minimum Base Maintenance Fee Amount and the Adjusted Additional Base Maintenance Fee Amount based upon the Annual Inflation Adjustment;

(b) determination of whether the Base Maintenance Fee for any year should be in an amount greater than the Minimum Base Maintenance Fee Amount, and if the determination is in the affirmative, then setting the amount of the Base Maintenance Fee; provided that the Property Owners' Association shall have the right to request an increase of the Base Maintenance Fee above the Minimum Base Maintenance Fee Amount, which request shall be considered by the Maintenance Fund Association, but the Maintenance Fund Association shall have the discretion to accept or reject the request of the Property Owners' Association;

(c) collection of all Maintenance Fees, including the power to bring suit in its name to collect Maintenance Fees, employ attorneys to prosecute such suits, and pursue all legal and equitable remedies, including foreclosure, as are or may be available under applicable law to enforce the obligation of payment of Maintenance Fees imposed upon each Owner under this Declaration, and the Maintenance Fund Association shall at all times use its best efforts to collect when due all Maintenance Fees; and

(e) such other incidental rights, authorities, duties, and responsibilities as may be necessary for the performance of the specific rights, authorities, duties, and responsibilities stated above.

The Maintenance Fund Association is prohibited from ever decreasing the Base Maintenance Fee to an amount less than the Minimum Base Maintenance Fee Amount.

The Maintenance Fund Association is prohibited from ever increasing or decreasing the Additional Base Maintenance Fee to an amount greater or less than the Adjusted Additional Base Maintenance Fee Amount.

The Base Maintenance Fee and any Assessment must be uniform as to all Lots and Tracts or dwelling units thereon. The Additional Base Maintenance Fee shall be uniform as to all Lots, Tracts, and dwelling units subject thereto. Any increase in the dollar amount of the Base Maintenance Fee above the Minimum Base Maintenance Fee Amount shall become effective on January 1 after adoption of the increase by the Maintenance Fund Association.

The Maintenance Fund Association shall maintain separate books, records and accounts with respect to the performance of its duties. These books, records, and accounts shall be available to Declarant and the Amenities Owner and their representatives at reasonable times during normal business hours. Upon request of Declarant or the Amenities Owner, the Maintenance Fund Association shall cause said books, records and accounts to be audited annually at the expense of the party requesting such audit; provided that in the event the audit reflects a material irregularity, the Maintenance Fund Association shall pay for the audit.

(.5) Maintenance Fee Funds. All Maintenance Fees collected by the Maintenance Fund Association shall be allocated between two (2) separate and distinct funds (collectively called "Funds" and singularly called "Fund") to be known as the "Property Owners' Association Fund" and the "Amenities Maintenance Fund."

After payment of current expenses of collection, and funding of a expense reserve account in an amount determined to be sufficient by the Maintenance Fund Association in the exercise of its sole discretion, the Maintenance Fund Association shall distribute no less often than monthly all Base Maintenance Fees collected in accordance with the following percentage allocation:

(a) 45.6% shall be allocated to the Property Owners' Association Fund, which amount shall be paid to the Property Owners' Association to be used by the Property Owners' Association in accordance with the restrictions stated in this Declaration and not otherwise; and

(b) 54.4% shall be allocated to the Amenities Maintenance Fund, which amount shall be paid to the Amenities Owner to be used by the Amenities Owner in accordance with the restrictions stated in this Declaration and not otherwise.

After payment of current expenses of collection, and funding of a expense reserve account in an amount determined to be sufficient by the Maintenance Fund Association in the exercise of its sole discretion, the Maintenance Fund Association shall distribute no less often than monthly all Additional Base Maintenance Fees collected in accordance with the following percentage allocation:

(a) 12.7% shall be allocated to the Property Owners' Association Fund, which amount shall be paid to the Property Owners' Association to be used by the Property Owners' Association in accordance with the restrictions stated in this Declaration and not otherwise; and

(b) 87.3% shall be allocated to the Amenities Maintenance Fund, which amount shall be paid to the Amenities Owner to be used by the Amenities Owner in accordance with the restrictions stated in this Declaration and not otherwise.

The Maintenance Fund Association collects that portion of the Maintenance Fees which are allocated to the Property Owners' Association Fund for the use by the Property Owners' Association as the agent for the Property Owners' Association. The Maintenance Fund Association collects that portion of the Maintenance Fees which are allocated to the Amenities Maintenance Fund for use by the Amenities Owner as the agent for the Amenities Owner.

(.6) Property Owners' Association. The Property Owners' Association shall be entitled to exercise any and all functions provided for in the Declaration to be exercised by the Property Owners' Association; provided the Property Owners' Association shall not exercise or have any of the rights, authorities, duties, or obligations of the Maintenance Fund Association.

(.7) Maintenance Fee Escalation: Commencing on January 1, 1993 and on January 1 of each and every consecutive calendar year thereafter the dollar amount of the Minimum Base Maintenance Fee shall be increased or decreased automatically if and to the extent that application of the formula set forth below results in any such increase or decrease. The amount of the increase or decrease, if any, shall be computed by multiplying the dollar amount of the current Minimum Base Maintenance Fee by a fraction, the numerator of which shall be X amount and the denominator of which shall be Y amount. X amount in this fraction shall be equal to the Index Figure (hereinafter defined) for July 1 of the calendar year (the "Current Year") immediately prior to the calendar year for which the Minimum Base Maintenance Fee is being calculated (the "New Year"). Y amount in this fraction shall be equal to the Index Figure for July 1 of the calendar year immediately prior to the Current Year (the "Prior Year") (such that for the first such calculation to be made for January 1, 1993 (the New Year), the X amount shall be the Index Figure for July 1992 (the Current Year) and the Y amount shall be the Index Figure for July 1991 (the Prior Year)). In the event Y amount exceeds X amount the Minimum Base Maintenance Fee for the New Year shall be decreased in such calendar year by application of this Section; provided, however, that in no event shall the Minimum Base Maintenance Fee ever be decreased below \$132. In the event Y amount is less than X amount, the Minimum Base Maintenance Fee for the New Year shall be escalated in such calendar year by application of this Section.

Commencing on January 1, 1993 and on January 1 of each and every consecutive calendar year thereafter the dollar amount of the Additional Base Maintenance Fee shall be increased or decreased automatically if and to the extent that application of the formula set forth below results in any such increase or decrease. The amount of the increase or decrease, if any, shall be computed by multiplying the dollar amount of the current Additional Base Maintenance Fee by a fraction, the numerator of which shall be X amount and the denominator of which shall be Y amount. X amount in this fraction shall be equal to the Index Figure (hereinafter defined) for July 1 of the calendar year (the "Current Year") immediately prior to the calendar year for which the Additional Base Maintenance Fee is being calculated (the "New Year"). Y amount in this fraction shall be equal to the Index Figure for July 1 of the calendar year immediately prior to the Current Year (the "Prior Year") (such that for the first such calculation to be made for January 1, 1993 (the New Year), the X amount shall be the

Index Figure for July 1992 (the Current Year) and the Y amount shall be the Index Figure for July 1991 (the Prior Year)). In the event Y amount exceeds X amount the Additional Base Maintenance Fee for the New Year shall be decreased in such calendar year by application of this Section; provided, however, that in no event shall the Additional Base Maintenance Fee ever be decreased below \$212.86. In the event Y amount is less than X amount, the Additional Base Maintenance Fee for the New Year shall be escalated in such calendar year by application of this Section.

The "Index Figure" referred to above shall be the Index Figure for the Consumer Price Index for All Urban Consumers, U.S. City Average, All Items, 1982-1984=100, ("Index") issued by the Bureau of Labor Statistics of the United States Department of Labor. Should the Bureau of Labor Statistics change the manner of computing the above, the Bureau of Labor Statistics shall be requested to furnish a conversion factor designed to adjust the new Index to the Index previously in use, and the new Index shall be adjusted on the basis of the conversion factor. If the described Index shall no longer be published, another generally recognized as authoritative shall be substituted by Declarant.

(.8) Assessment: The Declarant and the Property Owners' Association, acting jointly, may establish the Assessment for the purpose of defraying, in whole or in part, the cost of any construction or reconstruction, unexpected repair or replacement of capital improvements located upon Common Areas, including the necessary fixtures and personal property related thereto, provided that any such Assessment shall have the assent of two-thirds in number of the Owners of Lots and Tracts, or dwelling units thereon in the Subdivision, voting in person or by proxy, at a meeting duly called for such purpose. The Declarant and the Amenities Owner shall each have the right to call a meeting of the Property Owners' Association for the purpose of considering an Assessment, notwithstanding any contrary provision of the By Laws of the Property Owners' Association. Written notice of any such meeting shall be given to all members of the Property Owners' Association in the manner provided for in the By Laws of the Property Owners' Association at least thirty (30) days in advance and shall set forth the purpose of the meeting. An Assessment may be made applicable to up to a total of five (5) calendar years, one of which shall be the calendar year in which the Assessment is established. The Assessment shall be uniform as to all Lots and Tracts, or dwelling units thereon, in the Subdivision

excluding the properties which are not subject to the Assessment as provided herein.

(.9) Amenities Maintenance Fund. Promptly upon receipt thereof, and so long as the Amenities Owner shall maintain and operate or cause to be maintained and operated at least one (1) 18-hole Golf Course, the Maintenance Fund Association shall pay the proceeds of the Amenities Maintenance Fund to the Amenities Owner; which proceeds may be used by the Amenities Owner for the purpose of paying and reimbursing the Amenities Owner for the cost and expense of Amenities Maintenance, Operation, and Ownership, hereinafter defined. The term "Amenities Maintenance, Operation and Ownership" shall mean any activity or function customarily and reasonably associated with the maintenance, operation and ownership of the Amenities, without limitation, and shall include the maintenance and operation of any facilities, buildings, structures, and improvements, including landscaping and signs, and any Golf Courses which are a part of the Amenities, including without limitation, maintenance of fairways, greens, tees and roughs, lakes and ponds, roads, paths, landscaping and the like; purchase, maintenance, repair, replacement and operation of improvements, fixtures, furniture and furnishings, including without limitation, maintenance buildings, pro shop, pro shop trade fixtures, and water supply and irrigation systems, including those for any Golf Course operated by the Amenities Owner or the Club; purchase, maintenance repair, replacement and operation of machinery and equipment, tools, materials, and supplies for maintenance and operation of the Amenities, including the Golf Courses, and specifically including golf carts for the Golf Courses; payment of ad valorem taxes and assessments; utility charges; insurance premiums; food and beverage service; purchase and sale of merchandise; defense and or payment of applicable tort and or contract claims; administration and supervision; legal, accounting, and other professional fees and expenses and all other activities and functions customarily and reasonably associated with the maintenance, operation and ownership of the Amenities; and shall further include maintenance, repair, operation, and restoration of the Amenities. The determination whether an expenditure is appropriate for Amenities Maintenance, Operation, and Ownership shall in all events be within the sole and absolute discretion of the Amenities Owner, and shall never be subject to the approval or control of the Property Owners' Association or the Maintenance Fund Association. The Amenities Maintenance Fund shall be owned solely by the Amenities Owner. Neither the Maintenance Fund Association nor the Property Owners'

Association shall have any right, title, or interest of any kind or character in or to the Amenities Maintenance Fund or any portion or part thereof.

Subject to the terms and conditions hereof, and without limitation, the Amenities Owner shall have the right, in its sole discretion, to assign, lease and or sublease any or all of its rights and privileges, duties and obligations hereunder or in whole or in part at any time and from time to time to any other party or parties.

In addition and without limitation, the receipt and use of proceeds of the Amenities Maintenance Fund shall never be deemed to impose any duty or obligation on Declarant and/or the Amenities Owner to maintain or operate or cause the Amenities or any part thereof to be maintained or operated.

(.10) Property Owners' Association Fund: The proceeds of the Property Owners' Association Fund shall be deposited in a one or more accounts to be maintained and used by the Property Owners' Association for the purpose of paying or reimbursing the Property Owners' Association for the cost and expense of performing the Property Owners' Association Function herein defined. It is the duty and obligation of the Property Owners' Association to expend the Property Owners' Association Fund in the performance of the Property Owners' Association Function herein defined. The term Property Owners' Association Function shall mean improving, maintaining, and beautifying all Common Areas in a first class manner, security protection, owning, maintaining and operating all land and improvements now owned or hereafter acquired by the Property Owners' Association; installing, maintaining, and repairing all streets and roads within the Subdivision, including without limitation, all Primary Streets; owning, maintaining and operating all vehicles, machinery and equipment necessary or appropriate to perform its function and all other functions reasonably incident to maintenance of the safety, health, and welfare of the property owners and residents of the Subdivision. The term "owning" shall embrace all functions associated with ownership of the applicable land, improvements, machinery, equipment and the like, including, without limitation, maintenance, repair, removal, addition, and replacement. Without limiting the foregoing, the Property Owners' Association Function shall also include (i) the repair and maintenance of all fencing along a Primary Street, (ii) the mowing of and removal of debris from any Lot or Tract located on any Primary Street which has become unsightly in the opinion of the Amenities Owner because of the

failure of the Owner to keep the Lot mowed and/or free from debris; provided however, the Property Owners' Association shall have the right to obtain reimbursement from the Owner for the cost of mowing and debris removal, (iii) animal control and removal; (iv) removal of any signs erected in violation of this Declaration.

It shall be the duty of the Property Owners' Association to enforce compliance with this Declaration by all Owners in the Subdivision, and the Property Owners' Association shall promptly take remedial action, including the bringing of suit if necessary, to enforce compliance with this Declaration by Owners in the Subdivision. The Property Owners' Association may employ counsel to bring suit in the name of the Property Owners' Association for the purpose of enforcing compliance with the Declaration by an Owner. The foregoing shall be deemed to be a part of the Property Owners' Association Function under this Declaration.

In the event that Declarant, the Amenities Owner, or the Property Owners' Association determines that an Owner is in violation of the provisions of this Declaration, or that such Owner's Lot, Tract, or dwelling unit is in violation of the provisions of this Declaration, and should such violation continue for a period of ninety (90) days after notice of the violation is mailed or otherwise transmitted to the Owner at the last known address of the Owner as reflected on the records of Declarant, the Amenities Owner, or the Property Owners' Association, then such violation of the provisions of this Declaration shall constitute a Terminating Event with respect to such Owner's Lot, Tract, and/or dwelling unit at the end of said ninety (90) day period. Each of Declarant, the Amenities Owner, and the Property Owners' Association shall have the authority to declare that a violation of this Declaration exists and to mail or otherwise transmit the notice of violation to the Owner.

In the event of any disagreement between the Property Owners' Association and the Amenities Owner as to whether a particular expense is required in the performance of the Property Owners' Association Function by the Property Owners' Association, the determination of the Amenities Owner shall be controlling and the Property Owners' Association shall in all events be bound by the determination of the Amenities Owner.

The proceeds of an Assessment, if any, dedicated in the Assessment to be paid to the Property Owners' Association, shall be deposited by the Property Owners' Association into one or more accounts to be maintained

and used by the Property Owners' Association for the purpose of paying and/or reimbursing the Property Owners' Association for the cost and expense of the capital improvements for which the Assessment was established.

On or before 120 days after the end of the each calendar year, the Property Owners' Association shall furnish an annual statement to Declarant and the Amenities Owner relative to the Property Owners' Association Fund for the prior calendar year.

The Property Owners' Association shall maintain separate books, records and accounts with respect to the Property Owners' Association Fund. Said books, records and accounts shall be available to Declarant and the Amenities Owner and their representatives at reasonable times during normal business hours. Upon request of Declarant or the Amenities Owner, the Property Owners' Association shall cause said books, records and accounts to be audited annually at the expense of the party requesting such audit; provided that in the event the audit reflects a material irregularity by the Property Owners' Association, the Property Owners' Association shall pay for the audit.

Subject to the terms and conditions hereof, and only with the prior written approval of Declarant and the Amenities Owner, the Property Owners' Association shall have the right to assign its rights and privileges, duties and obligations hereunder in whole or in part at any time and from time to time to any third party or parties; provided such assignment shall never relieve the Property Owners' Association from its duties or liabilities hereunder. The Property Owners' Association may not sell, transfer, or convey any of its real or personal property without the prior written consent and approval of Declarant and the Amenities Owner.

Notwithstanding any other provision in this Declaration to the contrary, the Property Owners' Association shall be prohibited from (a) using any portion of the Property Owners' Association Fund to purchase land and/or buildings or to construct any buildings with a cost in excess of \$10,000 (subject to the Annual Inflation Adjustment); (b) borrowing money; (c) accumulating any one or more reserve accounts which singularly or in the aggregate exceed \$50,000 in amount unless such funds are budgeted for expenditure during the current calendar year for the performance of the Property Owners' Association Function by the Property Owners' Association; (d) erecting or constructing or causing to be erected or constructed, any sign which has not been

previously approved in writing by the Amenities Owner as to size, color, materials, content, design or location.

Notwithstanding any other provision to the contrary contained in this Declaration or otherwise, the Property Owners' Association shall in all events be bound and obligated to perform all obligations, duties, covenants, and undertakings contained in or arising under or by virtue of that certain Correction Deed Without Warranty (Horseshoe Bay Roads) from Lake Lyndon B. Johnson Improvement Corporation, et al., as grantors, to the Property Owners' Association, as grantee, dated June 14, 1990, and recorded in Volume 371, pages 961-1007, et seq., of the Real Property Records of Llano County, Texas, including, but not limited to, those contained in that certain Easement, Covenant, and Declaration of Restrictions dated March 15, 1990, and recorded in Volume 368, pages 60-141, of the Records of Llano County, Texas, and in Volume 476, pages 329-410, of the Records of Burnet County, Texas, all of which are hereby included as a part of the Property Owners' Association Function.

Declarant and the Amenities Owner shall have the right to approve in advance the design, location, and construction of any buildings, structures, or other improvements located upon the Common Areas, including all landscaping and signs.

The powers of the Property Owners' Association are limited to those specified in this Declaration, together with such other incidental rights, authorities, duties, and responsibilities as may be necessary for the performance of the specific rights, authorities, duties, and responsibilities expressly stated in this Declaration.

(.11) Lien to Secure Maintenance Fees and Assessments: The obligation to pay the Base Maintenance Fee and any Assessments, whether or not it shall be so expressed in any contract, deed or conveyance, shall be a charge and lien on each Lot and Tract and dwelling unit thereon and shall be a continuing lien on each such Lot and Tract and dwelling unit thereof in favor of the Maintenance Fund Association, as agent for the Amenities Owner and the Property Owners' Association, but it is expressly provided such lien shall in all respects be subordinate and inferior to any and all liens previously or subsequently voluntarily placed on said Lots and Tracts, or dwelling units thereon, provided any foreclosure of said voluntary liens by judicial or nonjudicial foreclosure shall be expressly subject to the liens securing the Base Maintenance Fees and Assessments

provided for herein and provided such judicial or nonjudicial foreclosure shall never extinguish or be deemed to extinguish the lien securing any Base Maintenance Fee or Assessment which may then be due or may become due thereafter. Each such Base Maintenance Fee or Assessment, together with such lawful interest, if any, as may accrue unpaid thereon and the cost of collection thereof, including attorney's fees, shall also be the personal obligation of the person or entity who was the Owner of such property at the time the Base Maintenance Fee or Assessment becomes due, (i.e., January 1 of each calendar year).

The obligation to pay the Additional Base Maintenance Fee as to Additional Land, whether or not it shall be so expressed in any contract, deed or conveyance, shall be a charge and lien on each Lot and Tract and dwelling unit thereon located on Additional Land and shall be a continuing lien on each such Lot and Tract and dwelling unit thereof in favor of the Maintenance Fund Association, as agent for the Property Owners' Association and the Amenities Owner, but it is expressly provided such lien shall in all respects be subordinate and inferior to any and all liens previously or subsequently voluntarily placed on said Lots and Tracts, or dwelling units thereon, provided any foreclosure of said voluntary liens by judicial or nonjudicial foreclosure shall be expressly subject to the liens securing the Additional Base Maintenance Fees provided for herein and provided such judicial or nonjudicial foreclosure shall never extinguish or be deemed to extinguish the lien securing any Additional Base Maintenance Fee which may then be due or may become due thereafter. Each such Additional Base Maintenance Fee, together with such lawful interest, if any, as may accrue unpaid thereon and the cost of collection thereof, including attorney's fees, shall also be the personal obligation of the person or entity who was the Owner of such Lot, Tract, or dwelling unit thereon at the time the Additional Base Maintenance Fee becomes due, (i.e., January 1 of each calendar year).

(.12) Miscellaneous: Section 4.4 is subject to the following additional terms and conditions:

(a) The following portions of the Subdivision Land will be subject to the Base Maintenance Fees and Assessments:

(i) All Lots and Tracts or dwelling units thereon located in the Subdivision fee title to which is vested in others than Declarant, Lake

Lyndon B. Johnson Improvement Corporation, a Texas corporation, or the Amenities Owner regardless of the amount paid toward the purchase price thereof. Said Lots and Tracts shall become subject to Base Maintenance Fee and any Assessment commencing January 1 after conveyance thereof by Declarant, Lake Lyndon B. Johnson Improvement Corporation, a Texas corporation, or the Amenities Owner. Dwelling units shall become subject to Maintenance Fees and Assessments as hereinafter provided.

(ii) Lots and Tracts or dwelling units thereon fee title to which is vested in Declarant or Lake Lyndon B. Johnson Improvement Corporation, a Texas corporation, subject to valid contracts for deed regardless of the amount paid toward the purchase price thereof. Said Lots and Tracts or dwelling units thereon shall become subject to the Base Maintenance Fee and any Assessment commencing January 1 after the date of the applicable contract for deed, and the contract vendee shall be the party obligated to pay the Base Maintenance Fee and any Assessment.

(iii) In the case of an office or other commercial building, duplex, triplex, motel, hotel, apartment, condominium or other structure containing more than a single dwelling unit, and if construction is actually commenced thereon, the Base Maintenance Fee and any Assessment shall become effective on January 1 following the earlier of 180 days after issuance of a building permit by the Committee or completion of the applicable structure as determined by the Committee in the exercise of its sole discretion. In the case of a structure containing more than a single dwelling unit, the Base Maintenance Fee and any Assessment shall constitute a charge and lien against the structure and the applicable land based on the number of dwelling units therein, and each dwelling unit shall be subject to the Base Maintenance Fee and any Assessment; provided in the case of a structure containing more than a single dwelling unit which constitutes a condominium under the Texas Condominium Law, the Base Maintenance Fee and any Assessment shall constitute a charge and lien against each condominium unit and its interest in the general and limited common elements of the condominium.

(iv) In the event an Assessment is in effect on January 1 when any Lot, Tract or dwelling unit

thereon becomes subject to Base Maintenance Fee and Assessment, said Lot, Tract or dwelling unit shall be subject only to the Assessment and or installments thereof due on said January 1 and thereafter.

(b) The following portions of the Subdivision Land will be subject to the Additional Base Maintenance Fee:

(i) All Lots and Tracts or dwelling units thereon located in the Subdivision on Additional Land fee title to which is vested in others than Declarant, Lake Lyndon B. Johnson Improvement Corporation, a Texas corporation, or the Amenities Owner regardless of the amount paid toward the purchase price thereof. Said Lots and Tracts shall become subject to Additional Base Maintenance Fee commencing January 1 after conveyance thereof by Declarant, Lake Lyndon B. Johnson Improvement Corporation, a Texas corporation, or the Amenities Owner. Dwelling units shall become subject to an Additional Base Maintenance Fee as hereinafter provided.

(ii) Lots and Tracts or dwelling units thereon on Additional Land fee title to which is vested in Declarant or Lake Lyndon B. Johnson Improvement Corporation, a Texas corporation, subject to valid contracts for deed regardless of the amount paid toward the purchase price thereof. Said Lots and Tracts or dwelling units thereon on Additional Land shall become subject to the Additional Base Maintenance Fee commencing January 1 after the date of the applicable contract for deed, and the contract vendee shall be the party obligated to pay the Additional Base Maintenance Fee.

(iii) In the case of an office or other commercial building, duplex, triplex, apartment, condominium or other structure containing more than a single dwelling unit located on Additional Land, and if construction is actually commenced thereon, the Additional Base Maintenance Fee shall become effective on January 1 following the earlier of 180 days after issuance of a building permit by the Committee or completion of the applicable structure as determined by the Committee in the exercise of its sole discretion. In the case of a structure containing more than a single dwelling unit, the Additional Base Maintenance Fee shall constitute a charge and lien against the structure and the applicable land based on the number of dwelling

units therein, and each dwelling unit shall be subject to the Additional Base Maintenance Fee; provided in the case of a structure containing more than a single dwelling unit which constitutes a condominium under the Texas Condominium Law, the Additional Base Maintenance Fee shall constitute a charge and lien against each condominium unit and its interest in the general and limited common elements of the condominium.

(c) The following portions of the Subdivision Land will not be subject to Base Maintenance Fees, Additional Base Maintenance Fees, or Assessments:

(i) Lot and Tracts or dwelling units thereon fee title to which is vested in the Amenities Owner, Lake Lyndon B. Johnson Improvement Corporation, a Texas corporation, or in Declarant not subject to a contract for deed. In the event Declarant or Lake Lyndon B. Johnson Improvement Corporation, a Texas corporation, as owner of fee title to any Lots or Tract or dwelling unit thereon cancels a contract of sale as to such Lot or Tract or dwelling unit thereon fee title to said Lot or Tract or dwelling unit thereon or forecloses upon same or purchases same at any judicial sale, then such Lot, Tract, or dwelling unit thereon shall be vested in Declarant or Lake Lyndon B. Johnson Improvement Corporation, a Texas corporation, free and clear of any lien or charge for any Maintenance Fees or Assessment whether due or past due, and in no event shall Declarant, Lake Lyndon B. Johnson Improvement Corporation, a Texas corporation, or the Amenities Owner, or any purchaser from Declarant, Lake Lyndon B. Johnson Improvement Corporation, a Texas corporation, or the Amenities Owner ever have any liability for any such unpaid Maintenance Fees or Assessments owed at the time of such contract termination, foreclosure, or judicial sale, regardless of the amount thereof or the number of years for which they are unpaid. Declarant and Lake Lyndon B. Johnson Improvement Corporation, a Texas corporation, shall never be deemed liable for any Maintenance Fee or Assessment whether due or past due in the event of cancellation of a contract for deed.

(ii) Any portion of the Subdivision Land fee title to which is vested in the Property Owners' Association.

(iii) Any portion of the Subdivision Land fee

title to which is vested in the Amenities Owner and/or the Club.

(iv) Any Subdivision Land dedicated to and accepted by a governmental body, agency, or authority, or owned by any charitable or non-profit organization exempt from ad valorem taxes under the laws of the State of Texas.

(d) If fee title to a Lot or Tract or dwelling unit therein is vested in Declarant or Lake Lyndon B. Johnson Improvement Corporation, a Texas corporation, subject to a lien, mortgage, deed of trust, mineral reservation, easement, restriction or other encumbrance, fee title thereto shall be deemed to be vested in Declarant or Lake Lyndon B. Johnson Improvement Corporation, a Texas corporation, as applicable, for purposes hereof.

(e) The failure of an Owner to pay a Base Maintenance Fee or an Additional Base Maintenance Fee prior to July 1 of the applicable year to which the Base Maintenance Fee or Additional Base Maintenance Fee applies shall be a Terminating Event. The failure of an Owner to pay an Assessment within 180 days of the date when payment is due shall be a Terminating Event.

(.13) General Limitation: In addition and without limitation of the foregoing, the collection, enforcement and use of Maintenance Fees shall never be deemed to impose any duty or obligation on Declarant, the Amenities Owner, the Property Owners' Association, or the Maintenance Fund Association to perform beyond use of the proceeds of such Maintenance Fees to which each is entitled and which is on hand and available for such use after allowing for reasonably anticipated future expenses of like nature and contingencies.

(.14) The Maintenance Fees and Assessments provided for in the Third Amendment to the Declaration of Reservations of Horseshoe Bay shall be and remain effective until the Maintenance Fees provided for in the Fourth Amendment to the Declaration of Reservations of Horseshoe Bay becomes effective.

(34) Section 4.6 of the Declaration is hereby amended and supplemented to add the following:

In addition to Declarant, the Amenities Owner and Norman C. Hurd, Trustee #1, and his successors and assigns, shall each have the right, but not the obligation, at any time and from time to time to commit other land to the Subdivision and this Declaration

("Other Land"), and as to such Other Land, the Amenities Owner or Norman C. Hurd, Trustee #1, as applicable, shall have all rights, privileges, powers, duties, and obligations of Declarant under this Declaration without limitation. With respect to Other Land, the Amenities Owner or Norman C. Hurd, Trustee #1, as applicable, shall be authorized to execute the Plat committing such Other Land to the Subdivision. Other Land need not be Additional Land as defined in Section 1.14 of this Declaration.

(35) Section 5.1 of the Declaration is hereby amended and restated in its entirety as follows:

The covenants and Conditions of this Declaration shall run with the Subdivision Land and shall be binding upon all parties and persons claiming under them until January 1, 2015 A.D. The covenants and Conditions of this Declaration may not be terminated prior to January 1, 2015, except by an instrument of termination which shall be in writing and which shall be executed and acknowledged by one hundred percent of the then Owners of fee title to the Subdivision Land (excluding the Common Areas and any land in the Subdivision owned by a governmental or quasi-governmental entity), which instrument of termination must be filed of record in Llano and Burnet Counties, Texas, and which shall be effective upon the date of filing in Llano and Burnet Counties, Texas. After January 1, 2015, and unless previously terminated in accordance with this Section 5.1, the covenants and Conditions of this Declaration shall be automatically extended for successive periods of ten (10) years unless terminated by an instrument of termination which shall be in writing and which shall be executed and acknowledged by the then Owners of eighty (80) percent of fee title to the Subdivision Land (excluding the Common Areas and any land in the Subdivision owned by a governmental or quasi-governmental entity), which instrument of termination must be filed of record in Llano and Burnet Counties, Texas, and which instrument of termination shall not be effective until the end of the ten (10) year renewal period during which it is filed of record. This Section 5.1 of the Declaration may not be amended.

(36) Section 5.2 of the Declaration is hereby amended and restated in its entirety as follows:

This Declaration and any or all of the covenants and Conditions set out herein may be amended by an instrument of amendment meeting the following requirements: The instrument of amendment shall be in writing and shall be

executed and acknowledged by the then Owners of (a) eighty percent (80%) of the fee title of the Subdivision Land (excluding the Common Areas and any land in the Subdivision owned by a governmental or quasi-governmental entity), or (b) twenty-five percent (25%) of the fee title of the Subdivision Land (excluding the Common Areas and any land in the Subdivision owned by a governmental or quasi-governmental entity) if Declarant and the Amenities Owner are among the Owners joining in the execution of the instrument of amendment. The instrument of amendment must be filed of record in Llano and Burnet Counties, Texas. The instrument of amendment shall be deemed to be effective on the date the instrument is filed in Llano and Burnet Counties, Texas. Any amendment to this Declaration shall be binding on all Lots and Tracts after the effective date thereof, but shall not apply to any buildings, structures, or other improvements for which approval of the Committee has been obtained and construction has actually commenced.

(37) Section 5.4 of the Declaration is hereby amended and restated in its entirety as follows:

The term "Declarant" shall mean (a) from July 5, 1971, until October 7, 1986, Lake Lyndon B Johnson Improvement Corporation, a Texas corporation, (b) since October 7, 1986, Wayne Hurd, of Llano County, Texas, acting pursuant to that certain Delegation of Rights Under Declaration of Reservations, such Delegation being dated October 7, 1986, and recorded in Volume 331, page 938 et seq., of the Records of Llano County, Texas, and in Volume 379, page 162 et seq., of the Records of Burnet County, Texas (being hereinafter referred to for all purposes as the "Delegation"), except with respect to Amenities Land and Future Development Land, (c) the Amenities Owner with respect to all Amenities Land, and (d) the fee title owner from time to time with respect to any Future Development Land so long as it is classified as Future Development Land.

The Delegation and all actions heretofore taken by Lake Lyndon B. Johnson Improvement Corporation, a Texas corporation, and Wayne Hurd as Declarant are hereby ratified, confirmed, and approved for all purposes under this Declaration.

Immediately upon the occurrence of the earlier of (i) the termination or cancellation of the Delegation, (ii) the death of Wayne Hurd, or (iii) the filing in Llano County and Burnet County, Texas, of a signed and acknowledged statement of Wayne Hurd renouncing his rights as Declarant, and without any further action being

required under this Declaration or otherwise, the term "Declarant" shall henceforth mean the Amenities Owner, and the Amenities Owner shall have and possess without limitation all rights, privileges, powers, authorities, duties, and obligations of the Declarant under this Declaration. Upon becoming the Declarant under this Declaration, the Amenities Owner shall have the right, but not the obligation, to assign or delegate in whole or in part any rights, privileges, powers, authorities, duties, or obligations of the Declarant under this Declaration, in whole or in part, to any person, corporation, or civic group, including, but not limited to, the Club or the Property Owners' Association. Immediately upon any such assignment or delegation, the Amenities Owner shall be relieved and discharged from any further responsibility under the Declaration for the right, privilege, power, authority, duty, or obligation which is the subject of the assignment or delegation. To be effective, any assignment or delegation by the Amenity Owner of any right, privilege, power, authority, duty, or obligation shall be in writing, shall be executed and acknowledged by the Amenity Owner, and shall be filed of record in Llano and Burnet County, Texas, and such assignment or delegation shall be effective upon such recording in Llano County and Burnet County, Texas. Notwithstanding any other provision hereof to the contrary, the Amenities Owner shall, immediately upon becoming the Declarant hereunder and at all times thereafter, and in addition to all other rights, privileges, powers, authorities, duties, and obligations hereunder, have the right and power to appoint the Members of the Committee of Architecture under this Declaration, which shall include the right to remove any Members of the Committee of Architecture then serving and replace them with new Members selected by the Amenities Owner.

This Section 5.4 of the Declaration may not be amended unless the Amenities Owner consents in writing to the amendment.

(38) Section 5.6 of the Declaration is hereby amended by the addition of the following:

The Property Owners' Association shall indemnify and hold harmless (a) any of its officers, directors, and employees who are acting in such capacity, (b) the Maintenance Fund Association and its officers, directors, employees, and other agents, (c) Declarant, (d) the Amenities Owner and its officers, directors, employees, and other agents, (e) the Club and its officers, directors, employees, and other agents, and (f) Lake

Lyndon B. Johnson Improvement Corporation, a Texas corporation, and its officers, directors, employees, and other agents, from and against any claim, cause of action, suit, proceeding, or judgment brought, maintained, or obtained by any person or entity under this Section 5.6 of the Declaration or otherwise involving the enforcement, interpretation, construction, or validity of this Declaration or any provision hereof. The obligation of indemnity provided for herein shall include the obligation to reimburse the indemnified party for all attorney's fees and other expenses and costs of litigation. Performance of the foregoing obligation of indemnity by the Property Owners' Association shall be deemed to be included within the Property Owners' Association Function under this Declaration.

(39) The Declaration is hereby amended to delete therefrom Section 5.7(.1)(c) as added by the Second Amendment to the Declaration, and is further amended so that Section 5.7(.1)(d) as added by the Second Amendment to the Declaration is hereby renumbered as Section 5.7(.1)(c).

(40) The Declaration is hereby amended to delete therefrom Section 5.7(.2)(c) as added by the Second Amendment to the Declaration, and is further amended so that Section 5.7(.2)(d) as added by the Second Amendment to the Declaration is hereby renumbered as Section 5.7(.2)(c).

(41) Section 5.7 of the Declaration as added by the Second Amendment to the Declaration is hereby supplemented to add the following sentence:

Without limiting the foregoing, the term "Golf Course" shall also include any golf course which the Amenities Owner commits to the Special Restrictions for Golf Course Use.

(42) In the event of any conflict or inconsistency between the provisions of this Amendment and the Declaration, as heretofore amended or supplemented, the provisions of this Amendment shall govern and be controlling.

(43) In the event that for any reason any provision of this Amendment is held or determined by the final judgment of any court to be invalid or unenforceable for any reason, the remaining provisions of this Amendment shall be deemed to be valid and enforceable in all respects and shall be construed and interpreted as if the provision or provisions found to be invalid or unenforceable were not a part hereof and so as to otherwise effectuate and carry out the intent and purposes of this Amendment as expressed herein. In the event that for any reason this Amendment in its entirety is held or determined by the final

judgment of any court to be invalid or unenforceable, then the Declaration, as amended prior to the date hereof, shall be valid and binding on all Lots, Tracts, and dwelling units in the Subdivision, the same as if this Amendment had never been executed and filed of record.

(44) This Amendment shall be governed under and by the laws of the State of Texas.

(45) The covenants and restrictions of the Declaration, as amended by this Amendment, shall run with and bind the Subdivision Land, and, without limitation, shall inure to the benefit of and be enforceable by Declarant, the Amenities Owner, the Property Owners' Association, the Maintenance Fund Association, the Committee, and each Owner.

(46) Defined terms used in this Amendment shall have the meaning given for them in the Declaration, as amended by this Amendment.

(47) The purpose of this Amendment is to correct, reform, and improve the Declaration, for the mutual benefit of all Owners in the Subdivision.

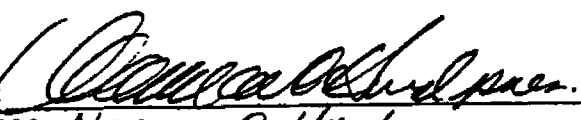
(48) This Amendment may be executed in multiple counterparts and originals, each of which shall be deemed to be an original for recording and all other purposes.

EXECUTED THIS 17th DAY OF September, 1991.

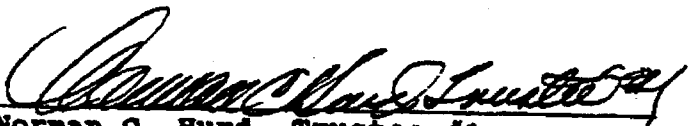
LAKE LYNDON B. JOHNSON
IMPROVEMENT CORPORATION

By: 
Wayne E. Hurd, President

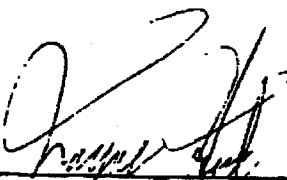
LAKE LBJ INVESTMENT CORP.

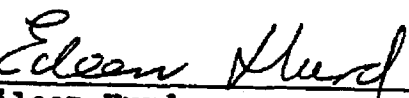
By: 
Name: Norman C. Hurd
Title: President

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Norman C. Hurd, Trustee #1


Norman C. Hurd, Individually and as
Executor of the Estate of Dorothy E.
Hurd, Deceased


Wayne Hurd


Eileen Hurd

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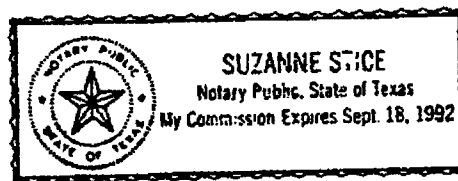
STATE OF TEXAS
COUNTY OF LLANO

§
§
§

This instrument was acknowledged before me on this 17th day of September, 1991, by Wayne M. Hurd, President of Lake Lyndon B. Johnson Improvement Corporation, a Texas corporation, on behalf of said corporation.

Suzanne Stice
Notary Public, State of Texas

(Printed or Stamped Name of Notary)
My Commission Expires: _____



VOL. 401 PAGE 290

STATE OF TEXAS §
 §
COUNTY OF LLANO §

This instrument was acknowledged before me on this 17th day
of September, 1991, by Norman C. Hard,
president of Lake LBJ Investment Corp., a Texas
corporation, on behalf of said corporation.



Becky Taliaferro
Notary Public, State of Texas

(Printed or Stamped Name of Notary)
My Commission Expires: _____

VOL. 401 PAGE 291

STATE OF TEXAS

COUNTY OF LLANO

§
§
§

This instrument was acknowledged before me on this 14th day
of September, 1991, by Norman C. Hurd, Trustee #1.



Becky Taliaferro
Notary Public, State of Texas

(Printed or Stamped Name of Notary)
My Commission Expires: _____

VOL. 401 PAGE 292

STATE OF TEXAS

§
§
§

COUNTY OF LLANO

This instrument was acknowledged before me on this 17th day of September, 1991, by Norman C. Hurd, Individually and as Executor of the Estate of Dorothy E. Hurd, Deceased.



Becky Taliaferro
Notary Public, State of Texas

(Printed or Stamped Name of Notary)
My Commission Expires: _____

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STATE OF TEXAS

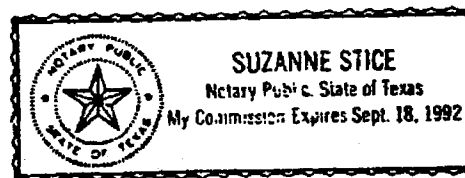
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COUNTY OF LLANO

This instrument was acknowledged before me on this 17th day of September, 1991, by Wayne Hurd.

Suzanne Stice
Notary Public, State of Texas

(Printed or Stamped Name of Notary)
My Commission Expires: _____



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STATE OF TEXAS

COUNTY OF LLANO

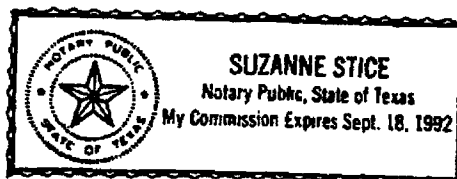
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This instrument was acknowledged before me on this 17th day of September 1991, by Eileen Hurd.

Suzanne Stice
Notary Public, State of Texas

(Printed or Stamped Name of Notary)

My Commission Expires: _____



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EXHIBIT "A"

**AFFIDAVIT AND CERTIFICATION OF DONALD SHERMAN,
REGISTERED PUBLIC LAND SURVEYOR NO. 1877**

THE STATE OF TEXAS §
 §
COUNTY OF LLANO §
COUNTY OF BURNET §

BEFORE ME, the undersigned Notary Public, on this day appeared Donald Sherman, known to me, who being duly sworn upon his oath, deposed and stated as follows:

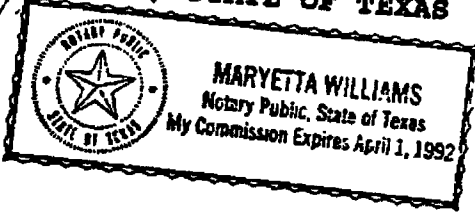
"My name is Donald Sherman. I am over the age of twenty-one (21) years and I am fully competent to make this Affidavit. I have never been convicted of any crime or offense. I am a Registered Public Land Surveyor in the State of Texas and I hold certificate no. 1877. This Affidavit and Certification is made on the basis of personal knowledge by me of each and every statement contained herein, and each and every statement contained in this Affidavit and Certification is within my personal knowledge and true and correct. I hereby certify that Lake Lyndon B. Johnson Improvement Corporation, a Texas corporation, Norman C. Hurd, Trustee #1, Norman C. Hurd, Individually and as the Executor of the Estate of Dorothy E. Hurd, Deceased, and Wayne Hurd and Eileen Hurd, Individually, are as of the date of the execution of this Affidavit and Certification the Owners of a majority in interest of the fee title of the Subdivision Land (excluding the portion of the Subdivision Land included in streets and roads). As used herein, the term Subdivision Land means all land as of the date hereof committed to that certain Declaration of Reservations, Horseshoe Bay, heretofore made on July 5, 1971, and filed of record in Volume 177, page 279 et seq., of the Records of Llano County, Texas, and in Volume 189, page 637 et seq. of the Records of Burnet County, Texas, as supplemented and amended by that certain Supplement and Amendment to Declaration of Reservations, Horseshoe Bay, Counties of Llano and Burnet, Texas, dated February 14, 1972, and filed of record in Volume 180, page 725 et seq., of the Records of Llano County, Texas, and in Volume 193, page 643 et seq., of the Records of Burnet County, Texas, and as further supplemented and amended by that certain Second Amendment to Declaration of Reservations, Horseshoe Bay, Counties of Llano and Burnet, Texas, dated February 20, 1974, and filed of record in Volume 194, page 422 et seq., of the Records of

VOL. 401 PAGE 296

Llano County, Texas, and in Volume 210, page 240 et seq., of the Records of Burnet County, Texas, and as further amended and supplemented by that certain Third Amendment to Declaration of Reservations, Horseshoe Bay, Counties of Llano and Burnet, Texas, dated December 3, 1975, and filed of record in Volume 207, page 50 et seq., of the Records of Llano County, Texas, and in Volume 223, page 771 et seq., of the Records of Burnet County, Texas, and as further supplemented by that certain Supplement to Declaration of Reservations of Horseshoe Bay and Assignment of Rights dated September 4, 1991, recorded in Volume 399, page 272 et seq., of the Records of Llano County, Texas, and in Volume 508, page 282 et seq., of the Records of Burnet County, Texas, and as further supplemented by that certain Supplement to Declaration of Reservations of Horseshoe Bay and Assignment of Rights dated September 4, 1991, recorded in Volume 399, page 278 et seq., of the Records of Llano County, Texas, and in Volume 508, page 287 et seq., of the Records of Burnet County, Texas."

Donald Sherman
DONALD SHERMAN
REGISTERED PUBLIC LAND SURVEYOR
NO. 1877

SWORN TO AND SUBSCRIBED BEFORE ME the undersigned Notary Public on this 17th day of September, 1991.

Maryetta Williams
NOTARY PUBLIC, STATE OF TEXAS

MARYETTA WILLIAMS
Notary Public, State of Texas
My Commission Expires April 1, 1992

THE STATE OF TEXAS *** COUNTY OF LLANO
I HEREBY CERTIFY THAT THE INSTRUMENT WAS
FILED ON THE DATE AND TIME STAMPED HEREON BY
ME AND WAS DULY RECORDED IN VOL. 401, PAGE
297, OF THE OFFICIAL PUBLIC RECORDS
OF REAL PROPERTY OF LLANO COUNTY, TEXAS ON
Sept 17, 1991
Bette Sue Hoy
BETTE SUE HOY, COUNTY CLERK
LLANO COUNTY, TEXAS

INDEXED

Vol 401: 297-298

FILED FOR RECORD
THE 17 DAY OF Sept 1991
AT 4:15 O'CLOCK P M
Bette Sue Hoy
COUNTY CLERK, Llano County, Texas
BY *Karen Sue Ellis* DEPUTY
H.S.B. Country Club #104 ⁵⁰ ck
Box 7766
H5B 78654

SUPPLEMENT TO DECLARATION OF RESERVATIONS
HORSESHOE BAY
COUNTIES OF LLANO AND BURNET, TEXAS

THE STATE OF TEXAS *
COUNTY OF LLANO *
COUNTY OF BURNET *

KNOW ALL MEN BY THESE PRESENTS THAT:

This Supplement to Declaration of Reservations, Horseshoe Bay, Counties of Llano and Burnet, Texas (this "Amendment"), being an amendment to that certain Declaration of Reservations, Horseshoe Bay, heretofore made on July 5, 1971, and filed of record in Volume 177, page 279 et seq., of the Records of Llano County, Texas, and in Volume 189, page 637 et seq. of the Records of Burnet County, Texas, as supplemented and amended by that certain Supplement and Amendment to Declaration of Reservations, Horseshoe Bay, Counties of Llano and Burnet, Texas, dated February 14, 1972, and filed of record in Volume 180, page 725 et seq., of the Records of Llano County, Texas, and in Volume 193, page 643 et seq., of the Records of Burnet County, Texas and as further supplemented and amended by that certain Second Amendment to Declaration of Reservations, Horseshoe Bay, Counties of Llano and Burnet, Texas, dated February 20, 1974, and filed of record in Volume 194, page 422 et seq., of the Records of Llano County, Texas, and in Volume 210, page 240 et seq., of the Records of Burnet County, Texas, and as further amended and supplemented by that certain Third Amendment to Declaration of Reservations, Horseshoe Bay, Counties of Llano and Burnet, Texas, dated December 3, 1975, and filed of record in Volume 207, page 50 et seq., of the Records of Llano County, Texas, and in Volume 223, page 771 et seq., of the Records of Burnet County, Texas, and as further supplemented by that certain Supplement to Declaration of Reservations of Horseshoe Bay and Assignment of Rights dated September 4, 1991, recorded in Volume 399, page 272 et seq., of the Records of Llano County, Texas, and in Volume 508, page 282 et seq., of the Records of Burnet County, Texas, and as further supplemented by that certain Supplement to Declaration of Reservations of Horseshoe Bay and Assignment of Rights dated September 4, 1991, recorded in Volume 399, page 278 et seq., of the Records of Llano County, and in Volume 508, page 287 et seq., of the Records of Burnet County, Texas (said Declaration of Reservations, as heretofore amended and supplemented, being hereinafter referred to for all purposes as the "Declaration").

WHEREAS, Section 3.1 of the Declaration provides for a supplement of the Declaration by an instrument which shall be in writing and shall be executed and acknowledged by the Declarant and which must be filed of record in Llano and Burnet Counties, Texas; and

WHEREAS, the undersigned Wayne Hurd for all purposes in this Supplement is hereinafter referred as the "Declarant"; and

WHEREAS, the Declarant joins in the execution of this Supplement for the purpose of amending the Declaration as set forth herein, with the intent of correcting, improving, and replacing the Declaration; and

OFFICIAL PUBLIC RECORDS
BURNET COUNTY, TEXAS

0754 0898

0834 083

WHEREAS, as provided in Section 3.1 of the Declaration, this Supplement shall be effective on the date that it is recorded in Llano and Burnet Counties, Texas;

NOW, THEREFORE, for and in consideration of these presents and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged and agreed, the Declarant as authorized and permitted by Section 3.1 of the Declaration, hereby amends the Declaration effective as of the date of filing of this Supplement in Llano and Burnet Counties, Texas.

Section 3.1 (e) of the Declaration is hereby amended and restated in entirety as follows:

(e) Each Lot or Tract shall be restricted to one of the following classifications ("Classifications"):

- R-1 - Single Family Residential District
- R-2 - Two Family Residential District
- R-4 - Multiple Residential District
- R-6 - Apartment, Townhouse and Cottage District
- R-7 - Religious District
- M-1 - Mobile Home District
- C-2 - Commercial District
- A-1 - Amenities Land
- F-D - Future Development Land

Declarant may at any time and from time to time add additional Classifications by executing and recording one or more supplements to the Declaration, designating and defining such Classification, provided, such supplement is filed at or prior to the use of such additional Classification. All supplements heretofore filed by Declarant are hereby ratified and confirmed.

Each Classification shall govern as to the permitted usage of the Lots and Tracts so classified, subject to the other provisions set forth in the Declaration of Reservations Horseshoe Bay, and all Supplements and Amendments thereto, and the conditions therein.

The Declaration is hereby amended to include the following new Section 3.12:

3.12 R-7 Religious District

The following uses and regulations shall apply in the R-7 Religious District unless otherwise provided in these restrictions.

(1) Uses permitted

(a) Churches, Chapels or other places of worship

OFFICIAL PUBLIC RECORD
BURNET COUNTY, TEXAS
(b) Public classrooms and community meeting rooms

0754 0899 (c) A parsonage or the equivalent thereof provided by the religious association

0834-084

(d) Office buildings for use of the staff of related religious association

(e) Such other uses which in the sole discretion and determination of the Committee are compatible with the related religious facilities.

(f) Food services facilities for on-site use of members of the related religious congregation.

(2) Minimum Automobile Parking Requirements

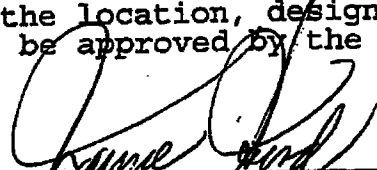
One off-street parking space for every three (3) seats in the main sanctuary of the related religious facility.

(3) Maximum Building Height

Not more than thirty-two (32) feet above the highest contour line of the applicable tract. The Committee in its sole discretion and determination may increase the maximum building height.

(4) Signs

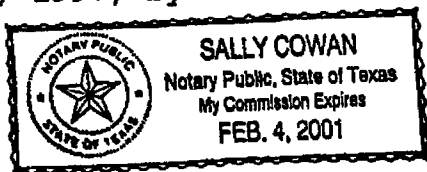
Prior to construction on installation thereof, all exterior signs, including the location, design, color, size and lighting thereof, must be approved by the Committee.


WAYNE HURD, Declarant

STATE OF TEXAS

COUNTY OF LLANO

This instrument was acknowledged before me on the 24th day of July, 1997, by WAYNE HURD.




Notary Public, State of Texas

97-172\172SUPP

OFFICIAL PUBLIC RECORD
BURNET COUNTY, TEXAS

0754 0900

0834-085

STATE OF TEXAS
COUNTY OF BURNET
I hereby certify that this instrument was FILED on the date and at the time
stamped hereon by me and was duly RECORDED in Volume 834
Page 83-86 of the Official Public RECORDS
of Burnet County, Texas.


Janet Parker
JANET PARKER, COUNTY CLERK
BURNET COUNTY, TEXAS
BY: *Janet Parker* Deputy

ANY PROVISION HEREIN WHICH RESTRICTS THE SALE, RENTAL,
OR USE OF THE DESCRIBED REAL PROPERTY BECAUSE OF COLOR
OR RACE IS INVALID AND UNENFORCEABLE UNDER FEDERAL LAW.
THE STATE OF TEXAS
COUNTY OF BURNET
I hereby certify that this instrument was FILED in file number
Sequence on the date and at the time stamped hereon by me and was
duly RECORDED in the Official Public RECORDS
of Burnet County, Texas
on 7/28/97

FILED FOR RECORD
AT 9:58 am
AUG 07 1997

BETTE SUE HOY CO CLK.
LLANO CO. TEXAS
BY: *Bette Sue Hoy* DEPUTY
meeking



Janet Parker
COUNTY CLERK
BURNET COUNTY, TEXAS

5907

FILED

97 JUL 28 PM 12:07

JANET PARKER
COUNTY CLERK
BURNET COUNTY, TEXAS

THE STATE OF TEXAS *** COUNTY OF LLANO
I HEREBY CERTIFY THAT THE INSTRUMENT WAS
FILED ON THE DATE AND TIME STAMPED THEREON BY
ME AND WAS DULY RECORDED IN VOL. 834 PAGE
83-86 OF THE OFFICIAL PUBLIC RECORDS
OF REAL PROPERTY OF LLANO COUNTY, TEXAS ON
Aug 7, 1997



Bette Sue Hoy
BETTE SUE HOY, COUNTY CLERK
LLANO COUNTY, TEXAS

OFFICIAL PUBLIC RECORD
BURNET COUNTY, TEXAS

0754 0901

