

96-6191

DECLARATION OF COVENANTS AND RESTRICTIONS
FOR BAYROCK TOWNHOMES

THIS DECLARATION, made the 1st day of August, 1996, by BAYROCK TOWNHOMES JOINT VENTURE hereinafter called Declarant.

WITNESSETH:

WHEREAS, Declarant is Bayrock Townhomes Joint Venture with its office and principal place of business in Houston, Harris County, Texas, and has created a residential community with open spaces and other Common Properties for the benefit of the community; and

WHEREAS, Declarant owns Lots No. 35001-1 through 35001-19, Horseshoe Bay, a subdivision located in Llano County, Texas, according to Plat No. 35.15, recorded in Volume 9, Page 97, Llano County Plat Records.

WHEREAS, the property was known as Palm Harbour Townhomes as shown on Plat No. 35.15, recorded in Volume 9, Page 97, Llano County Plat Records;

WHEREAS, Declarant desires to change the name of the townhomes to Bayrock Townhomes and provide for the preservation of the values and amenities in said community and for the maintenance of said open spaces and other Common Properties; and to this end, desires to subject the real property described in Article II, together with such additions as may hereafter be made thereto (as provided in Article II) to the covenants, restrictions, easements, charges and liens hereinafter set forth, each and all of which is and are for the benefit of said real property and each Owner thereof; and

WHEREAS, Declarant has deemed it desirable, for the efficient preservation of the values and amenities in said community, to create an entity to which should be delegated and assigned the powers of maintaining and administering the community and administering and enforcing the covenants and restrictions and collecting and disbursing the assessments and charges hereinafter created; and

WHEREAS, the Owners of the Lots in the community will be members of an association known as BAYROCK TOWNHOMES ASSOCIATION, INC. (the Association) for the purpose of exercising the functions aforesaid;

NOW THEREFORE, the Association declares that the real property described in Article II shall be known as Bayrock Townhomes and is and shall be held, transferred, conveyed and occupied subject to the covenants, restrictions easements, charges and liens sometimes referred to as "covenants and restrictions" hereinafter set forth;

and shall run with the Property or any portion thereof, and be binding on all parties having any right, title or interest in the Property or any part thereof, their heirs, legal representatives, successors and assigns, and shall inure to the benefit of each owner thereof.

ARTICLE I

DEFINITIONS

Section 1. The following words when used in this Declaration or any Supplemental Declaration (unless the context shall prohibit) shall have the following meanings:

(a) "Association" shall mean and refer to Bayrock Townhomes Association, Inc., its successors and assigns.

(b) "Owner" shall mean and refer to the record Owner, whether one or more persons or entities, of the fee simple title to any Lot which is a part of the Property, including Contract Sellers, but excluding those having interest merely as security for the performance of an obligation. The phrase "record owner" shall refer to the party or parties holding title as shown by the records of the County Clerk of Llano County, Texas

(c) "The Properties" shall mean and refer to all such existing properties as are subject to this Declaration, and such additions thereto as may hereafter be brought within the jurisdiction of the Association.

(d) "Common Area" shall mean all real property, together with all improvements, fixtures, equipment and machinery located thereon, and personal property owned by the Association for the common use and enjoyment of the Owners, and refer to those areas of land shown on any recorded subdivision plat of The Properties and intended to be devoted to the common use and enjoyment of the Owners of The Properties. The Common Area is to be owned by the Association at the time of Declarant's conveyance of the last Lot unless conveyed by instrument before such last conveyance.

(e) "Townhome Lot" shall mean and refer to Lots No. 35001-1 through 35001-9 subject to this Declaration and shown upon any recorded subdivision map of The Properties with the exception of Common Area as heretofore defined, together with all Improvements thereon.

(f) "Marina Lot" shall mean and refer to Lots No. 35001-11

through 35001-19 subject to this Declaration and shown upon any recorded subdivision map of The Properties with the exception of Common Area as heretofore defined, together with all Improvements thereon.

(g) "Lot" shall mean and refer to Lots No. 35001-1 through 35001-9 and Lots No. 35001-11 through 35001-19 subject to this Declaration and shown upon any recorded subdivision map of The Properties with the exception of Common Area as heretofore defined, together with all Improvements thereon.

(h) "Articles of Association" shall mean and refer to the rules and regulations established for the operation of the Association, to which reference is made for all purposes.

(i) "Improvements" shall include any building, fence, fixtures or structure, temporary or permanent, now or hereafter constructed on said Lot.

(j) "Building Exterior" shall mean the exterior sides and roof of any permanent structure on any Lot, exclusive of exterior glass surfaces.

(k) "Easements" shall mean an acquired privilege or right of use or enjoyment which one person or entity may have in the land of another. For the purpose of this document it means the granting of usage of common property to another when deemed by the Board of Directors to be in the interest of the Association.

ARTICLE II

PROPERTY SUBJECT TO THIS DECLARATION

Section 1. Existing Property. The real property which is and shall be held, transferred, sold, conveyed and occupied subject to this Declaration shown on Horseshoe Bay Plat No. 35.15 of record in Volume 9, Page 97, Plat Records of Llano County, State of Texas, all of which real property shall hereinafter be referred to as "Existing Property".

Section 2. Additions Or Deletions To Existing Property. Additional properties out of Horseshoe Bay Plat may become subject to this Declaration in the following manner:

The Board of Directors of the Association with the express consent of the Association as provided in its Articles of Association may allow the owner of any other property not located in the aforesaid Plats No. 35.15 who is desirous of adding it to the scheme

of this Declaration to subject it to the jurisdiction of the Association by filing of record a Supplementary Declaration of Covenants and Restrictions, which shall extend the scheme of the covenants and restrictions of this Declaration to such property.

ARTICLE III

PROPERTY RIGHTS

Section 1. Owners' Easements of Enjoyment. Every Owner shall have a right and easement of enjoyment in and to the Common Area which shall be appurtenant to and shall pass with the title to every lot, subject to the following provisions:

(a) the right of the Association to charge reasonable admission and other fees for the use of any recreational facility situated upon the Common Area.

(b) the right of the Association to suspend the voting rights and right to use the recreational facilities by an Owner for any period during which any assessment against the Owner's Lot remains unpaid; and for a period not to exceed 60 days for an infraction of its published rules and regulations;

(c) the right of the Association to dedicate or transfer all or any part of the Common Area to any governmental authority and/or public agency, authority, or utility for such purposes and subject to such conditions as may be accountable to the Association; provided, however, no such dedication or transfer shall be effective unless an instrument signed by the Owners of not less than four lots agreeing to such dedication or transfer has been recorded.

Section 2. Delegations of Use. Any Owner may delegate, in accord with the By-Laws of the Association, such Owner's right of enjoyment to the Common Area and facilities to the members of such Owner's family, tenants, or contract purchasers who reside on the Property.

Section 3. Ownership and Lease. Each owner of a Marina Lot shall be able to sell, transfer, rent or lease his Marina Lot to another party who is, at the time of this transfer or lease, a present owner of a Bayrock Townhome Lot. A Marina Lot shall not be owned or leased by any party who is not the present owner of a Bayrock Townhome Lot.

Section 4. Right of First Refusal. If the owner of any Marina Lot, other than the Declarant, shall desire at any time to sell, rent or lease his Marina Lot to any person other than the Declarant, such

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owner shall not sell, rent or lease his Marina Lot without first giving the Board of Directors at least thirty (30) days prior written notice of the proposed sale, rental or lease. Such notice shall state the name and address of the proposed purchaser along with the legal description of the Townhome Lot presently owned by the proposed purchaser. During the period of thirty (30) days following the receipt of such notice, the Association shall have the right of first refusal to purchase, rent or lease the Marina Lot for the same price and upon the same terms and conditions as the proposed sale, rental or lease described in such notice. If the Board shall fail to give written notice to such Marina Lot Owner within said thirty (30) day period that the Board has elected to purchase, rent or lease such Marina Lot upon the terms herein provided, or if the Board notifies such Marina Lot Owner in writing within said thirty (30) day period that it has elected not to purchase, rent or lease such Marina Lot, then and in either event such Marina Lot Owner may proceed to close said proposed sale, rental or lease transaction, If, however, the Board gives written notice to such Marina Lot Owner within said thirty (30) day period of the election by the Board to purchase, rent or lease said Marina Lot upon the same terms as the proposed sale, rental or lease described in said notice, then such purchase, rental or lease shall be closed upon the same terms as such proposed sale, rental or lease. The Board shall have the authorization on behalf of and in the name of the Association to elect not to exercise such right of first refusal, and to give written notice of such election. The Board shall also have the authority and right, on behalf of and in the name of the Association to waive the provisions of this section in respect to any Marina Lot, provided that such waiver shall be in writing, and duly executed and acknowledged in recordable form. If the Board recommends that the Association should purchase, rent or lease said Marina Lot, a special meeting shall be called for the purpose of voting upon its right of first refusal, which meeting shall be held within thirty (30) days from date of receipt of notice, and if not less than seventy-five per cent (75%) of the Lot Owners by affirmative vote at such meeting, elect to exercise such right of first refusal to purchase, rent or lease such Marina Lot on the terms proposed, then the Board shall promptly give written notice of such election to the Marina Lot Owner desiring to sell, rent or lease, in

accordance with the provisions hereof. In such event, the Board shall have all authority to execute all such mortgages and do everything necessary to close the transaction in its own name, as trustee, for all Lot Owners. The provisions of this section as to Right of First Refusal, shall not apply to any sales, rentals or leases made by or to the Developer. Any Marina Lot Owner may sell, lease or rent his Marina Lot to the Declarant without complying with the provisions of this section. Also, the Declarant shall have the absolute and unconditional right to sell, rent or lease any Marina Lot which it may now own, or which it may acquire by purchase from any Marina Lot owner, to any person whomsoever, without complying with any of the provisions of this section.

ARTICLE IV

MEMBERSHIP AND VOTING RIGHTS IN THE ASSOCIATION

Section 1. Membership. Every person or entity who is a record Owner of a fee interest in any Lot which is subject to this Declaration shall automatically be a member of the Association.

Section 2. Voting Rights. The Association shall have two classes of voting membership. All Owners shall be entitled to one (1) vote for each Lot owned. The Declarant shall be entitled to four (4) votes for each Lot owned. When one or more party holds an interest in any Lot, all such parties shall be members and the vote for such Lot shall be exercised as they among themselves determine, but in no event shall more than one vote be counted with respect to any Lot.

ARTICLE IV

COVENANT FOR ASSESSMENTS

Section I. Creation of the Lien and Personal Obligation of Assessments. Each Owner of any Lot by acceptance of a Deed therefor, whether or not it shall be so expressed in any such deed or other conveyance, shall be deemed to covenant and agree to pay to the Association: (1) annual assessments or charges: and (2) special assessments for capital improvements, such assessments to be fixed, established and collected from time to time as hereinafter provided. The annual and special assessments, together with interest thereon costs, reasonable attorney's fees and costs of collection thereof as hereinafter provided, shall be a charge on the Lot and shall be a continuing lien upon the Lot against which each such assessment is made. Each such assessment, together with such interest, reasonable attorney's fees and cost of collection thereof as hereinafter

provided, shall also be the personal obligation of the person who was the Owner of such Lot at the time when the assessment fell due, however, the personal obligation for delinquent assessments shall not pass to such Owner's grantee or assignee in title unless expressly assumed by such grantee or assignee.

Section 2. Purpose of Assessments. The assessments levied by the Association shall be administered by the Association and shall be used (1) to promote the recreation, health, safety and welfare of the residents of the Property, (2) for the payment of utilities, water, taxes, annual lease from LCRA and insurance on the Common Area of the area known as Bayrock Townhomes, Horseshoe Bay, Texas, (3) for the improvement, repair, replacement, management, operation and maintenance of the Common Area and Building Exteriors, including but not limited to repair and replacements thereto, and for the cost of labor, equipment, materials, management and supervision thereon, and (4) for carrying out the purposes of the Association.

Section 3. Annual Assessment. From and after January 1, 1997, the maximum annual assessment for each Townhome Lot shall be \$1,980.00 and the maximum annual assessment for each Marina Lot shall be \$ 360.00.

(a) From and after January 1, of the year immediately following the year of the conveyance of the first lot to an Owner, the maximum annual assessment may be increased each year not more than 20% above the maximum assessment for the previous year without a vote of the membership.

(b) From and after January 1, of the year immediately following the year of the conveyance of the first lot to an owner, the maximum annual assessment may be increased above such 20% limitation by an affirmative vote of not less than 5 votes by a Townhome owner, at a meeting duly called for this purpose.

(c) The Board of Directors of the Association may fix the annual assessment at an amount not in excess of the maximum unless as provided for in paragraphs (a) and (b).

Section 4. Special Assessments for Capital Improvements. In addition to the annual assessments authorized above, the Association may levy, in any assessment year, a special assessment applicable to that year only for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, repair or replacement of a

capital improvement upon the Common Areas, including fixtures and personal property related thereto, provided that any such assessment shall have the assent of not less than 51% of the owners voting in person or by proxy at a meeting duly called for this purpose. If any special assessment for capital improvements shall exceed \$2,000.00 per annum, concurrence of their mortgagees, if any, shall be required.

Section 5. Notice and Quorum for Any Action Authorized Under Sections 3 and 4. Written notice of any meeting called for the purpose of taking any action authorized under Section 3 or 4 shall be mailed or personally delivered to all members (if by mail, then such notice shall be addressed to the then current address of each member shown by the records of the association) not less than 10 days nor more than 50 days in advance of the meeting. The presence of members or of proxies entitled to cast sixty percent (60%) of all votes shall constitute a quorum.

Section 6. Uniform Rate of Assessment. Both annual and special assessments must be fixed at a uniform rate for each class of Lots and may be collected on a monthly, quarter-annual or semi-annual basis as determined by the Board of Directors of the Association from time to time. Initially the annual assessment shall be collected annually.

Section 7. Date of Commencement of Annual Assessments. The annual assessments provided for herein shall commence as to all Lots on January 1, 1997. However, during the year of 1996, as the Declarant sells a Townhome Lot or Marina Lot, the new Owners shall be obligated to pay their monthly assessment until the yearly assessment becomes due beginning January 1, 1997. The Board of Directors shall establish the amount and payment dates of each of the annual assessments against each Lot. Written notice of the annual assessment shall be sent to each Owner subject thereto. The Association shall, upon written request and for a reasonable charge, furnish a certificate signed by an officer of the Association setting forth whether or not the assessment on a specified Lot has been paid.

Section 8. Effect of Non-Payment of Assessment: The Personal Obligation of the Owner; the Lien; Remedies of the Association. Any assessments, charge or premium not paid on the date when due shall become delinquent and shall, together with such interest thereon and

cost of collection thereof as hereinafter provided, thereupon become a continuing lien on the Lot of the Owner that has failed to pay such assessments, which shall bind such Lot in the hands of the then Owner, his heirs, devisees, personal representatives and assigns. The personal obligation for the then Owner to pay such assessment, however, shall remain his personal obligation for the statutory period and shall not pass to his successors in title unless expressly assumed by them.

If the assessment is not paid within thirty (30) days after the delinquency date, the assessment shall bear interest from the date of delinquency at the highest annual rate of interest allowed by the laws of the State of Texas not to exceed in any event eighteen percent (18%) per annum. The Association may bring an action at law against the Owner personally obligated to pay the same or to foreclose the lien against the Lot. The lien securing payment of the assessments may be foreclosed in the same manner as a deed of trust lien in the State of Texas under Chapter 51, Texas Property Code, or the amendments thereof, (with any person designated by the Association to act as the trustee to conduct the foreclosure sale) or in the same manner as a vendor's lien, without prejudice, however, to any other rights, powers, remedies or causes of action which the Association may have with respect to the collection of such assessment and foreclosure of such lien. No Owner may waive or otherwise avoid liability for the assessments provided for herein by non-use of the Common Area or by non-use or abandonment of the Lot of such Owner. If a lawsuit is filed, there shall be added to the amount of such assessment the costs of preparing and filing the complaint in such action, and in the event a judgment is obtained, such judgment shall include interest on the assessment as above provided and a reasonable attorney's fee to be fixed by the court, together with the costs of the action.

If a townhome shall have any unpaid mortgage lien, the Association shall notify the mortgagee after an assessment is 60 days delinquent advising action being taken to cure the delinquency.

Section 9. Subordination of the Lien to Mortgages. The liens of the assessments provided for herein shall be secondary, junior and subordinate to the liens of any mortgage or mortgages now or hereafter placed upon the Lots subject to assessment; provided,

however, that such subordination shall apply only to the assessments which have become due and payable prior to the sale of such Lots pursuant to a foreclosure of any such mortgage. If any such lender or party acquiring such indebtedness should be in doubt as to the purpose for which such loan was made or indebtedness incurred, or as to whether the lien herein granted is junior, inferior and subordinate to any lien or deed of trust given for the purpose of securing any such mortgage or indebtedness such lender or party acquiring such indebtedness may rely conclusively upon the written statement of an officer of the Association with respect thereto. The Association acting by and through its Board of Directors may release or subordinate such lien, in whole or in part, with respect to any lot should it be deemed advisable for any reason whatsoever, without affecting such lien insofar as it applies to any other lot and without affect upon the continuation of such lien to secure any assessments becoming due and payable subsequent to any such release. A sale or transfer shall not relieve the Owner of a Lot from liability for any assessments thereafter becoming due nor from the lien of any such subsequent assessment, except in a sale or transfer of a Lot to the mortgagee of said Lot, the past due portion shall be waived.

Section 10. Exempt Property. The following property subject to this Declaration shall be exempted from the assessment charged and lien created herein: (a) all properties owned by the Declarant; (b) all properties dedicated and accepted by the local public authority and devoted to public use; (c) all Common Areas as defined in Article I, Section 1 hereof; (d) all properties exempted from taxation by the laws of the State of Texas upon the terms and to the extent of such legal exemption.

Section 11. Management Agreement. Each Owner of a Lot hereby agrees to be bound by the terms and conditions of any management agreement entered into by the Board of Directors. A copy of the agreement shall be available to the Owners. Any management agreement shall provide that said agreement may be cancelled by an affirmative vote of 51% of the Owners upon not less than 60 days prior written notice to the manager under the terms of such management agreement.

Section 12. Insurance. (a) The Board of Directors of the Association, or its duly authorized agent, shall have the authority

to (i) obtain liability insurance covering the Common Area ("Coverage One"); (ii) fire and extended coverage insurance under the Texas Standard Form with vandalism and malicious mischief endorsements covering insurable improvements and personal property situated on the Common Area ("Coverage Two"); (iii) fire and extended coverage insurance under the Texas Standard Form with vandalism and malicious mischief endorsements covering improvements located upon the lots ("Coverage Three"). Coverage One, Coverage Two, and Coverage Three shall be in such amounts and provide for such deductibles, if any, as may be deemed appropriate by the Board of Directors of the Association. The type or amount of insurance obtained under Coverage One, Coverage Two and Coverage Three shall be in an amount sufficient to fully reimburse the Association or the Owners for full replacement costs of the units, and common areas, and provide at least \$1,000,000.00 umbrella liability, but each Owner shall have the responsibility of supplementing as he deems necessary and at his sole cost and expense, the insurance obtained by the Board of Directors of the Association. The Association, the Board of Directions of the Association and the officers of the Association shall not in any way be liable to the Owners for the failure of Coverage One, Coverage Two or Coverage Three to fully compensate the Owners for any loss suffered as a result of any casualty, loss, accident or other occurrence.

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Under Coverage One the named insureds shall be the Association and the Owners. Under Coverage Two the named insured shall be the Association. Under Coverage Three the named insureds shall be the Association, The Owners and, if appropriate, the mortgagee of any lot. All proceeds payable as a result of a particular casualty (the "Proceeds") under Coverage Three shall be paid to the Association as trustee for the named insureds. The portion of the Proceeds payable by the Association acting as Trustee to each named insured who has suffered a loss as a result of a particular casualty shall be an amount which bears the same ratio to the Proceeds as the amount each named insureds' loss bears to the total amount of all named insureds' losses resulting from each casualty, but such payment to each named insured for a loss shall not exceed such named insured's proportionate share of the total amount of insurance covered under this Section II, subparagraph (ii) and (iii). Each named insured's

proportionate share of the total amount of insurance under Coverage Three shall be an amount equal to the total amount of insurance under Coverage Three divided by the total number of townhome lots. The Owner of each lot and, if applicable, the lot's mortgagee shall participate in such allocation as their respective interest may appear. All proceeds payable under Coverage Two shall be paid to the Association for the benefit of each of the Owners.

Notwithstanding the provisions of Article IV, Section 3, entitled "Maximum Annual Assessment," there shall be an assessment, in addition to the maximum annual assessment, collected at the same time and in the same manner as the annual assessment which shall be equal to the total annualized cost of Coverage One, Coverage Two and Coverage Three divided by the total number of lots.

Each Owner shall be responsible, at such Owner's sole cost and expense, for any insurance on personal property which such Owner may place on a lot and nothing contained herein shall be construed as prohibiting each Owner from obtaining, at his sole cost and expense, such additional insurance as such Owner may deem necessary or desirable.

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In all cases of partial destruction of the improvements and/or common areas, mandatory reconstruction shall apply unless 100% of the owners and mortgagees agree not to reconstruct. Failing instructions not to reconstruct, the Board shall utilize the insurance proceeds to reconstruct at its sole discretion and in an expeditious manner.

ARTICLE V

PARTY WALLS

Section 1. General Rules of Law to Apply. Each wall which is built as a part of the original construction of the Lots upon the Property and placed on the dividing line between the Lots shall constitute a Party Wall, and to the extent not inconsistent with the provisions of this Article, the general rules of law regarding Party Walls and liability for property damage due to negligence or willful acts or omissions shall apply thereto.

Section 2. Sharing of Repair and Maintenance. The cost of reasonable repair and maintenance of a Party Wall shall be shared by the Owners who make use of the wall in proportion to such use.

Section 3. Destruction by Fire or Other Casualty. If a Party Wall is destroyed or damaged by fire or other casualty, then to the

extent that such damage is not covered by insurance and repaired out of the proceeds of the same, any Owner of a Townhome Lot or Marina Lot adjoining and using the wall may restore it, and if the other Owner of the adjoining townhome or marina shall be liable for and pay one-half (1/2) of the reasonable cost of restoration without prejudice, however, to the right of any such Owner to call for a larger contribution from the other under any rule of law regarding liability for negligent or willful acts or omissions.

Section 4. Weatherproofing. Notwithstanding any other provision of this Article, to the extent that such damage is not covered and paid by the insurance provided for herein, an Owner who by his negligent or willful act causes the Party Wall to be exposed to the elements shall bear the whole cost of furnishing the necessary protection against such elements.

Section 5. Right to Contribution Runs with Land. The right of any Owner to contribution from any other Owner under this Article shall be appurtenant to the land and shall pass to such Owner's successors in title.

Section 6. Arbitration. In the event of any dispute arising concerning a Party Wall, or under the provisions of this Article, each party shall choose one arbitrator, and such arbitrators shall choose one additional arbitrator, and the decision shall be by a majority of all the arbitrators. Should any party refuse to appoint an arbitrator within ten (10) days after written request, the Board of Directors of the Association shall select an arbitrator for the refusing party.

ARTICLE VI

EXTERIOR MAINTENANCE

In addition to maintenance upon the Common Area, the Association shall provide exterior maintenance upon each Townhome Lot which is subject to assessment hereunder to maintain a standard of good repair, condition and appearance acceptable to the Board of Directors which maintenance shall be applicable to roofs, gutters, downspouts, exterior building surfaces, trees, shrubs, grass, walks, private drives, curbs sidewalks and other exterior improvements; provided, however such exterior maintenance shall not include glass surfaces or doors which shall remain the responsibility of each Owner of a Townhome Lot.

In the event the need for maintenance or repair is caused through the willful or negligent act of an Owner, his family, guests or invitees, the cost of such maintenance or repair shall be added to and become a part of the assessment to which such Townhome Lot is subject.

ARTICLE VII

ARCHITECTURAL CONTROL COMMITTEE

No erection of buildings or exterior additions or alterations, including but not limited to patio awnings, to any building situated upon the properties nor erection of or changes or additions in fences, hedges, walls and other structures shall be commenced, erected or maintained until the plans and specifications showing the nature, kind, shape, height, materials and location of the same shall have been submitted to and approved in writing as to harmony of external design, appearance and location in relation to surrounding structures and topography by an architectural committee composed of the Board of Directors of the Association, or by three (3) or more representatives appointed by the Board. In the event said committee or its designated representatives fail to approve or disapprove such design and location within thirty (30) days after the said plans and specifications have been submitted to it, or in any event, if no suit to enjoin the addition, alteration or change has been commenced prior to the completion thereof, approval will not be required and this Article will be deemed to have been fully complied with. Neither the members of such committee nor its designated representative shall be entitled to compensation for services performed pursuant to this Article.

ARTICLE VIII

PROTECTIVE COVENANTS

Section 1. All buildings or structures on the lots shall be of new construction.

Section 2. Each lot conveyed shall be designated by a separate legal description and shall constitute a free hold estate subject to the terms, conditions and provisions hereof.

Section 3. The lots shall not be used for professional, business or commercial uses; nor shall an Owner's or occupant's use of a lot endanger the health or disturb the reasonable enjoyment of any other Owner or occupant; provided, however nothing contained in this

Declaration shall be construed to limit the right and privilege of an Owner, directly or indirectly through a third party, to rent or lease Owner's lot and improvement to any third party according to such terms and provisions as an Owner may deem desirable, or to subject an Owner's lot and improvements to a time sharing arrangement.

Section 4. Easements for installation and maintenance of utilities and drainage facilities are as shown on the recorded plats.

Section 5. No noxious or offensive activity shall be carried on upon any Lot, nor shall anything be done thereon which may be or may become an annoyance or nuisance to the neighborhood.

Section 6. No structure of a temporary character, mobile home, trailer, including boat trailer, basement, tent, shack, garage, barn or other outbuilding shall be used on any Lot at any time as a residence, either temporarily or permanently.

Section 7. No advertising signs, billboards, unsightly objects, or nuisances of any kind shall be erected, placed or permitted on any Lot.

Section 8. 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.

Section 9. All rubbish, trash, or garbage shall be kept screened by adequate planting or fencing so as not to be seen from neighboring lots and streets, and shall be regularly removed from the lot, and shall not be allowed to accumulate thereon.

Section 10. Drying of clothes shall be confined to individual patios and must be kept screened by adequate planting or fencing so as not to be seen from neighboring lots and streets.

Section 11. Without prior written authorization of the Board of Directors no television or radio antennas of any sort shall be placed, allowed or maintained on any lot or any portion of the exterior of the improvements located thereon, nor upon any structure situated upon the Property.

Section 12. All fixtures and equipment installed within a townhome, commencing at a point where the utility lines, pipes, wires, conduit or systems enter the exterior walls of the townhomes, shall be maintained and kept in repair by the Owner thereof. An Owner shall not impair the structural soundness or integrity of another

townhome or impair any easement, or allow any condition to exist which will adversely affect the other townhomes, lots or their Owners.

Section 13. No vehicle shall be parked on streets or driveways so as to obstruct ingress and egress by Owners of lots, their families, guests and invitees except for the reasonable needs of emergency, construction or service vehicles for a limited time. No boat trailer or truck shall be parked or stored in front of any townhome for more than forty-eight hours. No repair work, dismantling or assembling of motor vehicles or other machinery or equipment shall be permitted in any street, driveway or yard adjacent to a street, or in the Common Area.

Section 14. No planting or gardening shall be done, and no fences, hedges, walls or other improvements shall be erected or maintained upon said property, except as installed in accordance with the initial construction of the building or as approved by the Association's Board of Directors or their designated architectural committee.

Section 15. Notwithstanding anything to the contrary contained within this Article VIII, Declarant may maintain, while constructing and selling the townhomes, in or upon such portions of the Property as Declarant determines, such facilities as in its sole discretion may be necessary or convenient, including, but without limitation, offices, storage areas, model units and signs.

Section 16. No buildings intended for human habitation other than townhouses, being single family residences joined together by a common wall or walls, and/or roof and/or foundation, shall be constructed on the Townhome lots.

Section 17. No building or structure shall be moved onto the lots.

ARTICLE VIII

EASEMENTS

Section 1. Encroachments. Each Lot and the property included in the Common Area shall be subject to an easement for encroachments created by construction, settling and over-hang of the townhomes or marinas, improvements and structures built by the Developer. A valid easement for such encroachments and for the maintenance of same, so long as they stand, shall and does exist. In the event, a building or

structure containing two or more townhouses, is partially or totally destroyed and then rebuilt, the owners of the Lots agree that valid easements shall exist for any encroachments resulting therefrom.

Section 2. Easements. There is hereby created an easement upon, across, and under all of the Property for ingress and egress, installation, replacing, repairing and maintaining utilities, including, but not limited to, water, sewer, telephones, electricity and cable. By virtue of this easement it shall be expressly permissible for any company furnishing any utility service to affix and maintain pipes, wires, conduits, equipment and other necessary material on, above, across and under the roofs and exterior walls of the townhomes and marinas, and improvements upon any Lot on the Common Area. Notwithstanding anything to the contrary contained in this paragraph, no sewer, electrical lines, water lines, or other utilities, may be installed or relocated on the property until approved by the Association's Board of Directors. In the event that any utility company furnishing a service covered by the general easement herein provided requests a specific easement by separate recordable instrument, Declarant or the Association's Board of Directors shall have the right to grant such easement without conflicting with the terms hereof. Declarant shall not be liable for any damage done by any utility company, their employees, or agents, to shrubbery, trees, flowers or other improvements located on the land covered by said easement.

Section 3. Owner of Service Lines. The Owners of the respective Lots shall not be deemed to separately own pipes, wires, conduits, or other service lines running through their property which are utilized for or serve other Lots, but each Owner shall have an easement in and to the aforesaid facilities as shall be necessary for the use, maintenance and enjoyment of their Lot.

ARTICLE IX

GENERAL PROVISIONS

Section 1. Term and Amendment. The covenants and restrictions of this Declaration shall run with and bind the land, and shall inure to the benefit of and be enforceable by Bayrock Townhomes Association, or the Owner of any land subject to this Declaration, their respective legal representatives, heirs, successors and assigns, for a term of twenty (20) years from the date that this Declaration is

recorded, after which time said covenants shall be automatically extended for successive periods of ten (10) years. This Declaration may be amended or terminated by an instrument signed by not less than 51% of the votes held by the Lot owners and 51% of the Mortgagees.

Section 2. Enforcement. The Association, or any Owner, shall have the right to enforce, by any proceeding at law or in equity, all restrictions, conditions, covenants, reservations, liens and charges now or hereafter imposed by the provisions of this Declaration. Failure by the Bayrock Townhomes Association or any Owner to enforce any covenant or restriction herein contained shall in no event be deemed a waiver of the right to do so thereafter.

Section 3. Severability. Invalidation of any one of these covenants or restrictions by judgment or court order shall in no wise affect any other provisions which shall remain in full force and effect.

Section 4. Annexation, Mergers and Consolidations. The Association may participate in mergers and consolidations with other non-profit corporations organized for the same purposes, or annex additional property and common area, provided that any such merger, consolidation or annexation shall have the consent of not less than six (6) Owners.

Section 5. Plural. Whenever the context so requires, the singular number shall be construed to mean the plural and vice versa.

Section 6. Gender. Where context and circumstances require, the gender of all words used in this document shall include the masculine and the feminine.

NON-PROFIT?

6 OWNERS

BAYROCK TOWNHOMES JOINT VENTURE

By: Bob Hutchins
Name Printed: Bob Hutchins
Title: Managing Partner

STATE OF TEXAS

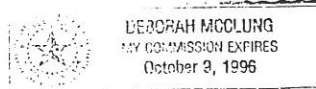
COUNTY OF BURNET

BEFORE ME, the undersigned authority, on this day personally appeared BOB HUTCHINS, as Managing Partner of Bayrock Townhomes Joint Venture, known to me to be the person and officer whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purpose and consideration therein expressed, as the act and deed of said corporation, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE THIS 3rd day of September, 1996.

Deborah McClung
Notary Public, State of Texas

My Commission Expires: _____



96-279\DECLARATION

FILED FOR RECORD
AT 4:10 pm

SEP 09 1996

BY Deborah McClung DEPUTY

Deborah McClung
8889
B TK 28657

STATE OF TEXAS COUNTY OF LLANO
THIS INSTRUMENT WAS
RECORDED IN INSTRUMENT NO. 757 PAGE
219-231
SEP 9, 1996



Betty Sue Hoy, COUNTY CLERK
LLANO COUNTY, TEXAS

STATE OF TEXAS

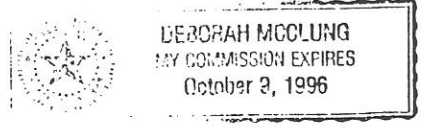
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GIVEN UNDER MY HAND AND SEAL OF OFFICE THIS 3rd day of September, 1996.

Deborah McClung
Notary Public, State of Texas

My Commission Expires: _____



DECLARATION AMENDMENT

STATE OF TEXAS

KNOWN BY ALL THESE PRESENTS:

COUNTY OF LLANO

NOW COMES LARRY AUSTIN, PRESIDENT OF BAYROCK TOWNHOMES ASSOCIATION, INC., on behalf of the Board of Directors and Owners of said Association, who does state that:

WHEREAS, the Owners of the units of Bayrock Townhomes with to amend the original declaration filed in Volume 759, Page 219, Official Public Records of Real Property of Llano County, Texas.

AND WHEREAS, the Owners desire to limit any lease term to a term of not less than one (1) year for any townhouse unit. Such time limit will become effective for any lease agreement entered into after October 31, 2003.

NOW THEREFORE, the Owners of said Association hereby amend said Declaration as set forth on the attached Amendment with the amendment being approved by 51% of the Owners of the units pursuant to the requirements of the said Declaration.

Larry Austin, Pres.
LARRY AUSTIN, PRESIDENT

STATE OF TEXAS

COUNTY OF Montgomery

Sworn to before me this 4th day of November, 2003 by LARRY AUSTIN as President of the Bayrock Townhomes Association, Inc., who did appear before me and who did sign this Declaration Amendment as his own free act and deed and the free act and deed of the Bayrock Townhomes Association, Inc.

Jeanie T. Simmons
Notary Public, State of Texas

