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**ROAD AND TRASH COVENANT
FOR
POSSUM KINGDOM LAKE**
Palo Pinto, Stephens and Young Counties, Texas

Founder: **PATTERSON PK LAND PARTNERSHIP, LTD., a Texas limited partnership**

Note: **Certain terms and provisions of this Community Covenant are operative only in the event a property owners association is formed pursuant to Article 3 set forth herein**

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**ROAD AND TRASH COVENANT FOR
POSSUM KINGDOM LAKE**
Palo Pinto, Stephens and Young Counties, Texas

This Road and Trash Covenant for Possum Kingdom Lake (the "**Covenant**") is made by **PATTERSON PK LAND PARTNERSHIP, LTD.**, a Texas limited partnership (the "**Founder**"), and is as follows:

RECITALS:

A. Founder is the current owner of that certain property located in Palo Pinto, Stephens and Young Counties, Texas, as more particularly described on Exhibit "B", attached hereto and incorporated herein by reference (the "**Property**"). The Property is comprised of individual "Tracts" as defined and described below.

B. Founder desires to establish certain requirements affecting the Property, and to provide a mechanism for the creation of a property owners association if created as set forth in this Covenant.

NOW, THEREFORE, it is hereby declared: (i) that the Property (or any portion thereof) will be held sold, conveyed, and occupied subject to the following covenants, conditions and restrictions which will run with the Property (or any portion thereof) and will be binding upon all parties having right, title, or interest in or to such portions of the Property (or any portion thereof), their heirs, successors, and assigns and will inure to the benefit of each owner thereof; and (ii) that each lease, contract or deed conveying the Property (or any portion thereof) will conclusively be held to have been executed, delivered, and accepted subject to the following covenants, conditions and restrictions, regardless of whether or not the same are set out in full or by reference in said lease, contract or deed.

ARTICLE 1
DEFINITIONS

Unless the context otherwise specifies or requires, the following words and phrases when used in this Covenant will have the meanings hereinafter specified:

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

"Assessment" or "Assessments" means assessments imposed under this Covenant.

"Associate Member" means a Person not otherwise a Member under the terms and provisions of this Covenant who has been approved by the Board. An Associate Member will be entitled to attend and participate in Association meetings and other functions in the same manner as Members, but may not vote in Association matters or hold any office (e.g., director, officer, or committee member) in the Association. An Associate Member will be required to comply with any rules adopted by the Association and applicable to Associate Members and pay Administrative Assessments in the same manner as Members, as a condition to maintaining an Associate Membership. The Association may adopt additional rules and delegations governing Associate Members. There will be no Associate Members unless the Association is formed in accordance with *Article 3* of this Covenant.

"Association" means the Possum Kingdom Lake Property Owners' Association, Inc., a Texas non-profit corporation, which may be created pursuant to the terms and provisions of this Covenant, and if created, will be permitted to exercise the authority and assume the powers specified herein. Notwithstanding the foregoing, the name "Possum Kingdom Lake Owners' Association, Inc." is not the defining feature of the Association. The Association may operate under any name designated by the Founder and filed with the Secretary of State of Texas as the name of the filing entity.

"Board" means the Board of Directors of the Association, vested with the management of the Association's affairs, including the administration of this Covenant, and authority to act on behalf of the Association.

"BRA" means the Brazos River Authority, a River Authority of the State of Texas.

"Bylaws" mean the Bylaws of the Association, to be adopted in the form attached hereto as Exhibit "A". The Bylaws will be adopted by the Board if the Association is formed pursuant to *Article 3* of this Covenant.

"Certificate" means the Certificate of Formation of the Association, filed in the Office of the Secretary of State of Texas by the Founder, as the same may be amended from time to time by the Members or as otherwise provided under Applicable Law. A Certificate of Formation will be filed only if the Association is formed pursuant to *Article 3* of this Covenant.

"Common Area" means any property and improvements that are so designated by Founder or that the Association, PK Road Corporation, Inc. and/or other Founder designated entities own or in which it otherwise holds rights or obligations through lease, license, easement or otherwise.

"Documents" or **"Document"** means, individually or collectively as the case may be, this Covenant, the Certificate, Bylaws, and Board Resolutions. An attachment, appendix, exhibit, schedule, or certification accompanying a Document shall be considered part of that Document.

"Founder" means PATTERSON PK LAND PARTNERSHIP, LTD., a Texas limited partnership. Notwithstanding any provision in this Covenant to the contrary, Founder may, by Recorded written instrument, assign, in whole or in part, any of its privileges, exemptions, rights and duties under this Covenant to any Person and may permit the participation, in whole, in part, exclusively, or non-exclusively, by any other Person in any of its privileges, exemptions, rights and duties hereunder.

"Majority" means more than half.

"Members" means every Person that holds membership privileges in the Association, if formed in accordance with Article 3 of this Covenant.

"Owner" means the Person(s) holding all or a portion of the fee simple interest in any Tract and any leaseholder executing a new lease with Founder after Founder's purchase from the BRA, but does not include the mortgagee under a mortgage prior to its acquisition of fee simple interest in such Tract pursuant to foreclosure of the lien of its mortgage.

"Person" shall mean any individual or entity having the legal right to hold fee simple or leasehold title to real property.

"Property" means all of that certain real property, as more particularly described on Exhibit "B", attached hereto and incorporated herein by reference. Notwithstanding any provision in this Covenant to the contrary, this Covenant in no event encumbers any property located in The Ranch, Hogs Bend, Costello Island or any portion of the Property subject to the terms and provisions of that certain license (the "FERC License") issued by the United States of America Federal Energy Regulatory Commission to Brazos River Authority for FERC Project No. 1490-003-Texas on September 8, 1989, as amended, extended, or renewed from time to time. In the event any portion of the Property is made subject to the FERC License after the date this Covenant is Recorded, such portion of the Property covered by the FERC License shall be automatically withdrawn from the terms and provisions of this Covenant effective on the date such portion of the Property was made subject to the FERC License and without any further consent or action be required. In the event any portion of the Property is removed from the FERC License after the date this Covenant is Recorded, such portion of the Property covered by the FERC License shall be automatically included within the terms and provisions of this Covenant effective on the date such portion of the Property was removed and without any further consent or action be required.

"Recorded" or **"Record"** means recorded or to be recorded, respectively, in the Official Public Records of Palo Pinto, Stephens and Young Counties, Texas.

"Special Service Area" means a Tract or group of Tracts designated by the Founder or Association as a separate Special Service Area pursuant to this Covenant for the purpose of receiving benefits or services through this Covenant which are not provided to all Tracts.

"Tract" means a contiguous portion of the Property conveyed by the BRA to Founder and so designated by Founder. The Founder reserves the right, in conjunction with the conveyance or lease of any portion of the Property to a third party, to Record a written notice identifying the Tract(s) conveyed to such third party, and to designate in such notice that the portion of the Property being conveyed to such third-party constitutes one or more Tracts for the purpose of this Covenant. The term Tract expressly excludes any portion of the Property owned by the Association or dedicated to the public.

TABLE 1: DOCUMENTS	
Covenant (Recorded)	Creates obligations that are binding upon the Association, all present and future owners of Property and future lessees of Property.
Certificate of Formation: (filed with the Secretary of State if the Association is formed in accordance with <i>Article 3</i> of this Covenant)	Establishes the Association as a nonprofit corporation under Texas law.
Bylaws: (attached to this Covenant as <u>Exhibit "A"</u> ; to be adopted by the Board if the Association is formed in accordance with <i>Article 3</i> of this Covenant)	Governs the Association's internal affairs, such as elections, notices, meetings, etc.
Board Resolutions: (adopted by the Board if the Association is formed in accordance with <i>Article 3</i> of this Covenant)	Resolutions adopted by Board formally expressing an opinion, intention or decision of the Board. A Board Resolution may be required by law or the governing documents for the Board to take certain actions.

ARTICLE 2

FOUNDER'S ROLE PRIOR TO CREATION OF ASSOCIATION

THE PROVISIONS CONTAINED IN THIS ARTICLE 2 SHALL BE OPERATIVE UNTIL THE FOUNDER DETERMINES, IN ITS SOLE AND ABSOLUTE DISCRETION, TO CREATE THE ASSOCIATION.

2.01. **Rights Exercisable by Founder Until Association Formation.** Until the Association is established by the Founder, the Founder will have the right to levy Assessments against Tracts in accordance with the procedures otherwise assigned to the Association in *Article 4* below, and will have the right and authority to exercise all remedies for non-payment, including foreclosure of an assessment lien judicially as set forth in this Covenant. The lien conveyed by the Founder to the Association pursuant to *Section 4.01(b)* of this Covenant, is also reserved for the benefit of the Founder against each Tract to secure the payment of Assessments levied by the Founder until the Association is formed. In addition, and notwithstanding any provision in this Covenant to the contrary, Founder may exercise any right otherwise allocated to the Board under this Covenant, to the extent the

Founder determines, in its sole and absolute discretion, that such right is necessary or required to levy, administer, and collect Assessments, enforce the terms and provisions of this Covenant, comply with Applicable Law, or otherwise administer property which the Founder would have designated as Common Area if the Association were formed, including but not limited to those services detailed in Section 3.05(h) herein.

2.02. **Rights Exercisable by Founder Under Section 2.01 Terminate Upon Association Formation.** If the Founder creates the Association, the rights excisable by Founder pursuant to *Section 2.01* will terminate and instead be exercised by the Association; provided, however, to the extent the Founder has levied any Assessments which remain unpaid or other sums are owed to Founder pursuant to this Covenant on the date the Association is created, the Association will be obligated to collect such unpaid assessments and remit the proceeds immediately to the Founder upon receipt. The termination of the rights exercisable by the Founder under *Section 2.01* will in no event be interpreted to terminate a right reserved by the Founder elsewhere in this Covenant.

ARTICLE 3 THE ASSOCIATION

OPTIONAL ASSOCIATION. UNLESS EXERCISABLE BY THE FOUNDER IN ACCORDANCE WITH *SECTION 2.01*, THE PROVISIONS CONTAINED IN THIS ARTICLE 3 SHALL ONLY BE OPERATIVE IN THE EVENT THE FOUNDER DETERMINES, IN ITS SOLE AND ABSOLUTE DISCRETION, TO CREATE THE ASSOCIATION TO ASSUME THE DUTIES AND POWERS PRESCRIBED BY LAW AS SET FORTH IN THIS COVENANT. FOUNDER WILL HAVE NO OBLIGATION TO CREATE THE ASSOCIATION.

3.01. **Board.** Unless this Covenant or the Bylaws expressly reserves a right, action, or decision to the Owners, Declarant, or another party, the Board acts in all instances on behalf of the Association. Unless the context indicates otherwise, references in this Covenant or the Bylaws to the "Association" means "the Association acting through its Board of Directors."

3.02. **Organization.** The Association is a Texas non-profit corporation, created for the purposes, charged with the duties, and vested with the powers prescribed by law or set forth in the Certificate, Bylaws, and this Covenant. Neither the Certificate nor Bylaws shall for any reason be amended or otherwise changed or interpreted so as to be inconsistent with this Covenant.

3.03. **Membership.** Any Person upon becoming an Owner shall automatically become a Member of the Association. The Founder shall be a Member of the Association so long as Founder owns any portion of the Property. Membership shall be appurtenant to and shall run with the ownership of the Tract which qualifies the Owner thereof for

membership, and membership may not be severed from, or in any way transferred, pledged, mortgaged, or alienated except together with the title to such Tract.

3.04. **Voting Rights.** The right to cast votes and the number of votes which may be cast for the election of Members to serve on the Board and on all other matters to be voted on by the Members will be calculated as follows:

(a) The Owner of each Tract will be allocated one (1) vote for each Tract so owned. In the event of the consolidation of two (2) or more Tracts, voting rights and Assessments will continue to be determined according to the number of original Tracts contained in such consolidated Tract. In the event one or more Tracts are subdivided into separate parcels, voting rights and Assessments will continue to be determined according to the number of original Tracts included in such re-subdivision.

(b) When more than one Person owns or leases a portion of the fee simple interest in any Tract, all such Persons or entities will be Members. The vote or votes for such Tract will be exercised by the Person so designated in writing to the Secretary of the Association by the Owner of such Tract, and in no event will the vote for such Tract exceed the total votes to which such Tract is otherwise entitled under this *Section 3.04*.

(c) The right of any Owner to vote may be suspended by the Association, acting through the Board, for any period during which any Assessment against such Owner's Tract remain past due.

3.05. **Powers.** The Association has the powers of a Texas nonprofit corporation. It further has the power to do and perform any and all acts that may be necessary or proper, for or incidental to, the exercise of any of the express powers granted to it by the laws of Texas or the Documents. Without in any way limiting the generality of the two preceding sentences, the Board, acting on behalf of the Association, will have the following powers at all times:

(a) **Guiding Documents.** To make, establish and promulgate, and in its discretion to amend from time to time, or repeal and re-enact, such Bylaws, Board Resolutions, policies, rules, and regulations if necessary or required to discharge the Association's rights and obligations under this Covenant, and provided such Bylaws, Board Resolutions, policies, rules, and regulations are not in conflict with this Covenant or Applicable Law.

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

(c) **Records.** To keep books and records of the Association's affairs, and to make such books and records, together with current copies of the Documents available for

inspection by the Owners, mortgagees, and insurers or guarantors of any mortgage upon request during normal business hours.

- (d) Assessments. To levy and collect Assessments.
- (e) Legal and Accounting Services. To retain and pay for legal and accounting services necessary or proper in the administration of this Covenant.
- (f) Easements. To grant and convey to any Person easements and rights-of-way in, on, over, or under any Common Area.
- (g) Manager. On or after September 15, 2015, to retain and pay for the services of a Person to manage the administration of this Covenant, including the Common Area, to the extent deemed advisable by the Founder or the Board. To the extent permitted by law, the Founder or Board may delegate any other duties, powers and functions to the manager.
- (h) Property Services. To pay for property taxes, and the operation, repair and maintenance of the Common Area.
- (i) Other Services. To obtain and pay for any other services, and to pay any other taxes or assessments that the Association is required or permitted to secure or to pay for pursuant to applicable law (including the Chapter 22 of the Texas Business Organizations Code), under the terms of the Documents or as determined by the Association.
- (j) Contracts. To enter into contracts or licenses with any third party on such terms and provisions as the Association will determine, to operate, improve, and maintain any Common Area, or perform any function on behalf of the Board, the Association, or the Members otherwise permitted under this Covenant.
- (k) Property Ownership. To acquire, own and dispose of all manner of real and personal property, whether by grant, lease, easement, gift or otherwise.
- (l) Annual Audits. If the Association is formed, if requested by Founder to obtain and pay for audited financial statements for the preceding full fiscal year of the Association.
- (m) Equipment and Services. To purchase, finance and/or lease whatever equipment, supplies and services thought necessary by Founder or Association in Founder's or Association's sole discretion to carry out the provisions of this Covenant, including but not limited to (and not required) trash compacting equipment, services and facilities similar to that set up by the Gaines Bend subdivision at Possum Kingdom Lake.

3.06. Transfer or Designation of Common Area. Founder and its designees may designate, transfer or convey to the Association interests in real or personal property, including but not limited to roadways and trash dumpster sites, and the Association will

accept such transfers and conveyances. Such property may be improved or unimproved and may consist of fee simple title, easements, leases, licenses, or other real or personal property interests. Property owned by Founder or other entities may be designated by Founder as Common Area without the necessity of transfer or conveyance. Such property, rights, and/or obligations will be accepted by the Association and thereafter will be maintained as Common Area by the Association. Upon the Founder's written request, the Association will re-convey to the Founder any real property, easement or license interest that the Founder originally conveyed to the Association for no payment to the extent conveyed in error or needed to make minor adjustments in property lines, or to the extent such Common Area will be conveyed to a governmental authority.

3.07. **Resale Certificates.** Until the Association is formed by the Founder, the Founder may, and thereafter the Association, may charge fees for the preparation and updating of resale certificates, estoppel certificates, or copies of Documents, provided the fees are customary in amount, kind and number for the local marketplace.

3.08. **Indemnification.** To the fullest extent permitted by applicable law but without duplication (and subject to) any rights or benefits arising under the Certificate or Bylaws of the Association, the Association will indemnify the Founder and any Person who was, or is, a party, or is threatened to be made a party to any threatened pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative by reason of the fact that he is, or was, a director, officer, committee member, employee, servant or agent of the Association against expenses, including attorneys' fees, reasonably incurred by him in connection with such action, suit or proceeding if it is found and determined by the Founder or the Board or a court of competent jurisdiction that the Person: (i) acted in good faith and in a manner the Person reasonably believed to be in, or not opposed to, the best interests of the Association, or (ii) with respect to any criminal action or proceeding, the Person had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by settlement, or upon a plea of *nolo contendere* or its equivalent, will not of itself create a presumption that the Person did not act in good faith or in a manner which was reasonably believed to be in, or not opposed to, the best interests of the Association or, with respect to any criminal action or proceeding, the Person had reasonable cause to believe that his conduct was unlawful.

3.09. **Insurance.** The Founder prior to Association formation and thereafter the Association may purchase and maintain, at the expense of the Association, insurance on behalf of any Person who is acting as a Founder, director, officer, committee member, employee, servant or agent of the Association against any liability asserted against him or incurred by him in any such capacity, or arising out of his status as such, whether or not the Association would have the power to indemnify him against such liability or otherwise.

ARTICLE 4 **COVENANT FOR ASSESSMENTS**

4.01. **Assessments.**

(a) Assessments established by the Founder or the Association pursuant to the provisions of this *Article 4* will be levied against each Tract in amounts determined pursuant to *Section 4.03*, *Section 4.04*, *Section 4.05*, and *Section 4.06* below.

(b) Each Assessment, together with such interest thereon and costs of collection as hereinafter provided, will be the personal obligation of the Owner of the Tract against which the Assessment is levied and will be secured by a lien hereby granted and conveyed by Founder to the Association against each such Tract. The Founder or Association may enforce payment of such Assessments in accordance with the provisions of this Article.

4.02. **Maintenance Fund.** The Association will establish a maintenance fund into which will be deposited all monies paid to the Association and from which disbursements will be made in performing the functions of the Association under this Covenant. The funds of the Association must be used solely for purposes authorized by this Covenant.

4.03. **Trash Assessments.** Prior to the beginning of each fiscal year, the Association will estimate the expenses to be incurred by the Association during such year for the provision of trash services to the Property (the "**Trash Assessment**"). Trash Assessments sufficient to pay such estimated net expenses, plus an allocation for delinquent and unpaid assessments, will then be levied by the Association. If the sums collected prove inadequate to pay such expenses, the Association may at any time, and from time to time, levy further Trash Assessments in the same manner. Trash Assessments levied pursuant to this *Section 4.03* will be due and payable to the Association annually on or before the first day of the month at the beginning of the fiscal year, or in such other manner as the Association may designate. Trash Assessments levied pursuant to this *Section 4.03* shall be levied uniformly against each Tract. Trash Assessments also may include the costs detailed in *Section 3.05(m)* above.

Notwithstanding any provision in this *Section 4.03* to the contrary, Trash Assessments will not be levied against an Owner if the Owner was not obligated to pay such costs to BRA prior to the date the Owner's Tract was conveyed from BRA to the Founder.

It is specifically understood and agreed that Founder or the Association after the Association is formed (if it is ever formed) may change trash collection methods and/or vendors. If Founder (in his sole discretion) or Association after the Association is formed (if it is ever formed) determines that individual property pickup instead of the existing dumpster location drop off method is better suited for the Properties then the Founder or the Association (if the Association is ever formed) may make that change and bill the Owners accordingly even if the cost per Owner and per Property increases. The Trash Assessment and lien powers that Founder and the Association have pursuant to this Covenant can be used by the Founder and the Association (if the Association is ever formed) to collect any 3rd party trash service and/or

related vendor service regardless of whether the 3rd party vendor directly bills the Owners; or Founder or the Association pays the 3rd party vendor and is seeking reimbursement from the Owners.

4.04. **Administrative Assessments.** Beginning on September 15, 2015, and for each fiscal year thereafter, the Association may estimate the expenses to be incurred by the Association during such year which are necessary to operate and administer the Association pursuant to this Covenant and Applicable Law (the "**Administrative Assessment**"), such as costs associated with insurance, accounting services, and other reasonable costs associated with operation and administration of the Association. Administrative Assessments sufficient to pay such estimated net expenses may (at the Association's option) then be levied by the Association. If the sums collected prove inadequate to pay such expenses, the Association may at any time, and from time to time, levy further Administrative Assessments in the same manner. Administrative Assessments levied pursuant to this Section 4.04 will be due and payable to the Association annually on or before the first day of the month at the beginning of the fiscal year, or in such other manner as the Board may designate. Administrative Assessments levied pursuant to this Section 4.04 shall be levied uniformly against each Tract. Administrative Assessments may in no event exceed the sum of ONE HUNDRED AND NO/100 DOLLARS (\$100.00) per Tract for each fiscal year in which the Administrative Assessment is levied. Notwithstanding the foregoing provision, for each year after September 15, 2015, the maximum amount of Administrative Assessments per Tract for each fiscal year shall be increased by a percentage amount equal to the percentage of increase, if any, in the cost of living index at the commencement of the Assessment year, over and above the cost of living index at the commencement of the immediately preceding Assessment year. For purposes of this Section: (a) increases in the cost of living index shall be measured by the U.S. Department of Labor Consumer Price Index for All Urban Consumers, Dallas-Fort Worth, Texas Average, all items figure 1982-1984 = 100 as published by the Bureau of Labor Statistics of the United States Department of Labor; and (b) the figures for purposes of calculating Initial Base Rate increases hereunder shall be the last figures published prior to the applicable measurement dates. If any of the following events occur, the Bureau of Labor Statistics shall be requested to furnish a new index comparable to the Consumer Price Index for all Urban Consumers together with information which will make possible the conversion to a new index in computing any rent increases hereunder, to-wit: (i) if the Bureau of Labor Statistics or any successor agency of the United States ceases to use the 1982-1984 average of 100 as the basis of calculation; (ii) if a substantial change is made in the number or character of "market basket" items used in determining the Consumer Price Index for all Urban Consumers; or (iii) if the Consumer Price Index for all Urban Consumers, Dallas-Fort Worth, Texas Average, shall be discontinued for any reason. If for any reason the Bureau of Labor Statistics does not furnish such an index and such information, the Association shall thereafter accept and use such other index or comparable statistics on the cost of living for

Palo Pinto County, Texas, as shall be computed and published by an agency of the United States or by a responsible financial periodical of recognized authority.

4.05. **Special Service Area Assessments.** One or more Tracts may need special services not otherwise provided by the Association to all Owners. For example, road maintenance may be required for roads giving access to one or more Tracts if such maintenance is not provided by the county. Any group of Owners may petition the Association to designate their Tracts as a "**Special Service Area**" for the purpose of receiving from the Association: (i) special benefits or services which are not provided to all Tracts; (ii) a higher level of service than the Association otherwise provides. Upon receipt of a petition signed by Owners of a Majority of the Tracts within the proposed Special Service Area, the Association shall investigate the terms upon which the requested benefits or services might be provided and notify the Owners in the proposed Special Service Area of such terms and the charge to be made therefor, which may include a reasonable administrative charge in such amount as the Association deems appropriate (provided, any such administrative charge shall apply at a uniform rate per Tract among all Special Service Areas receiving the same service). Upon written approval of the proposal by Owners of at least a Majority of the Tracts within the proposed Special Service Area, the Association shall provide the requested benefits or services on the terms set forth in the proposal. The cost and administrative charges associated with such benefits or services shall be assessed against the Tracts within such Special Service Area as a Special Service Area Assessment. Special Service Area Assessments levied pursuant to this *Section 4.05* will be due and payable to the Association annually on or before the first day of the month at the beginning of the fiscal year, or in such other manner as the Board may designate. Special Service Area Assessments levied pursuant to this *Section 4.05* shall be levied uniformly against each Tract within the Special Service Area. At the Association's sole discretion in this subsection "uniformly" may mean assessments calculated at a per linear foot, per acre, per Tract, any combination thereof or any other basis the Association decides is appropriate for the Assessment.

4.06. **General Road Maintenance Assessments.** Prior to the beginning of each fiscal year, the Association will estimate the expenses to be incurred by the Association during such year for the maintenance of roadways which serve the Property, as reasonably determined by the Founder, which were conveyed to the Founder by the BRA and not yet accepted by a county for maintenance provision (the "**General Road Maintenance Assessment**"). General Road Maintenance Assessments sufficient to pay such estimated net expenses, plus an allocation for delinquent and unpaid assessments, will then be levied by the Association. If the sums collected prove inadequate to pay such expenses, the Association may at any time, and from time to time, levy further General Road Maintenance Assessments in the same manner. General Road Maintenance Assessments levied pursuant to this *Section 4.06* will be due and payable to the Association annually on or before the first day of the month at the beginning of the fiscal year, or in such other manner as the Board may designate. General Road Maintenance Assessments levied pursuant to this *Section 4.06* shall be levied uniformly against each Tract.

General Road Maintenance Assessments shall NOT include the \$200,000.00 required to be paid by Founder to Palo Pinto County by HB 3031, Texas 81st Regular Session-2009 (also known as Texas Special District Local Laws Section 8502.020) ("HB3031), or any sums agreed to be paid by Founder to Palo Pinto County to expedite Palo Pinto County's acceptance of roads located in Palo Pinto County in advance of the schedule set forth in HB3031.

General Road Maintenance Assessments SHALL include any expenses related to the transfer and attempted transfer of the roads to Palo Pinto, Young and Stephens Counties according to HB3031 including, but not limited to, litigation expenses, attorney fees and other expenses incurred by the Founder or Association while attempting to require Palo Pinto, Stephens and/or Young Counties to accept the roads according to HB3031.

4.07. **No Special Assessments.** The Association may not levy any special Assessments, except Special Service Area Assessments..

4.08. **Individual Assessments.** In addition to Trash Assessments, Administrative Assessments, Special Service Area Assessments and General Road Maintenance Assessments the Association may levy an Individual Assessment against an Owner and the Owner's Tract. Individual Assessments are limited to interest, late charges, collection costs on delinquent Assessments and any unpaid resale certificate fees.

4.09. **Late Charges.** If any Assessment is not paid on or before thirty (30) days after the due date applicable thereto, the Owner responsible for the payment may be required by the Association, at the Board's election at any time and from time to time, to pay a late charge in an amount not to exceed \$50.00 per month, collectible in the manner as provided for collection of Assessments, including foreclosure of the lien against such Tract.

4.10. **Owner's Personal Obligation for Payment of Assessments.** Assessments levied as provided for herein will be the personal and individual debt of the Owner of the Tract against which are levied such Assessments. No Owner may exempt himself from liability for such Assessments. In the event of default in the payment of any such Assessment, the Owner of such Tract will be obligated to pay interest on the amount of the Assessment at the highest rate allowed by applicable usury laws then in effect on the amount of the Assessment from the due date therefor (or if there is no such highest rate, then at the rate of 1 and 1/2% per month), together with all costs and expenses of collection, including reasonable attorney and title research fees.

4.11. **Notice and Release of Notice.** The lien established hereby for Assessments is created by Recordation of this Covenant, which constitutes record notice and perfection of the lien. No other Recordation of a lien or notice of lien is required. However, in the exercise of its lien rights, the Association may, at its option, cause a notice of the lien to be Recorded. If the debt is cured after a notice has been recorded, the Association will execute and Record a release of the notice at the expense of the curing Owner. Said release will not prevent or limit the accrual of subsequent liens on said Property. The Association

may require reimbursement of its costs of preparing and Recording the notice before granting the release.

4.12. **Foreclosure of Lien and Power of Sale.** The Assessment lien may be enforced by judicial or non-judicial foreclosure. By accepting an interest in or title to a Tract, each Owner grants to the Founder (until an Association is formed if one is formed) and Association a private power of non-judicial sale in connection with its Assessment lien. The Board or Founder may appoint, from time to time, any Person, including an officer, agent, trustee, substitute trustee, or attorney, to exercise the Founder's and Association's lien rights on behalf of the Founder and Association, including the power of sale. Any such appointment must be in writing and if appointed by the Association may be in the form of a resolution duly adopted by the Association. If appointed by the Founder the appointment may be in the form of a written appointment. A non-judicial foreclosure must be conducted in accordance with the provisions applicable to the exercise of powers of sale as set forth in Section 51.002 of the Texas Property Code, or in any manner permitted by Applicable Law. In any collection action or foreclosure proceeding, the Owner will be required to pay all costs and expenses for such collection action or judicial proceedings, including reasonable attorneys' and title research fees. Founder and the Association have the power to bid on the Tract at a foreclosure sale initiated by it and to acquire, hold, lease, mortgage, and convey same. A foreclosure sale to satisfy an Assessment lien cannot occur sooner than six (6) months after the date the Assessment to which it relates is due and payable. Before a foreclosure sale to satisfy an Assessment lien the Founder or Association may send, any lienholder of record holding a lien against the subject Tract when the Assessment accrued a 90 days written notice and opportunity to pay said Assessment.

4.13. **Exempt Property.** The following area within the Property will be exempt from the Assessments provided for in this Article:

- (a) All area dedicated and accepted by public authority; and
- (b) The Common Area

ARTICLE 5

DISPUTE RESOLUTION

5.01. **Agreement to Encourage Resolution of Disputes Without Litigation.**

(a) Founder, the Association (if created), the officers, directors, and committee members of the Founder and Association, Members, Owners, and all other parties that may be subject to this Covenant (collectively, the "**Bound Parties**"), agree that it is in the best interest of all concerned to encourage the amicable resolution of disputes involving the Property without the emotional and financial costs of litigation. Accordingly, each Bound Party agrees not to file suit in any court with respect to a Claim described in subsection (b), unless and until it has first submitted such Claim to the alternative dispute resolution procedures set forth in *Section 5.02* in a good faith effort to resolve such Claim.

(b) As used in this Article, the term "**Claim**" will refer to any claim, grievance or dispute arising out of or relating to:

- (i) the interpretation, application, or enforcement of the Documents;
- (ii) the rights, obligations, and duties of any Bound Party under the Documents; or
- (iii) the Founder, or the Founder's officers, directors or agents.

(c) The following will not be considered "**Claims**" unless all parties to the matter otherwise agree to submit the matter to the procedures set forth in *Section 5.02*:

- (i) any suit by the Association to collect Assessments or other amounts due from any Owner; and
- (ii) any suit by the Association to obtain a temporary restraining order (or emergency equitable relief) and such ancillary relief as the court may deem necessary in order to maintain the status quo and preserve the Association's ability to enforce the provisions of the Documents; and
- (iii) any suit which does not include the Founder or the Association as a party, if such suit asserts a Claim which would constitute a cause of action independent of the Documents; and
- (iv) any suit in which any indispensable party is not a Bound Party; and
- (v) any suit as to which any applicable statute of limitations would expire within one hundred and eighty (180) days of giving the notice required by *Section 5.02(a)*, unless the party or parties against whom the Claim is made agree to toll the statute of limitations as to such Claim for such period as may reasonably be necessary to comply with this Article.

5.02. Dispute Resolution Procedures.

(a) Notice. The Bound Party asserting a Claim ("**Claimant**") against another Bound Party ("**Respondent**") will give written notice to each Respondent, the Founder, and to the Association (if formed) stating plainly and concisely:

- (i) the nature of the Claim, including the Persons involved and the Respondent's role in the Claim; and
- (ii) the legal basis of the Claim (i.e., the specific authority out of which the Claim arises); and
- (iii) the Claimant's proposed resolution or remedy; and

- (iv) the Claimant's desire to meet with the Respondent to discuss in good faith ways to resolve the Claim.

(b) Negotiation. The Claimant and Respondent will make every reasonable effort to meet in person and confer for the purpose of resolving the Claim by good faith negotiation. If requested in writing, accompanied by a copy of the Notice, the Founder may appoint a representative to assist the parties in negotiating a resolution of the Claim. Upon creation of the Association, the Association, and not the Founder, if requested in writing, may appoint a representative to assist the parties in negotiating a resolution of the Claim.

(c) Mediation. If the parties have not resolved the Claim through negotiation within thirty (30) days of the date of the notice described in *Section 5.02(a)* (or within such other period as the parties may agree upon), the Claimant will have thirty (30) additional days to submit the Claim to mediation with an independent agency providing dispute resolution services in Palo Pinto County, Texas.

If the Claimant does not submit the Claim to mediation within such time, or does not appear for the mediation when scheduled, the Claimant will be deemed to have waived the Claim, and the Respondent will be relieved of any and all liability to the Claimant (but not third parties) on account of such Claim.

If the Parties do not settle the Claim within thirty (30) days after submission of the matter to mediation, or within such time as determined reasonable by the mediator, the mediator will issue a notice of termination of the mediation proceedings indicating that the parties are at an impasse and the date that mediation was terminated. The Claimant will thereafter be entitled to file suit or to initiate administrative proceedings on the Claim, as appropriate.

Each Party will bear its own costs of the mediation, including attorney's fees, and each Party will share equally all fees charged by the mediator.

(d) Settlement. Any settlement of the Claim through negotiation or mediation will be documented in writing and signed by the parties. If any party thereafter fails to abide by the terms of such agreement, then any other party may file suit or initiate administrative proceedings to enforce such agreement without the need to again comply with the procedures set forth in this Section. In such event, the party taking action to enforce the agreement or award will, upon prevailing, be entitled to recover from the non-complying party (or if more than one noncomplying party, from all such parties in equal proportions) all costs incurred in enforcing such agreement or award, including, without limitation, attorneys' fees and court costs.

ARTICLE 6 GENERAL PROVISIONS

6.01. Term. The terms, covenants, conditions, restrictions, easements, charges, and liens set out in this Covenant will run with and bind the Property, and will inure to the

benefit of and be enforceable by the Association (if created), and every Owner and their respective legal representatives, heirs, successors, and assigns, for a term beginning on the date this Covenant is Recorded, and continuing through and including December 31, 2060, after which time this Covenant will be automatically extended for successive periods of ten (10) years unless this covenant is terminated in accordance with *Section 6.03* below. Notwithstanding any provision in this *Section 6.01* to the contrary, if any provision of this Covenant would be unlawful, void, or voidable by reason of any Texas law restricting the period of time that covenants on land may be enforced, such provision will expire (twenty one) 21 years after the death of the last survivor of the now living descendants of Elizabeth II, Queen of England.

6.02. **Eminent Domain.** In the event it becomes necessary for any public authority to acquire all or any part of the Common Area for any public purpose during the period this Covenant is in effect, the Association is hereby authorized to negotiate with such public authority for such acquisition and to execute instruments necessary for that purpose. Should acquisitions by eminent domain become necessary, only the Association need be made a party, and in any event, the proceeds received will be held by the Association for the benefit of the Owners.

6.03. **Amendment.** This Covenant may be amended or terminated by the Founder and at least 65 percent (65%) of the Owners, with each Tract being allocated one (1) vote for the purpose of determined such approval. The vote to amend this Covenant may be held by written ballot or at a meeting of the Owners. If by meeting, notice will be given to all Owners at least thirty (30) days in advance and will set forth the date, time and location of such meeting. An amendment or termination of this Covenant will be effective only upon the Recording of an instrument: (i) if the Association has been formed pursuant to this Covenant, executed and acknowledged by the president and secretary of the Association, setting forth the amendment and certifying that such amendment or termination has been approved by the requisite number of Owners; or (ii) if the Association has not been formed pursuant to this Covenant, executed and acknowledged by the Owners necessary for amendment or termination hereunder. Specifically, and not by way of limitation, Founder, acting alone, may unilaterally amend this Covenant: (a) to bring any provision into compliance with any applicable governmental statute, rule, regulation, or judicial determination; (b) to enable any institutional or governmental lender, purchaser, insurer or guarantor of mortgage loans to make, purchase, insure or guarantee mortgage loans on portions of the Property; or (c) to comply with any requirements promulgated by a local, state or governmental agency.

6.04. **Addition of Land.** Founder may, at any time and from time to time, add additional lands to the Property. Upon the filing of a Notice of Addition of Land, such land will be considered part of the Property for purposes of this Covenant, and will be subject to this Covenant and the terms, covenants, conditions, restrictions and obligations set forth in this Covenant, and the rights, privileges, duties and liabilities of the Persons subject to this Covenant will be the same with respect to such added land as with respect to the lands

originally covered by this Covenant. To add lands to the Property, Founder will be required only to Record a Notice of Addition of Land containing the following provisions:

- (a) A reference to this Covenant, which reference will state the volume and initial page number wherein this Covenant is Recorded;
- (b) A statement that such land will be considered Property for purposes of this Covenant and all of the terms, covenants, conditions, restrictions and obligations of this Covenant will apply to the added land; and
- (c) A legal description of the added land.

6.05. **Withdrawal of Land.** Founder may, at any time and from time to time, reduce or withdraw from the Property and remove and exclude from the burden of this Covenant and the jurisdiction of the Association any portion of the Property. Upon any such withdrawal, this Covenant and the covenants conditions, restrictions and obligations set forth herein will no longer apply to the portion of the Property withdrawn. To withdraw lands from the Property, the Founder will be required only to Record a Notice of Withdrawal of Land containing the following provisions:

- (a) A reference to this Covenant, which reference will state the volume and initial page number wherein this Covenant is Recorded;
- (b) A statement that the provisions of this Covenant will no longer apply to the withdrawn land; and
- (c) A legal description of the withdrawn land.

6.06. **Enforcement.** Each Owner, the Founder, and the Association, if formed, will have the right to enforce, by a proceeding at law or in equity, all provisions of this Covenant. Failure to enforce this Covenant will not constitute a waiver of the right to enforce this Covenant in the future.

6.07. **Higher Authority.** The terms and provisions of this Covenant are subordinate to federal and state law, and local ordinances. Generally, the terms and provisions of this Covenant are enforceable to the extent they do not violate or conflict with local, state, or federal law or ordinance.

6.08. **Severability.** If any provision of this Covenant is held to be invalid by any court of competent jurisdiction, such invalidity will not affect the validity of any other provision of this Covenant, or, to the extent permitted by applicable law, the validity of such provision as applied to any other Person.

6.09. **Conflicts.** If there is any conflict between the provisions of this Covenant, the Certificate, the Bylaws, or any rules and regulations adopted pursuant to the terms of such documents, the provisions of this Covenant will govern.

6.10. **Gender.** Whenever the context so requires, all words herein in the male gender will be deemed to include the female or neuter gender, all singular words will include the plural, and all plural words will include the singular.

6.11. **Acceptance by Grantees.** Each grantee of a Tract or other real property interest in the Property, including a leasehold interest, and each subsequent grantee, accepts the same subject to all terms, restrictions, conditions, covenants, reservations, easements, liens and charges, and the jurisdiction rights and powers created or reserved by this Covenant or to whom this Covenant is subject, and all rights, benefits and privileges of every character hereby granted, created, reserved or declared. All impositions and obligations hereby imposed will constitute covenants running with the land within the Property, and will bind any Person having at any time any interest or estate in the Property, and will inure to the benefit of each Owner in like manner as though the provisions of this Covenant were recited and stipulated at length in each and every deed of conveyance or subsequent lease by Founder.

6.12. **Notices.** Any notice permitted or required to be given to any Person by this Covenant will be in writing and may be delivered either personally or by mail.

6.13 **Subordination of Covenant Lien to Mortgages.** This Covenant is subordinate and inferior to the \$40,400,000.00 BRA acquisition loan from First National Bank Graham to Founder.

For all other mortgages, after the BRA to Founder acquisition closing if no Assessments are due and unpaid related to a Property, Founder (until an Association is formed if one is formed) and thereafter the Association (if it is formed) shall provide at Owner's request (or Owner's chosen title company) after payment (provided free through December, 31, 2010) to Founder or Association for a Resale Certificate a Subordination of Covenant Lien to a specific subsequent mortgage providing that any lien created under the power of this Covenant shall be and remain subordinate and inferior to the referenced lien described on the Subordination.

[SIGNATURE PAGE FOLLOWS]

EXECUTED to be effective on the date this instrument is Recorded.

FOUNDER:

PATTERSON PK LAND PARTNERSHIP, LTD.

a Texas limited partnership

By: Patterson PK Land Management GP, LLC,
a Texas limited liability company, its
General Partner

By: 

Printed Name: Michael H. Patterson

Title: Manager

STATE OF TEXAS §

COUNTY OF Tarrant §

This instrument was acknowledged before me on the 21 day of Oct, 2010, by MICHAEL PATTERSON of Patterson PK Land Management GP, LLC, a Texas limited liability company, General Partner of Patterson PK Land Partnership, Ltd., a Texas limited partnership, on behalf of said limited liability and limited partnership.

[seal]



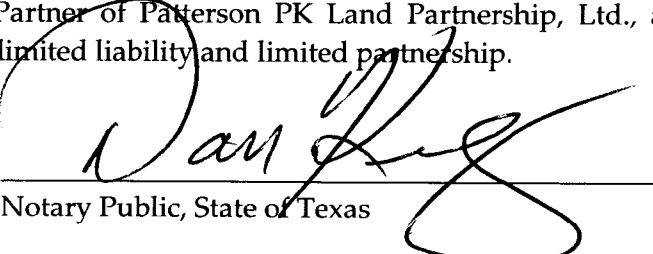

Notary Public, State of Texas

EXHIBIT "A"

**TO BE ADOPTED BY THE BOARD ONLY IF THE ASSOCIATION IS FORMED IN
ACCORDANCE WITH ARTICLE 3 OF THIS COVENANT**

**BYLAWS
OF
POSSUM KINGDOM LAKE PROPERTY OWNERS' ASSOCIATION, INC.**

(or another named Texas non-profit corporation if that name is not available at time of incorporation)

**ARTICLE I
INTRODUCTION**

The name of the nonprofit corporation is Possum Kingdom Lake Property Owners' Association, Inc., (or another Texas non-profit corporation if that name is not available at time of incorporation) hereinafter referred to as the "Association". The principal office of the Association shall be located in Palo Pinto County, Texas, but meetings of Members and Directors may be held at such places within the State of Texas, County of Palo Pinto, as may be designated by the Board.

The Association is organized to be a nonprofit corporation.

**ARTICLE II
DEFINITIONS**

Unless the context otherwise specifies or requires, the following words and phrases when used in these Bylaws shall have the meanings hereinafter specified:

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

"Assessment" or **"Assessments"** means assessments imposed by the Association under this Covenant.

"Associate Member" or **"Associate Members"** means any Person(s) holding associate membership privileges in the Association as provided in the Covenant.

"Association" means the Possum Kingdom Lake Property Owners' Association, Inc., a Texas Nonprofit corporation (or another named corporation if that name is not available at time of incorporation).

"Board" means the Board of Directors of the Association.

"Bylaws" mean the Bylaws of the Association as adopted and as amended from time to time.

"Certificate" means the Certificate of Formation of the Association, filed in the Office of the Secretary of State of Texas, as the same may be amended from time to time.

"Common Area" means any property and improvements defined in the Covenant or that the Association owns or in which it otherwise holds rights or obligations through lease, license, easement or otherwise.

"Covenant" shall mean the "Road and Trash Covenant for Possum Kingdom Lake", recorded in the Official Public Records of Palo Pinto, Stephens and Young Counties, Texas, as the same may be amended from time to time.

"Director" means a member of the Board.

"Documents" mean, individually or collectively as the case may be, these Bylaws, the Covenant and the Certificate, as each may be amended from time to time. An attachment, appendix, exhibit, schedule, or certification accompanying a Document shall be considered a part of that Document.

"Founder" means PATTERSON PK LAND PARTNERSHIP, LTD., a Texas limited partnership, provided that any assignment of the rights of Founder must be expressly set forth in writing and the mere conveyance of a portion of the Property without written assignment of the rights of Founder shall not be sufficient to constitute an assignment of the rights of Founder hereunder.

"Majority" means more than half.

"Manager" means the Person, if any, employed by the Founder or Association pursuant to the Covenant and delegated the duties, powers, or functions of the Association.

"Member" or **"Members"** means any Person(s) holding membership privileges in the Association as provided in the Covenant.

"Owner" means the Person(s) holding all or a portion of the fee simple interest in any Tract and any leaseholder executing a new lease with Founder after Founder's purchase from the BRA, but does not include the mortgagee under a mortgage prior to its acquisition of fee simple interest in such Tract pursuant to foreclosure of the lien of its mortgage.

"Person" shall mean any individual or entity having the legal right to hold title to real property.

"Property" shall mean and refer to the property subject to the terms and provisions of the Covenant.

"Record Date" shall mean a date to be set by the Board not earlier than sixty (60) days before the date the action or vote requiring the determination of Members is taken.

"Voting Member" shall mean a Member on the Record Date eligible to vote as provided in the Covenant.

Any term used but not defined in these Bylaws shall have the meaning subscribed to such term in the Covenant.

ARTICLE III **MEETINGS OF MEMBERS**

Section 3.1. Annual Meetings. The first annual meeting of the Members shall be held within one (1) year from the date of incorporation of the Association; provided, that the annual meeting will be held on a Saturday. Each subsequent regular annual meeting of the Members shall be held on a Saturday thereafter on a specific date selected by the Board.

Section 3.2. Special Meetings. Special meetings of the Members may be called at any time by the President or by a majority vote of the Board, or upon written request of the Voting Members who are entitled to cast at a Majority of the votes of the Association. Special meetings must be held on a Saturday.

Section 3.3. Place of Meetings. Meetings of the Association may be held at a location determined by the Board.

Section 3.4. Notice of Meetings. At the direction of the Board, written notice of meetings of the Association will be given to the Voting Members at least twenty (20) days but not more than sixty (60) days prior to the meeting. Notices of meetings will state the date, time, and place the meeting is to be held. Notices will identify the type of meeting as annual or special, and will state the particular purpose of a special meeting. A notice may incorporate a ballot to allow a Voting Member to cast a vote on a matter to be decided by the Members at an annual or special meeting and may also include other items of information deemed appropriate by the Board.

Section 3.5. Voting. The Board may permit Voting Members to vote by any method allowed by Section 22.160(b)(c) and (d) of the Texas Business Organizations Code, which may include hand delivery, mail, fax, email, or any combination thereof.

Section 3.6. Voting Member List. The Association shall prepare and make available a list of the Association's Voting Members on or following the Record Date in accordance with Section 22.158(b) of the Texas Business Organizations Code. The list of Voting Members shall be used to provide Notice and to determine which Members are eligible to vote on any matter.

Section 3.7. Quorum. Unless otherwise required by Applicable Law, a quorum is not required to conduct an annual meeting of Members, provided that such meeting was called in accordance with these Bylaws. Twenty percent (20%) of the total votes of the membership represented by ballot, in person, or by proxy shall constitute a quorum for any action, except for conducting an annual meeting of Members, provided that such meeting was called in accordance with these Bylaws, or as otherwise provided in the Certificate, the Covenant, or these Bylaws. If, however, such quorum is required and is not satisfied at a meeting, the Voting Members present at the meeting shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented.

Section 3.8. Proxies. A Member may only grant a proxy in writing. To be valid, each proxy must: (i) be signed and dated by a Member or his attorney-in-fact; (ii) identify the Tract to which the vote is appurtenant; (iii) name the Person in favor of whom the proxy is granted, such person having agreed to exercise the proxy; (iv) identify the meeting for which the proxy is given; (v) not purport to be revocable without notice; and (vi) be delivered to the secretary, to the Person presiding over the Association meeting for which the proxy is designated, or to a Person designated by the Board. Unless the proxy specifies a shorter or longer time, it terminates eleven (11) months after the date of its execution. Perpetual or self-renewing proxies are permitted, provided they are revocable. To revoke a proxy, the granting Member must give actual notice of revocation to the Person presiding over the Association meeting for which the proxy is designated. Unless revoked, any proxy designated for a meeting which is adjourned, recessed, or rescheduled is valid when the meeting reconvenes. A proxy may be delivered by fax. However, a proxy received by fax may not be counted to make or break a tie-vote unless: (a) the proxy has been acknowledged or sworn to by the Member, before and certified by an officer authorized to take acknowledgments and oaths; or (b) the Association also receives the original proxy within five (5) days after the vote.

Section 3.9. Conduct of Meetings. The president, or any Person designated by the Board, presides over meetings of the Association. The secretary keeps, or causes to be kept, the minutes of the meeting which should record all resolutions adopted and all transactions occurring at the meeting, as well as a record of any votes taken at the meeting. The Person presiding over the meeting may appoint a parliamentarian. Votes should be tallied by tellers appointed by the person presiding over the meeting. The meeting need not be conducted in accordance with Roberts Rules of Order unless otherwise directed by the Board.

Section 3.10. Order of Business. Unless the notice of meeting states otherwise, or the Board adopts a different agenda at the meeting, the order of business at meetings of the Association is as follows:

EXHIBIT "A"

- Determine votes present by roll call or check-in procedure
- Announcement of quorum (if not an annual meeting)
- Proof of notice of meeting
- Approval of minutes of preceding meeting
- Reports of Officers (if any)
- Election of Directors (when required)
- Unfinished or old business
- New business

Section 3.11. Adjournment of Meeting. At any meeting of the Association, a Majority of the Voting Members present at that meeting, either in person or by proxy, may adjourn the meeting to another time and place. Notice of the meeting to be held after adjournment will be provided in accordance with *Section 3.4*.

Section 3.12. Action without Meeting. Subject to Board approval, any action which may be taken by a vote of the Members at a meeting of the Association may also be taken without a meeting by written consents. The Board may permit Voting Members to vote by any method allowed by Section 22.160(b)(c) and (d) of the Texas Business Organizations Code, which may include hand delivery, mail, fax, email, or any combination thereof. Written consents by Voting Members representing at least a Majority of votes in the Association, or such higher percentage as may be required by the Documents, constitutes approval by written consent. This Section may not be used to avoid the requirement of an annual meeting and does not apply to the election of Directors.

Section 3.13. Telephone Meetings. Members of the Association may participate in and hold meetings of the Association by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other. Participation in the meeting constitutes presence in person at the meeting, except where a Member participates in the meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened.

ARTICLE IV

BOARD OF DIRECTORS

Section 4.1. Authority; Number of Directors.

(a) **Number.** The affairs of the Association shall be governed by a Board of Directors that shall consist of seven (7) Directors. The number of initial directors shall be at least seven (7), but not more than twenty one (21). A Director shall be a Member of the Association. The number of Directors may be increased, from time to time, upon written resolution of a Majority of the Directors. If the event the number of Directors is increased by resolution of a Majority of the Directors, the Board will cause a meeting of Members to be called whereupon the additional Directors will be elected by the Membership for an initial term of one

(1) year term. Notwithstanding the foregoing provision, the number of Directors may not be increased to more than twenty one (21).

(b) Terms. The initial Directors shall serve for the term specified in the Certificate. Upon expiration of the term of an initial Director, his or her successor will be elected for a term of three (3) years. A Director takes office after the adjournment of the meeting at which he is elected or appointed and will hold office until his successor is elected or appointed.

(c) Qualifications. Each Director shall be a Member, or in the case of ownership by an entity of a portion of a Tract, a duly authorized agent or representative of the entity.

Section 4.2. Compensation. The Directors shall serve without compensation for such service.

Section 4.3. Nominations to Board. Members may be nominated for election to the Board in either of the following ways:

(a) A Member who is not a Director and who desires to run for election to that position shall be deemed to have been nominated for election upon his filing with the Board a written petition of nomination; or

(b) A Director who is eligible to be re-elected shall be deemed to have been nominated for re-election to the position he holds by signifying his intention to seek reelection in a writing addressed to the Board.

Section 4.4. Removal of Directors for Cause. If a Director breaches such Director's duties hereunder or violates the terms of the Documents, such Director may be removed by a majority vote of the remaining Directors. No Director shall have any voting rights nor may such Director participate in any meeting of the Board at any time that such Director is delinquent in the payment of any Assessments or other charges owed to the Association. Any Director that is ninety (90) days delinquent in the payment of Assessments for more than three (3) consecutive times shall be removed as a Director.

Section 4.5. Vacancies on Board. If the office of any elected Director shall become vacant by reason of death, resignation, retirement, disqualification, removal from office or otherwise, the remaining Directors, at a special meeting duly called for this purpose, shall choose a successor who shall serve until the next annual meeting of the Members, whereupon the Members will elect the successor. If there is a deadlock in the voting for a successor by the remaining Directors, the one Director with the longest continuous term on the Board shall select the successor.

Section 4.6. Removal of Directors. An elected Director may be removed, with or without cause, by a Majority vote of the Voting Members at any special meeting of the Members of which notice has been properly given as provided in these Bylaws; provided the same notice

of this special meeting has also been given to the entire Board, including the individual Director whose removal is to be considered at such special meeting.

ARTICLE V MEETINGS OF DIRECTORS

Section 5.1. Regular Meetings. Regular meetings of the Board shall be held annually or such other frequency as determined by the Board, with notice, at such place and hour as may be fixed from time to time by resolution of the Board. The policy of the Board will be to allow the public and members of the media to attend any regular meeting of the Board; provided that the public and media may not participate in the meeting unless requested to do so by a Majority of the Board. The Board may adjourn any meeting and reconvene in executive session to discuss and vote on personnel matters, litigation in which the Association is or may become involved, and orders of business of a similar or sensitive nature. The nature of business to be considered in executive session will first be announced in open session.

Section 5.2. Special Meetings. Special meetings of the Board shall be held when called by the President of the Association, or by any three Directors, after not less than ten (10) days' notice to each Director. The policy of the Board will be to allow the public and members of the media to attend any special meeting of the Board; provided that the public and media may not participate in the meeting unless requested to do so by a Majority of the Board. The Board may adjourn any meeting and reconvene in executive session to discuss and vote on personnel matters, litigation in which the Association is or may become involved, and orders of business of a similar or sensitive nature. The nature of business to be considered in executive session will first be announced in open session.

Section 5.3. Quorum. A Majority of the Directors shall constitute a quorum for the transaction of business. Every act or decision done or made by a Majority of the Directors present at a duly held meeting at which a quorum is present shall be regarded as the act of the Board.

Section 5.4. Telephone Meetings. Members of the Board or any committee of the Association may participate in and hold meetings of the Board or committee by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other. Participation in such meeting constitutes presence in person at the meeting, except where a person participates in the meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened.

Section 5.5. Action without a Meeting. Any action required or permitted to be taken by the Board at a meeting may be taken without a meeting, if all Directors individually or collectively consent in writing to such action. The written consent must be filed with the minutes of Board meetings. Action by written consent has the same force and effect as a unanimous vote.

ARTICLE VI
POWERS AND DUTIES OF THE BOARD

Section 6.1. Powers. The Board shall have power and duty to undertake any action to which the Association is authorized to take in accordance with the Documents and Applicable Law.

ARTICLE VII
OFFICERS AND THEIR DUTIES

Section 7.1. Enumeration of Offices. The officers of the Association shall be a President and a Vice-President, who shall at all times be a Director, a Secretary and a Treasurer, who need not be Directors, but must be Members, and such other officers as the Board may from time to time create by resolution.

Section 7.2. Election of Officers. If an officer appointed in the organizational consent of the Association also serves as an initial Director, such officer will serve until expiration of their term as Director as specified in the Certificate. Otherwise, the election of officers shall take place at the first meeting of the Board following each annual meeting of the Members.

Section 7.3. Term. The officers of the Association shall be elected annually by the Board and each shall hold office for one (1) year unless otherwise provided in *Section 7.2*, or he resigns sooner, or shall be removed or otherwise disqualified to serve.

Section 7.4. Special Appointments. The Board may elect such other officers as the affairs of the Association may require, each of whom shall hold office for such period, have such authority, and perform such duties as the Board may, from time to time, determine.

Section 7.5. Resignation and Removal. Any officer may be removed from office with or without cause by the Board. Any officer may resign at any time by giving written notice to the Board, the President, or the Secretary. Such resignation shall take effect on the date of receipt of such notice or at any later time specified therein, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 7.6. Vacancies. A vacancy in any office may be filled through appointment by the Board. The officer appointed to such vacancy shall serve for the remainder of the term of the officer he replaces.

Section 7.7. Multiple Offices. The offices of Secretary and Treasurer may be held by the same person. No person shall simultaneously hold more than one of any of the other offices except in the case of special offices created pursuant to *Section 7.4*.

Section 7.8. Duties. The duties of the officers are as follows:

(a) President. The President shall preside at all meetings of the Board; shall see that orders and resolutions of the Board are carried out; may sign all written instruments and shall co-sign all checks and promissory notes.

(b) Vice President. The Vice President, if any, shall generally assist the President; may sign all written instruments, and shall have such powers and perform such duties and services as shall from time to time be prescribed or delegated to him by the President or the Board.

(c) Secretary. The Secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board and of the Members; serve notice of meetings of the Board and of the Members; keep appropriate current records showing the Members of the Association together with their addresses; may sign all leases, mortgages, deeds and other written instruments; and shall perform such other duties as required by the Board.

(d) Assistant Secretaries. Each Assistant Secretary shall generally assist the Secretary and shall have such powers and perform such duties and services as shall from time to time be prescribed or delegated to him or her by the Secretary, the President, the Board or any committee established by the Board.

(e) Treasurer. The Treasurer shall receive and deposit in appropriate bank accounts all monies of the Association and shall disburse such funds as directed by resolution of the Board; shall sign all checks and promissory notes of the Association; keep proper books of account in appropriate form such that they could be audited by a public accountant whenever ordered by the Board or the membership; and shall prepare an annual budget and a statement of income and expenditures to be presented to the membership at its regular meeting, and deliver a copy of each to the Members.

ARTICLE VIII OTHER COMMITTEES OF THE BOARD OF DIRECTORS

The Board may, by resolution adopted by affirmative vote of a Majority of the Directors, designate two or more Directors (with such alternates, if any, as may be deemed desirable) to constitute another committee or committees for any purpose; provided, that any such other committee or committees shall have and may exercise only the power of recommending action to the Board and of carrying out and implementing any instructions or any policies, plans, programs and rules theretofore approved, authorized and adopted by the Board.

ARTICLE IX BOOKS AND RECORDS

The books, records and papers of the Association shall at all times, during reasonable business hours, be subject to inspection by any Member. The Documents shall be available for inspection by any Member at the principal office of the Association, where copies may be purchased at reasonable cost. The check register(s) of the Association may be periodically

EXHIBIT "A"

posted on-line, with redactions made to remove account numbers, or otherwise made available for Members' review.

ARTICLE X

ASSESSMENTS

As more fully provided in the Covenant, each Member is obligated to pay to Assessments to the Association which are secured by a continuing lien upon the property against which the Assessments are made. Assessments shall be due and payable in accordance with the Covenant.

ARTICLE XI

CORPORATE SEAL

The Association may, but shall have no obligation to, have a seal in a form adopted by the Board.

ARTICLE XII

AMENDMENTS

Section 12.1. These Bylaws may be amended by a Majority of the Members.

Section 12.2. In the case of any conflict between the Certificate and these Bylaws, the Certificate shall control; and in the case of any conflict between the Covenant and these Bylaws, the Covenant shall control.

ARTICLE XIII

INDEMNIFICATION

To the fullest extent permitted by applicable law but without duplication (and subject to) any rights or benefits arising under the Certificate or Bylaws of the Association, the Association will indemnify any Person who was, or is, a party, or is threatened to be made a party to any threatened pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative by reason of the fact that he is, or was, a director, officer, committee member, employee, servant or agent of the Association against expenses, including attorneys' fees, reasonably incurred by him in connection with such action, suit or proceeding if it is found and determined by the Board or a court of competent jurisdiction that the Person: (i) acted in good faith and in a manner the Person reasonably believed to be in, or not opposed to, the best interests of the Association, or (ii) with respect to any criminal action or proceeding, the Person had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by settlement, or upon a plea of nolo contendere or its equivalent, will not of itself create a presumption that the Person did not act in good faith or in a manner which was reasonably believed to be in, or not opposed to, the best interests of the Association or, with respect to any criminal action or proceeding, the Person had reasonable cause to believe that his conduct was unlawful.

EXHIBIT "A"

ARTICLE XIV
MISCELLANEOUS

Unless otherwise established in a written resolution approved by a Majority of the Directors, the fiscal year of the Association shall begin on the date of incorporation.

EXHIBIT "B"

ATTACHED DESCRIPTION OF THE PROPERTY

[SAVE AND EXCEPT ANY PROPERTIES LOCATED IN THE RANCH, HOGS BEND,
AND COSTELLO ISLAND]

EXHIBIT "B"

The real property situated in Palo Pinto County, Texas, and more particularly described on Exhibits "B", "B-1", "B-2" (save and except that tract described as R207), "B-3", and "C-1", and as depicted on Exhibits "E", "F" (save and except those tracts described as R207 and R207A), "G-1", and "H", in that certain Declaration of Restrictive Covenants, Easements, and Conditions dated September 27, 2010 (the "Declaration"), entered into by Grantor hereunder, as Declarant, and recorded in the Official Public Records of Palo Pinto County at Volume 1739 Page 446, on or about October 18, 2010, which Exhibits are incorporated herein by reference and made a part hereof (the "Property")