

COMMUNITY MANUAL

For Owners and Residents of

**THE WATERS
AT HORSESHOE BAY
RESORT CONDOMINIUM**

Consisting of:
Initial Rules & Regulations
Recreational Rules
Assessment Collection Policy
Fining Policy
Utility Shut-Off Policy
Mold Policy

PROPERTY

The Waters at Horseshoe Bay Resort Condominium is located in the City of Horseshoe Bay, Llano County, Texas. It is subject to the Declaration of The Waters at Horseshoe Bay Resort Condominium, recorded or to be recorded in the Real Property Records of Llano County, Texas. This Community Manual is to be recorded in the Real Property Records of Llano County, Texas.

THE WATERS AT HORSESHOE BAY COMMUNITY MANUAL

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INITIAL RULES & REGULATIONS THE WATERS AT HORSESHOE BAY

These INITIAL RULES & REGULATIONS are established by Centex Destination Properties, an assumed business name of Centex Homes, Declarant of The Waters at Horseshoe Bay Resort Condominium, for the benefit of The Waters Condominium Association (the "Association"). These Community Rules are the "Rules" defined in Article 1 of the Declaration of The Waters at Horseshoe Bay Resort Condominium, recorded or to be recorded in the Real Property Records of Llano County, Texas.

These Rules are in addition to the provisions of the Declaration and Bylaws. By owning or occupying a Unit, each Owner and Resident agrees to abide by these Rules and to comply with the obligations of Owners and Residents under the Declaration and Bylaws of The Waters at Horseshoe Bay Resort Condominium.

Words and phrases defined in the Declaration have the same meaning when used in these Rules. In the event of a conflict between Documents, the hierarchy of authority is as follows: Declaration (highest), Bylaws, and these Rules (lowest). The Association's board of directors is empowered to interpret, enforce, amend, and repeal these Rules.

A. COMPLIANCE

- A-1. Compliance. Each Owner will comply with the provisions of these Rules, the other Documents, and policies adopted by the Board to supplement these Rules, as any of these may be revised from time to time. Each Owner, additionally, is responsible for compliance with the Documents by the Residents of his Unit, and his or their respective relatives, invitees, tenants, agents, employees, or contractors. If a Rule requires or prohibits conduct by an "Owner" or "Resident," each of those terms are deemed to include the other, and applies to all persons for whom an Owner or Resident is responsible. Again, the Owner is ultimately responsible for compliance by all persons using or related to his Unit. An Owner should contact the Association if he has a question about these Rules. The Association has the right to enforce these Rules against any person on the Property.

DRAFTER'S DICTUM

Users of this document should periodically review statutes and court rulings that may modify or nullify provisions of this document or its enforcement, or may create rights or duties not anticipated by this document.

- A-2. Additional Rules. Each Resident must comply with any rules and signs posted from time to time on the Property by the Association, such as those regulating use of recreational facilities. Posted rules are incorporated in these Rules by reference. Each Resident must comply with notices communicated by the Association, from time to time, in the nature of seasonal or temporary rules, or notice of a change affecting use of the Property. Temporary rules are incorporated in these Rules by reference.

- A-3. Waiver. Circumstances may warrant waiver or variance of these Rules. To obtain a waiver or variance, an Owner must make written application to the Board. The Board's approval of a waiver or variance must be in writing, and may be conditioned.
- A-4. Limits. These Rules represent standards of conduct and maintenance in a high density community. It is understood that individuals may have different interpretations of and tolerances for these Rules. On lifestyle-related rules, such as the Community Etiquette rules below, the Association may refrain from acting on a perceived violation unless the Board determines the violation to be significant or a community-wide problem. The Association may not be compelled by one Resident to enforce these Rules against another Resident. Residents are expected to deal directly and peaceably with each other about their differences.
- A-5. Filing Complaints. Because the Association is not staffed at a level to continually monitor all parts of the Property for Rules violations, the Association relies on Residents to identify and report violations of these Rules and the Documents, and to monitor compliance with these Rules by violators. The Association also relies on Residents to help keep each other informed about the Rules. Recognizing that a Resident may be reluctant to confront another Resident about a violation, the Association will work with Residents to enforce the Rules. Generally, a complaint must be in writing and must be signed by a Resident or Owner who is willing to be identified as the complainant. The Association may refuse to enforce a violation that cannot be easily and independently verified, for which it did not receive a signed written complaint, for which the complainant will not cooperate with monitoring the violation and compliance, and which the Board does not consider to be significant or community-wide.

B. OBLIGATIONS OF OWNERS AND RESIDENTS

- B-1. Damage. An Owner is responsible for any loss or damage he causes to his Unit, other Units, the personal property of other Residents or their guests, or to the Common Elements.
- B-2. Association Does Not Insure. A person assumes full risk and sole responsibility for placing his personal property in or on the Property. Each Resident is solely responsible for insuring his personal property in the Unit and on the Property, including his furnishings and vehicles. THE ASSOCIATION STRONGLY RECOMMENDS THAT ALL OWNERS AND RESIDENTS PURCHASE AND MAINTAIN INSURANCE ON THEIR PERSONAL BELONGINGS. If Requested by the Board, an Owner shall provide a Certificate of Insurance for his Unit showing the Association as an Additional Insured.
- B-3. Risk Management. An Owner may not permit anything to be done or kept in his Unit or the Common Elements that is illegal or that may result in the cancellation of insurance on the Property.

- B-4. Reimbursement for Enforcement. An Owner must promptly reimburse the Association for any expense incurred by the Association to enforce the Documents against the Owner, his Unit, or persons for whom the Owner is responsible.
- B-5. Reimbursement for Damage. An Owner must promptly reimburse the Association for the cost of damage to the Property caused by the negligent or willful conduct of the Owner or persons for whom the Owner is responsible.
- B-6. No Garage Sales. Without the Board's prior written permission, no person may conduct on the Property a sale or activity that is advertised or attractive to the public, such as garage sales, car sales, or estate sales. This section does not apply to marketing the sale or rental of a Unit, unless combined with a prohibited activity.

C. OCCUPANCY STANDARDS

- C-1. Numbers. The maximum number of persons who may occupy a Unit is two persons per bedroom in the Unit. In addition, if the Unit is furnished with a sofa bed in the living area an additional two persons may occupy the Unit.
- C-2. Minors. No person under the age of 18 years may occupy a Unit unless he lives with a Resident who is his parent, legal guardian, or a designee of his parent or legal guardian. Upon request by the Association, an Owner will provide satisfactory proof of the ages and relationships among the occupants of his Unit.
- C-3. Danger. As permitted by the federal Fair Housing Act Rules, no Unit may be occupied by a person who constitutes a direct threat to the health or safety of other persons, or whose occupancy would result in substantial physical damage to the property of others.

D. FIRE AND SAFETY

- D-1. Fire Risk Reduction. Christmas trees and seasonal decoration must be UL approved and/or flame retardant. Natural Christmas trees and decorative boughs must be kept moist and discarded before drying out.
- D-2. Safety Equipment. No person may use, tamper with, or modify the fire and safety equipment of the Property, if any, such as alarms, extinguishers, monitors, and self-closing gates or doors. This Section may not be construed to require the installation or use of such equipment.
- D-3. Fires. Except for barbecue fires as permitted by these Rules, there may not be any exterior fires on the Property.
- D-4. Barbecues. Grilling with gas, charcoal or wood burning outdoor barbecues is strictly prohibited on all balconies or anywhere on the Property except if installed and maintained by the Declarant and/or the Board. Electric Grills are permitted on balconies.

D-5. Fire Sprinklers. The Waters at Horseshoe Bay is constructed with an automatic fire sprinkler system for the Units. Each Owner and Resident is responsible for preserving the integrity of his Unit's portion of the building's fire sprinkler system, as follows:

- a. Do not paint any part of the fire sprinkler system, including the sprinkler head.
- b. Do not hang anything from any part of the fire sprinkler system, including the sprinkler head.
- c. Do not stack items close to fire sprinkler heads. Tops of storage or furniture should be at least 18 inches below fire sprinkler heads.
- d. Promptly report malfunctions of, leaks from, or damage to any part of a sprinkler system.
- e. Leave control valves in the open position.
- f. If the Unit is remodeled by adding, removing, or relocating walls, doors, or partitions, the Owner, at the Owner's expense, must have the Unit's sprinkler system inspected by a fire sprinkler contractor or a registered fire protection engineer for compliance with city fire codes.
- g. If requested by the Association, provide access to your Unit for periodic maintenance or inspection of the sprinkler system.
- h. The Owner is solely responsible for damage to his Unit or any other property caused by his Unit's sprinkler system that discharges due to a person's tampering, intentional act, or violation of these rules.

D-6. Security. The Association may, but is not obligated to, maintain or support certain activities within the Property designed to make the Property less attractive to intruders than it otherwise might be. The Association, its directors, committees, members, agents, and employees, will not in any way be considered an insurer or guarantor of security within the Property, and may not be held liable for any loss or damage by reason of failure to provide adequate security or ineffectiveness of security measures undertaken. Each Owner, Resident, guest, and invitee on the Property assumes all risk for loss or damage to his person, to his Unit, to the contents of his Unit, and to any other of his property on the Property. The Association expressly disclaims and disavows any and all representations or warranties, expressed or implied, including any warranty of merchantability or fitness for any particular purpose, relative to any security systems, equipment, or measures recommended, installed, or undertaken within the Property.

D-7. Responsibility. Each Resident is solely responsible for his own safety and for the safety, well-being, and supervision of his guests and any person on the Property to whom the Resident has a duty of care, control, or custody.

D-8. Supervision of Minors. For their own well-being and protection, persons who are legally incompetent or younger than 18 years must be under the general control and supervision

of their parents or guardians at all times while on the Property. Persons who are below the chronological or mental age of 13 years must at all times be in the actual company of a person at least 13 years old who is responsible for their well being. A person under 13 years may not be left unattended in a Unit at any time. After nightfall, unless accompanied by a parent or guardian, persons under 13 years may not be on the General Common Elements.

E. GENERAL USE AND MAINTENANCE OF UNIT

- E-1. Residential Use. Each Unit must be used solely for residential use, and may not be used for commercial or business purposes, except as permitted in the Declaration. This restriction does not prohibit a Resident from using his Unit for personal, business, or professional pursuits, provided that: (a) the nonresidential use is incidental to the Unit's residential use; (b) the use conforms to applicable laws and ordinances; (c) there is no external evidence of the nonresidential use; (d) the nonresidential use does not entail visits to the Unit by the public, employees, suppliers, or clients; and (e) the nonresidential use does not interfere with the use and enjoyment of neighboring Units.
- E-2. Annoyance. A Resident may not use his Unit in a way that: (a) annoys Residents of neighboring Units; (b) reduces the desirability of the Property as a residential community; (c) endangers the health or safety of other Residents; or (d) violates any law or any provision of the Documents.
- E-3. Maintenance. An Owner, at his expense, will maintain his Unit and keep it in good repair.
- E-4. Patio/Balcony/Deck. A Resident will maintain his patio, balcony, or deck in a clean manner. A Resident will take care that the cleaning of his patio, balcony, or deck does not annoy or inconvenience other Residents. A patio, balcony, or deck may not be enclosed or used for storage purposes. If the Board determines that a patio, balcony, or deck is unsightly, the Board may give the Owner notice of the problem and a reasonable time period in which to correct it, after which the Board may take corrective action at the Owner's expense.
- E-5. Glass. Each Owner, at his expense, must promptly repair and replace any broken or cracked glass in his Unit's windows and doors, regardless of the source of the damage. Replacement glass must conform to the standard for the Property.
- E-6. Utility Equipment. Each Owner, at his expense, will maintain, repair, and replace the water heating and air heating and cooling equipment/system serving his Unit.
- E-7. Combustibles. A Resident may not store or maintain, anywhere on the Property -- including within a Unit -- explosives or materials capable of spontaneous combustion.
- E-8. Report Malfunctions. A Resident will immediately report to the Board his discovery of any leak, break, or malfunction in any portion of the Property which the Association has a duty to maintain. A Resident who fails to promptly report a problem may be deemed

negligent, in which case the Owner may be liable for any additional damage caused by the delay.

- E-9. Emergencies. In case of an emergency turn off water to the entire Unit at the main cut off valve, which is located at the water meter. This is located in each Unit in the closet near the hot water heater.
- E-10. Cable. A Resident who subscribes directly to cable service is solely responsible for maintaining that subscription and the appurtenant equipment. A Resident who obtains cable service through the Association is responsible for the proper use, maintenance, and return of cable connections or equipment. No additional exterior cable lines may be connected to the Unit except in the cable conduit maintained by the Association. No holes or protrusions may be made in any exterior surface of the Property. Wires may not be draped, hung, or strung on the building or the grounds. The Owner of the Unit to which cable service is provided is responsible to the Association for any damage to the Property caused by the cable installer or servicer.
- E-11. Satellite. No satellite installation is permitted without the Association's prior written approval. No holes or protrusions may be made in any exterior surface of the Property. Wires may not be draped, hung, or strung on the building or the grounds. The Owner of the Unit to which satellite service is provided is responsible to the Association for any damage to the Property caused by the satellite dish installer or servicer. No such unit shall be visible from the exterior.
- E-12. Utilities. A Resident will try to conserve the use of utilities furnished through the Association, including water consumption within his Unit.
- E-13. Frozen Water Pipes. Some Units are constructed with water lines in exterior walls. It is the duty of every Owner and Resident of such a Unit to protect the water lines from freezing during winter months. Between November 1 and March 25 of any year, no Unit with water lines in exterior walls may be left unheated. During periods of anticipated below-freezing temperatures, water lines in exterior walls should be allowed to drip continuously, and cabinets enclosing plumbing lines should be left ajar. Dishwashers on exterior walls should not be used during and immediately after periods of extreme cold. Failure by an Owner or Resident to monitor the local weather and take appropriate precautions may be deemed negligence.

F. GENERAL USE & MAINTENANCE OF COMMON ELEMENTS

- F-1. Intended Use. Every area and facility in the Property may be used only for its intended and obvious use. For example, streets, walkways, sidewalks, and driveways are used exclusively for purposes of access, not for social congregation or recreation.
- F-2. Grounds. Unless the Board designates otherwise, Residents may not use or abuse the landscaped areas, lawns, beds, and plant materials on the Common Elements.
- F-3. Abandoned Items. No item or object of any type may be stored, placed, or maintained anywhere on the General Common Elements, except by the Board or with the Board's

prior written consent. Items of personal property found on General Common Elements are deemed abandoned and may be disposed of by the Board.

- F-4. Ground Sprinklers. The Waters at Horseshoe Bay is being developed with a common grounds irrigation (sprinkler) system and individual cut-off valves. This system is located throughout the project in the common area. It will be operated and maintained by the Association and residents are not to interfere or disable the common area irrigation system and cut-off valves. Any resident found interfering with the landscaping or irrigation systems will be billed for the maintenance or repair of same.

G. COMMUNITY ETIQUETTE

- G-1. Courtesy. Each Resident will endeavor to use his Unit and the Common Elements in a manner calculated to respect the rights and privileges of other Residents of the Property.
- G-2. Annoyance. A Resident will avoid doing or permitting anything to be done that will annoy, harass, embarrass, or inconvenience other Residents or their guests, or the Association's employees and agents.

NOT SOUNDPROOFED

The Units are not soundproofed, and some noise transmission between adjoining Units is possible. Reasonable people may disagree about "customary" noise levels and what constitutes a "disturbance." Persons who are hyper-sensitive to noise may be required to tolerate a degree of noise transmission.

- G-3. Noise and Odors. Each Resident must exercise reasonable care to avoid making or permitting to be made loud, disturbing, or objectionable noises or noxious odors that are likely to disturb Residents of other Units. The following are expressly prohibited: (1) installing speakers, subwoofers, or other noise or vibration emitting equipment in or on a party wall (a wall between 2 Units); (2) creating any protrusion in a party wall (a wall between 2 Units), through which sound may more easily transfer; (3) mounting a speaker in a ceiling at a point that is less than 5 feet from a party wall; and (4) loud vocalizations and boisterous conduct on Common Elements.

VOLUME CONTROL

Although music is a universal language, no one type or volume of music is universally loved - not even your favorite music, as wonderful as it is. Please be mindful of your neighbors' needs for quiet time at home.

- G-4. Parties. In planning private social functions at the Property, a Resident should be aware of the potential consequences on the Property's parking resources and on the sensibilities of other Residents. A Resident intending to use his Unit for a party or other activity that may be expected to produce a higher-than-customary level or duration of noise or other disturbance will make a diligent effort to give Residents of adjoining Units timely prior

notice of the event, as a courtesy. If the event is expected to attract 20 or more guests to the Property, the Resident will also give the Board timely prior written notice of the event. In the event that any Resident desires to use any Common Area for any private social function, prior written approval shall be obtained from the Board.

- G-5. Reception Interference. Each Resident will avoid doing or permitting anything to be done that may unreasonably interfere with the television, radio, telephonic, or electronic reception on the Property.
- G-6. No Personal Service . The Association's employees and agents are not permitted or authorized to render personal services to Residents. Each Resident agrees that the Association is not responsible for any item or article left with or delivered to the Association's employees or agents on behalf of such Resident.

H. ARCHITECTURAL CONTROL

- H-1. Exteriors. Without the written approval of the Board, an Owner or Resident may NOT change, remodel, decorate, destroy, or improve any exterior surface or component of the Property, nor do anything to change the outside appearance of the Property, including without limitation the entry door, front porch, windows, garage doors, and driveway appurtenant to the Unit.
- H-2. Protrusions. An Owner or Resident may not cause anything to protrude or project through the boundaries of the Unit, such as the foundation, roof, party wall between Units, or an exterior wall of a Unit. Examples of installations that may entail protruding wires or conduits include, without limitation, exterior horns, lights, speakers, or aerials.
- H-3. Hot Tubs. A hot tub, spa, jacuzzi, sprinkler or mist system, fountain, or any other plumbed or liquid-based device may not be installed in a Unit or any Common Element. This prohibition does not apply to replacements of customary kitchen and bathroom appliances and fixtures. This prohibition expressly applies to roofs, decks, and balconies.
- H-4. Satellite Dishes. Contact the Association before shopping for an exterior satellite dish or antenna to determine if such equipment is permitted for a particular Unit and, if so, where it may be located. Owner should get Association's written authorization before any installation.
- H-5. Glass. The Property is designed to have a single uniform glass appearance for windows and lights. Therefore, the color, tint, screening, and condition of all glass panes must conform to the building standard. An Owner or Resident may not install film or tint glass that changes the appearance of the glass. Mullions originally installed in the windows to create a "pane" effect may not be removed except temporarily for cleaning or repair.
- H-6. Window Treatments. An Owner MAY install window treatments inside his Unit, provided:

- a. The window treatment, including drapes, blinds, shades, or shutters, must appear to be (1) clear, (2) white, (3) near-white light neutral, or (4) light wood tone when viewed from outside the Unit.
- b. The use of bed sheets, tablecloths, or other obviously non-drapery fabrics is expressly prohibited, even on a temporary basis.
- c. Aluminum foil, reflective window treatments, window tinting, and window decals or stickers are expressly prohibited.
- d. Window treatments must be maintained in good condition, and must be removed or replaced if they become stained, torn, damaged, or otherwise unsightly in the opinion of the Board.

H-7. Prohibited Acts. In addition to the foregoing, a person may not:

- a. Post signs, notices, or advertisements on the Common Elements or in a Unit if the sign is visible from outside the Unit.
- b. Place or hang an object in, on, from, or above any window, interior windowsill, deck, balcony or patio that, in the sole opinion of the Board, detracts from the appearance of the Property. Prohibited objects include planters and planter boxes, flower pots, window boxes, birdfeeders, windsocks, mobiles, wind chimes, and other outside accessories.
- c. Hang, shake, or otherwise display linens, clothing, towels, rugs, shoes, mops, bedding, or other similar items from windows, doors, balconies, patios, or passageways.
- d. Have bicycles or similar sporting equipment on balconies or decks.
- e. Place decorations on exterior walls, doors, and fences, or on the General Common Elements.
- f. Enclose or cover a patio, deck, or yard area.
- g. Install or construct a storage shed or any other improvement in a yard area if visible from another Unit, a Common Element, or a street.
- h. Install storm or screen doors and windows, including solar screen.

H-8. Board Approval. To obtain the Board's written consent for an alteration or modification, an Owner must comply with the architectural control requirements of the Declaration. An applicant may not rely on verbal assurances of an Association manager, director, or officer. If Board approval is obtained, the Owner must maintain the approved item in a good and attractive condition. For example, if the Board approves a potted plant, the pot must be removed if the plant dies or becomes unsightly.

- H-9. Seasonal Decorations: A reasonable number of holiday and religious lights and decorations may be displayed on the exterior of a Unit for up to thirty (30) days prior to a publicly observed holiday or religious observance and up to fifteen (15) days thereafter without prior approval, subject to the right of the Association or Declarant to require removal of any such decorations which it deems, in its sole discretion, to (i) to be excessive in number, size or brightness relative to other Units in the Condominium; (ii) draws excessive attention or traffic; (iii) unreasonably interfere with the use and enjoyment of other Units; or (iv) cause a dangerous condition to exist. The Association shall have the right, upon five (5) days prior written notice, to enter upon any Unit and summarily remove exterior lights or decorations displayed in violation of this provision. The Association and the individuals removing the lights and decorations shall not be liable to the Unit Owner for trespass, conversion or damages of any kind except intentional misdeeds and gross negligence.

I. VEHICLE RESTRICTIONS

- I-1. Permitted Vehicles. To be permitted on the Property, a vehicle must be operable, and must display a current license tag and inspection sticker. For purposes of these Rules, vehicles include automobiles, motorcycles, motorized bikes, passenger trucks, small vans, and similar passenger vehicles. The following are not permitted on the Property without the Board's consent: trailers, boats, recreational vehicles, buses, large commercial trucks, industrial vehicles. Motorcycles, motorbikes, or other motorized vehicles may not be operated on the Property except to provide transportation to and from a Unit.
- I-2. Repairs. Washing, repairs, restoration, or maintenance (including oil changes) of vehicles is prohibited on driveways, the private streets, and in off-street parking areas, except for emergency repairs, and then only to the extent necessary to enable movement of the vehicle to a repair facility.
- I-3. Proper Placement. No vehicle, including motorcycles, may be driven, parked, or placed anywhere on the Property except in designated areas. Each vehicle must be parked straight-in (not angled or sideways), so that it does not occupy more than one parking space. Motorcycles may not be chained to buildings, carports, fences, or any other part of the Property, unless designated for that purpose.
- I-4. Nuisances. Each vehicle must be muffled and must be maintained and operated to minimize noise, odor, and oil emissions. The use of car horns on the Property is discouraged. No vehicle may be kept on the Property if the Board deems it to be unsightly, inoperable, inappropriate, or otherwise in violation of these Rules.
- I-5. Private Firelanes/Obstructions. No parking is permitted along the private street, except in designated off-street parking areas, if any. All drives in the Property are private firelanes and utility easements on which parking of vehicles is prohibited at all times. No vehicle may be parked in a manner that impedes or prevents ready access to the Property, driveways, or parking spaces. No vehicle may obstruct the flow of traffic, constitute a nuisance, or otherwise create a safety hazard. No vehicle may be parked, even

temporarily, in spaces reserved for others, in firelanes, or in any area designated as "No Parking."

- I-6. Garages & Driveways. Because of the lack of streetside parking and shortage of off-street parking, it is imperative that each Resident maintain his Unit's vehicle parking areas for the parking of operable vehicles. A Resident with a car must use his assigned parking space for the routine parking of at least one operable vehicle. No assigned parking space may be enclosed or used for any purpose that prevents the parking of the maximum number of vehicles for which it was constructed. Assigned parking spaces or driveways may not be used for storage of vehicles or other items.
- I-7. Visitor Spaces. The use of unassigned and visitor parking spaces, if any, must be rotated, may not be used for storage of vehicles, and may not be used consistently by the same driver or vehicle. The Board may designate some of the unassigned off-street parking spaces, if any, as "visitor spaces" for use, exclusively, by guests of Residents.
- I-8. Violations. A vehicle in violation of these Rules may be stickered, wheel-locked, towed, or otherwise removed from the Property by the Board, at the expense of the vehicle's owner. The Association expressly disclaims any liability for damage to vehicles on which the Association exercises these remedies for Rules violations.

J. TRASH DISPOSAL

- J-1. General Duty. Resident will endeavor to keep the Property clean and will dispose of all refuse in receptacles designated specifically by the Association or by the city for that purpose. Resident may NOT litter Common Elements.
- J-2. Hazards. Resident may NOT store trash inside or outside his Unit in a manner that may permit the spread of fire, odors, or seepage, or encouragement of vermin. Before discarding coals, ashes, logs, or other materials used in barbecue grills or fireplaces, Resident will ensure that the debris is thoroughly cold.
- J-3. Trash. All buildings are equipped with a trash chute. Residents are responsible to take their trash and dispose of it down the trash chute and to keep the trash chute and surrounding area neat and clean. The trash will be collected in a bin on the bottom floor and the management company will provide pick-up from the bin and removal to an on-site compactor. If you have large items to be disposed of, they are to be left near the compactor and the management company will take care of putting them in the compactor.

K. PETS

- K-1. Permitted Pets. A Resident may not keep or permit on the Property a pet or animal of any kind, at any time, except as permitted by these Rules and the Documents. Subject to these Rules, a Resident may keep in his Unit customary domesticated house pets, such as domesticated dogs, cats, caged birds, and aquarium fish, provided there are not more than two cats, or two dogs, or one cat and one dog.

- K-2. Prohibited Animals. No Resident may keep a dangerous or exotic animal, pit bull terrier, trained attack dog, or any other animal deemed by the Board to be a potential threat to the well-being of people or other animals. No animal or house pet may be kept, bred, or maintained for any commercial purpose or for food.
- K-3. Indoors/Outdoors. A permitted pet must be maintained inside the Unit, and may not be kept on the balcony. No pet is allowed on General Common Elements unless carried or leashed. No pet may be leashed to a stationary object on the Common Elements.
- K-4. Disturbance. Pets must be kept in a manner that does not disturb another Resident's rest or peaceful enjoyment of his Unit or the Common Elements. No pet may be permitted to bark, howl, whine, screech, or make other loud noises for extended or repeated periods of time.
- K-5. Damage. Resident is responsible for any property damage, injury, or disturbance his pet may cause or inflict. A Resident who keeps a pet on the Property is deemed to indemnify and agrees to hold harmless the Board, the Association, and other Owners and Residents, from any loss, claim, or liability of any kind or character whatever resulting from any action of his pet or arising by reason of keeping or maintaining the pet on the Property.
- K-6. Pooper Scooper. No Resident may permit his pet to relieve itself on the Property, except in areas designated by the Board for this purpose. Resident is responsible for the removal of his pet's wastes from the Common Elements. The Board may levy a fine against a Unit and its Owner each time feces are discovered on the Common Elements and attributed to an animal in the custody of that Unit's Resident.
- K-7. Removal. If a Resident or his pet violates these Rules, or if a pet creates a noise, odor, or other disturbance or nuisance, the Resident or person having control of the animal may be given a written notice by the Board to correct the problem. If the problem is not corrected within the time specified in the notice (not less than 10 days), the Resident, upon written notice from the Board, may be required to remove the animal. Each Resident agrees to permanently remove his violating animal from the Property within 10 days after receipt of a removal notice from the Board.

L. MISCELLANEOUS

- L-1. Right to Hearing. An Owner may request in writing a hearing by the Board regarding an alleged breach of these Rules by the Owner or any person for whom the Owner is responsible. The Board will schedule a hearing within 30 days after receiving the Owner's written request. At the hearing, the Board will consider the facts and circumstances surrounding the alleged violation. The Owner may attend the hearing in person, or may be represented by another person or written communication.
- L-2. Mailing Address. An Owner who receives mail at any address other than the address of his Unit must maintain with the Association his current mailing address. Notifications of change of name or change of address should be clearly marked as such. All notices required to be sent to Owners by the Documents may be sent to an Owner's most recent address as shown on the records of the Association. If an Owner fails to provide a

forwarding address, the address of that Owner's Unit is deemed effective for purposes of delivery.

- L-3. Revision. These Rules are subject to being revised, replaced, or supplemented. Owners and Residents are urged to contact the Association to verify the rules currently in effect on any matter of interest. These Rules will remain effective until 10 days after an Owner of each Unit has been given a notice of the amendment or revocation of these Rules.
- L-4. Other Rights. These Rules are in addition to and in no way whatsoever detract from the rights of the Association under the other Documents and the laws of the State of Texas.

RECREATIONAL RULES THE WATERS AT HORSESHOE BAY

A. USE OF RECREATIONAL FACILITIES

- A-1. Recreational Facilities. The Recreational Facilities (the "Facilities") at The Waters at Horseshoe Bay may consist of a picnic area, day docks, waterside walks and a swimming pool. The use of all Facilities is subject to compliance with these Rules and rules posted at the Facility. Persons using the Facilities must, at all times, respect the rights and privileges of others using the Facilities.
- A-2. Guests. A non-Resident may not use the Facilities unless accompanied at all times by a Resident unless the non-resident is leasing the Unit. Each Resident agrees to assume all responsibility for the care, safety and well-being of his guest, relating to use of the Facilities. The right of a Resident to share the use of Facilities with his guests is at all times subject to immediate termination by the Board if these Rules or the Documents are violated, or if such termination is deemed by the Board to be in the Association's best interests.
- A-3. Number of Guests. By reservation through the management office, functions involving more than 4 guests may be permitted in the picnic area. No owner may have more than 3 guests at the swimming pool at any one time.
- A-4. Reserved Functions. Reserved functions must be contained in the specific Facility reserved.
- A-5. Disturbances Prohibited. No loud sounds or boisterous conduct is permitted in any Facility any time. Live music shall be permitted only through written approval by the Board. The reasonable use of a radio, television, tape player or similar device is permitted in any Facility only during periods when a Resident and his party are the sole users of that Facility. If others share the Facility, privacy earphones should be used.
- A-6. Suspension of Privileges. The Board may suspend use of a Facility by any Owner, Resident or guest who violates these Rules more than two times within a twelve-month period, in relation to one Facility. The length of the suspension will be solely determined by the Board, based on the Facility in question and the nature and frequency of the violations. Notice of such suspension will be delivered in writing and will entitle the suspended Facility user to a hearing before the Board.
- A-7. Suspension for Nonpayment. The Board may suspend use of a Facility by an Owner or by the Residents of that Owner's Unit for any period during which assessments against that Unit are unpaid.
- A-8. Age Restrictions for Health and Safety. In addition to the general requirement that the use of Facilities by minors or legal incompetents be with the knowledge and consent of their parent or guardian, no person under the age of 13 years may be permitted in or around the swimming pool at any time unless accompanied by a parent or legal guardian.

A-9. Pool Rules. In addition to the Rules and any additional rules posted at the swimming pool, the following rules will condition any use of the swimming pool: (a) the swimming pool is open from 10 a.m. to 10 p.m, 7 days a week; (b) customary bathing attire must be worn in the swimming pool; (c) street clothes, cutoffs, underwear and nude bathing are not allowed in the pool; (d) no floats or beach balls are permitted; (e) pool furniture may not be removed from the swimming pool area; (f) running, rough play, wrestling, excessive splashing and loud behavior are prohibited in the pool area; (g) no person under the age of 13 years may be permitted in or around the swimming pool except pursuant to paragraph A-8 above; and (h) children who are not toilet trained are not permitted in the swimming pool.

B. HEALTH AND WELL-BEING

For the health, well-being and enjoyment of all Residents and their guests, the following limitations and restrictions will be observed, in addition to any rules, warnings or notices that may be posted at the Facilities.

Resident uses all Facilities at his own risk. All Facilities are unattended and unsupervised. Resident is solely responsible for his own safety, and that of his guests. The Association disclaims any and all liability or responsibility for injury or death occurring from use of the Facilities.

The use of Facilities by minors or legal incompetents shall be with the knowledge and consent of their parent or guardian.

ASSESSMENT COLLECTION POLICY THE WATERS AT HORSESHOE BAY

RECITALS

The Waters at Horseshoe Bay is a condominium regime created by and subject to the Declaration of The Waters at Horseshoe Bay Resort Condominium, recorded or to be recorded in the Real Property Records of Llano County, Texas, as it may be amended (the "**Declaration**"). As a condominium regime, The Waters at Horseshoe Bay is also subject to State laws, including Chapter 82 of the Texas Property Code -- the Texas Uniform Condominium Act ("**TUCA**"). The operation of The Waters at Horseshoe Bay is vested in The Waters Condominium Association (the "**Association**"), acting through its board of directors (the "**Board**"). The Association is empowered to enforce the covenants of the Declaration, including the obligation of Owners to pay assessments. In addition to rights and remedies of the Association under the Declaration, TUCA gives the Association, acting through the Board:

1. Authority to adopt and amend rules regulating the collection of delinquent assessments and the application of payments. §82.102(a)(13)
2. Authority to impose interest and late charges for late payments of assessments, and returned check charges. §82.102(a)(12)
3. Authority to adopt and amend rules regulating the termination of utility service to a unit, the Owner of which is delinquent in the payment of an assessment that is used, in whole or in part, to pay the cost of that utility. §82.102(a)(14)
4. Authority to suspend the voting privileges of or the use of certain general common elements by an Owner delinquent for more than 30 days in the payment of assessments. §82.102(a)(18)
5. A private power of sale to foreclose the assessment lien nonjudicially, subject to a limited right of redemption by the unit owner. §82.113

To establish equitable policies and procedures for the collection of delinquent assessments, the declarant adopts this policy for the benefit of The Waters Condominium Association, as part of the initial project documentation.

SECTION 1. DELINQUENCIES, LATE CHARGES & INTEREST

- 1-A. Due Date. An Owner will timely and fully pay regular assessments and special assessments. Regular assessments are due and payable on the first calendar day of each month.
- 1-B. Delinquent. Any assessment that is not fully paid when due is delinquent. When the account of a Unit becomes delinquent, it remains delinquent until paid in full -- including collection costs and late fees.

- 1-C. Late Fees & Interest. If the Association does not receive full payment of a regular assessment by 5:00 p.m. on the fifth calendar day of the month, the Association may levy a late fee of \$25 per month and/or interest of 10 percent per annum from the first day of delinquency until the delinquency is paid in full. After the initial month of delinquency, a late fee of \$25 may be levied on the first day of each month the account is delinquent until the account is current.
- 1-D. Liability for Collection Costs. The defaulting Owner is liable to the Association for the cost of title reports, credit reports, certified mail, long distance calls, court costs, filing fees, and other reasonable costs and attorney's fees incurred by the Association in collecting the delinquency.

DRAFTER'S DICTUM

Users of this document should periodically review statutes and court rulings that may modify or nullify provisions of this document or its enforcement, or may create rights or duties not anticipated by this document.

- 1-E. Insufficient Funds. The Association may levy a charge of \$25 for any check returned to the Association marked "not sufficient funds" or the equivalent.
- 1-F. Waiver. Properly levied collection costs, late fees, and interest may not be waived by the Board, unless a majority of the directors determines that extraordinary circumstances warrant an adjustment to the account, in which case the adjustment must be described in detail in the minutes of the Board's meeting. Because of the potential for inadvertently effecting a waiver of the policies contained in this policy, the Board will exercise caution in granting adjustments to an Owner's account.

SECTION 2. INSTALLMENTS & ACCELERATION

If a special assessment is payable in installments, and if an Owner defaults in the payment of any installment, the Association may declare the entire assessment in default and accelerate the due date on all remaining installments of that assessment. A special assessment payable in installments may be accelerated only after the Association gives the Owner at least 15 days prior notice of the default and the Association's intent to accelerate the unpaid balance if the default is not timely cured. Following acceleration of the indebtedness, the Association has no duty to reinstate the installment program upon partial payment by the Owner.

SECTION 3. PAYMENTS

- 3-A. Application of Payments. After the Association notifies the Owner of a delinquency and the Owner's liability for late fees or interest, and collection costs, any payment received by the Association may be applied in the following order, starting with the oldest charge in each category, until that category is fully paid, regardless of the amount of payment, notations on checks, and the date the obligations arose:

- | | |
|---|------------------------------------|
| (1) Collection costs and attorneys fees | (6) Delinquent regular assessments |
| (2) Fines | (7) Delinquent utility assessments |
| (3) Reimbursable expenses | (8) Current special assessments |
| (4) Late charges & interest | (9) Current regular assessments |
| (5) Delinquent special assessments | (10) Current utility assessments |

- 3-B. Form of Payment. The Association may require that payment of delinquent assessments be made only in the form of cash, cashier's check, or certified funds.
- 3-C. Partial and Conditioned Payment. The Association may refuse to accept partial payment (i.e., less than the full amount due and payable) and payments to which the payer attaches conditions or directions contrary to the Board's policy for applying payments. The Association's endorsement and deposit of a payment does not constitute acceptance. Instead, acceptance by the Association occurs when the Association posts the payment to the Unit's account. If the Association does not accept the payment at that time, it will promptly refund the payment to the payer. A payment that is not refunded to the payer within 30 days after being deposited by the Association may be deemed accepted as to payment, but not as to words of limitation or instruction accompanying the payment. The acceptance by the Association of partial payment of delinquent assessments does not waive the Association's right to pursue or to continue pursuing its remedies for payment in full of all outstanding obligations.
- 3-D. Notice of Payment. If the Association receives full payment of the delinquency after recording a notice of lien, the Association will cause a release of notice of lien to be publicly recorded, a copy of which will be sent to the Owner. The Association may require the Owner to prepay the cost of preparing and recording the release.
- 3-E. Correction of Credit Report. If the Association receives full payment of the delinquency after reporting the defaulting Owner to a credit reporting service, the Association will report receipt of payment to the credit reporting service.

SECTION 4. LIABILITY FOR COLLECTION COSTS

The defaulting Owner is liable to the Association for the cost of title reports, credit reports, certified mail, long distance calls, filing fees, and other reasonable costs and attorney's fees incurred in the collection of the delinquency, which amounts are secured by a lien against the Unit.

SECTION 5. COLLECTION PROCEDURES

- 5-A. Delegation of Collection Procedures. From time to time, the Association may delegate some or all of the collection procedures, as the Board in its sole discretion deems appropriate, to the Association's managing agent, an attorney, or a debt collector.
- 5-B. Delinquency Notices. If the Association has not received full payment of an assessment by the due date, the Association may send one or more written notices of nonpayment to the defaulting Owner, by hand delivery, first class mail, and/or by certified mail, stating the amount delinquent. The Association's delinquency-related correspondence may state

that if full payment is not timely received, the Association may pursue any or all of the Association's remedies, at the sole cost and expense of the defaulting Owner.

- 5-C. Collection by Attorney. After giving the Owner notice of the delinquency, the Association may refer the delinquent account to an attorney for collection. In that event, the defaulting Owner will be liable to the Association for its legal fees and expenses.
- 5-D. Verification of Owner Information. The Association may obtain a title report to determine the names of the Owners and the identity of other lienholders, including the mortgage company.
- 5-E. Notification of Mortgage Lender. The Association may notify the mortgage lender of the default in assessment obligations.
- 5-F. Notification of Credit Bureau. The Association may report the defaulting Owner to one or more credit reporting services.
- 5-G. Notice of Lien. The Association may cause a notice of the Association's assessment lien against the Unit to be publicly recorded. In that event, a copy of the notice will be sent to the defaulting Owner, and may be sent to his mortgage holder.
- 5-H. Foreclosure of Lien -- Non-judicially. The Board may instruct an attorney, officer, or agent of the Association to notify the defaulting Owner of the Association's intent to foreclose its assessment lien, to post the property for public auction, and to conduct a public auction of the Unit on the steps of the county courthouse in accordance with State law and the Association's documents. The Board may not foreclose a lien consisting solely of fines or securing money for which the Association has obtained a personal money judgment.
- 5-I. Foreclosure of Lien -- Judicially. The Association may file suit against the Owner for judicial foreclosure of the Association's assessment lien. This action may be combined with a claim against the Owner's personal liability, for recovery of a money judgment.
- 5-J. Suit for Owner's Personal Liability. Whether or not the Association forecloses the Association's assessment lien, the Board may file suit for a personal judgment against the defaulting Owner, and may execute on the judgment.
- 5-K. Possession Following Foreclosure. If the Association purchases the Unit at public auction, the Board may immediately institute actions to recover possession.
- 5-L. Limited Right of Redemption. If the Association buys a residential Unit at the nonjudicial foreclosure sale of its assessment lien, the Association's ownership is subject to a 90-day right of redemption by the Owner. TUCA's statutory right of redemption does not apply to judicial foreclosures or foreclosures of judgment liens.
- 5-M. Collection Agency. The Board may employ or assign the debt to one or more collection agencies.

- 5-N. Cancellation of Debt. If the Board deems the debt to be uncollectible, the Board may elect to cancel the debt on the books of the Association, in which case the Association may report the full amount of the forgiven indebtedness to the Internal Revenue Service as income to the defaulting Owner.
- 5-O. Suspension of Voting Rights. The Association may suspend the voting rights of an Owner whose account with the Association is delinquent for at least 30 days.
- 5-P. Suspension of Use of Certain Facilities or Services. The Association may suspend the use of the Common Element amenities by an Owner, or his tenant, whose account with the Association is delinquent for at least 30 days.
- 5-Q. Utility Shut-Off. The Association may terminate utility service to the Unit for which assessments used to pay the cost of that utility are delinquent, according to the Association's utility shut-off policy.

SECTION 6. GENERAL PROVISIONS

- 6-A. Independent Judgment. Notwithstanding the contents of this detailed policy, the officers, directors, manager, and attorney of the Association will exercise their independent, collective, and respective judgment in applying this policy.
- 6-B. Other Rights. This policy is in addition to and does not detract from the rights of the Association to collect assessments under the Association's Documents and the laws of the State of Texas.
- 6-C. Limitations of Interest. The Association, and its officers, directors, managers, and attorneys, intend to conform strictly to the applicable usury laws of the State of Texas. Notwithstanding anything to the contrary in the Documents or any other document or agreement executed or made in connection with this policy, the Association will not in any event be entitled to receive or collect, as interest, a sum greater than the maximum amount permitted by applicable law. If from any circumstances whatsoever, the Association ever receives, collects, or applies as interest a sum in excess of the maximum rate permitted by law, the excess amount will be applied to the reduction of unpaid special and regular assessments, or reimbursed to the Owner if those assessments are paid in full.
- 6-D. Notices. Unless the Documents, State law, or this policy provide otherwise, any notice or other written communication given to an Owner pursuant to this policy will be deemed delivered to the Owner upon depositing same with the U.S. Postal Service, addressed to the Owner at the most recent address shown on the Association's records, or on personal delivery to the Owner. If the Association's records show that a Unit is owned by 2 or more persons, notice to one co-owner is deemed notice to all co-owners. Similarly, notice to one Resident is deemed notice to all Residents. Written communications to the Association, pursuant to this policy, will be deemed given on actual receipt by the Association's president, secretary, managing agent, or attorney.

- 6-E. Definitions. Words and phrases used in this policy have the same meanings given to them by the Declaration.
- 6-F. Amendment of Policy. This policy will remain effective until 10 days after the Association delivers to an Owner of each Unit notice of amendment or revocation of this policy. The notice may be published and distributed in an Association newsletter or other community-wide publication.

FINING POLICY

THE WATERS AT HORSESHOE BAY

1. Background. This fining policy is based on the requirements of Sec. 82.102(d)+(e) of the Texas Uniform Condominium Act (TUCA), Chapter 82, Texas Property Code. To establish policies and procedures for fining under TUCA, the declarant adopts this policy for the benefit of The Waters Condominium Association, as part of the initial project documentation.
2. Policy. The Association uses fines to discourage violations of the Documents, and to encourage compliance when a violation occurs - not to punish violators or generate revenue for the Association. Although a fine may be an effective and efficient remedy for certain types of violations or violators, it is only one of several methods available to the Association for enforcing the Documents. The Association's use of fines does not interfere with its exercise of other rights and remedies for the same violation. Nor may the Association use fines to the exclusion of other remedies.

DRAFTER'S DICTUM

Users of this document should periodically review statutes and court rulings that may modify or nullify provisions of this document or its enforcement, or may create rights or duties not anticipated by this document.

3. Owner's Liability. An Owner is liable for fines levied by the Association for violations of the Documents by the Owner, the Residents of the Unit, and the relatives, guests, employees, and agents of the Owner and Residents. Regardless of who performs the violation, the Association will direct its communications to the Owner, although the Association may send copies of its notices to the Resident.
4. Violation Notice. Before levying a fine, the Association will give the Owner a written violation notice and an opportunity to be heard. This requirement of State law may not be waived. The Association's written violation notice will contain the following items: the date the violation notice is prepared or mailed; a description of the violation; a reference to the rule or provision that is being violated; a description of the action required to cure the violation; the amount of the fine; a statement that not later than the 30th day after the date of the violation notice, the Owner may request a hearing before the Board to contest the fine; and the date the fine attaches or begins accruing (the "Start Date"), subject to the following:
 - a. New Violation. If the Owner was not given notice and a reasonable opportunity to cure a similar violation within the preceding 12 months, the notice will state a specific date by which the violation must be cured to avoid the fine, if the violation is ongoing or continuous. If the violation is not ongoing, but is instead sporadic or periodic, the notice must state that any future violation of the same rule may result in the levy of a fine.

- b. Repeat Violation. In the case of a repeat violation, the notice will state that, because the Owner was given notice and a reasonable opportunity to cure a similar violation within the preceding 12 months, the fine attaches from the date of the violation notice.
5. Violation Hearing. An Owner may request in writing a hearing by the Board to contest the fine. To request a hearing before the Board, an Owner must submit a written request to the Association's manager within 30 days after the date of the violation notice. Within 15 days after receiving the Owner's request for a hearing, the Association will give the Owner at least 15 days' notice of the date, time, and place of the hearing. The hearing will be scheduled to provide a reasonable opportunity for both the Board and the Owner to attend. Pending the hearing, the Association may continue to exercise its other rights and remedies for the violation, as if the declared violation were valid. The Owner's request for a hearing suspends only the levy of a fine. The hearing will be held in a closed or executive session of the Board. At the hearing, the Board will consider the facts and circumstances surrounding the violation. The Owner may attend the hearing in person, or may be represented by another person or written communication. No audio or video recording of the hearing may be made. The minutes of the hearing must contain a statement of the results of the hearing and the fine, if any, imposed. A copy of the violation notice and request for hearing should be placed in the minutes of the hearing. If the Owner appears at the meeting, the notice requirements will be deemed satisfied.
6. Levy of Fine. Within 30 days after levying the fine, the Board must give the Owner notice of the levied fine. If the fine is levied at the hearing at which the Owner is actually present, the notice requirement will be satisfied if the Board announces its decision to the Owner at the hearing. Otherwise, the notice must be in writing. In addition to the initial levy notice, the Association will give the Owner periodic written notices of an accruing fine or the application of an Owner's payments to reduce the fine. The periodic notices may be in the form of monthly statements or delinquency notices.
7. Amount. The Association may set fine amounts on a case by case basis, provided the fine is reasonable in light of the nature, frequency, and effects of the violation. The Association may establish a schedule of fines for certain types of violations. If circumstances warrant a variance from the schedule, the Board will document the reasons for the variance in the minutes of its meeting. The amount and cumulative total of a fine must be reasonable in comparison to the violation, and should be uniform for similar violations of the same provision of the Documents. If the Association allows fines to accumulate, it will establish a maximum amount for a particular fine, at which point the total fine will be capped.
8. Type of Levy. If the violation is ongoing or continuous, the fine may be levied on a periodic basis (such as daily, monthly, or quarterly), beginning on the Start Date. If the violation is not ongoing, but is instead sporadic or periodic, the fine may be levied on a per occurrence basis.
9. Collection of Fines. The Association is not entitled to collect a fine from an Owner to whom it has not given notice and an opportunity to be heard. The Association may not

foreclose its assessment lien on a debt consisting solely of fines. The Association may not charge interest or late fees for unpaid fines.

10. Amendment of Policy. This policy may be revoked or amended from time to time by the Board. This policy will remain effective until 10 days after the Association delivers to an Owner of each Unit notice of amendment or revocation of this policy. The notice may be published and distributed in an Association newsletter or other community-wide publication.

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UTILITY SHUT-OFF POLICY THE WATERS AT HORSESHOE BAY

I. RECITALS

A. At The Waters at Horseshoe Bay Resort Condominium, certain utilities and services consumed by the Unit and its occupants are furnished through the Association and are either sub-metered to the Unit Owner or are funded as a common expense of the Association ("Unit Utilities"). Unit Utilities include gas, water, and sewerage. Regular or special assessments which, at least in part, are for the purpose of paying for Unit Utilities, and Utility Assessments, are hereafter called "Utility-Related Assessments". An Owner who fails to pay Utility-Related Assessments unfairly forces the contributing Owners to pay Unit Utilities consumed by his non-contributing Unit.

B. As a provider of Unit Utilities, the Association is similar to public utility companies and apartment owners, which are expressly authorized by State law to discontinue utility service for nonpayment of utility bills. Discontinuing Unit Utilities to a Unit for which Utility-Related Assessments are delinquent is an effective, reasonable, and appropriate use of the Association's discretionary powers to collect assessments.

C. Section 82.102(a)(14) of TUCA authorizes the Association, acting through the Board, to adopt and amend rules regulating the termination of Unit Utilities to a Unit, the Owner of which is delinquent in the payment of Utility-Related Assessments. The Declaration authorizes the Association, acting through the Board, to terminate master-metered utilities if an Owner's account has been delinquent for at least 30 days.

D. Declarant adopts this policy for the benefit of The Waters Condominium Association, as part of the initial project documentation.

II. POLICIES

1. Background. This utility shut-off policy is based on the requirements of the Documents, the rules of the Public Utility Commission for discontinuance of master-metered utilities, and the authority granted by TUCA. The Association intends for this policy to comply with State laws and local ordinances relating to discontinuance of utilities to a dwelling unit in a condominium.

2. Utility Shut-Off. If an assessment used to pay Unit Utilities has been delinquent for at least 30 days, the Board may discontinue the Unit Utilities to the Unit subject to the following provisions.

3. First notice. The Board will give written notice to the Owner and Resident that the Unit Utility may be shut-off if the default is not cured within a stated number of days (at least 10). The notice must also state the amount and place of payment, and may specify the form of payment.

4. Second notice. If full payment, in the form required by the Board, is not received by the date stated in the first notice, the Board will give a second written notice to the Owner and Resident. The second notice will warn that the Unit Utility will be shut-off after a stated number of days (at least

7). The Board will post an additional copy of the second notice, in a sealed envelope, on the front door of the Unit at least 5 days prior to the scheduled shut-off. The notice will recite where and how payment may be made to avoid the disconnection or to restore service.

5. Notices. The Association will send the first and second notices by certified mail return receipt requested. Additional copies may be delivered by regular mail, personal delivery, email, or fax transmission. Both notices will prominently display "UTILITY SHUT-OFF," "TERMINATION NOTICE," or similar language. In calculating days, the day after the date on which a notice is post-marked or posted on the door, as the case may be, is deemed "Day 1."

6. Fees. At the time of the second notice, a charge of at least \$50 will be assessed against the Owner and his Unit for costs related to the shut-off. To avoid the shut-off after the second notice is given, the Owner must immediately pay all Utility Related Assessments owed to the Association, including the \$50 minimum shut-off fee, in the form required below. The Owner solely bears the cost of discontinuing and restarting any utility serving his Unit.

7. Form of Payment. Payment to forestall a utility shut-off or to restore service after a shut-off must be full payment of all delinquent Utility-Related Assessments, plus the minimum shut-off fee, if applicable, in the form of a cashier's check, payable to the Association, and received by the Association's manager or a designated officer.

8. Limitations on Disconnection. As a collection remedy, the Association may not disconnect a utility on a day, or on a day immediately preceding a day, when authorized personnel of the Association are not available to receive payment and reconnect service. Further, the Association may not disconnect a utility if the Association has actual knowledge that the disconnection is likely to be life-threatening for a Resident of the Unit.

9. Amendment of Policy. This policy may be revoked or amended from time to time by the Board. This policy will remain effective until 10 days after the Association delivers to an Owner of each Unit notice of amendment or revocation of this policy. The notice may be published and distributed in an Association newsletter or other community-wide publication.

MOLD POLICY

THE WATERS AT HORSESHOE BAY

I. RECITALS

A. **Background.** Because of extensive news coverage in recent years relating to mold, the public and the insurance industry have a heightened awareness of and sensitivity to anything pertaining to mold. In a condominium context, the mold issue has numerous facets. Like many other maintenance issues, the community of Owners must know where to draw the line between the Association's responsibility and the Owner's responsibility. The purpose of this policy is to help draw that line.

B. **Mold Information.** In adopting this policy, the Association relies on information about mold obtained from government sources, including the "Indoor Air Mold" website sponsored by the U.S. Environmental Protection Agency at www.epa.gov/mold. On the date of this policy, the first page of the website contains this information:

The key to mold control is moisture control. It is important to dry water damaged areas and items within 24 48 hours to prevent mold growth. If mold is a problem in your home, clean up the mold and get rid of the excess water or moisture. Fix leaky plumbing or other sources of water. Wash mold off hard surfaces with detergent and water, and dry completely. Absorbent materials (such as ceiling tiles & carpet) that become moldy may have to be replaced.

C. **Owner/Resident Duty.** Because the Association does not have continual access to the individually owned Units, the Association relies on Owners and Residents to control the moisture levels in their Units, and to promptly identify and report water leaks and water penetrations in their Units. That a Unit is vacant or occupied by a person other than the Owner does not relieve the Owner from fulfilling his obligations to the Association and to the Owners of Units that adjoin his own. Although the Resident, if not the Owner, may perform the obligations, the Owner is ultimately responsible if the non-Owner Resident fails or refuses to perform.

D. **Insurance.** Many insurance policies do not cover damages related to mold. The Association may not maintain insurance coverage applicable to mold damage with respect to any Unit. Accordingly, an Owner who wants insurance coverage with respect to mold and mold related damages is advised to purchase such insurance coverage as part of his homeowners insurance policy.

E. **Mold Reminders.** Mold spores are a natural component of our environment. Mold spores are everywhere - in the outside air and inside of Units. In addition to air-borne mold, visible surface mold is a common occurrence in wet areas, such as showers. Air quality tests for mold are capable of being unreliable as determinates of a health problem.

II. RULES

1. **Inspect for Surface Mold.** Each Resident and Owner will regularly inspect his entire Unit (including inside closets and cabinets, and behind furniture and appliances) and the appurtenant limited common elements for visible surface mold and will promptly remove

any visible mold using procedures recommended by an appropriate source, such as the U. S. Environmental Protection Agency (www.epa.gov). Similarly, the Resident and Owner will be alert to odors associated with mold, and will try to locate the source of such odor when detected.

2. Inspect for Water Leaks. Each Resident and Owner will regularly inspect his entire Unit (including inside closets and cabinets, and behind furniture and appliances) and the appurtenant limited common elements for leaks, breaks, or malfunctions of any kind that may emanate from or cause damage to the common elements or another Unit. When possible, such inspection will be performed after rains when leaks from wind-driven rain are most likely to be evident. Typical indicators of water penetration problems include water leaks around windows, doors, flues, and vents; standing water on a floor; water stains on ceilings and walls.
3. Monitor Water Appliances. Each Owner is responsible for the inspection, maintenance, repair, and replacement of all water-using appliances and fixtures in the Unit, such as dishwashers, washing machines, ice-makers, toilets, air conditioning drip pans, and shower pans. The Owner is solely responsible for any water damage to his Unit, another Unit, or the Common Elements coming from the appliances and fixtures in his Unit, regardless of the nature or exact location of the water source.
4. Report. A Resident or Owner will promptly report to the Association his discovery of any leak, break, or malfunction in any portion of his Unit or the adjacent Common Elements for which the Association has a maintenance responsibility. The origin of a water leak can be difficult to locate and may require repeated attempts to repair. The failure of the Association or its contractors to effectively stop a water leak on the first repair attempt is not uncommon and must not dissuade a Resident or Owner from re-reporting the leak on its next occurrence. The failure by an Owner or Resident to promptly report a water leak or water penetration problem may be deemed negligence, thereby making the Resident or Owner liable for any additional damage caused by the delay.
5. Mitigate. To mitigate damage from water leaks and penetrations, and to discourage mold, the Resident or Owner of a Unit that experiences a water leak or penetration must promptly dry, clean, and disinfect the wet area. If the water penetration is inside a wall cavity or above a ceiling, it may be necessary to cut a hole in the wall or ceiling to circulate air that will dry the wet materials. If the wall or ceiling cavity that holds water is a Common Element, the Association will pay the cost of repairing the sheetrock, notwithstanding the Sheetrock Section in the Declaration.
6. Humidity. To discourage mold in his Unit, the Owner or Resident should maintain an inside humidity level under 60 percent. If condensation or moisture collects on windows, walls or pipes, the Owner or Resident should promptly dry the wet surface and reduce the moisture/water source. Condensation can be a sign of high humidity.

7. Negligence. The failure to promptly and properly repair a water-related problem in the Unit may be deemed negligence by the Owner, who may be liable for any additional damage caused by the failure or the delay.
8. Information. For more information about mold, please consult a reliable source, such as "A Brief Guide to Mold, Moisture, and Your Home" - a brochure published by the U. S. Environmental Protection Agency, which is available on its website at www.epa.gov/mold.

THE WATERS AT HORSESHOE BAY
COMMUNITY MANUAL

CERTIFICATION & ACKNOWLEDGMENT

As the Declarant of The Waters at Horseshoe Bay Resort Condominium and the initial and sole member of The Waters Condominium Association, I certify that the foregoing The Waters at Horseshoe Bay Community Manual was adopted by the board of directors of The Waters Condominium Association for the benefit of the Association as part of the initial project documentation for The Waters at Horseshoe Bay Resort Condominium, located in Llano County, Texas. This Community Manual becomes effective when recorded.

SIGNED on this 28TH day of NOVEMBER, 2006.

CENTEX HOMES, a Nevada general partnership, d/b/a
Centex Destination Properties

FILED FOR RECORD
AT 10:44 AM

DEC 13 2006

BETTE SUE HOY, CLERK
LLANO COUNTY, TEXAS
BY [Signature] DEPUTY
140 PD

By: CENTEX REAL ESTATE CORPORATION, a
Nevada corporation, its managing general partner

By: [Signature]
Joseph J. Arcisz, III, President
(Centex Destination Properties-Central
Division)

THE STATE OF TEXAS §
§
COUNTY OF TARRANT §

This instrument was acknowledged before me on the 28TH day of NOVEMBER, 2006, by Joseph J. Arcisz, III, President (Centex Destination Properties – Central Division) of Centex Real Estate Corporation, a Nevada corporation, the managing general partner of Centex Homes, a Nevada general partnership, on behalf of said partnership.

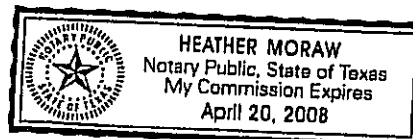
THE STATE OF TEXAS****COUNTY OF LLANO
I, HEREBY CERTIFY THAT THE INSTRUMENT WAS
FILED ON THE DATE AND TIME STAMPED HEREON BY
ME AND WAS DULY RECORDED IN VOL. 3
PAGE 282-313, OF THE CONDOMINIUM
RECORDS OF LLANO COUNTY, TEXAS ON THIS THE
13 DAY OF DEC, 2006.



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

Heather Moraw
Notary Public, The State of Texas

Commission Expiration Date: April 20, 2008



RetID:
Commerce Title Co
2728 N Harwood St
4th Floor
Dallas TX 75201