

**DECLARATION OF RESTRICTIVE COVENANTS
AND CONDITIONS FOR
PRESTON HOLLOW UNIT 3
BEXAR COUNTY, TEXAS
AND ANNEXATION TO PRESTON HOLLOW
HOMEOWNERS ASSOCIATION**

STATE OF TEXAS §
 § KNOW ALL MEN BY THESE PRESENTS:
COUNTY OF BEXAR §

This Declaration of Restrictive Covenants and Conditions for Preston Hollow Unit 3, Bexar County, Texas is made as of the date set forth below, as follows:

WITNESSETH

WHEREAS, Preston Hollow Joint Venture, as Declarant, heretofore recorded that certain Declaration of Restrictions and Protective Covenants for Preston Hollow Unit 1 in Volume 5609, Page 1703 of the Real Property Records of Bexar County, Texas ("Prior Declaration"), reserving to Declarant the right to annex property lying within the 73.245 acre tract described in Exhibit "A" attached thereto, including the following described Property owned by Declarant, to wit:

Lots 31-57, inclusive, Block 1, New City Block 18889, and Lots 41-63, inclusive, Block 3, New City Block 18891, PRESTON HOLLOW UNIT 3, in the City of San Antonio, Bexar County, Texas, according to plat thereof recorded in Volume 9543, Page 64 of the Deed and Plat Records of Bexar County, Texas ("the Property");

WHEREAS, Declarant has deemed it desirable for the efficient preservation of the values and amenities within Preston Hollow to subject the Property, together with such additions as may hereafter be made thereto as herein provided, to the covenants, restrictions, easements, charges, and liens hereinafter set forth, each and all of which is and are for the benefit of said property and each of the owners thereof; and to create an agency to which should be delegated and assigned the powers of maintaining and administering the Common Facilities and administering and enforcing these covenants and restrictions and collecting and disbursing the assessments and charges hereinafter created;

WHEREAS, Preston Hollow Homeowners Association has been incorporated under the laws of the State of Texas to exercise the functions aforesaid as to PRESTON HOLLOW UNIT 1 SUBDIVISION and the Prior Declaration gives Declarant the right to annex the Property to the jurisdiction and assessment of said Association and Declarant desires to confirm such annexation and that the Property, and all present and future Owners thereof, be subject to the jurisdiction and assessment of said Preston Hollow Homeowners Association;

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NOW THEREFORE, Declarant does hereby declare that the real property described above and known as PRESTON HOLLOW UNIT 3 shall hereafter be held, transferred, sold, conveyed, occupied and used subject to the covenants, requirements, conditions, and restrictions herein contained, and that the provisions of this instrument shall run with each ownership interest to such land and shall be binding on the present and future owners thereof, and shall hereafter be subject to the jurisdiction and assessments of Preston Hollow Homeowners Association. Each future Owner, by acceptance of a deed to any portion of the Property, agrees to abide by all the terms of this instrument and any amendment hereto.

ARTICLE I **DEFINITIONS**

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

(a) "Association" shall mean and refer to the PRESTON HOLLOW HOMEOWNERS ASSOCIATION, its successors and assigns as provided for herein.

(b) "Properties" shall mean and refer to the above-described real property and additions thereto, as are subject to this Declaration or any Amended or Supplemental Declaration under the provisions of Article II, Section 2 hereof.

(c) "Common Facilities" shall mean and refer to all property leased, owned, or maintained by the Association for the use and benefit of the Members of the Association. By way of illustration, Common Facilities may include, but not necessarily be limited to, the following: walls and monuments, signs, swimming pool and adjacent buildings, tennis and/or sport courts, landscaping, and other similar or appurtenant improvements.

(d) "Lot" shall mean and refer to any of the above stated separately numbered plots of land as shown on the Subdivision Plat.

(e) "Subdivision Plat" shall mean and refer to the map or plat of PRESTON HOLLOW UNIT 3 filed for record in Volume 9543, Page 64, Deed and Plat Records of Bexar County, Texas, and any amendment thereof upon filing of same for record in the Plat Records of Bexar County, Texas.

(f) "Dwelling" shall mean and refer to a single family residence and its attached or detached garage situated upon a Lot.

(g) "Owner" shall mean and refer to the record owner, whether one or more persons or entities, of the fee simple title to any Lot or portion of a Lot, within the Properties, including contract sellers but excluding those having interest merely as security for the performance of an obligation.

(h) "Member" shall mean and refer to all those Owners who are members of the Association as provided in Article III, Section 1, hereof.

(i) "Builder Members" shall mean and refer to those Members approved by Declarant for construction of residences within the Properties and owning one or more Lots for the purpose of such construction and sale to others.

(j) "Declarant" shall mean and refer to PRESTON HOLLOW JOINT VENTURE, and its successors or assigns.

(k) "Architectural Control Committee" shall mean and refer to the committee created hereinafter, subject to the provisions of Article VI hereof, by the Declarant.

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(l) "Board of Directors" shall mean and refer to the governing body of the Association, the election and procedures of which shall be as set forth in the Articles of Incorporation and By-Laws of the Association.

ARTICLE II
PROPERTY SUBJECT TO THIS DECLARATION:
ADDITIONS OR MODIFICATIONS THERETO

Section 1. Existing Property. The real property above described and platted as PRESTON HOLLOW UNIT 3 shall be, held, transferred, sold, conveyed and occupied subject to this Declaration, all of which said real property is sometimes hereinafter referred to as the "Existing Property."

Section 2. Additions to Existing Property. Additional lands may become subject to this Declaration in the following manners:

(a) Additions by Declarant. Declarant does not plan to make any further additions or annexations to the area subject to the jurisdiction and assessments of the Association, and all, if any, such additions or annexations shall be pursuant to the provisions of the remaining subsections of this Section 2.

(b) Other Additions. Upon the approval of the Association by a two-thirds (2/3) vote of each class of its Members, additional property may be brought within the jurisdiction of the Association provided that the owner thereof files of record an instrument as described in Section 2(a) above and obtains the requisite approval of the membership of the Association on submission of the following written information:

(1) The proposed property shall be described by size, location, proposed land use, and general nature of proposed private improvements;

(2) the proponent shall describe the nature and extent of Common Facilities to be located on the proposed property; and

(3) the proponent shall state that the proposed additions if made will be subject to all Association assessments.

(c) Mergers. Upon a merger or consolidation of the Association with another association, the Association's properties, rights and obligations may be transferred to another surviving or consolidated association or, alternatively, the properties, rights and obligations of another association may be added to the properties, rights and obligations of the Association as a surviving corporation pursuant to a merger. The surviving or consolidated association shall administer the covenants and restrictions applicable to the properties of the association as one scheme. No such merger or consolidation, however, shall effect any revocation, change or addition to the covenants established by this Declaration.

(d) Amendment. This Declaration may be amended until January 1, 2010, by written instrument executed by the Owners of ninety percent (90%) or more of the residential lots subject to the jurisdiction of Preston Hollow Homeowners Association, upon recording of such written instrument in the Real Property Records of Bexar County, Texas, provided that until such date no amendment hereto shall be effective unless approved and executed by Declarant. After January 1, 2010, this Declaration may be amended in like manner by ninety percent (90%) of the Owners of residential lots subject to the jurisdiction of Preston Hollow Homeowners Association but the approval and joinder of Declarant shall not be required after said date. Notwithstanding the foregoing, Declarant shall have the right to file an amendment to this Declaration, without the necessity of joinder by any other Owner of Lots, or any interest therein, for the limited purposes of correcting a clerical error, clarifying an ambiguity, or removing any contradiction in the terms hereof.

ARTICLE III
MEMBERSHIP AND VOTING RIGHTS IN THE ASSOCIATION

Section 1. Membership. Every person or entity who is a record owner of a fee or undivided interest in any Lot which is subject to the jurisdiction of and to assessment by the Association shall be a Member of the Association, provided, however, that any person or entity holding an interest in any such Lot or Lots merely as security for the performance of an obligation, shall not be a Member.

Section 2. Voting Rights. The Association shall have two classes of voting membership:

Class A. Class A Members shall be all those Owners as defined in Section 1 with the exception of the Declarant and Builder Members. Class A Members shall be entitled to one vote for each Lot in which they hold the interest required for membership for Section 1 of this Article. When more than one person holds such interest or interests in any Lot, all such persons shall be Members, and the vote for such Lot shall be exercised as they among themselves determine, but in no event shall more than one vote be cast with respect to any such Lot.

Class B. The Class B member shall be the Declarant and Builder Members. The Class B Member shall be entitled to three votes for each Lot in which it holds the interest required by Section 1, provided that the Class B membership shall cease and become converted to Class A membership on the happening of the following events, whichever occurs earlier:

- (a) When the total votes outstanding in the Class A membership equal the total votes outstanding in the Class B membership; or
- (b) On January 1, 2010.

From and after the happening of these events, whichever occurs earlier, the Class B Member shall be deemed to be a Class A Member entitled to one vote for each Lot in which it holds the interest required for membership under Section 1 of this Article.

ARTICLE IV
PROPERTY RIGHTS IN THE COMMON FACILITIES

Section 1. Members' Easements of Enjoyment. Subject to the provisions of Section 3 of this Article IV, every Member shall have a common right and easement of enjoyment in and to the Common Facilities and such right and easement shall be appurtenant to and shall pass with the title to every Lot.

Section 2. Title to Common Facilities. The Association shall own all Common Areas in fee simple and assume all maintenance obligations with respect to any Common Areas which may be established. From and after the date on which title to any Common Area vests in the Association, the Association shall purchase and carry a general comprehensive public liability insurance policy for the benefit of the Association and its members, covering occurrences on the Common Areas. The policy limits shall be determined by the Board of Directors of the Association. The Association shall use its best efforts to see that such policy shall contain, if available, cross-liability endorsements or other appropriate provisions for the benefit of members, Directors and the management company retained by the Association (if any), insuring each against liability to each other insured as well as third parties.

The Association shall not convey or mortgage any Common Area without the consent of two-thirds (2/3rds) or more of the Lot Owners.

Section 3. Extent of Members' Easements. The rights and easements of enjoyment created hereby shall be subject to the following:

(a) The rights and easements existing or hereafter created in favor of others as provided for in the Subdivision Plat and/or herein.

(b) The rights of the Association, once it has obtained legal title to the Common Facilities, as provided in Section 2, above, to do the following:

(1) to borrow money for the purpose of constructing or improving the Common Facilities and, in aid thereof, to mortgage said properties and facilities, in accordance with the Articles of Incorporation and Bylaws of the Association;

(2) to take such steps as are reasonably necessary to protect the above-described properties and facilities against foreclosure; and

(3) to suspend the enjoyment rights of any Member for any period during which any assessment remains unpaid, and for any period not to exceed thirty (30) days for any infraction of the published rules and regulations; and

(4) to assess and collect the assessments provided for herein or elsewhere and to charge reasonable admission and other fees for the use of the Common Facilities; and

(5) to dedicate or transfer all or any part of the Common Facilities to any public agency, authority, or utility for such purposes and subject to such conditions as may be approved by a two-thirds (2/3) vote of the Members.

ARTICLE V **COVENANTS FOR MAINTENANCE ASSESSMENTS**

Section 1. Creation of the Lien and Personal Obligation of Assessments. The Declarant, for each Lot owned by it within the Properties, hereby covenants, and each Owner of any Lot by acceptance of a deed therefor, whether or not it shall be so expressed in any such deed or other conveyance, shall be deemed to covenant and agree to pay to the Association: (1) annual assessments or charges and (2) special assessments for capital improvements, such assessments to be fixed, established, and collected from time to time as hereinafter provided. The annual and special assessments, together with such interest thereon and costs of collection thereof as are hereinafter provided, shall be a charge on the land and shall be a continuing lien upon the property against which each such assessment is made. Each such assessment, together with such interest thereon and cost of collection thereof as hereinafter provided, shall also be the personal obligation of the person who was the owner of such property at the time the obligation accrued.

Section 2. Purpose of Assessments. The assessments levied by the Association shall be used for the purpose of promoting the recreation, health, safety and welfare of the Members, and in particular, for the improvement, maintenance and operation of the properties, services and facilities devoted to this purpose and related to the use and enjoyment of the Properties by the Members.

Section 3. Basis and Maximum of Annual Assessments. The annual assessment for both improved and unimproved Lots shall be determined by the Board of Directors in the manner provided for herein after determination of current maintenance costs and anticipated needs of the Association during the year for which the assessment is being made. The annual assessment for unimproved Lots shall be one-fourth (1/4) the annual assessment for improved Lots. The maximum annual assessment for improved Lots and annual assessment for unimproved Lots may be increased by vote of the Members as provided in Article V, Section 5 hereof. A Lot shall be deemed to be an "improved Lot" when construction of a Living Unit thereon is completed, and closing of a sale thereof has taken place, or when the Living Unit is occupied as a residence, whichever first occurs.

Section 4. Special Assessments for Capital Improvements. In addition to the annual assessments provided for in Section 3, the Association may levy, in any assessment year, a Special Assessment on improved Lots only, applicable to that year only, for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, repair or replacement of a capital improvement on or which is a part of the Common Facilities, provided that any such assessment shall have the assent of two-thirds (2/3) of the votes of each of the improved Lot Owners who are voting in person or by proxy at a meeting duly called for this purpose, written notice of which shall be sent to all improved Lot Owners at least thirty (30) days in advance and shall set forth the purpose of the meeting.

Section 5. Change in Annual Assessments. Subject to the limitations of Section 3 hereof, the annual assessment may be adjusted by majority vote of the Board of Directors but shall not be increased by more than ten percent (10%) above that of a previous year without a vote of the membership. Any increase in the annual assessment of more than ten percent (10%) above that of a previous year shall require approval of two-thirds (2/3) vote of each class of Members voting at a meeting duly called for that purpose.

Section 6. Quorum for Any Action Authorized Under Sections 4 and 5. The quorum required for any action authorized by Sections 4 and 5 hereof shall be as follows:

At the first meeting called, as provided in Sections 4 and 5 hereof, the presence at the meeting of Members, or of proxies, entitled to cast sixty (60) percent of all the votes of each class of membership shall constitute a quorum. If the required quorum is not forthcoming at any meeting, another meeting may be called, subject to the notice requirements set forth in Section 4 and 5, and the required quorum at any such subsequent meeting shall be one-half (1/2) of the required quorum at the preceding meeting, provided that such reduced quorum requirement shall not be applicable to any such subsequent meeting held more than sixty (60) days following the preceding meeting.

Section 7. Date of Commencement of Annual Assessments; Due Dates. The annual assessments provided for herein shall commence as to all Lots on such date as the Board of Directors of the Association shall determine, but, in any event, on or the first day of the month following Declarant's conveyance of the first Lot. The assessments for each calendar year shall become due and payable and shall be collected as the Board of Directors of the Association shall determine. The amount of the annual assessment which may be levied for the balance remaining in the first year of assessment shall be an amount which bears the same relationship to the annual assessment provided for in Section 3 hereof as the remaining number of months in that year bear to twelve. When a Lot becomes an improved Lot after the annual assessment for it as an unimproved Lot has been paid, there shall be payable as of the first day of the month following the month when it becomes an improved Lot, a sum equal to the difference between the annual assessment for unimproved Lots and the annual assessment for improved Lots prorated over the balance of the year then remaining. The due date of any special assessment under Section 4 hereof shall be fixed in the resolution authorizing such assessment.

Section 8. Duties of the Board of Directors. In December of each year, or at such other time as it shall determine, the Board of Directors of the Association shall fix the amount of the annual assessment against each Lot for the following year and shall, at that time, prepare a roster of the Lots and assessments applicable thereto which shall be kept in the office of the Association and shall be open to inspection by any Owner. Written notice of the assessment shall thereupon be sent to every Owner subject thereto. The Association shall upon demand at any time furnish to any Owner liable for said assessment a certificate in writing signed by an officer of the Association, setting forth whether said assessment has been paid. Such certificate shall be conclusive evidence of payment of any assessment therein stated to have been paid.

Section 9. Effect of Non-Payment of Assessments; The Lien and Remedies of the Association. If the assessments are not paid on the date when due (being the dates specified in Section 7 hereof) then such assessment shall become delinquent and

shall, together with such interest thereon and cost of collection thereof provided, thereupon become a continuing lien on the property which shall bind such property in the hands of the then Owner, his heirs, devisees, personal representatives and assigns. If the assessment is not paid within thirty (30) days after the delinquency date, the assessment shall bear interest from the date of delinquency at the rate of ten percent (10%) per annum, and the Association may bring an action at law against the Owner to pay the same or to foreclose the lien against the property, and there shall be added to the amount of such assessment all reasonable expenses of collection including the costs of preparing and filing the complaint, reasonable attorney's fees and costs of suit.

Section 10. Subordination of the Lien to Mortgages. The lien of the assessments provided for herein shall be subordinate to the lien of any mortgage or mortgages now or hereinafter placed upon the Lots subject to assessment, provided, however, that such subordination shall apply only to the assessments which have become due and payable prior to the sale or transfer of such Lot pursuant to a decree of foreclosure, or any other proceeding in lieu of foreclosure. Such sale or transfer shall not relieve such Lot from liability for any assessments thereafter becoming due, nor from the lien of any such subsequent assessment.

Section 11. Exempt Property. The charges and liens created herein shall apply only to the Lots, and the remainder of the Properties shall not be subject thereto.

ARTICLE VI

ARCHITECTURAL CONTROL

Section 1. ARCHITECTURAL CONTROL COMMITTEE. No building or outbuilding shall be erected, placed, or altered on any Lot until the construction plans and specifications and a plot plan showing the location of the structures have been approved by the Architectural Control Committee as to harmony of external design with existing structures, and as to location with respect to topography and finish grade elevation. In considering the harmony of external design between existing structures and the proposed building being erected, placed, or altered, the Architectural Control Committee shall consider only the general appearance of the proposed building. Considerations such as size, setback, cost and other specific objective requirements are separate and apart from the function of the Architectural Control Committee. The Committee's primary function is to protect property values by preventing unusual, radical, uncommon, curious, odd, extraordinary, bizarre, peculiar, or irregular designs or appearances from being built in the subdivision.

Section 2. COMMITTEE MEMBERSHIP AND PROCEDURE. The initial Architectural Control Committee is composed of DANIEL D. KOSSL, TODD P. HELMER, and BARBARANN I. KANUTE, 11 Lynn Batts Lane, Suite 100, San Antonio, Texas. A majority of the Committee may discharge a member, elect a successor in the event of resignation or vacancy, or designate a representative to act for it at any time or for any period. In the event of death or resignation of any member of the Committee, the remaining members shall have full authority to designate a successor. A resignation is effective when given in writing to PRESTON HOLLOW JOINT VENTURE, or its successors. Neither the members of the Committee nor any designated representative shall be entitled to any compensation for services performed pursuant to this covenant. The powers and duties of such Committee shall continue for the purposes herein stated but after January 1, 2010, or at such earlier time as none of the above described Lots are owned by Declarant, its successors and all members of the Committee have resigned, a majority of the owners of the above described Lots shall have the right to elect the membership of the Committee. The Committee's approval or disapproval as required in these covenants shall be in writing. In the event this Committee, or its designated representative fails to approve or disapprove within thirty (30) days after plans and specifications have been submitted to it, or, in any event, if no suit to enjoin the construction has been commenced prior to the completion thereof, approval will not be required and the related covenants shall be deemed to have been fully complied with. There shall be no review of any action of the Architectural Control Committee except by

procedure for injunctive relief when such action is patently arbitrary and capricious; and under no circumstances shall such Committee, or its members, be subject to any suit by anyone for money damages.

ARTICLE VII

USE RESTRICTIONS, COVENANTS, CONDITIONS AND EASEMENTS

Section 1. SINGLE FAMILY RESIDENTIAL LOTS. Lots in PRESTON HOLLOW UNIT 3 shall be used exclusively as single-family residential Lots, either for the construction and use of a single-family residence or as part of the Common Facilities. "Single family" shall mean and refer to a group related by blood, adoption, or marriage or a number of unrelated house mates equal to the number of bedrooms in a Living Unit.

Section 2. QUALITY AND SIZE. The minimum floor area of the main dwelling structure (measured to the outside of exterior walls, exclusive of garages, open porches, patios and detached accessory buildings) shall not be less than fifteen hundred (1,500) square feet for one-story and split level dwellings, and seventeen hundred (1,700) square feet for one and one-half and two-story dwellings.

Section 3. MINIMUM MASONRY. The exterior walls of all one-story residential buildings, and the lower story of all two-story residential buildings, shall be constructed with masonry, rock, stucco, brick, or brick or masonry veneer for 75% or more of the total exterior wall area. The exterior walls of all two-story residential buildings shall be constructed with masonry or masonry veneer for 50% or more of the total exterior wall area. Window and door openings shall be included as masonry. Notwithstanding the foregoing, the Architectural Control Committee is empowered to waive this restriction if, in its sole discretion, such waiver is advisable in order to accommodate a unique or advanced building concept, design or material, and the resulting structure will not detract from the general appearance of the neighborhood. Wall materials used on all Lots shall be restricted to those types and colors of bricks approved by the Architectural Control Committee.

Section 4. TWO-CAR GARAGE REQUIRED. Each dwelling constructed in the subdivision shall have a garage suitable for parking at least two (2) full-sized automobiles which conforms in design and materials with the main dwelling structure and shall be maintained as such. A dwelling used by a Builder Member as a model home or temporary sales offices may utilize the garage as an office during the sales period but such Builder Member shall ensure the garage is capable of use as a garage prior to conveyance of the Lot.

All garages shall conform in design and materials with the main dwelling structure, and shall be maintained in such conformity. No portions of any garage may be converted to other uses or permanently enclosed except as above stated.

Section 5. DRIVEWAYS. Each dwelling shall have a driveway, the location of which shall be approved in advance of construction by the Architectural Control Committee. All driveways in the Properties shall be surfaced with concrete or other similar substance approved by the ACC.

Section 6. BOAT, TRAILER AND VEHICLE PARKING. No boat, trailer, boat rigging, motor home, non-operating vehicle, abandoned vehicle, camper, camper body, or similar vehicle or vehicle having more than six-wheels, shall be parked for storage, or repair, excluding routine maintenance, in the driveway of any dwelling, nor shall any of the foregoing be parked for storage or stored in the sideyard or backyard of any dwelling unless it is screened from regular public view by a fence. In no event shall any boat, trailer, boat rigging, motor home, non-operating vehicle, abandoned vehicle, camper, camper body, or similar vehicle be parked at any time, in the front yard of any dwelling. Nothing contained herein shall be construed to prohibit the storage of any unused vehicle in the garage required on every Lot covered hereby.

Section 7. BUILDING LOCATION. No building shall be located on any Lot nearer to the front, rear or side Lot lines than as provided herein. No building shall be located on any Lot nearer than twenty (20') feet from the front Lot line, five feet (5') from any side Lot line, or twenty (20') from the rear Lot line, provided that an exception may be made as to the rear Lot setback for irregular Lots, as set forth below.

On Lots fronting on cul-de-sacs, eyebrows, or elbows, or otherwise of an irregular shape caused by street design, a rear yard of fifteen (15) feet is permitted based on the mean horizontal distance of the structure from the rear Lot line and provided no part of the structure is closer than ten feet (10') to the rear Lot line. The mean horizontal distance shall be calculated by adding the products of the width of each segment of the structure multiplied by its average distance from the rear Lot line and dividing this sum by the total width of the structure.

Section 8. WAIVER OF FRONT SETBACK REQUIREMENTS. The Architectural Control Committee shall have the power to waive in writing any building or setback requirement set forth herein if, in the opinion of the Committee, the proposed location of the building will not substantially detract from the appearance and value of the Lot or the adjoining Lots. Garage locations may vary upon approval of the Committee. Should the plot plan or plat showing the location of the proposed structure indicate on its face that a variance is sought or needed, written approval of the plans by the Committee, without conditions attached, shall include approval of such variance.

Section 9. EASEMENTS. Easements for installation and maintenance of utilities and drainage facilities are reserved as shown on the recorded plat. Within these easements, no structure, planting, or other material shall be placed or permitted to remain which may damage or interfere with the installation and maintenance of utilities, or which may change the direction of flow of drainage channels in the easements, or which may obstruct or retard the flow of water through drainage channels in the easements. The easement area of each Lot and all improvements in it shall be maintained continuously by the Owner of each Lot, except for those improvements for which a public authority or utility company is responsible. The Owner of the property upon which a utility easement is located may use it for lawn purposes.

Section 10. DRAINAGE AND GRADING. Each Builder Member and Owner shall be required to comply with any minimum finish grades shown on the Subdivision Plat, such contours as shown on construction plans on file with the City of San Antonio Public Works Department, and the grading plan attached hereto as Exhibit "A".

Section 11. NUISANCE. No noxious or offensive activity shall be permitted on any Lot, nor shall any nuisance ever be erected, cause or suffered to remain upon any Lot, nor shall anything be done thereon which may be or may become an annoyance or nuisance to the neighborhood, endanger the health or disturb the reasonable enjoyment of any other Owner; nuisance being defined, without limitation, to include any activities so designated under the City Code of the City of San Antonio, Bexar County, Texas. The discharge of any firearm, including BB guns and pellet guns, within the subdivision or on adjacent lands owned in whole or in part by Declarant or located within Preston Hollow Unit 3 Subdivision, is strictly prohibited and each Owner shall ensure that his guests and family members do not violate such prohibition. Additionally, there is prohibited the use of any bow and arrow, slingshot, or other launching or catapulting device except strictly within the confines of a Lot and not involving the hunting or killing of any animal.

Section 12. NO TEMPORARY STRUCTURES. No structure of a temporary character, trailer, basement, tent, shack, garage, barn, or other outbuilding on any Lot shall be used at any time as a residence, either temporarily or permanently, or permitted to remain on a Lot except solely within the back yard of a Lot where adequately screened from view from adjoining streets. Builders of homes within the subdivision shall be permitted to maintain one or more trailers as a sales office or construction trailer during the initial construction period provided that the number and location of the same shall have been approved by the Architectural Control Committee.

Section 13. SIGNS. No sign of any kind shall be displayed to the public view on any Lot, except one professional sign of not more than one square foot, one sign of not more than five (5) square feet advertising the Lot for sale, or signs used by a builder to advertise the Lot during construction and sales period. For rent or for lease signs are strictly prohibited. Signs used or permitted by the Declarant to advertise the property during the construction and sales period shall be permitted, irrespective of the foregoing.

Section 14. NO OIL AND MINING OPERATIONS. No oil drilling, oil development operations, oil refining, quarrying or mining operations of any kind shall be permitted upon any Lot, nor shall oil wells, tanks, tunnels, mineral excavation or shafts be permitted upon any Lot. No derrick or other structure designed for use in boring for oil or natural gas shall be erected, maintained or permitted upon any Lot.

Section 15. PETS. No animals, livestock, poultry, exotic or dangerous pets of any type (i.e. pit bulls, boa constrictors, ferrets, etc.) that may pose a safety or health threat to the community shall be raised, bred or kept on any Lot except for cats, dogs, or other generally recognized household pets of a reasonable number provided that they are not kept, or maintained for any commercial purposes and provided further that no more than a total of four (4) adult animals may be kept on a single Lot. Adult animals for the purpose of these covenants shall mean and refer to animals one (1) year or older.

All such animals shall be kept in strict accordance with all local laws and ordinances (including leash laws) and in accordance with all rules established by the Architectural Control Committee. It shall be the responsibility of the owners of such household pets to prevent the animals from running loose or becoming a nuisance to the other residents.

Section 16. GARBAGE AND REFUSE DISPOSAL. No Lot shall be used or maintained as a dumping ground for rubbish. Trash, garbage or other waste shall not be kept on any Lot except in sanitary containers, and all incinerators or other equipment for the storage or disposal of such material shall be kept in a clean and sanitary condition. Materials incident to construction of improvements may be stored on Lots during construction for reasonable periods.

Section 17. NO INDIVIDUAL WATER SUPPLY SYSTEM. No individual water supply system shall be permitted on any Lot.

Section 18. NO INDIVIDUAL SEWAGE DISPOSAL. No individual sewage disposal system shall be permitted on any Lot.

Section 19. FENCES. In order to ensure a general uniformity of appearance of those fence sections that can be viewed from a street, any and all fences erected on areas readily apparent and visible from streets (e.g., between dwellings, i.e., separating front and rear yards) and on all corner Lots along that portion of side or rear yards fronting on side streets, shall be six-foot vertical privacy fences composed of wood and/or masonry. In no event shall any fence extend any closer to the street fronting a dwelling than the front outermost corners of such dwelling. On corner Lots, fences must be set back at least five feet from that side property line abutting the side street.

Notwithstanding the foregoing, the Architectural Control Committee is empowered to waive the aforesaid fence limitations in connection with retaining walls and decorative walls if, in its sole discretion, such waiver is advisable in order to accommodate a unique, attractive or advanced building concept design or material and the resulting decorative wall and/or retaining wall will not detract from the general appearance of the neighborhood.

No staining, painting or other treatments to any fence sections readily visible from a public street or from another Lot shall be permitted without the express written approval of the Architectural Control Committee.

No chain-link fences may be built or maintained on any Lot.

No fence, wall, or hedge, or shrub planting which obstructs sight lines at elevations between two (2) and six (6) feet above the roadways shall be placed or permitted to remain on any corner Lot within the triangular areas formed by the street property lines and a line connecting them at points twenty-five feet (25') from the intersection of the street lines or in the case of a rounded property corner, from the intersection of the street line extended; the same sight line limits shall apply on any Lot within ten feet (10') from the intersection of street property lines with the edge of a driveway or alley pavement. No tree shall be permitted to remain within such distance of such intersections, unless the foliage is maintained at sufficient height to prevent obstruction of such sight lines. The Architectural Control Committee may waive the foregoing requirement for fences or walls upon a determination that the offending construction does not pose a safety hazard and that the enforcement of the foregoing provision would work a hardship upon the property owner.

Section 20. OUTBUILDINGS. Every outbuilding, except a commercially purchased greenhouse or a commercially purchased metal storage building, shall be of the same style, color, architectural design and materials (both roof and walls) as the dwelling structure to which it is appurtenant. No outbuilding shall exceed in height or number of stories the dwelling to which it is appurtenant.

Section 21. BURGLAR BARS. No exterior burglar bars will be permitted on any doors, windows or other openings of a dwelling situated in the subdivision. Burglar bars, if installed, must be situated within the interior of such dwelling in such a manner that they are not readily visible from the exterior.

Section 22. ATHLETIC FACILITIES. No basketball goals or backboards or any other similar sporting equipment of either a permanent or temporary nature shall be placed within fifteen feet (15') from the front property line of any Lot in the subdivision without the prior written consent of the Architectural Control Committee.

Section 23. BUILDINGS PREVIOUSLY CONSTRUCTED ELSEWHERE. No building previously constructed elsewhere shall be moved onto any Lot in the properties.

Section 24. RADIO AND TELEVISION ANTENNA. Any radio and/or television antenna erected on a building in the Properties shall not extend more than eight (8') feet above the highest part of the roof of such building, and shall not be located on the front part of the building, and shall not be located on the side of the building nearer than ten (10') feet to its front wall. Any free standing antennas on the Lot shall not be erected nearer than ten (10') feet to the front wall of the respective dwelling nor shall it extend more than eight (8') feet above the highest part of the roof of that respective dwelling. Satellite antennas shall not be installed nearer than ten (10') feet to the front wall of the respective dwelling and the entire antenna must be screened from view from any street or Lot by a fence or wall.

Section 25. SIDEWALKS. Street sidewalks shall be constructed in accordance with existing ordinances of the City of San Antonio, including subdivision development ordinances.

Section 26. LOT MAINTENANCE. The owners or occupants of Lots within the Properties shall at all times keep weeds and grass thereon cut in a sanitary, healthful and attractive manner. Lot owners and occupants shall also be required to provide and allow safe and adequate drainage within their Lot. This shall include the building or construction of any fence, walk, landscaping material or other obstruction which may divert, impede, or cause to back up run-off water coming not only from the respective Lot from other Lots as well.

Section 27. ENFORCEMENT. In the event there shall be any violation or attempted violation any of these covenants, it shall be lawful for any person or entity, including the Association, owning any real property situated in said subdivision to prosecute or to recover damages or other dues for such violation any proceedings at law or in equity against the person or persons violating or attempting to violate any such covenants and either to prevent him or them from so doing or to recover damages for such violations. Declarant, for itself, its successors or assigns, reserves the right to enforce these restrictive covenants, though it may have previously sold and conveyed all subdivided Lots in the subdivision, controlled by

these covenants. The reservation of this right of enforcement shall not create an obligation of any kind to enforce same. The terms "entity" and "person" as used in this paragraph do not include or extend to the Architectural Control Committee or its members, against whom no action in law for damages shall lie.

Section 28. INVALIDITY. Invalidation of any one of these covenants or restrictions by judgment or court order shall in no way affect any of the other provisions, which shall remain in full force and effect.

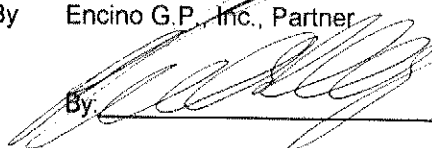
IN WITNESS WHEREOF, the undersigned have hereunto set their hand this the 26th day of March, 1999.

PRESTON HOLLOW JOINT VENTURE

By ENCINO PARK VENTURE-1984, a Texas
general partnership, Managing Venturer

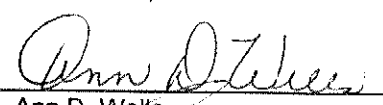
ENCINO PARK, LTD., Partner

By Encino G.P., Inc., Partner

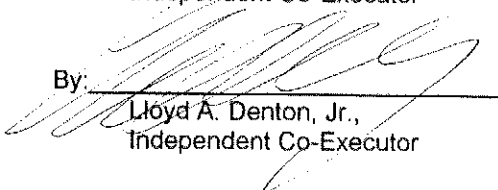
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THE ESTATE OF LLOYD A. DENTON,
SR., DECEASED, Partner

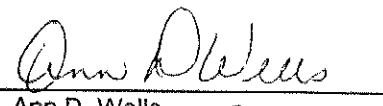
By: 

Ann D. Wells,
Independent Co-Executor

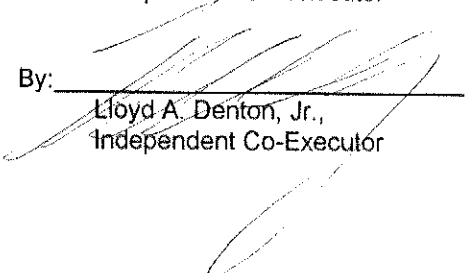
By: 

Lloyd A. Denton, Jr.,
Independent Co-Executor

THE ESTATE OF BERNICE B. DENTON,
DECEASED, Partner

By: 

Ann D. Wells,
Independent Co-Executor

By: 

Lloyd A. Denton, Jr.,
Independent Co-Executor

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