

Covenants
FOR
LAKE PADRE VILLAGE
3/20/2024

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Prolog

Lake Padre Village is a Planned Unit Development (PUD) located on North Padre Island, Corpus Christi, Nueces County, Texas. These Covenants constitutes the instrument commonly known as a declaration establishing Lake Padre Village as a planned Community. These Covenants creates a governance structure and a flexible system of standards and procedures for developing, expanding, administering, maintaining, and preserving various residential properties and Common Areas within Lake Padre Village. An integral Section of the plan for the operation and administration of Lake Padre Village is the Lake Padre Village Community Association, Inc., which will be incorporated according to the Texas Nonprofit Corporation Law to own, operate, and or maintain various Common Areas and Community improvements and to administer and enforce these Covenants and the other Governing Documents referenced in this Section.

This document is not intended to create a condominium under Texas law. DPMI Beach Investments, LLC, a Texas limited ownership, its successors, and assigns (the "Developer"). By executing and recording these Covenants, the Developer declares that the property described in Exhibit "A," and any additional property made subject to these Covenants by supplement or amendment, shall constitute the planned Community of Lake Padre Village (the "Community" or "Lake Padre Village.") These Covenants shall encumber the title to such property, shall govern the development and use of such property, and shall be binding upon the Developer and the future Owners of any portion of such property, their respective heirs, successors, successors-in-title, and assigns, and any other person or entity that now or hereafter holds any legal, equitable, or beneficial interest in any portion of such property. These Covenants shall also be binding upon Lake Padre Village Community Association Inc., its successors, and assigns (the "Association").

Section 1. Introduction

1.1. Introduction

A Community is guided and governed by certain principles that each Owner and resident agree to uphold when choosing to own property or reside in the Community. Those principles are outlined in the Community's Governing Documents, which bind the Community together, give it structure, and guide all who anticipate its growth and evolution.

1.2. Scope and Applicability

The Community is established and administered through various documents that have a legal and binding effect on all Owners and occupants of the property. These documents impact the Community, and anyone else who may now or in the future be interested in any portion of the Community's property. Such documents, referred to in these Covenants as the "Governing Documents," include these Covenants, the Association Certificate of Formation and Bylaws and regulations adopted by the Association., and the other documents, as they may be amended. All Owners and occupants of property in the Community and their tenants, guests, and invitees must comply with the Governing Documents.

1.3. Additional Covenants and Restrictions.

The Owner of any property within the Community may impose covenants on such property in addition to those outlined in the Covenants: Governing Documents.

This Community Covenants for Lake Padre Village, which creates obligations that are binding upon the Association and all present and future Owners of property in Lake Padre Village a recorded supplement to these Covenants, which submits additional property to these Covenants, creates easements over property described in such Supplement, imposes additional obligations or restrictions on such property, or any of the foregoing the Certificate of Formation of Lake Padre Village Community Association, Inc., as they may be amended, which establish the Association as a nonprofit corporation under Texas law the Bylaws of Lake Padre Village Community Association, Inc., adopted by its Board of Directors, as they may be amended, which govern the Association's internal affairs, such as voting, elections, meetings, etc. the design standards and architectural and aesthetics guidelines adopted pursuant to Section 9, as they may be amended, which govern new construction and modifications to property within the Community, including Structures, landscaping, and other items the rules of the Association adopted pursuant to Section 7, which regulate use of property, activities, and conduct within Lake Padre Village the resolutions which the Association's Board of Directorss adopts to establish rules, policies, and procedures for internal governance and Association activities and to regulate the operation and use of property which the Association owns or controls.

1.4. Governing Documents and Other Legal Entity

All references in the Governing Documents to a "**recorded**" legal instrument, or recordation or the recording of a legal instrument, shall refer to an instrument filed or recorded, or the filing or recording of a legal instrument, in the Office of the County Clerk of Nueces County, Texas. Other places are designated as the official locations for filing documents affecting title to real estate in Nueces County to make them a matter of public record.

The Developer, the Association, the Owners, the builders, and others have a role in the functioning of the Community and in helping to fulfill that vision. This Section identifies these stakeholders and describes their roles in administering the Community.

Section 2. Developer

2.1. The Developer

The Developer has established a vision for the Community through the Governing Documents and has set forth the founding principles that will guide the Community during the initial period of Development and Sale and after that. The Developer proposed a plan for the development of the Community as described in the Planned Unit Development for Lake Padre Village Planned Unit Development (PUD) approved by the City of Corpus Christi, Nueces County, Texas. This plan encompasses the property described in Exhibit "B" and the property described in Exhibit of these Covenants (the "PUD"). However, the Developer is not obligated to submit the property shown on the Development Plan to these Covenants. In addition, the Developer may submit the property to these Covenants that is not shown on the Development Plan.

The Developer has reserved various rights in the Governing Documents for the development and administration of the Community. The Developer may exercise certain of these rights throughout the "Development and Sale Period," which is the time during which the Developer or any 'Developer Affiliate' owns real property in the Community primarily for development or sale or has an unexpired option to expand the Community according to Section 18 Expansion of the Development.

A "Developer Affiliate" is any Person who controls, is controlled by, or is under common control with the Developer. Any Person is an Owner, a member, a joint venture, or a shareholder of the Developer. The Developer has reserved other rights that may be exercised during the "Developer Control Period." The Developer is entitled to appoint most of the Association's Board members during this control period. It begins on the date of the Association's incorporation and terminates upon the first of the following to occur:

- I. When 60% of the total number of Units (as defined in Section 3) permitted by applicable zoning for the property described explicitly on Exhibits "A" and "B" to the Covenants and have been conveyed to Owners other than the Developer the Developer Affiliates, or builders holding the title for construction and resale or improved with a substantially complete dwelling, at the applicable governmental entity has issued a certificate of occupancy.
- II. December 31, 2041.
- III. The Developer has certain approval rights for a limited period as provided in the Bylaws after the termination of the Developer Control Period. When, in its discretion, the Developer voluntarily and expressly surrenders such right in a recorded instrument. The Developer may assign its status and privileges as the Developer under the Governing Documents to any Developer Affiliate or any Person who takes title to any portion of the property described in Exhibits "A" or "B" for development and or sale. Such assignment shall be made only in a recorded instrument signed by both parties.

2.2. The Association and its Board

The Developer has established the Association as the primary entity responsible for administering Lake Padre Village following the HOA Bylaws.

2.3. Community Administration

Governing Documents. On most matters, the Association acts through the Board, which is selected as provided in the Bylaws. However, in some instances, the Governing Documents or applicable law limit the Board's ability to act without the approval of the Association's members. Unless the Governing Documents or Texas law specifically provides otherwise, the Board may exercise the Association's rights and powers without a membership vote.

The Association may exercise all rights and powers that the Governing documents and Texas law expressly grant to it, as well as any rights and powers that may reasonably be implied under the Governing Documents. It may also take necessary action to effectuate any such right or privilege. However, the Board has no legal duty to institute litigation or any other proceeding on behalf of or in the name of the Association or its members in exercising the Association's rights and powers, making decisions on the Association's behalf (including, without limitation, deciding whether to file a lawsuit or take other legal action under any circumstances) and conducting the Association's affairs. Board members and the Association's officers are required to comply with and shall be judged by the standards outlined in the bylaws.

2.4. The Owners

Each Person with a record title to a Unit, as defined in Sections 3 and 4, is referred to in the Governing Documents as an "Owner." However, a person who holds title merely as security for the performance of an obligation (such as a lender holding a mortgage or similar security instrument) is not considered an "Owner." If a Unit is sold under a recorded contract of sale and the agreement precisely so states, the purchaser (rather than the holder of fee simple title) will be considered the Owner. If a Unit has more than one Owner, all co-owners are jointly and severally obligated to perform the Owner's responsibilities under the Governing Documents. Every Owner is responsible for complying with the Governing Documents and upholding Community standards described in Sections 5, 6, and 7 of these Covenants. Each Owner also has an opportunity to participate in the administration of the Community through membership in the Association and service to the Community in various committee and leadership roles, as described in Sections 3 and 4 and the Bi-Laws.

2.5. Mortgagees

A Unit is made subject to a mortgage or other form of security instrument affecting title to a Unit ("Mortgage"). The holder or beneficiary of that Mortgage ("Mortgagee") also has an interest in the administration Of the Community. The Governing Documents contain various provisions for Mortgagees' protection, including those outlined in Section 17.

Section 3. Governing Documents

3.1. Designations of Properties Comprising the Community

The Governing Documents refer to Lake Padre Village's homes and home sites as "Units." A Unit is a portion of the Community that is depicted as a separately identified lot or parcel on a recorded subdivision plat and which is zoned or otherwise intended for development, use, and occupancy for the exclusive use of the Owner and occupants of the Unit, as well as Property that is designed for the common use of some or all the residents of the Community. The term "Unit" refers to the land and any structures and other improvements on such land. The subdivision and combination of Units are subject to the provisions of Section 7. The term does not include Common Areas, as defined below, property and facilities the Association owns or in which it otherwise holds possessory or use rights for the Common use or benefit of more than one Unit are referred to as "Common Area." The Common Area includes any property the Association holds under a lease and any easements in favor of the Association. The Developer and others may establish and convey the Common Area to the Association as provided in Section 21. Certain portions of the Common Area may be designated as "Limited Common Area" and assigned for the exclusive use or primary benefit of less than all Units or Units in specified portions of the Community. Limited Common Areas might include entry features, private streets, boat slips, mooring dock areas, and recreational facilities, among other things, that benefit only a portion of the Community. The Developer may designate the property as Limited Common Area and assign it to particular Units. The assignment is per these Covenants or supplement by which the property is submitted according to the terms of these Covenants or in the deed conveying the property to the Association.

Area responsibility of the properties and facilities located in the Common Area is the responsibility of the Association except as to Limited Common Area, which shall be the responsibility of the Owner(s) to whom use has been given.

The limited common elements shall be the boat stalls and piers identified on the plat, which have been appurtenant to individual Units. The exclusive use and occupancy of designated Limited Common Area elements are reserved to the Unit to which such limited common area element is appurtenant, and each homeowner is hereby granted an irrevocable, exclusive license to use and occupy said Limited Common Area elements and shall have the responsibility to maintain such Limited Common Area elements as herein provided.

Section 4. Membership

4.1. Association Membership and Voting Rights

The Association is a mechanism by which each Owner can participate in the governance and administration of Lake Padre Village. While many powers and responsibilities are vested in the Board to facilitate day-to-day management and operation, the membership and voting rights vested in them allow the Owners to participate in the administration of the Community and influence the outcome of significant decisions.

4.2. Membership

The Association initially has two classes of membership: the Owner membership, which is comprised of all Owners, and the Developer membership, which consists solely of the Developer. All persons holding a membership in the Association are referred to in these Covenants as "Members."

4.3. Owner Membership

Every Owner is automatically a Member of the Association. However, there shall be only one membership per Unit. Thus, if a Unit has more than one Owner, all co-owners of the Unit share the privileges of such membership, subject to reasonable Board regulation and the restrictions on voting set forth below and in the Bylaws. If an Owner is a corporation, a Partnership, or other legal entity, its membership rights may be exercised by any officer,

Directors, partner, or trustee or by an individual that the Owner designates from time to time in writing to the Association's Secretary, except that only the individuals residing in the Unit may use any COMMON AREA Recreation facilities available for use by Owners

4.4. Developer Membership

The Developer holds the exclusive Developer membership. The Developer membership shall terminate upon expiration of the Developer Control Period or on an earlier date as the Developer determines and declares in a recorded instrument. The Developer may, by Supplement, create additional classes of membership comprised of the Owners of Units within any portion of the additional property submitted to these Covenants. The Developer shall specify in any such supplement the rights, privileges, and obligations of the members of any class of membership created by that Supplement.

4.5. Voting

Each Unit is assigned one equal vote, subject to the limitations on voting set forth in these Covenants and the other Governing Documents. No vote shall be exercised for any property exempt from assessment under Section 13. If there is more than one Unit Owner the vote for such a Unit shall be exercised as the co-owners holding a majority of the Ownership interest in the Unit determine among themselves. Any co-owner may cast a vote for the Unit or consent to any action and majority agreement shall be conclusively presumed unless another co-owner of the Unit protests promptly to the President or other person presiding over the meeting or the balloting, in the case of a voice taken outside of a meeting. In the absence of a majority agreement, the Unit's vote shall be suspended if two or more co-owners seek to exercise it independently. No more than one vote shall be cast for any Unit. Voting rights for Members is suspended until the termination of the Development Control Period.

Section 5. Aesthetic Standards

5.1. Architecture, Landscaping, and Aesthetic Standards

The Community derives its unique character from a mix of cottage architectural styles and from the cooperation of all Owners in upholding minimum defined standards.

This Section explains how those standards are established and how they are applied and maintained through a process requiring prior approval for construction and exterior modifications to Unit improvements.

5.2. Overall

All site work, landscaping, structures, improvements, and other items placed on a Unit or Common Area in a manner or location visible from outside of existing structures ("Improvements") are subject to standards for design, landscaping, and aesthetics adopted according to Section 9 ("Architectural Guidelines") and the approval procedures outlined in this Section, except as this Section or the Architectural Guidelines may otherwise specify. No prior approval is necessary to repaint the exterior of existing structures using the most recently approved color scheme or to rebuild or restore any damaged structures consistent with the plans and specifications most recently approved for such structures. Generally, no approval is required for work done to the interior of a structure; however, modifications to the interior of screened porches, patios, and other portions of a structure visible from the outside of the structure require prior approval. Any dwelling constructed on a Unit lot shall be designed by and built per the plans and specifications of a licensed architect or professional building designer unless the Developer or its designee otherwise approves in its sole discretion.

Approval under this Section is not a substitute for any approvals or reviews required by Nueces County, City of Corpus Christi, or Padre Island Owners Property Association before submitting to these Covenants, or the Developer's or any Developer Affiliate's design and construction activities, or to the Association's design and construction activities during the Developer control period.

5.3. Design Review Authority

Until the Developer gives up such a right, it will review applications for proposed Improvements and determine whether they should be approved. Once the Developer gives up such review right, the Board of Directors will appoint a Design Review Committee to review applications for proposed improvements. The Developer or the Design Review Committee is called the "Reviewer." The Reviewer sets fees for reviewing applications.

A. Developer

The Developer shall have exclusive authority to review and act upon all applications for review of proposed Improvements until the later of:

- I. The expiration of the Development and Sale Period, or
- II. Such time as all Units planned for the property described in Exhibits "A" and "B" have been improved with substantially complete dwellings, occupied or ready for occupancy. The Developer may designate one or more persons to act on its behalf in reviewing any application in reviewing and acting upon any request for approval; the Developer and its designee act solely in the Developer's interest and owe no duty to any other person. From time to time, the Developer may delegate any or all rights under this Section Design Review Committee appointed by the Developer. Any such delegation shall be in writing, shall specify the scope of responsibilities delegated, and shall be subject to the following:
 - III. The Developer's right to revoke such delegation at any time and reassume its prior control, and
 - IV. The Developer's right to veto any decision that it determines, at its discretion, to be inappropriate or inadvisable. So long as the Developer has any rights under this Section, the jurisdiction of others shall be limited to such matters as the Developer expressly specifies.

B. Design Review Committee

Upon the Developer's delegation of authority according to Section 5, or upon expiration or termination of the Developer's rights under this Section, the Board shall appoint a Design Review Committee to assume jurisdiction over matters within the scope of the delegated authority of this Section, respectively. The Design Review Committee shall consist of at least three, but not more than five, persons who shall serve and may be removed and replaced at the Board's discretion. Design Review Committee members need not be Owners or representatives of Owners.

- I. The Design Review Committee may, but need not, include architects, engineers, or similar professionals. The Association may compensate members in such manner and amount if any, as the Board may determine appropriate. Until the Developer's rights expire under this Section, the Design Review Committee shall notify the Developer in writing within three business days of any action (i.e., approval, Partial approval,

or disapproval) it takes under this Section. A copy of the application and any additional information the Developer may require shall accompany the notice. The Developer shall have ten business days after receipt of such notice to veto any such action, in its sole discretion, by written notice to the Design Review Committee.

- II. Unless and until the Developer delegates all or a portion of its reserved rights to the Design Review Committee or the Developer's rights under this Section terminate, the Association shall have no jurisdiction over architectural matters.

C. Reviewer

For purposes of this Section, the entity having jurisdiction in a particular case shall be referred to as the "Reviewer."

D. Reviewer Fees

The Reviewer may establish and charge reasonable fees for its review of applications and may require that such fees be paid in advance. Such fees may also include reasonable costs incurred in having professionals review any application. The Board may include the compensation of such persons in the Association's annual operating budget.

5.4. Guidelines and Procedures

The purpose of the Architectural Guidelines is to maintain a consistent character and quality of appearance for the Improvements within the Community and to ensure that Improvements are constructed in an orderly manner. The Architectural Guidelines may describe what types of building materials and design elements are preferred and others that are encouraged. The Architectural Guidelines also provide a specific procedure for submitting applications for proposed Improvements and describe how to carry out the construction of the Improvements once approval has been received.

A. Architectural Guidelines

The initial Architectural Guidelines are found in Section 9 but are subject to amendment as provided in this Section. Architectural Guidelines may contain general provisions applicable to Lake Padre Village and specific provisions that vary based on the type of structure, use, or location within the Community. The Architectural Guidelines are intended to guide Owners and contractors regarding matters of particular concern to the Reviewer. The Architectural Guidelines are not the exclusive basis for the Reviewer's decisions, and compliance with the Architectural Guidelines does not guarantee approval. The Developer shall have sole and full authority to amend the Architectural Guidelines for so long as it has review authority under this Section. The Developer's right to amend the Architectural Guidelines shall continue even if it delegates reviewing to the Design Review Committee unless the Developer also delegates the power to amend to the Design Review Committee. Upon termination or delegation of the Developer's right to amend, the Design Review Authority may amend the Architectural Guidelines with the Board's consent. Amendments to the Architectural Guidelines shall apply prospectively only. They shall not require modifications to or removal of any structures previously approved once the approved construction or modification has begun. However, any new work on such structures must comply with the Architectural Guidelines as amended. There shall be no limitation on the scope of amendments to the Architectural Guidelines, and such amendments may eliminate requirements previously imposed otherwise, making the Architectural Guidelines less restrictive. Any amendment to the Architectural Guidelines shall be effective upon recording. Reviewer shall make the Architectural Guidelines, as they may be amended, available to Owners and their contractors upon request.

B. Procedures

Unless the Architectural Guidelines provide otherwise, no activities within the scope of this Section (as described in Section 9) may begin on any property within Lake Padre Village until a written application is submitted to and approved by the Reviewer. Plans and specifications must accompany the application and other information the Reviewer or the Architectural Guidelines may require. In reviewing each application, the Reviewer may consider any relevant factors, including, without limitation, the harmony of the proposed exterior design with surrounding structures and environment. Decisions may be based on purely aesthetic considerations. Each Owner acknowledges that such determinations are purely subjective and opinions may vary regarding improvements' desirability and or attractiveness. The reviewer shall have the sole discretion to make final, conclusive, and binding determinations on matters of aesthetic judgment. Such determinations shall not be subject to Section 20 or judicial review procedures so long as they are made in good faith and per required procedures. The Reviewer shall decide on each application after receipt of a completed application with all required information. The Reviewer may permit or require that an application be submitted or considered in stages, in which case a final decision shall not be required until after the final, required submission. The Reviewer may

- I. Approve the application with or without conditions;
- II. Approve a portion of the application and disapprove other parts; or
- III. Disapprove the application.

The Reviewer shall notify the applicant in writing of the final determination on any application no later than 30 business days after its receipt of a completed application and all required submissions; however, with respect to any Design Review Committee determination subject to the Developer's veto right under Section 5, the Reviewer shall notify the applicant of the final determination within 40 business days (30 plus 10 for the exercise of veto) after its receipt of the final determination and all required submissions. Notice shall be deemed given when the envelope containing the response is deposited in the U.S. mail, hand delivery, facsimile, electronic mail, or similar delivery of such written notice also shall be sufficient and shall be deemed given at the time of confirmed delivery to the applicant. If the Reviewer fails to respond within the time required above, the applicant may notify the Reviewer of its failure to respond by certified mail. Approval shall be given if the Reviewer fails to respond within ten days of receiving the certified mail. However, no expressly granted or deemed granted approval shall be inconsistent with the Architectural Guidelines unless a written variance has been granted according to this Section. The Reviewer may require that construction commences within a specified time. If construction does not commence within the required period, the approval shall expire, and the Owner must reapply for approval before beginning any activities. Once construction has started, it shall be diligently pursued to completion. All work shall be completed within 12 months of commencement unless otherwise specified in the notice of approval or unless the Reviewer, at its discretion, grants an extension in writing.

5.5. Future Approvals

The people reviewing applications under this Section will change from time to time, and opinions on aesthetic matters and interpretation and application of the Architectural Landscaping Guidelines may vary accordingly. Identifying objectionable features may not always be possible until work is completed. In such cases, the Reviewer may not require changes to objectionable features. However, the Reviewer may refuse to approve similar proposals in the future. Approval of applications or plans shall not constitute a waiver of the right to withhold approval as to any similar applications, plans, or other matters subsequently or additionally submitted for approval.

5.6. Changes

When a situation makes it difficult or impossible to comply with a requirement of the Architectural Guidelines, the Owner may file a request with the Reviewer to be excused from complying with such requirements. The Reviewer has the discretion to determine when a variance is appropriate. The Reviewer may authorize variances from compliance with any of the Architectural Guidelines and any procedures when it determines that circumstances justify a variance, but no variance shall

- I. Be effective unless in writing
- II. Be contrary to these Covenants; or
- III. Prevent the Reviewer from denying a variance in other circumstances.

A variance requires the Developer's written consent during the Development and Sale Period and, after that, requires the Board's written consent,

5.7. Limitation of Liability

This Section establishes standards and procedures as a mechanism for maintaining and enhancing the overall aesthetics of Lake Padre Village; they do not create any duty to any person. According to this Section, the review and approval of any application may be based purely on aesthetic considerations. The Reviewer is not responsible for the structural integrity or soundness of approved construction or modifications, for materials used, for compliance with building codes and other governmental requirements, or for ensuring that structures are fit for their intended purpose, or for ensuring that all dwellings are of comparable quality, value, size, or design, or are aesthetically pleasing or otherwise acceptable to other Owners. Neither the Reviewer nor any member of the Design Review Committee shall have any liability for approving plans or granting variances inconsistent with the Architectural Guidelines, provided that such person acted in good faith in approving such plans.

The Developer, the Association, the Design Review Committee, their respective officers, and any member of any of the preceding shall not be liable for:

- I. Soil conditions, drainage, or other general site work;
- II. Any defects in plans revised or approved hereunder;
 - i) Any loss or damage arising from the action, inaction, integrity, financial condition, or quality of work of any contractor or its subcontractors, employees, or agents, whether or not the Developer has approved or featured such contractor; or
 - ii) View preservation; or
 - iii) Any injury, damages, or loss arising out of the manner or quality or other circumstances of approved construction on or modifications to any Unit on all matters, the Association shall defend and indemnify the Board, the Design Review Committee, and the members of each, as provided in the Bylaws.

Section 6. Maintenance

6.1. Maintenance, Repair, and Replacement

One of the benefits of owning Property in a planned Community is the commitment among neighbors to maintain their property in a neat, attractive, and well-landscaped condition to enhance the Community's overall beauty and aesthetic appeal. This Section describes the Owners' responsibilities for the maintenance and repair of their Units and for insuring their Units against Property damage so that funds will be available for repair and restoration if needed.

6.2. Maintenance by Owners

Each Owner shall maintain their Unit, including all structures and landscaping **within any enclosed courtyard** associated with that specific Unit or assigned to the Unit as a Limited Common Area, in a manner consistent with the Governing Documents and the Community-Wide Standards. Owners may not install irrigation lines in these areas or remove trees, shrubs, or similar vegetation from Common Area areas without prior approval, according to Section 5. Owners shall have no responsibility for maintaining neighborhood entry features or landscaping associated with such features.

6.3. Maintenance of Association Property

The Association shall maintain its Common Area property in a manner consistent with the Governing Documents, the Community-Wide Standard, and all applicable covenants. Limited Common Area property shall be maintained by the Owner(s) given the use of Limited Common Area.

6.4. Responsibility for Repair and Replacement

Unless otherwise explicitly provided in the Governing Documents or other instruments creating and assigning maintenance responsibility, maintenance shall include responsibility for repair and replacement as necessary to maintain the property to a level consistent with the Community-Wide Standard. Each Owner shall carry property insurance for the full replacement cost of all insurable improvements on their Unit, less a reasonable deductible unless the Association carries such insurance (which they may but are not obligated to do) if the Association assumes responsibility for insuring a Unit according to these Covenants or any applicable Supplement. The premiums for such insurance shall be levied as a Specific Assessment against the benefited Units and Owner thereof.

6.5. Maintenance, Repair, and Replacement

Within 90 days after damage to or destruction of a structure on a Unit, which the Owner is responsible for insuring, the Owner shall promptly repair or reconstruct the structure in a manner consistent with the original construction. Based on plans and specifications as approved according to Section 6 unless the Board, in its discretion, agrees to extend such period. Alternatively, the Owner shall clear the Unit of debris and maintain it neat and attractive landscaped condition consistent with the Community-Wide Standard. The Owner shall pay any costs that insurance proceeds do not cover.

6.6. Maintenance and Repair of Party Walls and Similar Structures.

Except as may otherwise be provided by state law, a written agreement between Owners or other recorded documents applicable to affected Units:

- I. Each wall, fence, driveway, or similar structure built as a Section of the original construction on the Units that serve and/or separate any two adjoining Units shall be considered a Party structure. The cost of reasonable repair and maintenance of a Part structure shall be shared equally by the Owners who use the Party structure.
- II. If a Party structure is destroyed or damaged by fire or other casualties, then to the extent that such damage is not covered by insurance and repaired out of the proceeds of insurance, any Owner who has used the structure may restore it. If other Owners thereafter use the structure, they shall contribute to the restoration cost in equal proportions. However, such a contribution will not prejudice the right to call for a larger contribution from the other users under any rule of law regarding liability for negligent or willful acts or omissions.
- III. Any Owner's right to contribution from any other Owner under this Section shall be appurtenant to the land and shall pass to such Owner's successors-in-title.
- IV. To the extent not inconsistent with the provisions of this Section, the general rules of law regarding Party walls and liability for property damage due to negligence or willful acts or omissions shall apply to any Party structure. Any dispute concerning a Party structure shall be subject to the provisions of Section 2.1.

Section 7. Residential Environment

7.1. Use and Conduct

To maintain a residential environment that encourages respect for and courtesy among neighbors and minimizes the potential for disputes, this Section sets forth basic standards regarding use, occupancy, and transfer of interests in Units. In addition, it provides a procedure by which the Board and the membership can adopt and change rules regulating the use, conduct, and activities within the Community to address particular needs and desires of the Community over time.

7.2. Use, Occupancy, and Transfer of Interests in Units

- I. Residential and Related Uses. Units may be used only for residential and related purposes, except as the Developer may otherwise authorize with respect to construction, marketing, and sale activities of the Developer and as otherwise authorized in this Section. A business activity shall be considered "related" to residential use and thus permitted under this Section only if conducted by a person or persons residing in the Unit and only if the business activity
 - II. is not apparent or detectable by sight, sound, or smell from outside of a permitted structure;
 - III. complies with applicable zoning requirements;
 - IV. does not involve regular visitation of the Unit by employees who do not reside in the Unit, clients, customers, suppliers, or other business invitees, or door-to-door solicitation within the Community; and is consistent with the residential character of that portion of the Community in which the Unit is located and does not constitute a nuisance or hazardous or offensive use, or threaten the security or safety of others, as the Board determines in its discretion.

"Business" shall have its ordinary, generally accepted meaning and shall include, without limitation, any occupation, work, or activity undertaken on an ongoing basis that involves providing goods or services to persons other than the family of the producer and for which the producer receives a fee, compensation, or other forms of consideration, regardless of whether such activity is engaged in full or part-time; such activity is intended to or does generate a profit, or a license is required.

- I. Provision of childcare on a limited basis for a fee shall not be considered a "business" within the meaning of this subsection so long as the childcare provider resides in the home where the childcare is provided;
- II. does not employ other persons to assist in the provision of childcare; and
- III. does not provide childcare to more than two children at a time who do not reside in the home where the childcare is provided or more than four children total, including the children of the childcare provider.

Leasing a Unit for residential purposes shall not be considered a "business" within the meaning of this subsection, provided that the Owner and any other Owners to whom such Owner is related or with whom such Owner is affiliated do not collectively lease or offer for lease more than one Unit at any time. This provision shall not preclude an institutional lender from leasing a Unit upon taking title following foreclosure of its security interest in the Unit or upon acceptance of a deed in lieu of foreclosure.

Leasing: For the purpose of these Covenants, the terms "Lease" and "Leasing" shall refer to the regular, exclusive occupancy of a Unit by any Person other than the Owner, for which the Owner receives any consideration or benefit. Any dwelling leased shall be leased only in its Use and Conduct entirety and all of the following are complied with.

- I. Separate rooms, floors, or other areas within a dwelling may not be separately leased.
- II. All leases shall be in writing and shall disclose that the tenants and all occupants of the leased Unit are bound by and obligated to comply with the Governing Documents. However, the Governing Documents shall apply regardless of whether such a provision is expressly outlined in the lease.
- III. Within ten days of a lease being signed, the Owner Of the leased Unit shall notify the Board or the Association's managing agent of the lease and provide any additional information the Board may reasonably require.
- IV. The Owner must give the tenant copies of the Governing Documents. In addition to, but consistent with, this subsection, the Association or the Board may adopt Rules governing leasing and subleasing.

7.3. Transfer of Title; Resale and Compliance Certificates

Any Owner other than the Developer desiring to sell or otherwise transfer title to their Unit shall give the Board at least seven days prior written notice of the name and address of the purchaser or transferee, the date of such transfer of title, and such other information as the Board may reasonably require. The Person transferring title shall continue to be jointly and severally responsible with the Person accepting title for all Owner obligations, including assessment obligations, until the date upon which the Board receives such notice, notwithstanding the transfer of title. No Owner shall transfer the right to a Unit unless and until

- I. It has requested and obtained a resale certificate signed by a representative of the Association according to Section 207.003(b) of the Texas Property Code ("Resale Certificate"), indicating, in addition to the other matters described in Section 207.003(b) of the Texas Property Code, that (A) all assessments (or installments thereof) and other charges against the Unit due and payable through the date of the certificate have been paid.
- II. There are no violations of the Governing Documents of which the Board has actual knowledge that has not either been cured or waived in writing by the Association.
- III. The Association shall deliver a Resale Certificate, along with a current copy of the Governing Documents, within ten days after the Association's receipt of a written request from an Owner, an Owner's agent, or a title insurance company, or an agent, acting on behalf of the Owner. If the Resale Certificate indicates that there are known conditions on the Unit which violate the Governing Documents or that there are amounts due and unpaid to the Association on account of the Unit, the Owner shall cure any such violations and pay any such unpaid amounts prior to the transfer of title and, upon doing so, may request an update to the Resale Certificate to reflect such activity. The Association may charge a reasonable fee to assemble, copy, and deliver copies of the Governing Documents and the Resale Certificate and to prepare and deliver any update to a Resale Certificate. In addition, upon acceptance of title to a Unit, the new Owner shall pay the Association an administrative transfer fee to cover the administrative expenses associated with updating the Association's records. Such fee shall be in such amount as the Board, by resolution, may reasonably determine necessary to cover its costs, including, but not limited to, any fees charged by a management company retained by the Association for updating its records.

7.4. Subdivision and Combination of Units

No Person other than the Developer shall subdivide or change the boundary lines of any Unit or combine Units without the Developer's prior written approval during the Development and Sale Period and the Board's prior written approval. Any subdivision shall be effective only upon recording a plat or other legal instrument reflecting the subdivision or new boundaries of the affected Unit(s). Unless a revised or amended plat reflecting a boundary change has been and recorded according to this subsection, adjacent Units owned by the same Owner shall continue to be treated as separate Units for purposes of voting and assessment. Use and Conduct even though such Units may be improved with a single dwelling; therefore, the Owner of such adjacent Units shall be responsible for separate assessments for each such Unit.

7.5. Timesharing

No Unit shall be used for the operation of timesharing, fraction-sharing, or similar program whereby the right to exclusive use of the Unit rotates among participants on a fixed or floating schedule over the years.

7.6. Rulemaking Authority and Procedures

Since it is impossible to foresee all potential situations and problems that may arise within the Community, the Association has the authority to adopt and modify rules as needed to address these changing circumstances. The Governing Documents establish a framework of covenants and conditions that govern the Community. The Association must be able to respond to unforeseen issues and changes affecting the Community. Therefore, the Board and the Developer are authorized to change the Rules per the following procedures, subject to the limitations outlined in this Section 7.

- I. Developer Authority. So long as the Developer has the right unilaterally to amend these Covenants according to this Section 7, the Developer may unilaterally add new Rules or amend or rescind existing Rules
- II. Board Authority. Subject to the notice requirements and the Board's duty to exercise judgment and reasonableness on behalf of the Association and its Owners, the Board may adopt new Rules and modify or rescind existing rules by a majority vote of the directors at any Board meeting. However, during the Development and Sale Period, any such action shall also be subject to the Developer's approval.
- III. Notice. The Board shall send a notice to all owners or publish a notice concerning any rule change proposed under subsections (II) or (III) above at least six business days prior to the meeting of the Board of Owners at which such action is to be considered. At any such meeting Owners shall have a reasonable opportunity to be heard before the proposed action is put to the vote. This notice requirement does not apply to administrative and operating policies that the Board may adopt relating to the Common Areas, such as hours of operations of a recreational facility and the method of allocating or reserving use of a facility (if permitted) by particular interest individuals at a particular time.
- IV. Effective Date. A rule change adopted under this Section 7 shall be reflected in an amendment to Exhibit "C" executed by the Developer or the Association, or both, applicable and recorded. Any such amendment shall take effect upon recording or 10 days after the date of which written notice of the Rules change is given to the Owners, whichever is later.

7.7. Signs and Displays

Except as may be outlined in these Covenants (either initially or by amendment) or in the initial Rules outlined and shall comply with the following provisions:

- I. Displays. No Rule shall prohibit an Owner or occupant from displaying religious or holiday symbols and decorations on their Unit of the kinds normally displayed in single-family residential neighborhoods so long as they are not visible outside the Unit.
- II. Owners may also display on the exterior of their residences and their Units seasonal, religious, and holiday signs, symbols, and decorations normally displayed in Single-family residential neighborhoods that are consistent with the Community-Wide Standard, are of reasonable size and scope, and do not disturb other Owners and residents by excessive light or sound emission or by causing an unreasonable amount of spectator traffic. Permitted decorations may be displayed for such periods as are normal for comparable single-family residential neighborhoods, as determined at the Board's discretion.
- III. Signs of any size or form, banners, posters, placards, billboards, advertisements, bulletins, announcements, symbols, displays, or any other manifestation of a message, slogan, or symbol of any kind shall not be displayed upon or visible from the outside of a Unit or placed or displayed anywhere within the Community.
- IV. Signs installed during the initial construction of the Community by the Developer or with the prior approval of the Developer, those signs required by Texas law, and those signs permitted under Section 19 shall be permitted. No Rule shall regulate the display of political signs except per Texas law, and no Rule shall regulate the content of political signs. However, Rules may prohibit signs containing profanity or derogatory or offensive language, graphics, or markings, as the Board may determine in its sole discretion. The Association may adopt time, place, and manner restrictions consistent with Texas law concerning signs, symbols, and displays visible from outside structures on the Unit,

including reasonable limitations on size, number, and duration. Notwithstanding the preceding, no "for Sale" or "for rent" signs may be placed on any Unit within the Community. The Association shall establish and maintain a central location where all notices of Units for sale or rent may be advertised and displayed.

7.8. **Household Composition.**

No Rule shall interfere with an Owner's freedom to determine the household composition, except that the Association may impose and enforce reasonable Occupancy limitations and Conditions based on Unit size and facilities and its fair share use of the Common Area.

7.9. **Activities within Dwellings**

No Rule shall interfere with the activities carried on within a dwelling, except that the Association may prohibit activities not normally associated with residential property. It may also restrict or prohibit activities that create monetary costs for the Association or other Owners, create a danger to anyone's health or safety, generate excessive noise or traffic, and create unsightly conditions visible from outside the dwelling or that is an unreasonable source of annoyance.

7.10. **Allocation of Burdens and Benefits**

No Rule shall alter the allocation of financial burdens among the various Units or rights to use the Common Area outlined in these Covenants to the detriment of any Owner over that Owner's objection expressed in writing to the Association. Nothing in this provision shall prevent the Association from changing the Common Area availability, adopting generally applicable rules for the use of the Common Area, denying use privileges to those who are delinquent in paying assessments, abusing the Common Area, or violating the Governing Documents. This provision does affect the right to increase the number of assessments as provided in Section 13.

- I. Leasing and Transfer of Units. No Rule shall prohibit the leasing or transfer of any Unit or require approval before leasing or transferring a Unit.
- II. Abridging Existing Rights. No Rule shall require that an Owner or occupant dispose of personal property kept in or on the Unit in compliance with the Rules in effect at the time the such personal property was brought onto the Unit. This exemption shall apply only during the period of such Owner's Ownership of the Unit and shall not apply to subsequent Owners who take title to the Unit after the adoption of the Rule.
- III. Reasonable Rights to Develop. No rule may unreasonably interfere with the ability of the Developer or any Developer Affiliate to develop, market, and sell property in Lake Padre Village.
- IV. Interference with Easements. No Rule may unreasonably interfere with the exercise of any easement.

7.11. **Acknowledgment and Notice to Purchasers (Owners)**

By accepting a deed, each Owner acknowledges and agrees to the Rules outlined in these Covenants. All Unit purchasers are notified that the Association may have adopted changes to the Rules and that such changes may not be outlined in a recorded document. A copy of the current Rules and administrative policies is available from the Association upon request. The Association may charge a reasonable fee to cover its reproduction cost.

Section 8. Architectural Landscaping Guidelines

8.1. **Introduction**

The architectural style of homes in Lake Padre Village is intended to represent an archetype beach home. The homes shall be a blend of Cape Code cottages, Conch style, and Caribbean style influenced by settlers to Key West with Creole and Victorian designs. This home style is typically found along the coastal areas in the tropics and the coastal beaches of the United States. The house plans tend to be open with many doors, windows, balconies, and porches. Each house (Unit) In Lake Padre Village will have a unique design, and sizes will range from 1200 to >2600 sq. ft in this architectural style. Wooden gables, columns, covered porches, and upper-story balconies exemplify the style. Many will have "shotgun" style layouts due to the layouts of the lots. The goal is to provide a diverse environment of homes and owners currently unavailable on Padre Island in Corpus Christi.



The Lake Padre Village Association will maintain all landscaping in the development except any landscaping within a fenced area of a Unit identified as an individual Unit patio area. All units are encouraged to provide a small private area for the owners. Landscaping will be consistent with a coastal environment.

8.2. **Architecture Standards**

All units shall follow the Lake Padre Village coastal cottage style with simple rectangular forms. The creativity of the forms is encouraged but should always maintain simple functional features. All units are required to have two parking areas. "On-street" (main shared driveway) parking will not be allowed except in designated areas for visitor parking. The main driveway will be marked with fire lane "No Parking" signs.

8.3. **Interior Designs**

The architectural layout defines the interior design of any Unit. Lake Padre Village Association will not define the requirements of any Unit's interiors unless it impacts the exterior design elements, so they are not consistent with external design element requirements.

8.4. Gable Roofs

All roofs shall be a standard gable style. A gabled roof is a roof with two sloping sides that come together at a ridge, creating end walls with a triangular extension, called a gable, at the top. Acceptable designs include front, side, cross, Dutch, parallel, hipped, and saltbox gabled roofs.

Other roofs are not acceptable, including, but not limited to curved gable, mansard, flat or parallel hip.

8.5. Front Gable Roofs

A front gable roof is placed at the entrance of the house. This design is often seen in Colonial-style homes.

8.6. Dutch Gable Roofs

A Dutch gable is a hybrid of a gable and a hip roof. A gable roof is placed at the top of a hip roof for more space and enhanced aesthetic appeal.

8.7. Gambrel Gable Roofs

Gambrel roofs are commonly associated with Dutch building traditions and barns, and they break each sloping roof section into two parts—one close to the ridge that is relatively flat and one closer to the eaves that drops down steeply. This design makes maximum use of space under the roof.

8.8. Roof Material

“Standing Seam” is an industry term for vertical sheet metal panels. It is one of the most popular metal roofing styles for cottage / Caribbean beach homes, thanks to its beauty, durability, longevity, simplicity, versatility, and energy efficiency. Due to its simple and remarkably clean bold looks standing seam metal roofs are required on all units.

- I. All roofing material will consist of 2-1/2" corrugated metal with a standing crimp seam.
- II. 12" maximum width
- III. Minimum 24 gauge
- IV. Concealed metal fasteners
- V. Gauge - 24 (Standard); 22(12", 16", 18"), 26 (12")
- VI. Finish Type - Coatings – Galvalume
- VII. Color – Stone White or equivalent
- VIII. Aluminum lasts longer in a coastal environment and can also be used as a roofing material if the finish matches a galvanized look and strength.



Typical Standing Seam Standing Seam Metal Roof

8.9. Balconies

Balconies shall be a minimum of 3' deep and shall be functional.

8.10. Siding Materials

Several types of siding styles can be used. This includes horizontal panels, vertical panels, board and batten, traditional batten, and shingles. Materials must be wood or solid core, similar to Hardie board or equivalent concrete mixture material. Vinyl siding is not allowed.



*Sidingauthority.com

8.11. Foundation Coverings.

All foundations raised more than 6" above ground level shall have decorative skirt covering similar to image below.

8.12. Zero Lot and Build Setbacks

Lake Padre Village is in the Padre Island Overlay area designated as a Tourist/Vacation destination and is intended for higher-density housing than other areas of Padre Island. Lake Padre Village is one of the few single-family detached homes in this area.

All lots are Zero Lot line types. This means that the structure can be built up to the zero-lot line. In order to provide some privacy to adjacent homeowners, opaque windows are allowed on the zero-lot side of the Unit unless the distance to the next unit is at least 10 feet away from the adjacent units. Exact lot sizes and setbacks are indicated in Attachment A.

Phase 1 Zero Lot

- I. Lots 1,4 and 7 are within 10' of adjacent units, and opaque or no windows are allowed on that side of the Unit.
- II. Lots 2,3,5,6,8 and 9 have a spacing of more than 10' to any other units along the zero lot line and can have clear windows on the zero lot side of the units.

8.13. Build Lines (Set-Backs)

Build lines (sometimes called Yard Lines or Set-Backs) vary depending on the lot location. All units must be constructed within the defined Build Lines (BL) for that Unit.

- I. Lots 1, 8, and 9 have a 5' utility easement on the south side, and units must be at least 5' from the Lake Padre Village property line.
- II. Lots 4, 5, 6, and 7 have a 5' utility easement on the north side, and units must be at least 5' from the Lake Padre Village property line.
- III. All lots have a 3' Build line along the internal driveway except lots 8 and 9, which have a 3' setback from the internal sidewalk.
- IV. Lots 7 and 8 have a 10' BL from the Lake Padre Village property line along Granada Drive. There is also an easement of 12' from Granada for AEP (Electric company's cables and transformers)
- V. Lots 1, 2, 3, and 4 have a 5' BL from the Common Area along the canal.

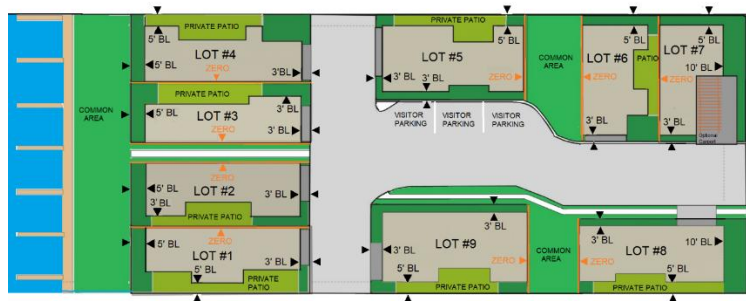


Figure 1 LOT BUILD LINES (BL) and ZERO LOT LINES (Phase 1)

8.14. Private Patio Areas

Private Patios are optional areas that are defined for each Unit during their design phase. Although encouraging a Private Patio area is not a requirement. If a private patio is included in the Unit design. These areas shall be fenced in and the owner is responsible for the landscaping maintenance. All areas of Lake Padre Village outside a Private Patio will be maintained by the Association.

8.15. Special Canal Lot Requirements

Lots along the canal (lots 1,2,3, and 4) require that at least 60% of the structure facing the next lot (patio area) is 10' minimum from the next Unit on the ground level.

8.16. Firewalls

A firewall is required for any Unit closer than 10' to the next Unit. As lots are currently laid out Units on lots 1, 2, 3,4, and 7 may require firewalls meeting the National Fire Protection Agency (NFPA) requirements as well as any City of Corpus Christi fire code ordinances.

8.17. Home Fire Sprinkler Systems

All units are located in the Padre Island Overlay and will allow short-term rental of a Unit. All Units are encouraged to have home fire sprinkler systems installed and maintained in working order per NFPA. In addition to any applicable City of Corpus Christi zoning requirements. Home fire sprinklers can dramatically reduce the heat, flames, and smoke produced in a fire, and properly installed and maintained fire sprinklers help save lives.

8.18. Parking

The parking area can be attached to garages, carports, open parking spots, or a combination the these. Lot layouts will dictate if a Unit is "front-loaded" or "rear-loaded" parking.

- I. Front-loaded lots have both the garage and main home entry facing the street.
- II. Rear-loaded lots are found along the canals. The Unit's main "architectural" entry is opposite the garage area. Some lots could have either front-loading or rear-loading garages determined by the architecture's design.

8.19. Landscaping

The Corpus Christi City Council has encouraged the optimal quality of life for all citizens of Corpus Christi by improving the appearance of the City through increased use of quality, well-designed landscaping. The Developer also feels landscaping is critical to maintaining the area as an archetype beach vacation area. The Developer will provide initial landscaping for all Common Areas. The Association shall maintain other areas outside the "Private Patios" that the Unit Owners maintain.

A subset of the plants defined by the Corpus Christi Unified Development Code will be approved at Lake Padre Village. Plants selected should thrive in the sandy soil typical of North Padre Island. All chosen trees will be of the palm variety. Palm trees, with their long vertical lines, will enhance the Coastal style architecture of the housing units.

Scientific Name**Common Name**

Arecastrum romanzoffinum	Queen Palm (Cocus Plumose)
Brahae armata	Mexican Blue Palm
Butia capitata Pindo,	Jelly Palm, Cocos Australis
Chamaerops humulis	Mediterranean Fan Palm
Livistona chinensis	Chinese Fan Palm
Phoenix canariensis	Canary Island Date
Phoenix dactalifera	Texas Date Palm
Sabal palmetto	Cabbage Palm (Florida Sabal)
Sabal texana	Texas Sabal
Syagrus romanzonffiana	Cocus Plumosa
Trachycarpus fortunei	Palm
Washingtonia robusta	Fan Palm
Washingtonia filifera	Fan Palm (Freeze Hardy)

Additional plants shall include shrubbery as found in coastal regions found in Corpus Christi, Texas, and approved for Lake Padre Village.

Scientific Name**Common Name**

Acalypha spp.	Copperleaf, Copperplant
Agapanthus spp.	Blue Lily of the Nile
Agave americana	Century Plant
Antigonon leptopus	Coral Vine, Rosa-De-Montana Heart and Flowers,
Queens Aptinia condifolia	
Asparagus sprengeri	Asparagus Fern Aspidistra
elator Aspidistra,	Cast Iron Plant
Berberis (Mahonia) trifoliata Agarita, Agarito	Bamboo spp. Bamboo
Bougainvillea spp. Bougainvillea Caesalpinia spp.	Bird of Paradise Bush, Mexican Poinsianna Callistemon spp.
Bottlebrush	Campsis radicans
Trumpet Vine, Trumpet Creeper	Capsicum Annum
Chilipiquin Carissa spp.	Natal Plum
Cassia alata	Candlestick Tree
Cassia spp. Cassia Cortaderia seloana	Pampas Grass
Cuphea Hyssopifolia	Mexican Heather
Dasyilirion Texanum Sotol Delosperma spp.	Ice Plant
Duranta repens	Brazilian Sky Flower
Elaeagnus pungens	Silverberry
Eriobotrya x "Coppertone"	Coppertone Loquat
Erythina herbacea	Coral Bean
Gamolepis chrysanthemoides	Golden Shrub Daisy
Ginger spp.	Flowering Ginger
Hamelia patens	Fire Bush, Hummingbird Bush
Hedera canariensis	Algerian Ivy
Hedera helix	English Ivy
Hemerocallis spp.	Daylillies
Hesperaloe parviflora	Red Yucca Hibiscus
syriacus Althea, Rose-of-Sharon Ilex cornuta	Dwarf Chinese Holly Ilex decidua
Pomea fitulosa	Bush Morning-Glory
Jasminum floridum	Italian Jasmine
Jasminum mesnyi	Primrose Jasmine
Jatropha spp. Jatropha Juniper spp.	Juniper
Justicia brandegeana	Shrimp Plant
Justicia suberecta	Mexican Shrimp Plant
Lagerstroemia spp.	Crapemyrtle Lantana spp. Lantana Leucophyllum spp.
Texas Silverleaf,	Sage,
Cenizo Ligustrum spp.	Ligustrum
Liriope gigantean	Giant liriope Liriope muscari japonica chinensis
Japanese Purple Honeysuckle	
Malpighia glabra	Barbados Cherry
Malvaviscus drummondii	Turk's Cap
Moraea spp.	African Iris
Musa spp.	Banana Plant
Nandina domestica	Nandina
Agave spp.	Agave
Aloe spp.	Aloe Vera
Asparagus densiflorus Sprengeri	Asparagus Fern

Section 9. Property Management**9.1. Property Management**

The Association has many functions, but one of the primary functions is maintaining and operating property and facilities for the common benefit of the Owners and residents of Lake Padre Village. This Section establishes the association's obligation and accepts property that the Developer designates as Lake Padre Village area Common Area and to maintain, operate and ensure it along with their properties for the benefit of Lake Padre Village Owners.

9.2. Acceptance and Control of Association Properties

The Developer, its designees, or any Developer affiliate, and with the Developer's written consent, may transfer or convey to the Association interest in real or personal properties within or for the benefit of the Community, and the Association shall accept such transfers and conveyances. Such property may be improved or unimproved and may consist of fee simple title easements, releases, licenses, or other real or personal property.

Upon the Developer's written request, the Association shall recover any unimproved real property that the Developer originally conveyed to the Association for no payment, to the extent conveyed in error or needed to make minor adjustments in the property lines or accommodate changes in the development plan.

The Developer shall have the right to convey any property to the Association as Lake Padre Village Common Area subject to easement permitting persons who are not members of the Association to use and enjoy such Common Areas payment to the association of reasonable use fees (example: mooring dock rental).

The Developer may also transfer and assign to the Association any continuing obligations and responsibilities under development agreements or conditions of development approvals relating to the Community, including any obligation to post or maintain maintenance bonds on improvements within the public right of ways other portions of the Common Area responsibility. The Association shall accept, assume, and fulfill obligations and duties as the Developer show assigned to it.

9.3. Management and Control

The Association is responsible for managing operations controlling the Common Areas, subject to any covenant outlined in the deed or other instrument transferring the property to the Association. The Association may enter this is, licenses, or operating agreements concerning portions of the Common Area, for payment or non-payment, as the Board deems appropriate. The Association may permit the use of Common Area facilities by persons other than Owners and amounts of units. It may charge user fees and such amount as the Board may establish for such user fees.

The Association, and the Owners, with regard to their respective Limited Common Areas, shall maintain the Common Areas following the community-wide standard. The Common Areas include but are not limited to;

- I. Including but not limited to all landscaping, natural formations, mooring docks, fences, if any parks, structures, entry greats and other improvements, any private streets shown as such on a recorded plat, biking, walking, and hiking pathways, situated upon Common Areas, a Unit, or about in the Community.
- II. Community signage, monumentation, and landscaping installed by the Developer at entrances of the Community, whether located in the Common Area or in public right away,
- III. Decorative walls or fencing within the easement will generally run parallel to the public right of way within or adjacent to Lake Padre Village and landscaping.
- IV. Such portion of the additional property may be dictated by the Developers in these Covenants any supplement, or any covenant or agreement for maintenance entered into by, or otherwise binding on the Association and,
- V. Any property and facility that the Developer or any Developer affiliate owns and makes available, on a temporary or permanent basis, for the primary use and enjoyment of the Association and its Owners. The Developer shall identify any such property and facilities by written notice to the Association to remain a portion of the Common Area responsibility until the Developer or Developer affiliate revokes such privilege of use and enjoyment by written notice to the Association.

The Developer of the Association may, but shall not be obligated to, install walkways through portions of the Community and within power and gas line easements running through or adjacent to the Community. The walkways may be comprised of concrete or other hard surface materials. In other cases, the walkways may have no finished surface or may be constructed of permeable material such as crushed rock. All paths and trails may not be built to the same standard, and neither the Developer nor the Association shall have any duty to improve or maintain all walkways to the same standard.

The Association shall maintain the Common Area facilities in operation during such regular or seasonal operating hours of the Board may adopt, unless during the development period or until Owners entitled to cast 60% of the total votes of the Association, consent in writing to discontinue such operation. This Section shall not apply or restrict the Board's ability to establish reasonable operating hours, which may vary by season, or to limit temporary closures are interruptions in operations as the Board may determine appropriate to perform maintenance or repairs.

In the event of damage to or destruction of a portion of the Common Area for which the Association has insurance responsibility, the Board or its duly authorized agent shall file and adjust all claims and obtain reliable and detailed estimates of the cost of repairing or restoring the property to substantially its condition before the damage, allowing for changes or improvements necessitated by changes in applicable building codes.

The Association shall repair or reconstruct damaged Common Areas improvements within a reasonable time after the loss unless;

- I. These Covenants is terminated according to Section 22,
- II. Repair or restoration would be illegal under any state or local statute ordinance governing health or safety,
- III. The Developer approves the decision not to repair or reconstruct during the development and sale period. After that, if 60% or more of all the votes of the Association in the case of Common Area for the benefit of all members or 60% of those Owners assigned Limited Common Area rights votes against repair or reconstructions.

If either the insurance proceeds or estimates of the loss or both are not available to the Association within such reasonable time period then the period shall be extended until such funds or information are available. Except for as provided above, no mortgagee shall have the right to determine whether the damage or destruction to the Common Area shall be repaired or reconstructed.

If a decision is made not to restore the damaged area and no alternative improvements are authorized, the affected property will be cleared of all debris. The Association shall maintain the area in a neat and attractive condition.

The insurance proceeds attributable to any Unit or limited Common Areas that are not rebuilt shall be distributed to the Owners of the damaged Unit or the units to which such limited Common Area was assigned or to their respective lien holders, as their interest may appear, in proportion to their relative liability for Association expenses, the Association shall retain and place in a capital improvement account for the benefit of all Owners or Owners of units to which such limited Common Area was assigned, as appropriate, any insurance proceeds remaining after paying the cost of repair or reconstruction or

after such settlement as in necessary and proper. This is a covenant for the benefit of the Mortgagee and may be enforced by the mortgages of any affected units.

If insurance proceeds are insufficient to cover the cost of repairs and reconstruction, the Board may, without the vote of the membership, levy special assignments to cover the shortfall against those Owners responsible for the premiums for the applicable insurance coverage under Section 12

The Association may contract with the Owner of any neighboring property or recreational amenities to share costs associated with the maintenance and operation of mutually beneficial properties or facilities or provisions of mutually beneficial services.

Section 10. Services

10.1. Provision of Services

In addition to that property management role, the Association is a vehicle for providing various services for the benefit of the Community at large and individual units. This section describes some of these services the Association may offer and the mechanisms by which it may provide varying levels and types of services to the Community.

A. Provision of Services to Units

The Association may arrange for or provide services to Owners in their Units, directly or through contractors with the Developer or other third parties. The Association may enter into a bulk service agreement by which a particular service is provided to all units, or it may offer various services at the option of each Owner or both. Example services might include cable television, community technology, trash collection, landscape maintenance, and caretaker services.

The Association contract for services may require individual Owners or occupants to execute separate agreements directly with the persons providing components or services to gain access to or obtain specified services. Such contracts and agreements may contain terms and conditions that, if violated by the Owner or occupant of a Unit, may result in the termination of services provided to such Unit. Any such termination shall not relieve the Owner of the continued obligation to pay assessments for any portion of the charges for which such services are assessed against the Unit as a Common expense or service area expense according to Section 13.

In its discretion, the Board may discontinue offering particular services and modify or cancel existing contracts for services, subject to contract terms in any provision that may exist elsewhere in the Governing Documents requiring the Association to provide such services.

10.2. Community Technology

The Developer may provide or enter into an agreement or cause the Association to contract with other persons to provide central telecommunication services. These may be cable television, high-speed data Internet service, telephone, security monitoring, and related components, including associated infrastructure, equipment, hardware, and software.

Any such contracts may provide for installation, operation, management, maintenance, and upgrades or modifications to the Community systems as the Developer to terms appropriate.

The Association may enter into a bulk rate service agreement providing access to all units as a common expense. If the services are provided to particular Owners or Units, those receiving the beneficial services shall pay the service provider directly.

10.3. Opportunities for Community interaction

The Association will use computers and the Internet and expand the technology to facilitate Community interaction and encourage participation in the Association's activities. For example, the Association may use social media to create and maintain a Community home page, keep an online newsletter or bulletin Board, or offer other technology-related services and opportunities for the Owners and residents to interact and Participate in sponsored activities. Hold Board or Association meetings and permit attendance and voting by electronic means, and send and collect assessments and other invoices by electronic means. To the extent Texas law permits, and unless explicitly prohibited in the Governing Documents, the Association may send notices by electronic means.

Section 11. Insurance

11.1. Association Insurance

The Association is responsible for insuring against various types of risk, including property damage, personal injury, and liability. This section describes the minimum types of insurance coverage that the Association must obtain, the specific requirements for such policies, and the handling of deductibles and premiums for such insurance.

11.2. Required Coverages

The Association shall obtain and maintain in effect the following insurance coverage, if reasonably available, or if not reasonably available, the most nearly equivalent coverage as is reasonably available.

- I. Blanket property insurance covers all risk of direct physical loss on a replacement cost basis for comparable coverage by whatever name denominated for all insurable improvements
 - i) In the Common Areas,
 - ii) Other portions of the areas of Common responsibility, to the extent the Association has responsibility for repair or replacement in the event of a casualty, and
 - iii) Any service area, to the extent specified by the supplement.

Broad-form coverage may be substituted if such coverage is not generally available at a reasonable cost. The limits of the Association's property insurance policy should be sufficient to cover the full replacement cost of the insured improvement under current building ordinances and codes

- II. Commercial general liability insurance of the Common Area responsibility, ensuring the Association and its Owners of property damage or personal injury caused by the negligence of the Association or any of its Owners comments employees, agents, contractors as well acting on the behalf. If available at a reasonable cost, such coverage shall have a limit of at least \$1,000,000 per occurrence concerning bodily injury, personal injury, and property damage. Such coverage may be provided through a combination of primary and umbrella policies. However, if additional coverage and higher limits are available at a reasonable cost that a reasonably prudent person would be obtained, the Association shall obtain such coverage or limits.
- III. Workers' compensation insurance in employer's liability insurance, if and to the extent required by law,
- IV. Directors and officers' liability coverage with a limit of at least \$1,000,000, and
- V. Commercial crime insurance, including Fidelity insurance covering all persons responsible for helping Association funds in and an amount determined in the Board's business judgment but not less than an amount equal to 1/4 of the annual base assessments as defined in Section 13 on all Units, plus reserves on hand. Fidelity insurance policies shall contain a waiver of all the fences based upon the exclusion of persons serving that compensation.

The Association shall arrange for an annual review of the sufficiency of its insurance coverage by one or more qualified persons. At least one of those persons must be familiar with an insurable replacement cost in the Corpus Christi, Nueces County, Texas area. In the exercise of its business judgment, the Board may obtain additional insurance coverage and higher limits than this Section requires.

11.3. Deductibles

The Association's policies may contain a reasonable deductible, which shall not be subtracted from the face amount of the policy in determining whether the policy limits satisfy the requirements of Section 12. In the event of an insured loss, the deductible shall be treated as a common expense or a Service Area expense in the same manner as the premium for the applicable insurance coverage under Section 12. If the Board reasonably determines, after notice and after being heard per the bylaws, that the loss is the result of the negligence or willful misconduct of one or more Owners, their guests, invitees, or lessee. In that case, the Board may access the total amount of such deductible against such Owner(s) and their units as a specific assessment.

11.4. Policy Requirements

The Association policies shall provide a certificate of insurance to be furnished from the Association upon an Owner's request.

To the extent available at a reasonable cost, the Association shall;

- I. Be written with a company authorized to do business in Texas that satisfies the requirements of the Federal National Mortgage Association or such other secondary mortgage market agency or federal agencies as the Board deems appropriate.
- II. Be written in the name of the Association as trustees for the beneficial parties. All policy shall be for the benefit of the Association and its members, except the policies on limited Common Areas, which shall be for the benefit of the Owner units within the service area to which the limit, is assigned and their mortgages, as their interest may appear
- III. Not be bought or purchased by Owners, occupants, or mortgages individually
- IV. Contain inflation guard endorsement
- V. Include a co-insurance waiver or an agreed amount endorsement if the policy contains a coinsurance clause
- VI. Provide that each Owner is an insured person with respect to liability arising out of such Owner's status as a member of the Association
- VII. Provide a waiver of subrogation against the Owner or household member of an Owner and
- VIII. Include an endorsement precluding cancellation, invalidation, suspension, or non-renewal by the insurer on account of any act or omission of one or more Owners unless acting on the Association's behalf within the scope of the authority, or account of any curable defect as a violation, without prior written demand to the Association and allows for a reasonable time to cure the defect or violation

In addition, the Board shall use reasonable efforts to secure insurance policies that provide

- I. A waiver of subrogation as to any claims against the Association to directors' officers' employees, and manager
- II. A waiver of the insurer's right to repair and reconstruct instead of paying cash
- III. An endorsement excluding the Owner's individual policies from consideration under any other insurance clause
- IV. An endorsement requiring at least 30 days prior written notice to the Association of any cancellation, substantial modification, or non-renewal
- V. A cross-liability provision and
- VI. A provision vesting the Board exclusive authority to adjust losses. However, mortgagees having an interest in such losses may not be precluded from participating in the settlement negotiations if any are related to the loss.

11.5. Insurance Premiums

Premiums for all Association insurance shall be a Common expense, except that the premiums for property insurance on a Common Area assigned to a particular Service Area shall be a Service Area expense unless the Board reasonably determines that such treatment of the premiums is more appropriate.

Section 12. Association Finance

12.1. Association Finance

This Section provides various types of funding to cover expenses that the Association incurs or expects to incur in exercising the authority to perform its responsibilities under the Governing Documents. The primary funding source is the assessments levied against the units and collected from the Owners of each Unit. The assessments are secured by a lean on each Unit as described in this Section.

12.2. Association Expenses.

Common expenses. Except as the Governing Documents otherwise explicitly provided, all the expenses that the Association incurs, or expects to incur, in connection with the Ownership, maintenance, and operation of Common Area responsibility, in performing its responsibilities and exercising its authority under the Governing Documents, and otherwise for the general benefit of the Owners, are considered Common Expenses. Common expenses include operating reserves and reserves for repair and replacement of capital items within the Common Area responsibility. The estimated expense in each budget shall include, in addition to any operating reserves, a reasonable contribution to a reserve fund for the repair in the placement of any capital items to be maintained in a Common experience or as a service area expense of the service area for which the budget is prepared. In determining the amount of the reserve contribution, the Board should consider the number and nature of replaceable assets, the useful life of each, expected repair or replacement cost, and the contribution required to fund projected needs by annual contributions over the useful life of the asset. Each budget shall reflect the sources and the estimated amount of the funds to cover such expenses, which may include any expenses plus any to be applied from prior years, any income expected from sources other than assessments levied against the units, and the amount to be generated through the levee base assessments and service area assessments pursue it as the Board finds necessary or appropriate.

Common expenses should not include expenses incurred during the Developer Control Period for initial development or original construction costs unless the Developer and Owner's entitled to cast a majority of the votes in the Association approved such expenditure. Payments due under leases of capital improvements such as streetlights shall not be considered initial development or original construction costs.

The characterization of a particular expense such as a Common expense shall not preclude the Association from seeking reimbursement for, or a contribution towards, such expenses from other persons who may be responsible for the expenses incurred or for sharing such expenses according to these Covenants, any supplement, or any additional recorded covenants agreement.

12.3. Budgeting and Allocating Association Expenses

- I. Preparation of budget period at least 60 days before the beginning of each physical year, the Board shall prepare a budget of the estimated Common expenses for the coming year period. In addition, the Board shall prepare a separate budget for each service area that reflects the estimated service area expenses that the Association expects for the benefit of such service area in the coming year.
- II. **Calculations of base assessments.** The total budgeted Common expenses plus the Common expenses budget from prior years in any income anticipated from sources other than assessment against the units shall be allocated among all units subject to assessment under Section 13 and levied as a base assessment. Base Assessments shall be levied at a uniform rate subject to assessment under Section 13, except that Unit which the Developer owns shall not be assessed any portion, so the Base Assessment levied to fund contributions to reserve funds and shall not be assessed at all during any period of the Developer has elected to fund deficits.
- III. **Developers Subsidy Option.** The Developer may not be obligated to reduce the Base Assessment for any physical year by paying a subsidy in addition to any amount paid by the Developer under Section 13. Any such subsidy may be traded as a contribution, an advance against future assessments due from the Developer, or a loan, at the Developer's discretion. Any such subsidy and the characterization thereof shall be disclosed as a line item in the income portion of the budget. Payment of such subsidy in any year shall not obligate the Developer to continue the amount of such subsidy in future years unless otherwise provided in writing between the Association and the Developer.
- IV. **Notice of Budget and Assessment Right to Disapprove.** At least 30 days before the effective date of any budget the Board adopts, the Board shall submit a summary of the budget, together with notice of the amount of the Base Assessment and any Service Area Assessment to be levied according to such budget, to Owners of each Unit responsible for a share of the expenses covered by the such budget. The Common expense budget shall automatically become effective unless disapproved at a meeting by Owners entitled to cast at least 60% of the total votes in the Association and by the Developer during the Development and Sale Period. Each service area budget shall automatically become effective unless disapproved by a meeting by the Owners of at least 60% of the units within the Service Area. The right to disapprove a Service Area budget shall apply only to those line items that are attributable. The services or benefits requested by the service area shall not apply to any item that the governing document requires to be assessed as a Service Area Expense.

There shall be no obligation to call a meeting to consider the budget except comment in the case of the Common Expense Budget, on a petition of the membership for a special meeting according to the bylaws, and in the case of a service area budget, on a petition of Owners of at least 60% of the units within the Service Area. The said petition must be presented to the Board within ten days after delivery of the budget and notice of any assessments.

If any proposed budget is disapproved, or the Board fails to determine the budget for any year, the most recent budget in effect shall continue until a new budget is ratified. The Board shall have no obligation to fund reserves and no liability for failure to fund other obligations of the Association under the Governing Documents, to the extent its proposed budget is vetoed, the budget and effect is inadequate to cover all Common Expenses, including reserves.

- V. **Budget Provisions.** The Board may revise the budget and adjust the Base Assessment or Service Area assessments anytime during the year, subject to the same notice requirements in the right to disapprove outlined in subsection e) above.
- VI. **Surplus funds.** Any surplus funds of the Association remaining after payment of or provisions of all Association expenses and any prepayment of or provisions for reserves shall be taken into account, and the income portion of the budget according to which the funds were collected, to reduce the assessments that would otherwise be levied according to that budget in succeeding years

12.4. Special Assessments

The Association may levy special assessments to cover Common expenses that are non-routine, unanticipated, or above those anticipated in the applicable budget period except as otherwise specified provided in these Covenants. Any special assessment for Common expenses shall require an affirmative vote or written consent of Owners entitled to cast more than 50% of the votes attributable to the Unit subject to the assessment under Section 13.4 and should be allocated equally among all Units. Any special assessment for service area expenses requires the affirmative vote or written consent of Owners representing more than 50% of the total votes allocated to the units in the benefited service area and shall be allocated in the same manner as surface area assessments under Section 13.4, during the development and sale. Comment on any special assessment shall be subject to the Developers' written consent. Special assessments shall be payable in such manner and at such times as the Board determines and may be payable in installments extended beyond the fiscal year in which the special assessment is approved.

12.5. Specific Assessment.

The Association may levy specific assessments against a Unit as follows.

- I. To cover the cost, including overhead and administrative costs, of providing services to the Unit request of the Owner according to any menu of optional services which the Association may offer, which might include the items identified in Section 11, specific assessments for optional services may be levied in advance of provision of the requested service, and
- II. To cover the cost incurred in bringing the Unit into compliance with the Governing Documents or expenses incurred as consequences of the conduct of the Owner or occupants of the Unit, their agents, contractor, employees, licensees, invitees, or guest, however, the Board shall give the Unit Owner prior written notice and an opportunity for a hearing per the bylaws before levying such a specific assessment.
- III. To cover any deductible assessed against the Unit according to Section 12 or any premium for insurance on limited Common Areas assessed under the Unit according to Section 12 and
- IV. To cover the other amounts that the Governing Documents authorized, the Association shall charge a particular Owner or levy against any particular Unit.

12.6. Authority to Assess Owners' Time of Payments.

The Developer establishes, and the Association is authorized to levy assessments as provided for in this Section and elsewhere in the Governing Documents. Except as otherwise provided in Section 11 concerning units owned by the Developer, the obligation to pay assessment shall commence as to each Unit on the first day of the month following the date on which the Unit is made subject to these Covenants on the effective date of the association's first budget, whichever is later. The base assessment in service area assessment, if any, levied on each Unit for the year in which the Unit is made subject to these Covenants shall be prorated according to the number of months remaining on the physical year at the time the Unit becomes subject to the Covenants.

Assessments shall be paid in such manner and on such dates as the Board may establish. The Board may require advanced payments of assessments at the closing of the transfer of title to a Unit and impose special requirements for Owners with a history of delinquent payment. The Board selects assessments that may be paid in two or more installments. Unless the Board otherwise provides, the base assessment and any service area assessments shall be due and payable in advance on the first day of each fiscal year period.

If any Owner is delinquent in paying any assessments or other charges levied on his Unit. In that case, the Board may require the outstanding balance on all assessments to be paid total immediately.

12.7. Obligation for Assessments.

- I. **Personal obligation.** By accepting a deed or entering into a recording contract to purchase any Unit, each Owner covenants and agrees to pay all assessments authorized in the Governing Documents. All assessments together with interest computed from its due date at the rate of 10% per annum or such rate as the Board may establish, subject to the limitations of Texas law, late charges as determined by the Board resolution cost. Reasonable attorney fees shall be the personal obligation of each Owner and a lien upon each Unit until paid in full. Upon a transfer of title to a Unit, the grantee shall be jointly severally liable for any assessments and other charges due at the time of the conveyance. The Board's failure to fix assessment amounts or rates or deliver or mail to Owner an assessment notice shall not be deemed a waiver, modification, or release of any Owner from the obligation to pay the assessments. In such an event, each Owner shall pay Base Assessment and Service Area Assessments at a rate of which assessment established for that year for which an assessment was made, did any until a new assessment is levied, at which time the Association may retroactively access any shortfall. No Owner may exempt themselves from liability for assessment by non-use of the Common Area, abandonment of their Unit, or non-use of services provided to all Units or the values within the service area to which the Unit is assigned. The obligation to pay assessments is a separate and independent covenant the Section of each Owner. No diminution or abatement of assessments or set-off shall be claimed or allow for any alleged failure of the Association or Board to take some action or perform some function required of it or for inconvenience or discomfort arising from the making of repairs or improvements or from any other action it takes.
- II. **Developer Financial Obligations to Association.** Subject to Section 12, the Developer shall be liable for assessments on any Units it owns that are subject to assessment under this Section except during the Development and the Sale period. The Developer may satisfy its obligations to pay Base Assessment and Special Assessments for common expenses on Units it owns either:
 - i) By paying such assessment exclusively on any portion of the levy to fund contributions to reserve funds in the same manner as any other Owner, or
 - ii) By paying any shortfall in the actual expense, excluding contributions to the reserve funds under the Common expense budget resulting from events other than the failure of other Owner to pay their assessments, the amount of any such shortfall determined after allocating to any reserve that portion of the assessment collected from the other Owners for purposes of funding reserve accounts.

Regardless of the Developers' election under this Section, any of the Developers' financial obligations to the Association may be satisfied in cash or by in-kind contributions of services or materials or by a combination of these.

12.8. Assessment statement.

Within seven days after receipt of a written request by the Owner, mortgagee, perspective mortgager, or prospective purchaser of a Unit, delivered personally or sent by certified mail, first-class postage prepaid, return receipt requested to the Association registered agent or a designee, the Association shall issue a written statement setting for the amount of any unpaid assessments for the amount of current periodic assessments and the date on which such an assessment becomes due, or any credit for advance payments or prepaid items. Such statement shall be delivered personally or by certified mail, first-class prepaid postage, return receipt requested, or other means as may be stated on the request.

Association may require the payment of a reasonable processing fee for issuance of such statement. Such statements shall be binding.

12.9. Lien for Assessments.

Existence of lien. The Association shall have a lien against each Unit to secure payment of assessments, interest, late charges (subject to limitations of Texas law), cost of collection (including attorney's fees), and expenses. Such lien shall be superior to all other liens securing real estate taxes and other governmental assessments or charges, and the lien or charge of any other mortgage made in good faith.

The Association may, as further evidence and notice of the lien, execute and record a document setting forth as to any Unit the amount of the delinquent sums due to the Association at the time such document is executed and the fact that the lien exists to secure repayment thereof. However, the failure of the Association to execute and record any such documents shall not affect the ability, enforceability, or priority of the lien. The lien may be foreclosed through judicial or, to the extent allowed by law, non-judicial foreclosure proceedings in accordance to the Texas property code Section 51.002 may be amended, like any deed of trust on real property. Each Owner hereby grants to the Association, whether or not it is so expressed in the deed or other instruments conveying such Unit to the Owner, a power to be executed following Texas Property Code 51.002, as it may be amended.

12.10. Enforcement of Lien.

The Association may bid for the Unit at the foreclosure sale and acquire, hold, lease mortgage, and convey the Unit, subject to the Owner's right of redemption, if any, under Texas law. While the Unit is owned by the Association following foreclosure period

- I. No right to vote should be exercised on behalf of the Unit, and
- II. No assessment shall be levied on it, and each other Unit shall be charged, in addition to its annual assessment, its prorated share of the assessment that would have been charged to such Unit had it not been acquired by the Association. The Association may sue for the unpaid assessment and other charges authorized hereunder without foreclosure or waiving the lean securing the same. In addition to pursuing all remedies allowed by law to enforce the lien.

12.11. Effect of sell or transfer.

The sale or transfer of the Unit will not affect the assessment lien or relieve such Unit from payment for the subsequent assessment. However, the transfer of any Unit pursuant to the closure of the first mortgage having priority over the Associations according to Section 13 shall extinguish the lien as to any installments of such assessments before the mortgage foreclosures. The subsequent Owner of a foreclosed Unit shall not be personally liable for assessments on such Unit before such acquisition of the title. Unpaid assessments shall be deemed to be common expenses collected from Owners subject to assessment under Section 13, including successors and assigns.

12.12. Exempt Property

The following property shall be exempt from payment of base assessments and special assessments

- I. All Common Areas and such portions of their property owned by the Developer or a Developer affiliate as included in the Common Area responsibility
- II. Any property dedicated to an accepted by governmental authority or public utility and
- III. Property Owned by the Association for the Common use and enjoyment of its members or owned by members of the Association tenants-in-common.

12.13. Capitalization of Association.

Upon acquisition of title to a Unit by any person other than the Developer, the Owner shall contribute to the working capital of the Association in an amount equal to one-sixth (1/6) of the base assessment per Unit for the year. This amount shall be in addition to, not in place of, the annual basis assessment in any service area assessment levied on the Unit and shall not be considered an advanced payment of such assessments. This amount will be due and payable to the Association immediately upon transfer of the title for its covering initial startup expenses, operating expenses, and other expenses which it incurs according to these Covenants and the bylaws.

12.14. Use and consumption fees

The Board may charge use, consumption, or activity fees to any person using Association services or facilities or participating in Association-sponsored activities. The different fees may be charged to different classes of users (e.g., Owners and non-owners). The Board may determine the amount and method of determining these fees.

Section 13. Easements

13.1. Easements

The easement created in this Section established the Owners' rights to the Common Areas and created various rights for the benefit of Owners, Developer, Association, and others within the Community. Some of these rights are related to development and construction within the Community and on adjacent property. Others relate to the rights of the Association to the Common property of others to fulfill its responsibilities.

13.2. Easements in Common Area

The Developer grants each Owner a nonexclusive right and easement of use, access, and enjoyment in the Common Areas subject to;

- I. The Governing Documents and any other applicable covenants
- II. Any restrictions or limitations contained in this deed conveyed such property to the Association
- III. Certain Owners' right to the exclusive use of those portions of the Common Areas designated "Limited Common Areas," if any.
- IV. The Boards right to;
 - i) Adopt rules and regulations of Common Area use and enjoyment, including rules limiting the number of guests who may use the Common Areas and to charge a user for such use,
 - ii) Suspend and Owners right to use Common area facilities,

- iii) Dedicate or transfer all or any Section of the Common Areas, subject to such approval requirements as may be outlined in the Covenants
- iv) Impose reasonable membership requirements and charge reasonable admission on other user fees for the use of any recreational facility situated upon the Common Area
- v) Rent any portion of any Common recreational facility on an exclusive or nonexclusive short-term basis to any person
- vi) Permit the use of any recreational facilities situated on the Common Area by persons who do not own property subject to these Covenants or reside in the Community, which may be subject to admission charges, membership fees, or other user-established fees set by the Board of directors
- vii) Permit any person to use the Common area, a surcharge or at no charge as the Board may determine, for offering and conducting classes or similar activities for the benefit of interested Owners and residents and such other individuals as the Board may specify, whether provided on a fee lease basis for profit or otherwise
- viii) Mortgage, or pledge any or all its real or personal property as security for money borrowed or debt incurred and
- ix) The right of the Developer and its designees to use the Common Area according to Section 19
- x) Any Owner may extend their right of use and enjoyment to their family members, leases, and social invitees, subject to reasonable Board regulations. An Owner who leases a Unit shall be deemed to have assigned all such rights to the lessee Unit for the lease.

Section 14. Easements and Encroachment

14.1. Easements and Encroachment

The Developer grants a reciprocal easement of encroachment for maintenance and use of any permitted encroachment between each Unit or adjacent Common Area. An allowable encroachment is a structure or fixed structure that extends unintentionally from one person's property onto another. The distance of not more than 1 foot, as measured from any point on the common boundary along a line perpendicular to such boundary. An encroachment easement shall not exist if the encroachment results from willful and knowing conduct on the Section of, or with the knowledge and consent of, the person claiming the benefit of, such easement.

14.2. Easement for Utilities, etc

During the Development and Sale period, the Developer reserves for itself, its successors, assigns, and designees perpetual, exclusive easement throughout Lake Padre Village for;

- I. Installing utilities and infrastructure, Community systems, security and similar systems, and drainage systems to serve Lake Padre Village
- II. Installing walkways, pathways and trails, street lights, and signage on property the Developer or Association owns or within a public right of way or easement reserved for such purpose on a recorded plat
- III. Inspecting, maintaining, repairing, and replacing the utility, infrastructure, and other improvements described above, and
- IV. Access to read, maintain and repair utility meters
- V. Notwithstanding the above, the Developer reserves the right to deny access to any utility or service provider, to the extent permitted by law, and to conditions such exist on negotiated terms

14.3. Specific Easements

The Developer also reserves the non-exclusive right and power to grant and resend such specific easements, consistent with Section 14, as it deems necessary or appropriate to develop the property described in exhibits A&B. Location of the specific easements shall be subject to written approval by the Owners of the property, which consent shall not unreasonably be withheld, delayed, or conditioned.

14.4. Manual Interference.

All work associated with the exercise of the easement described in this Section shall be performed to minimize interference with the use and enjoyment of the property burdened by the easement. Upon completion of the work, that person exercising easement shall restore the property, to the extent reasonably possible, to the condition existing before the commencement of the work period. The exercise of these easements shall not extend to permitting entry into this structure on any Unit, nor shall it unreasonably interfere with the use of any Unit and, except in an emergency, entry onto any Unit shall be made only after reasonable notice to the Owner of the Unit,

14.5. Easement to Serve Additional Property

The Developer reserves for itself and its duly authorized agents, successors, assigns, and mortgagees an easement over the Common Area for enjoyment, use, access, and development of the properties described in Exhibit B whether or not such property is made subject to this clause. This easement includes but is not limited to, a right of ingress and egress over the Common Area for the construction of roads and for connecting and installing utilities on such property. The person exercising such easement right shall be responsible for any damage caused to the Common Area as a result of their actions and construction with the development of such property

14.6. Easement for Maintenance, Emergency, and Enforcement

By these Covenants, the Developer grants to the Association easements over Lake Padre Village as necessary to enable the Association to perform maintenance under Section 15 and exercise its enforcement under Section 15. The Association shall also have the right, but not the obligation, to enter any Unit for an emergency, security, and safety reasons, to perform maintenance, inspect for compliance with the Governing Documents, and enforce the Governing Documents. Any member of the Board and its duly authorized agents and assignees and all emergency personnel in performing their duties. Except in an emergency, any entry shall only be during reasonable hours and after attempted notice to Units owner.

14.7. Easement for Fence and Landscape Maintenance

The Developer or the Association may construct and install decorative fencing and landscaping along public thoroughfares throughout the Community to enhance the overall aesthetics of the Community. Such fencing and landscaping may be installed within the public right of ways, on Common Areas, or

in easement establishment units situated adjacent to such thoroughfares or separated from such thoroughfares only by Common Area. The Developer reserves the right for itself, the Association, and their successors, assignees, and designees, non-exclusive right to an easement over each Unit which lies adjacent to a public or private street road or thoroughfare or which they separate from such street, road, or thoroughfare only by Common Area, for installation, maintenance, repair and replacement of decorative fencing and landscaping within a strip of land 10 feet wide, as measured from the edge of the nearest right of way for such public street, road, or thoroughfare, and running parallel to such right away, and within other easement reserved for such purposes on the recorded subdivision plat. Nothing in this Section shall obligate the Developer or the Association to install decorative fencing or landscaping, which is the sole discretion of the Developer and the Association.

14.8. Easements for Flood Waters

The Developer reserves for itself, the Association and their successors assign, and designees a perpetual, non-exclusive right of easement of access over the Common Area and Unit but not the dwelling adjacent to or within 25 feet of the canal within Padre Island Village, to perform such maintenance and repair as the Board may deem appropriate which may include bulkhead repair, dock repair, removing dead or diseased trees, shrubs, and plants, and taking action to control any condition or remove anything that constitutes a potential health or safety hazard. All persons entitled to exercise this easement shall use reasonable care in and repair any damage resulting from the intentional exercise of the such easement. Nothing in this Section shall be construed to make the Developer or any other person liable for damage resulting from flooding due to weather events or other natural occurrences.

14.9. Easements Over Private Roadways

The Developer hereby grants to the Association and the Owners of each Unit a non-exclusive right on the easement of use and access over the private roadways within the Community. Any Owner may extend their right of use and access over the roadways to their family members, leases, and social invitees, as applicable, subject to reasonable Board regulation.

Not later than the expiration of the development for sale, the Developer will transfer the roadways to the Association as a Common Area, subject to the easements for access described in these Covenants, previously created for the benefit of property adjacent to the property described an Exhibit A&B and such additional easements as he Developer deems appropriate use of such roadways shall be subject to and per any rights and easements as shown on the plat, or plans of the Community and such reasonable rules as the Association may adopt time to time consistent with these Covenants, the plat or plans, and any law, ordinance, or regulation governing the Community

The Developer hereby reserves for itself, its agent, employees, successors, assigns, and other persons it may designate as an easement over the roadways to construct, maintain, prepare, or rebuild any subdivision improvements installed or to be installed in the Community and for performing any other work within the Community which the Developer deems essential comment in its discretion, or which the Developer is required to perform according to a contract with any Owner or pursue it to the requirement of any government agency having jurisdiction over the Community. The Developer hereby authorizes the contractors, subcontractors, laborers, material men, and other persons providing construction services and materials to any Unit to exercise this easement for access to such Unit, subject to such rules as the Association may adopt, however, during the development and sell, the Developer shall have their right to restrict user all or portion always and designate alternate access for such persons, and to revoke such authorization and prohibit the use of the roadway by persons who violate the governing document or any agreement with the Developers

The Developer hereby creates a perpetual, non-exclusive easement for access to ingress, and egress over the roadways for law enforcement, firefighting, paramedic, rescue, and other emergency vehicles, equipment, and personnel, for school buses, for US Postal Service delivery vehicles and personnel, utility providers and vehicles, equipment and personal provide providing garbage collection services to the Community; however, such easements will not authorize any such persons to enter the Community except while acting in their official capacities. The Association shall have the right the limit access for garbage collection purposes to such days of the week as the Board may specify.

The Developer reserves for itself and any Developer affiliate a perpetual, non-exclusive easement of access to the use of the roadways and Common Areas in commencement with the marketing and sale of other communities which the Developer or a Developer affiliate maybe develop and marketing, to show the Community as an example of the Developers developments.

The existence of an easement described in this Section shall not preclude the Association from maintaining gates or other devices or systems designed to limit general vehicle access to the Community, provided that the Association at all times maintains systems and or procedures to prevent the entry of personnel authorized to exercise the easement granted in this subsection without unreasonable interference or delay.

Section 15. Disclosures and Waivers

15.1. Disclosures and Waivers

This Section discloses some important information about the Community to benefit prospective property purchasers. Each Owner, by accepting a deed of the property in the Community, also accepts and agrees to the items outlined in this Section.

15.2. Safety and Security

Each Owner and occupant of a Unit, and their respective guests, shall be responsible for the safety and security of their property in Lake Padre Village. The Association may, but shall not be obligated to, maintain or support certain activities within Lake Padre Village. These activities may be designed to promote or enhance the level of safety or security that each person provides for themselves and their property. However, the Association, the Developer, and the Developer Affiliate shall not in any way be considered insurers or guarantors of safety or security within Lake Padre Village, nor shall any of them be held liable for any injury, loss, or damage because of failure to warn or failure to provide adequate security or ineffectiveness of security measures undertaken.

No representation or warranty is made that any systems or measures, including security monitoring systems or any mechanism or systems for limiting access to portions of Lake Padre Village, cannot be compromised or circumvented, nor that any such system or security measures were undertaken will in all cases prevent lives or provide the detection or protection for which the system is designed or intended. Each Owner acknowledges, understands, and shall be responsible for informing any tenants and other occupants of such Owners Units that the Association, its Board and committees, and the Developer and Developer of affiliates are not insurers or guarantors of security or safety and that each person within Lake Padre Village assumes all risk of personal injury and loss or damage to property, including Units and the contents of Units, resulting from acts of 3rd parties.

15.3. Changes in Community Plan

Each Owner acknowledges that Lake Padre Village is a planned Community, the development of which is likely to extend over many years, and agrees that neither the Association nor the Neighborhood Association shall engage in, or use Association funds to support, any protest, challenge, or other forms of objection to changes in uses or density of property within Lake Padre Village, or changes in the development plan as it relates to property outside Lake Padre Village without the builders' Developer prior written consent.

15.4. View Impairment

Neither the Developer, any Developer affiliate, nor the Association guarantees nor represents that any view over and across the units, Common Areas, or open space within the Community will be preserved without impairment. The Developer, Developer associate, and the Association shall have no obligation to relocate, prune, or thin trees or shrubs in the Lake Padre Village area. The Association shall have the right to add trees and other landscaping to the Common areas. There is expressed or implied easement for review purposes or passage of light and air.

15.5. Notices and Disclaimers as to Community Systems and Services

Each Owner acknowledges that interruptions in cable television and other Community systems and services will occur from time to time. The Developer, Developer affiliates, Association, and their respective successors or assigns shall not be held liable, and shall not be obligated to refund, rebate, discount, or offer any applicable fees as a result of any interruptions in Community systems and services, regardless of whether or not reasons within the service providers control cause such option.

15.6. Storm Water Facilities

Some units are located adjacent to Common Areas containing canals or stormwater drainage areas that may contain water from time to time. Owners and occupants of such Units have no right to erect fences or landscapes, to clear or otherwise disturb vegetation within natural areas located within the Common Area boundaries, the boundary of the Unit, and the stormwater facilities.

15.7. Utility Easements

Portions of the Community may be subject to an easement for power transmission lines, cables, telecommunications, water, sewer, and natural gas pipelines. The Association shall have no responsibility for providing maintenance in such areas nor improving them in the Community-wide standard.

Section 16. Rights of Lenders

16.1. Notice of Actions

An institutional Holder, insure, or guarantor of a first mortgage that provides a written request to the Association (such request to state the name and address of such Holder, insure, or guarantor and the street address of the Unit to which the mortgage relates), thereby becoming an Eligible Holder), will be entitled to a timely written notice of:

- I. Any condemnation loss or any casualty loss which affects a material portion of Lake Padre village or which affects any Unit on which there is a first mortgage held, insured, or guaranteed by such eligible Holder, and
- II. Any delinquency in the payment of assessments on charges owed by a Unit subject to the mortgage of such eligible Holder, where such delinquency can be continued for 60 days, or any other violation of the Governing Documents related to such Unit or the Owner or occupant which is not cured within 60 days, or
- III. Any lapse, cancellation, or material modification of any insurance policy maintained by the Association.

16.2. No Priority

No provision in these Covenants or the bylaws gives or shall be construed as providing any Owner in other Party priority over any right of the first mortgages of any Unit in the case of distribution to such Owner of insurance proceeds or condemnation awards for losses to or a taking of the Common Area.

16.3. Notice to Association

Upon request, each Owner shall furnish to the Association the name and address of the Holder of any mortgage encumbering such Owners Unit.

16.4. Failure of Mortgagee to Respond

Any mortgagee who received a written request from the Board to respond to or consent to any Section shall be deemed to have approved such action if the Association does not receive a written response from the mortgagee within 30 days of the date of the association's request, provided such request is delivered to the mortgagee by certified or registered mail, return receipt requested.

Section 17. Expansion of the Community

17.1. Expansion by Developer

The Developer may, from time to time, submit to the terms of these Covenants all or any portion of the property described in Exhibit B by recording a supplement describing the additional property to be submitted. The Developer may record such a supplement without the consent of any person except the Owner of such property, if not the Developer.

The Developers' right to expand Lake Padres Village under this Section expires when all properties described in Exhibit B has been submitted to the Covenants or 40 years after these Covenants is recorded, whichever is earlier. Until then, the Developer may transfer or assign the right to any Developer affiliate or any person who is a Developer of at least a portion of the real property described in Exhibit A or B. Any such transfer shall be described in a recorded instrument executed by the Developer.

Nothing in these Covenants shall require the Developer or any successor to submit additional properties to these Covenants or to develop any of the properties described in Exhibit B. The Developer may submit different parcels of property to these Covenants at different times. The Developer gives no assurances as to the boundaries of the parcels that may be submitted to these Covenants, or as to the order in which the Developer may submit different parcels of property to these Covenants, as to whether buildings erected on any additional property submitted to these Covenants will be compatible with other buildings in the Lake Padre Village in terms of architectural style, quality of construction, principle materials employed in construction, or size.

17.2. Expansion by the Association

The Association also may submit the additional property to these Covenants by recording a supplement describing the additional properties. Any supplement that the Association records must be approved by Owners entitled to cast more than 50% of the total votes in the Association at a meeting duly called for such purpose and by the Owner of the property to be submitted. In addition, the Developer's consent is required during the Development and Selling period. Before the Association's president and secretary, the Owner of the property, and the Developer, if the Developer's consent is required, shall sign the supplement.

17.3. Additional Covenants and Easements

Any supplement that the Developer records may impose additional covenants and easements on the property described in such supplements, such as a covenant obligating the Association to maintain and insure the property. Such provisions may be included in a supplemental submitting new property to these Covenants or may be outlined in a separate supplement applicable to the property previously submitted to the Covenants. Any supplement may add to, create exceptions to, or otherwise modify the terms of these Covenants as it applies to the property described in the supplement, to reflect the property's different characteristics and intended use. If someone other than the Developer owns the property, the supplement must be signed by each Owner evidencing such Owner's consent.

17.4. Effect of Filing a supplement

A supplement should be effective upon recording unless otherwise specified in the supplement. From the effective date of the supplement, any additional property made subject to these Covenants shall be assigned voting rights in the Association with assessment liability per the provisions of these Covenants.

Section 18. Additional Developer Rights

18.1. Special Development Rights

In addition, the right reserved explicitly to the Developer under Section 18 concerning expanding the Community, the Developer reserved the right, during the Development and Sell period, to

- I. Create the Unit, Common Areas, and limited Common Areas, and designate roadways within any portion of the Community which it owns,
- II. Subdivide or combine any Unit or units which it owns to create larger or additional units, Common Areas, and or limited Common Areas,
- III. Convert any Unit which it owns into Common Areas, Limited Common Areas, or roadways,
- IV. Adjust the boundaries of any Units that it owns and any Common Area or limited Common Area, and
- V. Amend these Covenants or any supplement to withdraw property from the community and the coverage of these Covenants, provided that such property has not been improved with a dwelling. Any such amendment shall not require the consent of any persons other than the Owner(s) of that property to be withdrawn, if not the Developer. If the property is a Common Area, the Association shall consent to such withdrawal.

18.2. Marketing and Sales Activity

Notwithstanding anything in the Governing Documents to the contrary, during the Development and Sell period, the Developer and its designees or assigns may construct, use and maintain such facilities and conduct such activities upon portions of the Common Area property they own as, in the Developers opinion, may reasonably be required, convenient, or incidental to the construction or selling of units. Such permitted facilities and activities shall include business offices, flags (whether hung from flagpoles or attached to a structure), model home construction offices, sales offices, parking facilities, exterior lighting features or displays, and special events, any or all of which may be located in permanent or temporary structures or outside of any structure. The Developer and authorized builders whom Developer may designate shall have an easement for access to and use of such facilities at no charge. Such rights specifically include the right of the Developer and its designees to use Common Area facilities For an information center and or for administrative, sales, and business offices at no charge and to restrict use or access to such facilities by the Association, its members and others as long as they are being used for any such purpose. There shall be no limit on the number or location of such facilities except as otherwise restricted by state law, local ordinance, or regulations.

18.3. Access for Development Purposes

During the Development in Sale period, the Developer and its employees, agents, and designees shall have a right of access and use and an easement over and upon all the Common Areas and roadways within the Community for

- I. exercising any rights reserved to the Developer according to these Covenants, including the right outlined in Section 19 and
- II. making constructing, and installing any improvements indicated on recorded subdivision Matt or flats or plans of the Community and such other improvements to the Common Area and the exhibit B property as it deemed appropriate, and
- III. making repairs or correcting any condition on the Common Areas or any Unit.

18.4. Developer's Right to approve changes

During the Development and Sale Period, no amendment to or modification of any rules of Architectural Guidelines and Community Standards shall be effective without prior notice to and written approval of the Developer.

18.5. Exclusive Rights to Use Name of Development

No person other than the Developer or a Developer Affiliate shall use the name "Lake Padre Village" or any derivative of such name or in any logo or depiction associated with Lake Padre Village in any printed or promotional material or any Internet website without the Developers prior written consent, however, Owners may use the name Lake Padre Village in a printed or promotional matter where such term is used solely to specify that Section where the property is located within Lake Padre Village. The Association shall be entitled to use the words Lake Padre Village in its name.

18.6. Additional Covenants and Restrictions

During the Development and Sale Period, no one other than the Developer or a Developer affiliate may record any additional covenant or restrictions affecting the Community without the Developers' written consent. Any instrument recorded without the required consent shall be void and have no force and effect.

18.7. Community Systems

The Developer reserves for itself, Developer affiliates, and their respective successors and assigns a perpetual right and easement over all of the property in Lake Padre Village to install and operate such community systems the Developer, in its discretion, deemed appropriate to serve any portion of the Community. Such right shall include, without limitation, the Developers' right to select and contract with companies licensed to provide telecommunications, cable television, and other community system services in the area. The Developer also has the right to charge or authorize any provider to charge individual users a reasonable fee, not to exceed the maximum allowable charge for such service, as defined from time to time involves, rules and regulations of any governmental authority having jurisdiction.

Notwithstanding the above, there is no guarantee or representation that any Community system will be made available.

18.8. Easement to Inspect and Right to Correct

The Developer reserves for itself, builders, and others it may designate the right, but not the obligation, to inspect, monitor, test, redesign, and correct any structure improvement or condition which may exist on any portion of the property within Lake Padre Village, including Units, and a perpetual nonexclusive easement of access throughout Lake Padre Village to the extent reasonably necessary to exercise such right. Except in an emergency, entry onto a Unit shall be only after reasonable notice to the Owners, and no entry into an enclosed structure shall be permitted without the Owner's consent. The person exercising this easement shall promptly repair, at such person's own expense, any damage they cause. Nothing in this paragraph shall relieve the Owner of the responsibility for the maintenance and repair of their Unit.

18.9. Right to Notice a Design of Construction Claims

Neither the Association, any Owner, nor any other person shall initiate dispute resolution procedures under Section 20 nor retain an expert to inspect the design or construction of any structures or improvements within Lake Padre Village in connection with or in anticipation of any potential or pending claim, demand or litigation involving such designs or construction, including any claim for breach of contract or warranty or violation of statutory, common law requirements, unless the Party against whom the claim on demand would be made "responder" has been first notified in writing, by certified mail, and allowed to meet with the Association and the Owners of any affected Unit to discuss the concerns, its inspection, and take action to remedy any problem per the Section. Any notice under this Section shall include a description of the name and location of the alleged defect in the design or construction defect, a description of any damage suffered as a result of the defect, the date on which the defect was discovered, and dates and times during ordinary business hours that the respondents may meet with the Owner of the affected Unit or a representative of the Association to conduct an inspection.

Nothing in this Section obligates the respondent to inspect, repair, replace, or cure any defect. However, suppose the respondents elect to repair any defect. In that case, it will notify the Association if the defect involves Common Area or the Owner of the affected Unit with the defect is in a Unit more than 30 days after conducting the inspection. The Association or Owner shall permit its contractors, subcontractors, and agent access as needed during ordinary business hours to make such repairs which, once begun, shall be completed within a reasonable time, dependent on the nature of the repair and unforeseen circumstances and events. All applicable statutes of limitation shall be valid during the period of inspection under this Section, not to exceed the earlier of 120 days after the date the respondent receives written notice of the defect per this Section or the respondents delivery to the claimant of written notice that they responded and intend to take any further action to remedy the defect.

For any dispute as to the adequacy of the proposed repairs to resolve the problem or as to whether repairs have been made or have remedied the defect, the Developer may appoint an independent 3rd party inspector with knowledge and experience in residential home construction to inspect the defect and decide as to whether any proposed solution is adequate or as to whether the defect has been remedied. The Association and the Owner of any affected Unit agree to accept and abide by the inspector's decision.

If the Association or any Owner fails to comply with this Section, the responder shall not be liable for any general, special, or consequential damage, cost, or diminution in value that might have been avoided had the responders then given the notice and opportunity to repair described in this Section.

18.10. Right to Transfer or Assign the Developers Rights

The Developer may transfer any or all the Developer's special rights and obligations outlined in this Section or the bylaws in whole or in part, temporarily or permanently, to other persons. However, such a transfer shall not reduce an obligation or enlarge a right beyond that which Developer has under this Section or the bylaws. No transfer or assignment of the Developer(s) as the Developer or as the Developer member shall be effective unless it is in a recorded instrument that the Developer has signed. The Developer may permit other persons to exercise, on a one-time or limited basis, any right reserved to the Developer in this Section where the Developer does not intend to transfer such right in its entirety. In such case, it shall not be necessary to record any written assignment unless desired to evidence the Developer's consent to such exercise.

18.11. Termination of Rights

Except as otherwise specified above, the rights reserved by the Developer in this Section shall terminate on the earlier of

- I. termination of the Development and Sale,
- II. or be the Developer's recording of a written statement that all sales activity has ceased.

Section 19. Dispute resolution and limitation on litigation

19.1. Agreement to Encourage Resolution of Disputes Without Litigation

- I. **Bound Parties.** The Developer, Association and its officers, directors common committee members, all Owners, their invitees, another person subject to these Covenants, and any person not otherwise subject to these Covenants who agrees to submit to this Section collectively (Bound Parties), agree that it is in the best interest of all concerned to encourage the amicable resolution of disputes involving the Community without the emotional and financial costs of litigation. Accordingly, each Bound Party agrees not to file suit in any court concerning a claim described and subsection b) unless and until it first submits such claim to the alternative dispute resolution procedures outlined in Section 20 in a good faith effort to resolve such claim
- II. **Claims.** As used in this Section, the term claim now refers to any claim, grievance, or dispute arising out of or related to,
 - i) the interpretation, application, or enforcement of the Governing Documents;
 - ii) To write obligations and duties of any bound Party under the Governing Documents or;
 - iii) design or construction of improvements within the Community, other than matters of the aesthetic judgment under Section 5, will not be subject to review.

Notwithstanding the above, the following shall not be considered,

- i) Any suit by the Association to collect an assessment or other amounts due from any Owner
- ii) Any suit by the Association to obtain a temporary restraining order or emergency equitable relief and such ancillary relief as the court may deem necessary to maintain the status quo and preserve the Association's ability to enforce the provisions of Section 5 through Section 9 of these Covenants (relating to recreation and maintenance of community standards).
- iii) any suit that does not include the Developer, Developer affiliate, or the Association as a party in such a suit that asserts a claim that would constitute a cause of action independent of the Governing Documents
- iv) any dispute which affects the material rights or obligations of a party who is not bound and has not agreed to submit to the procedure outlined in Section 20.2
- v) any suit as to which any applicable statute of limitations would expire within 180 days of given notice required by Section 20.2 unless the Party or persons against whom the claim is made agree to toll, or extend, the claim statute of limitations to comply with this Section and
- vi) any suit by the Association to enforce the Governing Document where the Association has given violator notice and either a hearing or an opportunity to cure the violation or both before the Association filing suit.

19.2. Dispute resolution procedures

- I. **Notice.** The bound party asserting a claim against another bound party shall give written notice by mail or personal delivery to each respondent and the Board, stating plainly and concisely;
 - i) The nature of the claim, including the persons involved in the respondents' role in the claim;
 - ii) the legal bases of the claim, i.e., the specific authority out of which the claim arises,
 - iii) the claimant proposed resolution or remedy, and
 - iv) the claimants desire to meet with the responded to discuss, in good faith, ways to resolve the claim
- II. **Negotiation.** The claimant and the respondent shall make every reasonable effort to meet in person and confer to resolve the claim by good-faith negotiation. If requested in writing, accompanied by a copy of the notice, the Board may appoint a representative to assist the parties in negotiating a resolution of the claim.
- III. **Mediation.** If the parties have not resolved the claim through negotiations within 30 days of the date of the notice (or within such other agreed-upon period). The claimant will have 30 additional days to submit the claim to mediation with an entity designated by the Association (if the Association is not a party to the claim) or to an independent agency providing dispute resolution services in the metropolitan Nueces County, Texas, area. Each Bound party shall present the mediator with a written claim summary.

If the claimant does not submit the claim to mediation within such time or does not appear for and participate, in good faith, in the mediation when scheduled, the claimant shall be deemed to wave the claim, and the Respondent be relieved of all liability to the Claimant (but not third parties) on account of such claim.

Suppose the parties do not settle the claim within 30 days after submission of the matter to mediation or within such time as determined reasonable by the mediator. In that case, the mediator shall issue a notice of termination of the mediation proceedings indicating that the parties are at an impasse and the date that the mediation was terminated. The claimant shall thereafter be entitled to file suit or to initiate administrative proceedings on the claim, as appropriate, except as otherwise provided in Section 20.2

Each Bound Party shall bear its own cost of the mediation, including attorney's fees, and each Party shall pay an equal share of the mediator's fees.

- I. **Settlement** Any claim settlement through negotiation or mediation shall be documented in writing and signed by the parties. If any party thereafter fails to abide by the terms of such agreement, then any other party may file suit or initiate administrative proceedings to enforce such agreement without the need to comply again with the procedures outlined in this Section. In the event, the party taking action to enforce the agreement or award shall, on prevailing, be entitled to recover from the noncomplying party or if more than one non-compliant party, from all such parties in equal proportions, all cost incurred in enforcing such agreement or award, including, without limitation, attorney fees, and court costs.

19.3. Initiation of Litigation by Association

- I. **Owner approval.** In addition to compliance with the foregoing alternative dispute resolution procedures, if applicable, the Association shall not initiate any judicial or administrative proceedings unless first approved by a vote of Owners entitled to cast at least 60% of the total votes in the Association, except that no such approval shall be required actions or proceedings
 - i) initiated during the Developer control.

- ii) initiated to enforce the provisions of the Governing Documents, including a collection of assessments and for closures of liens,
- iii) initiated to challenge Valorem taxation or condemnation proceedings;
- iv) initiate it against any contractor, vendor, or supplier of goods or services, other than the Developer, arising out of a contract for services or supplies, or
- v) to defend claims filed against the Association proceedings instituted against it.

This subsection (a) shall not be amended unless such amendment is approved by the same percentage of votes necessary to Institute proceedings.

- II. **Mandatory and binding arbitration** Notwithstanding any other provision of these Covenants, any claim by the Association or any Owner group of Owners arising out of alleged defects in the Common Areas or other portions of the Area of Common Responsibility that is not resolved by mediation shall be submitted to final and binding arbitration per this subsection (b) 30 days following termination of mediation according to 18 to submit the claim to arbitration administered by the American Arbitration Association under its commercial arbitration rules, or the claim shall be deemed abandoned, and respondent shall be released and discharged from all liability to claimant arising out of such a claim. However, nothing in this Section shall release or discharge to respondent from any liability to persons not a Party to the foregoing proceedings. Unless the parties agree otherwise, there should be one arbitrator. The arbitrator may grant any remedy or relief that the arbitrator considers is just and equitable. The arbitrator's decision shall be final, and the judgment upon the arbitrator's award may be entered in any court having jurisdiction thereof.

Each Owner, by accepting a deed to a Unit, waves the right to have a claim within the scope of this subsection (b) resolved by judicial proceedings, including any right to a trial by jury.

This subsection (b) is an agreement of the Bound Parties to arbitrate the claims described in this subsection and may be specifically enforced by any Bound Party. The Bound Parties acknowledge that any claim subject to this subsection (b) involves a transaction in Interstate Commerce and shall be governed by the interpreted under the Federal Arbitration Act, to the exclusion of any inconsistent state law, regulation, or judicial decision.

If any Party commences in litigation while in violation of this Section, then upon the other Party's written objection, the Party commencing litigation shall immediately stipulate to the dismissal of that litigation without prejudice. If the Party commencing the litigation fails to make that stipulation within five days after the filing of such written objections, the Party shall reimburse the other Parties for their cost and expenses, including reasonable attorney fees, incurred in seeking a dismissal or stay of that litigation dismissal or state is obtained.

- III. **Good faith fees** The Parties should participate in good faith and all mediation and arbitration proceedings. The venue for the mediation or arbitration proceedings shall be determined by the mediator or arbitrator, as the case may be. The fees and expenses of the mediation or arbitration proceeds (including the fee of the mediator and arbitrator) shall be shared equally by all parties. Each Party shall pay its own expenses and cost and expenses of preparation and presentation of proofs, except that the prevailing Party in any arbitration proceeding shall be entitled to an award of reasonable attorney fees and cost.

Section 20. Assignments

20.1. Assignment and Reassignment of Common Areas

Partition Except as permitted in this Section, the Common Area shall remain undivided. No person should bring any action to partition any portion of the Common Area without all owner's and mortgagees' written consent. This Section shall not prohibit the Board from acquiring and disposing of tangible personal property or acquiring and disposing of real property that may not be subject to these Covenants, with such approval as may be required.

20.2. Transfer, Mortgaging, or Dedication of Common Area

The Association may transfer or dedicate portions of Common Area to Nueces County, Texas. Any local, state, or federal government or quasi-entitled groups may subject Common Area to the security interests or transfer or convey Common Area as follows.

If Common Area other than limited Common Area, upon the written direction of the Owners entitled to cast at least 67% of the total votes in the Association and during the Development and Sale Period, the written consent of the Developer or upon written approval Owners of at least 67% of the Units to which such Common Area is assigned.

Proceeds from the sale or mortgaging shall be the asset of the Association to be used by the Board determined unless otherwise directed by the Owners of the time of such sale according to Section 17. Proceeds from the sale or mortgaging of limited Common Area shall be dispersed in a manner directed by Owners of units to which the limited Common Area is assigned at the time such sale or mortgages are authorized according to Section 17.

No conveyancer encumbrances for the Common area may deprive any units of their right to access or support.

Section 21. Termination, Amendment and Conflicts

21.1. Term and Termination

These Covenants shall be ineffective for a minimum of 21 years from the recorded date. After 21 years, these Covenants shall be renewed and extended automatically for successive 10-year periods unless at least 67% of the then owner sign a document stating that the Community Covenants is terminated and that document is recorded within the year before any extension. In such a case, these Covenants shall terminate on the date specified in the termination document.

If any provision of these Covenants would be unlawful, void, or voidable because of any rule restriction at the time of the covenant, that provision shall expire 21 years after the year 2040.

This Section shall not permit the termination of an easement created in these Covenants without the consent of the Holder of such an easement.

21.2. Amendment

By the Developer. In addition to the specific amendment rights granted elsewhere in these Covenants during the Developer Control Period, the Developer may unilaterally amend these Covenants for any purpose.

By Owners. Except as otherwise specified provided above or elsewhere in these Covenants, these Covenants may be amended only by the affirmative vote or written consent of the Owners of not less than 2/3rds of the units owners entitled to cast not less than 67% of the total votes in the Association. The developers' written consent shall also be required during the Development and Sale period.

21.3. Conflicts

Any amendment according to this Section shall be prepared, extended, certified, and recorded on behalf of the Association by the officers designated for such purpose or, in the absence of such designation by the Association president.

No amendment may remove, revoke, or modify any rights or privileges of the Developer, any Developer affiliate, or the Developer member without the Developer, Developer affiliate, or Developer member's written consent respectively or the assignee of such right or privilege.

If an Owner consents to any amendment to the Covenants or the bylaws, it will be conclusively presumed that such Owner has the authority to consent, and no contrary provision in any mortgage or contract between the owner and a third party will affect the validity of such an amendment

Conflicts: in a conflict between the Architectural Guidelines and the Rules the Architectural Guidelines shall control. In the event of a conflict between the rules and any provision of these Covenants (exclusive of the Rules), the Covenants shall control. No action under this section shall have the effect of modifying or repealing the Architectural Guidelines or any provision of these Covenants other than the Rules.

Any amendment shall become effective upon recording unless a later effective date is specified.

No action shall challenge the validity of an amendment that may be brought more than two years after it has been recorded. In no event shall a change in conditions or circumstances operate to amend any provisions of these Covenants.

Exhibits. Exhibits A & B are incorporated by this reference, and these Covenants shall govern amendments of those exhibits.

CERTIFICATION

I, James DeWayne Gray, the undersigned, do hereby certify:

That I am the duly elected and acting President of Lake Padre Village Home Owners Association, Inc., a Texas nonprofit corporation and that the foregoing Covenants constitute the rules of the Lake Padre Village PUD, as duly adopted by resolution of the Board of Directors thereof on the 15th day of December 2022.

James DeWayn Gray

Notarial Seal

Notary Public

My commission expires on _____