

**PARADISE COVE SUBDIVISION
DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS**

This DECLARATION is made this 11th day of November, 2004, by LAGUNA DEVELOPMENT GROUP, LTD., a Texas Limited Partnership ("Declarant").

WHEREAS Declarant is the owner of certain real property located in Cameron County, Texas, described and depicted in Exhibit "A" attached hereto, which shall be the Covered Property under this Declaration; and

WHEREAS Declarant recognizes the environmental, economic and aesthetic value of the Covered property; and

WHEREAS Declarant will convey the Covered Property ("Project"), subject to certain protective easements, covenants, conditions and restrictions as herein set forth in order to provide for the management, enhancement, and protection of the value of the Covered Property;

NOW, THEREFORE, it is hereby declared that all of the Covered Property shall be held, conveyed, assigned, hypothecated, encumbered, leased, used, occupied and improved subject to the following easements, covenants, conditions and restrictions, for the purpose of mutually benefiting the Covered Property and the future Owners thereof. All of the easements, covenants, conditions and restrictions set forth herein shall run with the land, shall be enforceable as equitable servitudes, and shall be binding upon and for the benefit of all parties having or acquiring any right, title or interest in the Covered Property or any part thereof.

ARTICLE I

DEFINITIONS

For the purpose of this Declaration certain terms and words are hereby defined. Words used in the present tense shall include the future; the singular number shall include the plural and the plural the singular; the word "shall" is mandatory and not directory.

1.1 Applicant. The term "Applicant" shall mean and refer to an Owner or the Owner's agent, heir or assign of the Owner, of a Lot which is designated on a building permit application filed or to be filed with the City. If an Agent has been appointed to represent the Owner as applicant, the Owner shall submit written authorization as part of the application.

1.2 Architectural Committee. The term "Architectural Committee" or "Committee" shall mean and refer to the Architectural Committee created pursuant to Article XII of this Declaration entitled "Architectural Control."

1.3 Articles. The term "Articles" shall mean and refer to the Articles of Incorporation of the Association, which are filed in the Office of the Secretary of the State of Texas, as amended from time to time.

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1.4 Assessments. The following definitions shall apply to the assessments described below:

1.4(a) Regular Assessment shall mean the amount which is to be paid by each Owner to the Association for Common Expenses as provided by the terms of this Declaration. Regular Assessments may from time to time include assessments levied in emergency situations as described in Article VII of this Declaration.

1.4(b) Special Assessment shall mean a charge against each Owner's Lot, representing a portion of the cost of the Association for installation or construction of any capital improvements on any of the Common Area, which the Association may from time to time authorize pursuant to the provisions of this Declaration. Special Assessments may from time to time include assessments levied in emergency situations as described in Article VII of this Declaration.

1.4(c) Reimbursement Assessment shall mean a charge against a particular Owner's Lot or Lots (i) for the purpose of reimbursing the Association for costs incurred in bringing his Lot into compliance with the provisions of the Governing Documents; (ii) a monetary penalty imposed by the Association as a means of reimbursing the Association for costs incurred by the Association in the repair of damage to Common Areas and facilities for which the Member or the Member's guests or tenants were responsible; or (iii) any other charge designated as a reimbursement Assessment in this Declaration or Association rules, together with attorney's fees and other charges payable by such Owner, pursuant to the provisions of this Declaration.

1.4(d) Reconstruction Assessment shall mean a charge against each Owner's Lot representing a portion of the cost to the Association for reconstruction of any portion of the Common Area pursuant to the provisions of this Declaration.

The Assessments are also known as the "Lot Dues" or "Membership Dues" payable by the Members to the Association.

1.5 Association. The term "Association" shall mean and refer to PARADISE COVE PROPERTY OWNERS ASSOCIATION, a Texas nonprofit (mutual benefit) corporation, its successors and assigns. The Association is a master association of which all Owners within the Covered Property are Members. As set forth in Article VI of this Declaration, it is mandatory for all Lot Owners to belong to the Association. Dues shall be set by the Association in accordance with Article VII of this Declaration and payment of same shall be mandatory by each Lot Owner. In the event that a Lot Owner fails to pay said dues to the Association when same are due, the Association shall have the right to refer the matter of the delinquent dues to an attorney for collection in accordance with Article VII, Section 13 of this Declaration.

1.6 Board of Directors. The term "Board of Directors" or "Board" shall mean and refer to the duly elected Board of Directors of the Association.

1.7 By-laws. The term "By-laws" shall mean and refer to the By-laws of the Association, as amended from time to time.

1.8 Caliper. The term "Caliper" shall mean and refer to the minimum diameter of a tree as measured six inches (6") above ground level.

1.9 City. The term "City" shall mean and refer to the Town of Laguna Vista, Texas, a municipal corporation of the State of Texas.

1.10 Clear Trunk Height. The term "Clear Trunk Height" shall refer to the height of a palm tree measured from ground level to the base of the terminal bud.

1.11 Club House. The term "Club House" shall mean and refer to a Common Area facility that the Owners have a non-exclusive easement to use for indoor and outdoor recreation. The use and operating policies of the Club House shall be governed by the Association.

1.12 Common Areas. The term "Common Area" shall mean all portions of the Project except the Separate Interests therein, and shall include mutual or reciprocal easement rights appurtenant to the Separate Interests and easements granted or reserved to the Association for maintenance purposes. The Common Area includes (a) non-exclusive easements for access, ingress and egress over the Private Streets, sidewalks, walkways and parks for use of the Lot Owners in the Project, as described on the subdivision maps for the Project; (b) easements for drainage and drainage facilities, including storm channel improvements, and for maintenance of same; (c) easements for the maintenance and improvement of buildings, outbuildings, driveways, parking areas, fences, screening walls, retaining walls, bulkheads, boardwalks, stairs, pools, spas, decks, hedges, windbreaks, plantings, trees and shrubs, poles, signs, streets and curbs, and all other structures and landscaping improvements of every type and kind; (d) easements for maintenance of Private Streets, parking areas, signage, and street lighting; (e) any other easements or other areas which the Association is required to maintain (or share in the cost of maintaining) hereunder.

1.13 Common Expenses. The term "Common Expenses" shall mean and refer to the actual and estimated costs of:

1.13(a) maintenance, management, operation, repair and replacement of the Common Area, and all other areas on the Covered Property which are maintained by the Association;

1.13(b) Unpaid Special, Reconstruction and Reimbursement Assessments;

1.13(c) Costs of management and administration of the Association, including, but not limited to, compensation paid by the Association to managers, accountants, attorneys and employees, including reimbursement to third-party service providers for work performed by its employees on behalf of the Association;

1.13(d) The costs of utilities, cable, trash pickup and disposal, gardening and other services benefiting the Owners, their Lots and the Common Area to the extent such services are paid for the Association and not separately and individually billed directly to Owners;

1.13(e) The costs of fire, casualty, liability, workers' compensation and other insurance covering the Common Area, the Project and the Association;

1.13(f) The costs of any other insurance obtained by the Association;

1.13(g) Reasonable reserves as deemed appropriate by the Board;

1.13(h) The cost of bonding of the Members of the Board, any professional Managing Agent or any other person handling the funds of the Association;

1.13(i) Any taxes paid by the Association;

1.13(j) Amounts paid by the Association for discharge of any lien or encumbrance levied against the Common Area or portions thereof;

1.13(k) Costs incurred by the committees of the Association; and

1.13(l) Such other costs or expenses incurred by the Association in connection with the Common Area, the Governing Documents, or in furtherance of the purposes of the Association or in the discharge of any obligation imposed on the Association by this Declaration.

1.14 County. The term "County" shall mean and refer to Cameron County, Texas.

1.15 Covered Property. The term "Covered Property" shall mean and refer to all of the real property described in Exhibit "A" attached hereto.

1.16 Cut-off Light Fixture. The term "Cut-off Light Fixture" shall mean and refer to an outdoor light fixture that is shielded or constructed so that no more than five percent (5%) of the light rays emitted by the fixture are projected above a horizontal plane passing through the center of the lamp.

1.17 Declarant. The term "Declarant" shall mean and refer to Laguna Development Group, Ltd.

1.18 Declaration. The term "Declaration" shall mean and refer to this document.

1.19 Deck. The term "Deck" shall mean a structure and/or platform without a roof that is either freestanding or attached to a building supported by pillars and/or posts constructed of various materials.

1.20 Dock. The term "Dock" shall mean any permanent or temporary structure that is proposed to extend into, above, below, or across a Wetland area for the purpose of general water access. This term shall also include the terms "wharves," "piers," "fixed docks," "floating docks," "floats," "catwalks" or other structures which serve a similar purpose.

1.21 Floor Area. The term "Floor Area" shall mean the sum of the gross horizontal areas of one or multiple stories of a building, measured from the exterior faces of the exterior walls or from the center line of party walls. Included shall be any interior balconies and mezzanines, elevator shafts and stair wells.

1.22 Governing Documents. The term "Governing Documents" shall mean and refer to this Declaration, the Articles, the By-laws, any operating rules of the Association and any other documents or amendments to documents which govern the operation of the Project or the Association.

1.23 Guidelines. The term "Guidelines" shall mean and refer to "Design and Plan Submittal Guidelines" which are attached and incorporated herein as Exhibit "B", which includes detailed architectural and landscape standards to be administered through the Architectural Committee.

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1.24 Harvesting. The term harvesting shall mean the excavation, dredging, gathering, collecting or removing of natural resources, including plants, organisms, and inorganic materials such as sands, rocks and stones.

1.25 Improvements. The term "Improvements" shall include buildings, outbuildings, full enclosures, partial enclosures, electrified fixtures, driveways, parking areas, fences, screening walls, retaining walls, bulkheads, boardwalks, stairs, pools, spas, fountains, water features, decks, hedges, windbreaks, plantings, trees, shrubs, poles, signs, streets and curbs, and all other structures and landscaping improvements of every type and kind.

1.26 Light Trespass. The term "Light trespass" shall mean any artificial light that causes unwanted light or undesirable or nuisance glare on adjacent properties.

1.27 Lumen. The term "Lumen" shall mean a unit of light emitted from a lamp or lamps.

1.28 Luminaire. The term "Luminaire" shall mean a complete lighting unit consisting of a lamp or lamps, together with the parts designed to distribute the light, to position and protect the lamps and to connect the lamps to the power supply.

1.29 Lot. The term "Lot" shall mean and refer to any plot of land or parcel shown on the original recorded subdivision map of the Project, with the exception of the Common Area, and shall include a Unit constructed upon such Lot. If an Owner owns more than one Lot, whether merged or not, the Owner will be liable for assessments on each of the Lots as shown on the original subdivision map.

1.30 Manager. The term "Manager" shall mean and refer to an employee of the Association employed to manage the Project.

1.31 Managing Agent. The term "Managing Agent" shall mean and refer to a person or entity, who, for compensation or in expectation of compensation, will exercise control over the assets of the Association. However, a "Managing Agent" does not include a full-time employee of the Association or a regulated financial institution operating within the normal course of its regulated business practice.

1.32 Member. The term "Member" shall mean and refer to each person entitled to membership in the Association as provided in the Governing Documents.

1.33 Mortgage. The term "Mortgage" shall mean and refer to any duly recorded and valid mortgage or deed of trust encumbering a Lot.

1.34 Owner. The term "Owner" shall mean and refer to one or more persons or entities holding fee title or an equitable ownership interest in any Lot, including contract purchasers, but excluding those having such interest merely as security for the performance of an obligation.

1.35 Park. The term "Park" shall mean and refer to a section of Common Area depicted in "Exhibit A" that the Owners have a non-exclusive easement to use for the purpose of outdoor recreation.

1.36 Plant Materials. The term "Plant Materials" shall mean and refer to trees, palms, shrubs, ground covers, vines, grasses, plants, and other such vegetation.

1.37 Private Streets. The term "Private Streets" shall mean and refer to the streets in the Project over which the Owners have a non-exclusive, restricted easement for access, ingress and egress and which the Association or its assigns is required to maintain. The Association shall be the sole owner of the Private Streets, which are known as Paradise Cove Drive, Wild Olive Lane, Oleander Drive, Lantana Lane and Sea Grape Lane.

1.38 Project. The term "Project" shall mean and refer to all of the Covered Property, including all of the Lots, the Common Area and all Improvements located upon the Covered Property.

1.39 Setback. The term "Setback" shall mean the minimum distance by which any building, structure or operations must be separated from a "jurisdictional" line.

1.40 Shoreline Structure. The term "Shoreline Structure" shall mean any object constructed of manmade or natural materials within Reserves D, E, and/or F, depicted in Exhibit "A".

1.41 Subdivision Gates. The term "Subdivision Gates" shall mean and refer to structures and appurtenances, such as "operators", that swing, draw or move in order to control access within the common areas of the Project. The Association shall make its best efforts to maintain the Subdivision Gates. However, in no event shall the Association make any warranties regarding the security provided by, safety of, or operation of the Subdivision Gates themselves nor the incidental security or safety which the Subdivision Gates may or may not provide, all such warranties being disclaimed hereby.

1.42 Subdivision Screen Walls. The term "Subdivision Screen Walls" or "Subdivision Perimeter Wall" shall mean and refer to contiguous and non-contiguous screen walls that help control access within common areas of the Project. The Association shall make its best effort to maintain the Subdivision Screen Walls. However, in no event shall the Association make any warranties regarding the security provided by, safety of or operation of the Subdivision Screen Walls themselves nor the incidental security or safety which the Subdivision Screen Walls may or may not provide, all such warranties being disclaimed hereby. The Association shall maintain and be the sole owner of the Subdivision Screen Walls.

1.43 Subdivision Retaining Walls. The term "Subdivision Retaining Walls" shall mean and refer to contiguous or non-contiguous retaining walls that serve as soil barriers within the Project. Subdivision Retaining Walls shall follow the Upland-Wetland Boundary within non-exclusive easement areas. In no event shall the Subdivision Retaining Walls be construed as guaranteeing safety of any kind. Furthermore, the Association shall make no warranties regarding the incidental safety which the Subdivision Retaining Walls may or may not provide, all such warranties being disclaimed hereby. The Association shall maintain and be the sole owner of the Subdivision Retaining Walls.

1.44 Separate Interest. The term "Separate Interest" shall mean and refer to a separately owned Lot and the Unit constructed thereon.

1.45 Standard Holding Period. The term "Standard Holding Period" shall refer to a period of time equal to twenty-four (24) months following the Owner's purchase of a Lot from the Declarant. In the event that an Owner purchases a Lot from the Declarant before the Lot is ready to be built upon, the twenty-four (24) month period described herein shall not commence until

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such date that the Lot is ready to be built upon. A professional engineer, who shall be appointed by the Declarant, shall determine when a Lot or group of Lots is ready to be built upon and shall indicate such in writing.

1.46 Standard Construction Period. The term "Standard Construction Period" shall refer to a period of twelve (12) months during which construction projects, including but not limited to the construction, alteration, landscaping or remodeling of a Unit, shall be expected to be completed.

1.47 Tree. The term "Tree" shall mean and refer to a species of woody perennial plants (including palms) which usually have a single, elongated main stem generally with few or no branches at its base and which usually grows to a mature height of at least twelve (12) feet.

1.48 Unit. The term "Unit" shall mean and refer to the residential improvements located upon a Lot.

1.49 Uplands. The term "Uplands" shall mean and refer to an area that under normal conditions does support a prevalence of vegetation typically adapted for life in non-saturated soil conditions.

1.50 Water Feature. The term "Water Feature" shall mean and refer to any in-ground or above-ground structure or depression, either temporary or permanent, which is either partially enclosed or not enclosed and is used to contain water more than twelve (12) inches deep, including but not limited to swimming pools, spas, jalousies, tubs, fountains, bird baths, water features or any other such structures.

1.51 Wetlands. The term "Wetlands" shall mean and refer to an area that is inundated or saturated by surface or groundwater at a frequency and duration sufficient to support and that under normal conditions does support a prevalence of vegetation typically adapted for life in saturated soil conditions. For the purpose of this Declaration, Reserves D, E, and F, depicted in "Exhibit A", shall be considered wetlands.

1.52 Wildlife Observation Platform. The term "Wildlife Observation Platform" shall mean and refer to an elevated platform and gazebo located adjacent to the Club House and extending into a wetland area located in Reserve E, depicted in "Exhibit A".

ARTICLE II

ENVIRONMENT

2.1 Uplands. Uplands serve many environmental functions including, but not limited to thermal, acoustic and wind insulation, erosion control, water pollution abatement, shade, recreation, ornamentation and habitat. Uplands shall be regulated in part by the Governing Documents in order to preserve, enhance, and mitigate changes to Uplands.

2.2 Wetlands. Wetlands serve many environmental functions including, but not limited to erosion and sedimentation control; water pollution abatement, recreation, ornamentation and habitat. Wetlands shall be regulated in part by the Governing Documents in order to preserve, enhance, and mitigate changes to Wetlands.

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ARTICLE III

PLANNED DEVELOPMENT

3.1 Division of the Project. Declarant hereby declares the Project consists of the following:

3.1(a) Sixty-seven (67) designated and legally described Lots, which are shown, defined and described on the recorded subdivision maps for the Project.

3.1(b) One (1) designated and legally described Club House, which is shown, defined and described on the recorded subdivision maps for the Project.

3.1(c) The Common Area consisting of (a) non-exclusive easements for access, ingress and egress over the Private Streets and walkways for use of the Lot Owners in the Project as described in the subdivision maps for the Project and in this Declaration; (b) non-exclusive easements for access, ingress, egress and use of the Club House; (c) non-exclusive easements for access, ingress, egress and use of the Park; (d) easements for drainage and drainage facilities, including storm channel improvements, and for maintenance of same, and (e) any other easements or other areas which the Association is required to maintain (or share in the cost of maintaining) hereunder.

3.2 Interest in Common Area. Ownership of a Lot shall also include the right to use and enjoy all of the Common Areas within the Project including a non-exclusive easement for ingress, egress, and support, if necessary, through the Common Area. Each conveyance of a Lot, whether voluntary or involuntary, shall also convey the right to use and enjoy the Common Area even though the conveyance document may omit reference to the Common Area.

3.3 Ownership of Common Area and Easement Rights in Common Area. The Common Area shall be owned by the Association. The Owners shall have a non-exclusive easement over the Common Area for access as described in the subdivision maps for the Project.

ARTICLE IV

RIGHTS OF ENJOYMENT

4.1 Members' Right of Enjoyment. Every Member of the Association has a non-exclusive easement for use and enjoyment of the Common Area, including the right of ingress and egress, and support (if necessary), in, to, and throughout the Common Area, which shall be appurtenant to and pass with title to each Lot, subject to all of the easements, covenants, conditions, restrictions and other provisions contained in this Declaration, including, without limitation, the following:

4.1(a) The right of the Association to establish uniform rules and regulations pertaining to the use of the Common Area;

4.1(b) The right of the Association to borrow money and incur indebtedness for the purpose of improving the Common Area and any Improvements thereon and to mortgage, pledge, deed in

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trust, or hypothecate any or all of its real or personal property as security for money borrowed or debts incurred.

4.1 (c) The right of the Association to dedicate, release, alienate, transfer or assign an interest in the Common Area to any public agency, authority, utility or other person for such purposes and subject to such conditions as may be agreed to by the Members and the owner of the Common Area. No such dedication, release, alienation, transfer or assignment shall be effective, unless an instrument is signed by Members entitled to cast at least a majority of the voting power of the Association, agreeing to such dedication, release, alienation or transfer, has been recorded.

4.2 Delegation of Use. Any Member may delegate his right to the use and enjoyment of the Common Area to the members of his family, his guests or tenants who reside in his Unit, subject to rules and regulation adopted by the Association.

4.3 Waiver of Use. No Member may exempt himself from personal liability for assessments duly levied by the Association, or release his Lot from the liens, charges and other provisions of the Governing Documents, by waiver of the use and enjoyment of the Common Area or the abandonment of his Lot.

ARTICLE V

USE RESTRICTIONS

In addition to all other covenants contained herein, the use of the Project, each Lot and the Common Area, excluding the Club House, is subject to the following:

5.1 Commercial Use. No Lot, Unit or any part thereof shall be used for any business, professional, commercial, manufacturing, mercantile, storing, vending, or other nonresidential purposes. No business or profession of any nature shall be conducted on any Lot, including, but not limited to, garage sales and other such activities, and no building or structure intended for or adapted to business or professional purposes, nor any apartment house, hotel, duplex house, flat building, lodging house, rooming house, hospital or sanitarium shall be erected placed, permitted or maintained on any Lot.

5.2 Maintenance of Lots and Units. Each Owner shall be responsible for the maintenance and appearance of his Lot, whether improved or unimproved, and his Unit. Owners shall assure that their Lots are properly landscaped and that all landscaping, including grass, trees, ornamental shrubs, and the like, is properly irrigated, trimmed and maintained. Each Lot shall at all times be kept clear of weeds and other unsightly growth. The Lots and Units shall be maintained in a clean, sightly, wholesome, neat, orderly, safe, sanitary and attractive condition. All painting and alterations of the exterior surfaces of Units shall be undertaken in conformance with the requirements of Article XII regarding Architectural Control. No trash, litter, junk, boxes, containers, bottles, cans, implements, machinery, lumber or other building materials shall be permitted to remain exposed upon any Lots so they are visible from any neighboring Lot, or road, except as necessary during any period of construction. No Lot shall be used in whole or in part for the storage of any property or thing that will cause such Lot to appear in an unclean, disorderly, or untidy condition, or that will be otherwise obnoxious. No noxious or offensive activity shall be carried on upon any Lot nor shall anything be done, placed or stored thereon which may be or become an annoyance or nuisance to the neighborhood or occasion any noise or

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odor which will or might disturb the peace, quiet, comfort, or serenity of the Owners or occupants of nearby Lots. In the event any structure is destroyed either wholly or partially by fire or any other casualty, said structure shall be promptly rebuilt or remodeled to conform to this Declaration or all remaining portions of the structure, including the foundations and all debris, shall be promptly removed from the Lot and the Project. Any drainage easement area on an individual Lot as may be described or depicted in the recorded subdivision maps or other recorded documents for the Project shall be kept free of buildings and obstructions by the Owner of that Lot.

In the event that any Owner fails to maintain his Lot or Unit in accordance with the standards described in this Section, the Association shall have the right, but not the obligation, to undertake such maintenance and levy the expense thereof against the delinquent Owner as a Reimbursement Assessment. Should an Owner request the Association maintain his Lot, whether improved or unimproved, in his absence from the Project or otherwise, the Association may, but is not obligated to, maintain the Lot and bill the expense therefore to the Owner as a Reimbursement Assessment. The Owner shall then reimburse the Association for the maintenance costs.

5.3 No Obstruction of Common Area. There shall be no obstruction of the Common Area nor shall anything be stored in the Common Area without the prior written consent of the Board. Nothing shall be altered or constructed in or removed from the Common Area, except upon the prior written consent of the Board. Any drainage easement area within the Common Area as may be depicted in the recorded subdivision maps for the Project shall be kept free of buildings and obstructions by the Association.

5.4 Signs. No sign, poster, billboard, advertising device or other display of any kind shall be displayed, erected, placed, permitted or maintained on any Lot or any Improvement within the Project, except one sign of not more than six (6) square feet advertising the property for sale or rent; Declarant reserves the right to remove any sign, advertisement or other display of any kind that does not comply with the above specifications, and in doing so shall not be subject to any liability, invoices, costs, or trespass claim in connection with such removal.

5.5 Animals. No horses, cattle, sheep, goats, pigs, rabbits, birds, poultry, livestock, insects, reptiles or animals of any kind shall be raised, bred or kept on the Project except that a reasonable number (not to exceed three (3) pets per household) of dogs, cats or other small household pets, which do not make objectionable noises or otherwise constitute a nuisance or inconvenience to any Owners of adjacent Lots, may be kept, provided that they are not kept, bred, or maintained, for any commercial purpose and provided further that no Pit Bull Terrier or Rottweiler dogs shall be kept on any Lot.

The Association, acting through the Board of Directors, shall have the right to prohibit maintenance of any animal on any Lot in the Project which constitutes, in the opinion of the Board, a nuisance to other Owners within the Project, whereupon the persons having said animals in custody shall forthwith remove them from the Project. Animals belonging to Owners or their licensees, tenants or invitees within the Project must be either kept within an enclosure, an enclosed yard or on a leash or bridle being held by a person capable of controlling the animal. Dog runs, outside dog houses, or other such outside animal shelters may only be placed in such a manner as not to be seen from the street or other common areas. Owners shall be liable to other Owners, their families, guests, tenants and invitees, for any unreasonable noise or damage to person or property caused by any animals brought or kept upon the Project by such Owner or by members of his family, his tenants or guests.

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All pet owners will keep their pets on a leash when outside the backyard of a Lot. It shall be the duty and responsibility of each Owner to clean up after his animals.

5.6 Utilities. Each Owner shall be obligated to pay any and all assessments for sewage, electricity, other utilities, taxes and other charges assessed individually against his Lot.

5.7 Trash. No rubbish, trash, garbage or other waste material shall be kept or permitted upon any portion of the Project, except in sanitary containers which shall be screened and concealed from view, and no odor shall be permitted to arise therefrom so as to render the Project, or any portion thereof, unsanitary, unsightly, offensive or detrimental to any other property in the vicinity or to its occupants.

5.8 Vehicles. No motor home, camper, or other such recreational vehicle shall be parked, stored, kept, constructed, repaired or maintained anywhere on the Project.

5.9 Rules of Association. Each Owner, tenant or occupant of a Unit shall comply with the provisions of this Declaration, the By-laws, decisions, rules and regulations of the Association or its duly authorized representatives, which may from time to time be promulgated. Failure to comply with any such provisions, decisions or resolutions shall be grounds for an action by the Association to recover sums due, for damages, for injunctive relief, or for any other remedy permitted by law or by the terms of this Declaration.

5.10 Conduct in Units and Common Area. The Common Area shall not be used for any purpose or in any manner which might cause it to be uninsurable against loss by fire or the perils of the extended coverage endorsement of the Texas Standard Fire Policy form, or would cause a fire or any such peril. No Unit shall be used in such a manner as to obstruct or interfere with the enjoyment of occupants of other Units or annoy them by unreasonable noises or otherwise, nor shall any nuisance be committed or permitted to occur upon any Lot or in any Unit or upon the Common Area.

5.11 Leasing and Occupancy of Units. No Owner shall lease his Unit for transient or hotel purposes or lease less than the entire Unit and Lot, nor for a period of less than thirty (30) days of each calendar year. The terms of any lease shall be in accordance with and subject in all respects to the provisions of the Governing Documents, and any failure by the lessee to comply with the terms of such documents shall be a default under the lease. Owners shall provide all prospective tenants with a copy of this Declaration and the Rules of the Association. All leases must be in writing and shall include an agreement that the tenant has received, read, and agrees to comply with, the provisions of this Declaration and the Rules of the Association. If a guesthouse is located on a Lot, the guesthouse may not be separately rented or leased. No Unit or Lot may be occupied by a property manager or temporary caretaker employed by or under contract with the Owner, a real estate company, a lender, or any other person. Nothing in this section shall be construed as preventing the leasing of an entire Lot together with its improvements to a single individual or single family. Nothing in this section shall be construed as preventing an Owner's permanent in-home employees, who normally reside with an Owner, from being the sole occupants of a Unit while the Owner is temporarily absent.

5.12 Antennas. Subject to the written approval of the Architectural Committee, Owners shall have the right to place and maintain television, radio or other outdoor electronic antenna, including a satellite dish, on their Lots, provided such equipment shall be installed in such location and in such manner so that the antenna is not visible from any neighbor's Lot or from

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any street or Common Area. Satellite dishes of no more than eighteen inches (18") in diameter may be installed. At no time may a satellite dish or other antennae be mounted on a fence. The application for approval shall be processed by the Architectural Committee in the same manner as an application for approval of an architectural modification to the Unit. The Association may impose additional reasonable requirements in connection with the approval, based on aesthetic considerations and (as to reasonable size) current technology.

5.13 Interior Window Covers. No window shall be covered from the interior with aluminum foil or other such reflective material.

5.14 Solar Energy Systems. Subject to approval of the Architectural Committee, Owners shall have the right to place and maintain solar energy systems equipment or any other energy saving devices on their Lots. The application for approval shall be processed by the Architectural Committee in the same manner as an application for approval of an architectural modification to the Unit. Such equipment shall be installed in such location and in such manner as to be obscured from the view of other persons in the Project to the greatest degree practicable without significantly decreasing its efficiency. In new construction, solar units must be shown on the plans to describe the location, attractiveness and complementary nature to the design of the home. In no case shall solar units or other items be attached above the roof, but instead, be integral to the roof design.

5.15 Temporary Structures. No temporary house, trailer, garage or outbuilding shall be placed or erected upon any Lot, and no residence placed or erected on any Lot shall be occupied in any manner at any time prior to its being fully completed in accordance with plans approved by the Architectural Committee, nor shall any residence when completed be in any manner occupied until same is in compliance with all requirements, condition and restrictions set forth in this Declaration; provided, however that during the actual construction or alteration of a residence on a Lot, necessary temporary buildings for storage of materials may be erected and maintained by the person doing the work.

5.16 Residences/Improvements Subject to Approvals. A Lot shall be used for private residential purposes only, and no structure whatsoever, other than a single-family, detached residence, shall be erected, placed or maintained on any Lot. In general, residences shall measure one (1) or two (2) stories in height. The Architectural Committee may allow a possible third story, but in no event shall the total gross square footage of a third story, including enclosed and outdoor areas, exceed 300 square feet or fifteen percent (15%) of the second floor roof area, whichever ever area is less. All plans and specification for any building, swimming pool, fence, coping or other structure to be constructed on the Project and any remodeling, construction, alteration or additions to any building or other structure on any Lot shall be subject to and shall require approval by the Architectural Committee in writing before any such work is commenced, as set forth in Article XII of this Declaration.

5.17 Minimum Enclosed Floor Area. A residence constructed on a Lot shall have not less than two thousand (2,000) square feet of fully enclosed floor area devoted to living purposes, exclusive of roofed or unroofed porches, patios, terraces, *Porte Cocheres*, motor courts or garages.

5.18 Garages. Each Lot shall have a private, attached, enclosed garage for onsite storage of not less than two (2) but no more than four (4) automobiles. Side loading garages shall be preferred over front-loading garages. All garages shall be enclosed with doors to conceal parked automobiles, including but not limited to cars, vans, trucks, pick-up trucks, motorcycles, golf

carts and boats from neighboring Lots and Private Streets. *Porte Cocheres* and motor courts may be permitted if approved by the Architectural Committee. Owners shall be encouraged to keep garage doors closed when the garage doors are not in use.

5.19 Driveways. Driveway materials consisting of permeable brick, concrete pavers, or other such materials shall be encouraged. Driveway materials consisting of asphalt, gravel, crushed stone, or loose materials shall not be permitted.

5.20 Guest Houses. Guest houses shall be allowed in the Project provided that they are attached to the main residence by an arbor or breezeway, but any such guest houses may not be separately rented or leased. Guest houses shall compliment the main residence in terms of design.

5.21 Roofs. Roof heights above finished floor elevations shall not be more than thirty-two feet (32') measured to the ridgeline of the roof. The Architectural Committee may allow variances to roof heights, not to exceed thirty-five feet (35'). Roof materials consisting of high-quality clay, concrete tile, metal sheet, or slate shall be encouraged. Roofs constructed with asphalt or composition shingles shall not be permitted under any circumstances. Roof gutters shall drain into Owner's Lot only.

5.22 Exterior Siding. Exterior siding materials consisting of stucco and/or brick shall be encouraged. Stucco shall be hand finished and show the hand of the craftsman. Artificial or composite siding shall be discouraged. Foam under siding shall not be permitted.

5.23 Setbacks. Every Improvement, other than a wall or fence, which is erected or placed upon any Lot (excluding uncovered terraces, steps and roof projections at the eaves) shall be set back following prescribed distances from abutting lot lines. In no event shall the projection at the eaves extend more than two feet (2') into the side yard setback lines.

5.23(a) Front Yard Setbacks. All Units shall be no less than twenty feet (20') from any street-lot lot line.

5.23(b) Side Yard Setbacks. Not less than six feet (6') from any side lot line. In no event shall the eaves of the Unit extend more than two feet (2') beyond the side yard setback lines.

5.23(c) Rear Yard Setbacks. Not less than twenty feet (20') from any rear lot line, except where the rear line of a Lot abuts Reserves C, D, and/or F as depicted in Exhibit "A" in which case the minimum setback provided for shall be twenty-five (25') from the rear lot line. Where the rear lot line of one lot is also the side lot line of an adjoining Lot, the minimum setback provided for side lot lines shall apply to both sides of said lot line.

5.24 Walls/Fencing/Boundary Plantings. No wall, coping or fencing exceeding seven feet (7') in height measured from the adjoining ground surface, may be erected or maintained on any Lot, except the Subdivision Perimeter Wall. An Owner who wishes to construct any wall, coping or fencing that exceeds six feet (6') in height must incorporate a lattice row at the top of the structure; in such a case, the lattice row must have a minimum height of twelve-inches (12") so that the top of the lattice row does not exceed seven feet (7') in height measured from the adjoining ground surface. Wooden fences shall incorporate a decorative rail or "stringer" at the top and bottom of the panel assembly. If a fence post extends above the decorative rail, the fence post shall have a decorative cap. Boundary planting along any lot lines, except trees or palms with single trunks, shall not be permitted to grow higher than eight feet (8'). No walls, coping,

fences, hedges or plantings (other than grass) shall be permitted on the street frontage beyond the setback line unless permission is granted by the Architectural Committee. In no event shall sharpened barbs, pikes, razor wire, concertina wire or broken glass or any light material be used atop any fence. No barb wire fences or chain link fences may be erected under any circumstances. No hazard shall be placed on or atop of any fence so as to prohibit the scaling of said wall.

5.25 Derricks/Tanks/Outside Equipment. No derrick or other structure designed for use in boring for water, oil or natural gas shall be erected, placed or permitted upon any part of the Project; furthermore, no water, oil or natural gas shall be produced or extracted therefrom. No elevated or underground tanks of any kind shall be erected, placed or permitted upon any part of the Project. All types of refrigerating, cooling or heating equipment must be concealed.

5.26 Subdivision of Lots. No Lot or Lots shall be subdivided, except for the purpose of combining portions with an adjoining Lot, provided that no additional Lot or building site is created thereby. Any ownership or single holding by any person comprising the whole of one Lot and part or parts of one or more adjoining Lots shall, for all purposes of this Declaration, be deemed as constituting a single Lot (except with regard to collection of assessments whereby an Owner is obligated to pay assessments on each of the Lots as shown on the original subdivision map). Not less than one entire Lot as originally laid out shall be used as a building site.

5.27 Underground Installation of Utilities. All electric, cable, telephone, gas and other utility line installations and connections from a lot Owner's property line to the residence or any structures shall be placed underground, except for those installations, if any, which are required to be placed above ground by the City or a utility company.

5.28 Dry Wells/Drainage Swales. A dry well and/or a drainage swale is required on each Lot to collect and divert nuisance water and assure proper drainage of water which may otherwise accumulate on the Lot or the surrounding area.

5.29 Landscaping. In order to enhance the natural beauty of the landscape within the Project, Owners shall be required to maintain minimum standards with respect to landscaping. When constructing a Unit on a Lot, Owners shall abide by the following landscape standards:

5.29(a) General Landscape Coverage. Plant Materials shall cover a minimum of twenty (20%) percent of the gross square footage of the Lot. In general, Owners shall be encouraged to install native and naturalized Plant Materials which are likely to thrive in the unique climate of the Project.

5.29(b) Front Yard Plant Materials. In order to discourage the appearance of broad, monotonous lawns which are unnatural and require resource-intensive maintenance, a minimum of twenty-five (25%) percent of the gross square footage of the front yard shall consist of Plant Materials other than lawn grass. No bare earth shall be permitted. Landscape beds shall not be any closer than six feet (6') from a side lot line. When used, lawn grass shall be sodded during initial installation.

5.29(c) Rear Yard Plant Materials. In order to discourage the appearance of broad, monotonous lawns which are unnatural and require resource-intensive maintenance, a minimum of twenty-five (25%) percent of the gross square footage of the rear yard shall consist of Plant Materials other than lawn grass. No bare earth shall be permitted. When used, lawn grass shall be sodded during initial installation.

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5.29(d) Minimum Tree Requirements. In order to provide insulation, erosion control, shade, ornamentation and habitat, a minimum number of trees shall be planted on each Lot. The minimum number of trees shall be determined by dividing the gross square footage of the Lot by two thousand (2,000) and rounding the result of this quotient up to the next whole number. All trees which are used to satisfy the requirements of this Section shall be no less than eight to ten feet (8' to 10') in height and no less than three to four inches (3" to 4") in caliper. Palm trees that have a minimum clear trunk height of six feet (6') may be used to satisfy up to, but no more than, fifty percent (50%) of the minimum tree requirements specified in this Section.

5.29(e) Lawn Grass. Owners shall be encouraged to incorporate landscape beds and to minimize the use of lawn grass, particularly in the front yard. When using lawn grasses, Owners shall be encouraged to plant Bermuda grass. The use of St. Augustine grass shall not be permitted on any Lot.

5.29(f) Irrigation. All Plant Materials, including landscape beds and lawn areas shall be irrigated using an automatic, multi-zone irrigation system. In general, Owners shall be encouraged to implement irrigation technologies and/or practices which help to conserve water.

5.30 Clotheslines. No outdoor clotheslines shall be permitted on any Lot.

5.31 Parking. Owners shall be encouraged to store or park automobiles in enclosed garages or behind a walled and gated motor court, particularly at night. In general, the practice of parking vehicles along the street or on an exposed driveway for a period exceeding forty-eight (48) hours shall be discouraged.

5.32 Wetlands. The erection or construction of any building, dock, jetty or other structure, temporary or permanent, shall not be permitted in, below, above, or across the Wetlands, except for the Wildlife Observation Platform, which shall be permitted. Harvesting in wetlands shall not be permitted.

5.33 Outdoor Lighting. In order to reduce light pollution, brightness, glare and light trespass, which constitute a nuisance to both people and wildlife, the following outdoor lighting practices shall be required:

5.33(a) Street Lighting. All Street lighting within the Project shall make use of Cut-off Light Fixtures, which generally reduce light pollution.

5.33(b) Facade Lighting. The use of elegant, energy-efficient facade lighting shall be encouraged. Lighting fixtures attached to the exterior facade of Units shall not direct light onto adjacent property. Building-mounted luminaries shall be a maximum of fifteen feet (15') in height, measured from the adjoining ground surface to the center of the lamp. All proposed Façade Lighting shall be processed by the Architectural Committee.

5.33(c) Landscape Lighting. The modest use of elegant, energy-efficient landscape lighting shall be encouraged by the Architectural Committee. Lighting fixtures mounted at grade level, directly to vegetation, or otherwise shall not direct light onto adjacent property. All proposed Landscape Lighting shall be processed by the Architectural Committee.

5.33(d) Exemptions. Exempt from this section are small light fixtures used for holiday decorations between the last week of November and the second week of January of the following

year, light fixtures used for illumination of flags as required by law, and light sources that produce light by combustion of fossil fuels including but not limited to kerosene lanterns, gas lamps and torches. Light fixtures that blink, twinkle, move, change intensity, produce a strobe or any similar effect shall not be allowed on any Lot.

5.34 Park. The Park shall be maintained by the Association. Policies regarding the usage of the Park shall be determined by the Association.

5.35 Wildlife Observation Platform. The Wildlife Observation Platform shall be maintained by the Association. Policies regarding the usage of the Wildlife Observation Platform shall be determined by the Association.

ARTICLE VI

MEMBERSHIP AND VOTING RIGHTS

6.1 Membership. Every Owner shall automatically, upon becoming the Owner of a Lot, be a Member of the Association, and shall remain a Member thereof until his ownership ceases for any reason, at which time his membership in the Association shall also automatically cease. For each Lot there shall be on file with the Association an address of record for the Owner, if different from the Unit address, and a phone number for the Owner, his agent and security company in case of emergency, all of which shall be kept current by the Owner. Ownership of a Lot shall be the sole qualification for membership in the Association; provided, however, that a Member's voting rights may be regulated or suspended as provided in the Governing Documents. All memberships shall be appurtenant to the Lot conveyed, and with the exception of Declarant, a person or entity shall be deemed an Owner of a Lot only upon recordation of a deed, contract of sale or other document conveying the Lot to him.

6.2 Transfer. The membership held by any Owner shall not be transferred, pledged or alienated in any way, except upon the conveyance or encumbrance of his Lot, and then only to the transferee or Mortgage holder of the Lot. Any attempt to make a prohibited transfer is void, and will not be reflected upon the books and records of the Association. Any conveyance, judicial sale, or other voluntary or involuntary transfer of a Lot also includes the Owner's membership interest in the Association. In the event an Owner fails or refuses to transfer the membership registered in his name to the transferee of his Lot, the Board may record the transfer upon the books of the Association. The Association may impose reasonable fees against the selling owner for the actual costs of (a) transferring the selling Owner's membership on the books of the Association (b) providing documentation to the selling Owner and/or (c) any penalties or fees unpaid or assessed against the lot.

6.3 One Class of Membership. The Association shall have one (1) class of voting membership, which shall be those Owners described in Section 6.1 above. Each Member shall be entitled to one (1) vote for each Lot owned. When more than one (1) person holds an interest in any Lot, all such persons shall be Members, and the vote for such Lot shall be exercised as they among themselves determine, with such voting method and voting member who provides the vote provided to the Association at least one month before any vote, but in no event shall more than one (1) vote be cast with respect to any Lot. If one Owner casts the vote attributed to a Lot, the vote shall conclusively bind all the Owners of that Lot.

6.4 Vesting of Voting Rights. All voting rights which are attributable to a specific Lot are vested so long as the Lot is subject to Regular Assessments (and Special Assessments, if any) pursuant to the terms of this Declaration.

ARTICLE VII

COVENANT FOR MAINTENANCE ASSESSMENTS

7.1 Covenant to Pay Assessments. Each owner of any Lot covenants and agrees, and each future Owner, by acceptance of a conveyance of a Lot (whether or not it is expressed in such conveyance), is deemed to covenant and agree, to pay to the Association: (a) Regular Assessments or charges, (b) Special Assessments for capital improvements, (c) Reimbursement Assessments, and (d) Reconstruction Assessments, all such assessments to be established and collected as hereinafter provided. Each of these assessments, together with interest, cost of collection and reasonable attorney's fees, shall also be the personal obligation of the person who was the Owner of such Lot at the time the assessment became due. The personal obligation for delinquent assessments shall not pass to such person's successors in interest unless expressly assumed by them. If an Owner owns more than one Lot, whether merged or not, the Owner will be liable for assessments on each of the Lots as shown on the original subdivision map.

7.2 Purpose of Assessments. The assessments levied by the Association shall be used exclusively to promote the health, safety and welfare of the residents of the Project and for the improvement, operation and maintenance of the Common Area and the Project and the performance of the duties of the Association as set forth in the Governing Documents.

7.3 Regular Assessments. The amount and time of payment of Regular Assessments against each Lot shall be determined by the Board, giving due consideration to the current maintenance costs and future needs of the Association. Regular Assessments are collected from the Owners to defray expenses attributable to the ownership, operation or furnishing of common interests or the enjoyment of mutual and reciprocal rights of use. Not later than sixty (60) days prior to the beginning of each fiscal year, the Board shall estimate the total common Expenses to be incurred for the upcoming fiscal year, and shall determine the amount of Regular Assessments to be paid by each Member. Written notice of the amount of the Regular Assessment for the year shall be sent to each Member, who shall thereafter pay the Regular Assessment to the Association. Any increase in Regular Assessments shall be undertaken in compliance with Section 7.5. Regular Assessments shall begin the first full month of ownership and shall be prorated for the year.

7.4 Special Assessments for Capital Improvements. In addition to the Regular Assessments authorized above, the Association may levy, in any fiscal year, a Special Assessment applicable to that year only, for the purpose of defraying, in whole or in part, the cost of any construction, repair or replacement (other than due to destruction which cost shall be defrayed by insurance purchased by the Association for common area elements) of a capital improvement upon the Common Area and the Project, including fixtures and personal property related thereto, or any other action or undertaking on behalf of the Association, to the extent the same is not covered by the provisions affecting Reconstruction Assessments described below.

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7.5 Increases in Regular and Special Assessments. In the event that the Board at any time determines that the estimate of total charges for the current year is or will become inadequate to meet all Common Expenses for any reason, it shall immediately determine the approximate amount of such inadequacy and issue a supplemental estimate of the Common Expenses and determine a revised amount of Regular Assessments for each Member and the date or dates when due. Regular Assessments may not be increased by more than twenty percent (20%) over the Regular Assessment for the preceding fiscal year and an increase in Special Assessments may not exceed, in the aggregate, five percent (5%) of the budgeted gross expenses of the Association for the current fiscal year, without approval by the vote or written assent of a majority of the votes represented and voting at a duly held meeting at which a quorum is present.

The Association shall provide notice by first-class mail to the Owners of any increase in Regular or Special Assessments, not less than thirty (30) days prior to the date on which the increased Assessment becomes due. The increased assessment will be due upon the date determined by the Board, which due date shall be at least thirty (30) days following the date of the notice, and will be delinquent if not paid within fifteen (15) days following the due date.

The percentage limitations for increases in Regular and Special Assessments described above will not limit assessment increases necessary for emergency situations. An "emergency situation" includes any one of the following:

- 7.5(a) An extraordinary expense required by an order of a court;
- 7.5(b) An extraordinary expense necessary to repair or maintain the Project or any part of it for which the Association is responsible where a threat to personal safety is discovered; or
- 7.5(c) An extraordinary expense necessary to repair or maintain the Project or any part of it for which the Association is responsible which could not have been reasonably foreseen by the Board. Prior to the imposition or collection of an assessment under this subparagraph (c), the Board shall adopt a resolution containing written findings regarding the necessity of the extraordinary expense and why such expense was not or could not have been reasonably foreseen in the budgeting process, which resolution shall be distributed to the Members with the notice of such assessment.

7.6 Reimbursement Assessments. The Association may levy a Reimbursement Assessment against any Owner who fails to comply with the provisions of this Declaration, the determinations of the Architectural Committee, the Articles or the By-laws, or any rule or regulation adopted by the Association, if such failure results in the expenditure of monies by the Association in carrying out its functions hereunder, or for the purpose of collecting any fines which may be levied by the Association. Such assessment shall also be for the purpose of reimbursing the Association for any costs incurred by the Association on behalf of an individual Owner, but shall not exceed the actual amount necessary to defray the costs for which it is levied. A Reimbursement Assessment shall be due and payable to the Association when levied but may not become a lien as provided by Section 7.13(b) which could otherwise be enforced by a sale of the Owner's Lot, except for a Reimbursement Assessment for costs incurred by the Association in the repair of damage to the Common Area and facilities for which the Member or the Member's guests or tenants were responsible, which may become a lien as described under Section 7.13(b).

7.7 Reconstruction Assessments. In the event of total or partial destruction of the Common Area, including the Private Streets, assessments for reconstruction of Improvements

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upon the Common Area may be levied against the Owners as a Reconstruction Assessment, payable upon such terms and conditions as the Board may deem appropriate. The Board shall determine the amount (in excess of available insurance proceeds, if any) necessary to effect such reconstruction.

7.8 Uniform Rate of Assessment. Regular and Special Assessments shall be fixed at a uniform rate for all Lots (whether improved or unimproved) and shall be levied against each owner according to the ratio of the number of Lots owned by the Owner to the total number of Lots subject to assessment.

7.9 Regular Assessments: Due Dates. The annual Regular Assessments described herein shall be due on January 1 of each calendar year as to all Lots, except for increased assessments, if any, which shall be due on the date determined by the Board as set forth in Section 7.5 above.

7.10 No Offsets. All assessments shall be payable in the amount specified and no offset against such amount shall be permitted for any reason, including, without limitation, a claim that the Association is not properly exercising its duties and powers as provided in this Declaration.

7.11 Reserves. Regular Assessments shall include reasonable amounts as determined by the Board collected as reserves for the future periodic maintenance, repair or replacement of major components of the Common Area which the Association is obligated to repair, restore, replace, or maintain, and for which the reserve fund was established, and for litigation involving these purposes. All amounts collected as reserves, whether pursuant to this Section or otherwise, shall be (a) collected on an annual basis and included in Regular Assessments rather than by large Special Assessments, and (b) deposited by the Board in a separate bank account to be held in trust for the purposes for which they are collected and are to be segregated from and not commingled with any other funds of the Association. Such reserves shall be deemed a contribution to the capital account of the Association by the Members.

7.12 Pledge of Assessment Rights. The Association shall have the power to pledge the exercise of its assessment powers to obtain funds to repay a debt of the Association; provided, however, that any such pledge shall require the prior affirmative vote or written assent of not less than a majority of the Members present in person or by proxy at a meeting duly called and noticed pursuant to the provisions of the By-laws dealing with Special Meetings of Members. The Association may levy Special Assessments against the Members to obtain such funds. Upon the failure of any Member to pay such Special Assessment when due, the Association may exercise all of its rights including, but not limited to, the right to foreclose its lien, pursuant to the provisions of this Declaration.

7.13 Effect of Nonpayment of Assessments: Remedies of the Association. Each Owner, upon becoming an Owner of any Lot, covenants and agrees to pay to the Association all of the assessments provided for in this Declaration and further agrees to the enforcement of all such assessments in the manner herein specified. Regular and Special Assessments are delinquent if not paid within fifteen (15) days after they become due. If an assessment is delinquent, the Association may recover, in addition to the delinquent assessment, all of the following:

7.13(1) Reasonable costs incurred in collecting the delinquent assessment, including reasonable attorney's fees;

7.13(2) A late charge not exceeding ten percent (10%) of the delinquent assessment or Ten dollars (\$10.00), whichever is greater (a late charge may not be imposed more than once on any

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single delinquent payment, but it shall not eliminate or supersede any charges imposed on prior delinquent payments); and

7.13(3) Interest on the above sums, including the amount of the delinquent assessment, reasonable costs of collection and late charges, at an annual percentage rate of twelve percent (12%), commencing thirty (30) days after the assessment becomes due.

7.13(a) Enforcement by Suit. The Association may commence and pursue an action against any Owner personally obligated to pay assessments for such delinquent assessments. Any judgment rendered in any such action shall include the amount of the delinquency, together with interest thereon, costs of collection, court costs and reasonable attorney's fees in such amount as the court may adjudge against the delinquent Owner. The remedy provided in this paragraph shall be the exclusive manner of enforcing payment of delinquent Reimbursement Assessments, except for a Reimbursement Assessment for costs incurred by the Association in the repair of damage to the Common Area and facilities for which the Member or the Member's guests or tenants were responsible, which may become a lien as provided under Section 7.13(b) below.

7.13(b) Enforcement by Lien. Before the Association may place a lien upon the Separate Interest of an Owner, the Association shall notify the Owner in writing by certified mail, return receipt requested, of the fee and penalty procedures of the Association, provide an itemized statement of the charges owed by the Owner, including items on the statement which indicate the principal owed, any late charges and interest owed, and the method of calculation, any attorney's fees, and the collection practices used by the Association, including the right of the Association to the reasonable costs of collection. Any payments toward such debt shall first be applied to interest owed, late charges and collection expenses, and only after the interest, late charges and collection expenses are paid in full shall such payments be applied to principal. After such notice by certified mail, return receipt requested, has been sent, the Board may record, or cause to be recorded, in the Registrar's Office of the County, a Notice of Delinquent Assessment with respect to the Lot as to which assessments are delinquent. The Notice of Delinquent Assessment shall set forth a legal description of the Owner's Separate Interest in the Project, the name of the record owners of that interest, the amount of assessments which are delinquent as of the date of recording, together with all costs, attorney's fees, late charges and interest accrued thereon. The Notice shall also include the name and address of the trustee authorized by the Association to enforce the lien by sale through non-judicial foreclosure proceedings as described below, shall be signed by the person designated by the Board for that purpose (or if no one is designated, by the President of the Association), and mailed to all record owners of the Owner's Separate Interest in the Project no later than ten (10) calendar days after recordation. Immediately upon recordation of a Notice of Delinquent Assessment, the amounts set forth in said Notice, together with all sums accruing thereon or becoming due and payable in accordance with this Declaration after the date of recordation of the Notice, shall constitute a lien in favor of the Association upon the Lot described in the Notice, which lien shall be immediately due and payable. (Reimbursement Assessments may not be enforced by lien, except for a Reimbursement Assessment for costs incurred by the Association in the repair of damage to the Common Area and facilities for which the Member or the Member's guests or tenants were responsible, which may become a lien under this Section 7.13(b).)

7.14 Subordination to Certain Trust Deeds. The lien for the assessments described herein shall only be subordinate to the lien of a first Mortgage, given and made in good faith and for value, that is of record as an encumbrance against such Lot prior to the recordation of a Notice of Assessment. The sale or transfer of any Lot shall not affect the assessment lien described herein, nor shall such sale or transfer diminish or defeat the personal obligation of any Owner for

delinquent assessments. However, the sale or transfer of any Lot pursuant to a judicial foreclosure or foreclosure by power of sale of a first encumbrance shall extinguish any assessment lien recorded prior to the time of such sale or transfer. Following a foreclosure, the interest of any purchaser at such foreclosure sale shall be subject to all assessments becoming due after the date of such sale or transfer, and in the event of nonpayment of such assessments, shall be subject to all of the remedies described in this Declaration. For the purpose of this Section 7.14, a sale or transfer of a Lot shall occur on the date of recordation of a deed or land sale contract evidencing the conveyance of record ownership of the Lot.

7.15 Recorded Statement Regarding Collection of Assessments, Transfer Fees and Other Charges. In order to facilitate the collection of Regular Assessments, Special Assessments, transfer fees and similar charges, the Board is authorized (but not required) to record with the Cameron County Clerk (subject to the Clerk's customary recording fees) a statement or amended statement identifying relevant information for the Association ("Statement"). This Statement may include any or all of the following information:

7.15(a) The name of the Association as shown in this Declaration or the current name of the Association, if different;

7.15(b) The name and address of the managing agent or treasurer of the Association or other individual or entity authorized to receive assessments and fees imposed by the Association;

7.15(c) A daytime telephone number of the authorized party identified in subparagraph (b) above, if a telephone number is available;

7.15(d) A list of Separate Interests subject to assessment by the Association, showing the assessee's parcel number or legal description, or both, of the Separate Interests;

7.15(e) The recording information identifying the Declaration of Covenants, Conditions and Restrictions governing the Association (i.e., the recording information identifying this Declaration);

7.15(f) If an amended Statement is being recorded, the recording information identifying the prior Statement or Statements which the amendment is superseding.

ARTICLE VIII

MANAGEMENT OF THE ASSOCIATION AND THE PROJECT

8.1 General Powers of the Association. All powers relating to the management, operation and maintenance of the Project, its amenities and the Common Area, shall be vested in the Association. The specific and primary purposes and powers of the Association are to provide architectural control of, manage and maintain the Project and the Common Area and to enforce the provisions of the Governing Documents. The Association may do any and all other acts and things that a nonprofit (mutual benefit) corporation is empowered to do which may be necessary, convenient or desirable in the administration of its affairs and in order to carry out the duties described in this Declaration.

Whenever this Declaration or the By-laws require or permit the approval, consent or action of the Association, such approval, consent or action shall be that of the Board of Directors, unless otherwise provided by this Declaration or the By-laws. The Association, through its Board of Directors, also shall have the authority to delegate its powers to committees, Officers of the Association and its employees.

8.2 Contracts of the Association. The Association shall have the right and power to employ or engage a Manager or "Managing Agent" (as defined herein) and other employees or agents and contract for such services, labor and materials as it may deem reasonably necessary to operate and maintain the Project, the Common Area and the improvements thereon and to discharge its other duties. Any agreement for professional management of the Association must provide for termination of such contract or agreement by either party with or without cause or payment of a termination fee on thirty (30) days (or less) written notice as well as a maximum contract term of one (1) year.

8.3 General Duties of the Association. In addition to the duties and powers enumerated in its Articles and By-laws, or elsewhere described herein, and without limiting the generality thereof, the Association shall:

8.3(a) Repair, replace, maintain and otherwise manage all of the Common Area and all facilities, improvements, and landscaping within the Common Area;

8.3(b) Procure and maintain insurance on behalf of the Association, including, without limitation, general liability insurance on the Common Area as required by the terms of this Declaration. The Association shall also have the authority to procure and maintain any other type of insurance which the Association determines is in the best interest of the Association and its Members;

8.3(c) Obtain, for the benefit of the Common Area, all necessary water, gas, electric, refuse collection, and other utility services;

8.3(d) Pay taxes and assessments which are or could become a lien on the Common Area, or some portion thereof;

8.3(e) Prepare budgets and financial statements for the Association and its Members as prescribed in the By-laws;

8.3(f) Initiate and pursue disciplinary proceedings against Members for the violation of the Governing Documents, in accordance with the procedures set forth in this Declaration;

8.3(g) To borrow money and incur indebtedness for the purposes of the Association, and to cause to be executed and delivered in the name of the Association, promissory notes, bonds, debentures, deeds of trust, mortgages, pledges, hypothecations or other evidences of debt and securities therefor.

8.4 Maintenance of the Project. The Association shall provide landscaping and gardening services for Common Areas and shall repair, replace and maintain improvements within the Common Areas. This maintenance shall include, without limitation, maintenance of the Private Streets (which maintenance shall include resurfacing at appropriate intervals, regular maintenance to keep Private Streets free from potholes and hazards to vehicular and pedestrian traffic, and appropriate signage and striping), street lighting, perimeter landscaping, Subdivision

Gates, Subdivision Screen Walls, Subdivision Retaining Walls, fencing, Subdivision Gates, security systems and storm channel maintenance. All grass, trees and other vegetation shall be properly irrigated, trimmed and in all respects cared for in a manner so as to provide a well maintained appearance at all times. Any improvements located within the Common Area shall be maintained in a neat, clean, orderly, safe, sanitary and attractive condition so as to be usable and enjoyable by all Members of the Association at all times. Each Owner shall be responsible for repairing and maintaining his Lot and Unit and to keep such Lot and Unit in a good and attractive condition at all times. Should the activities of any owner, family members, guests or invitees of such Owner result in damage to or destruction of any portion of the Common Area or any Common Area Improvement, that Owner shall be held responsible for all costs associated with the repair or replacement of that portion of the Common Area, which expense may be enforced as a Reimbursement Assessment, the collection of which may be enforced by placement of a lien on the Owner's Lot.

8.5 Maintenance of Public Utilities. Nothing contained herein shall require or obligate the Association to maintain, replace or restore the underground facilities of public utilities or television cable providers which are located within easements in the Common Area. However, the Association shall take such steps as are necessary or convenient to ensure that such facilities are properly maintained, replaced or restored by such public utilities or cable providers.

8.6 Rights of Entry. The Association, through its agents or employees, shall have a limited right of entry upon all Lots for the purpose of inspecting the Project and taking whatever corrective action may, after approval by a majority vote of the Board, be deemed necessary or proper by the Board, consistent with the provisions of this Declaration. This right of entry shall include the right to enter a Lot for purposes of construction, maintenance or repair for the benefit of the Common Area or the Owners in common.

Nothing in this Article shall in any manner limit the right of an Owner to the exclusive occupancy and control of his Lot. Entry onto a Lot by the Association for other than emergency repairs shall be made only after three (3) days' notice has been given to the Owner, shall be made with as little inconvenience as possible to the Owner and any damage caused thereby shall be repaid by the party causing such damage. In the case of an emergency, the right of the Association to enter upon a Lot shall be immediate; provided, however, that such entry shall be made with as little inconvenience as possible to the Owner and any damage caused thereby shall be repaired by the party causing such damage. Nothing herein shall be construed to impose any obligation upon the Association to maintain or repair any property or portion of a Lot to be maintained or repaired by the Owner thereof. The Association shall not be liable for failing to exercise this right of entry during an emergency or otherwise.

8.7 Association Rules. The Association shall have the power to adopt, amend and repeal such rules and regulations as it deems reasonable which may include the establishment of a system of fines and penalties enforceable as a Reimbursement Assessment. The Association Rules shall govern matters in furtherance of the purposes of the Association, including, without limitation, the use of the Common Area within the laws and ordinances of the Federal Government, the State of Texas and the Town of Laguna Vista. A copy of the Association Rules as they may from time to time be adopted, amended or repealed, or a notice setting forth the adoption, amendment or repeal of specific portions of such Rules shall be delivered to each Owner. The Association Rules shall have the same force and effect as if they were set forth in and were part of this Declaration and shall be binding on the Owners and their successors in interest whether or not actually received by them. If the Association adopts a policy imposing any monetary penalty, including any fee, on any Member for a violation of the Governing

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Documents or Rules of the Association, including any monetary penalty relating to the activities of a guest or invitee of a Member, the Board shall adopt and distribute to each Member, by personal delivery or first class mail, a schedule of the monetary penalties that may be assessed for those violations. If changes are made to the original schedule, which was adopted and distributed to Members, the Board shall distribute copies of the revised schedule to the Members by personal delivery or first class mail.

8.8 Authority of the Declarant. Until such time as ninety percent (90%) of the Lots have been sold, the Declarant shall reserve the right to manage and control all of the affairs of the Association as described in the Governing Documents, including the following: (i) creation and appointment of an Association Board, including an Architectural Committee, (ii) establishment and management of bank accounts, and (iii) collection of assessments and other fees. The Declarant shall transfer and relinquish control of the Association to elected members in an orderly fashion and shall inform all existing Owners by mail of such transfer within thirty (30) calendar days following the first election of the Association.

8.9 Diligent Execution of Construction Activity. The Association shall encourage Owners to design and begin construction of a Unit within the "Standard Holding Period"; furthermore, the Association shall encourage Owners to complete construction projects within the "Standard Construction Period" as defined in Article I.

In order to encourage the construction practices described above and in order to reduce the practice of holding a Lot for an excessive or indefinite period of time, the Association shall levy the following reimbursement assessments against delinquent Owners:

8.9(a) Assessment for Excessive Lot Holding. In the event that the construction of a Unit upon an Owner's Lot is not commenced during the Standard Holding Period, the Association shall reserve the right to levy against the Owner, the Owner's successors and/or assigns an "Assessment for Excessive Lot Holding" of \$200 per month for each month beyond the Standard Holding Period. Such assessment shall increase to \$400 per month after thirty-six (36) months of the commencement of the Standard Holding Period. All such assessments shall be payable in the amount specified herein; such assessments shall not be offset for any reason, including, without limitation, a claim that the Association or Architectural Committee is not properly exercising its duties and powers as provided in this Declaration. The sale or transfer of any Lot shall not invalidate, alter, cancel or reset the Standard Holding Period nor relieve the Owner or subsequent Owner of any applicable assessments.

8.9(b) Assessment for Excessive Construction Overrun. In the event that the construction, alteration, landscaping or remodeling of a Unit upon an Owner's Lot is not completed within the Standard Construction Period, the Association shall reserve the right to charge the Owner, the Owner's successors and/or assigns an "Assessment for Excessive Construction Overrun." The amount of this assessment shall be determined and reviewed no less than annually by the Association.

ARTICLE IX

INSURANCE

9.1 Duty to Obtain Insurance; Types. The Association shall obtain and continue in effect the following types and policies of insurance:

9.1(a) General liability insurance for claims for personal injury and/or property damage arising out of a single occurrence with a limit of not less than One Million dollars (\$1,000,000.00) per occurrence, and Two Million Dollars (\$2,000,000.00) annual aggregate.

Such policy of general liability insurance covering the Common Area shall contain a "Severability of Interest" endorsement which shall preclude an insurer from denying the claim of any Owner because of negligent acts of the Association or other Owners. Such liability insurance shall include coverage for (i) general liability of the Association, (ii) individual liability of volunteer officers and directors of the Association for negligent acts or omissions of those persons acting in their capacity as officers and directors, and (iii) individuals, professionals and corporations employed by the Association during the provision of services to the Association.

9.1(b) If required for the Project in the discretion of the Board, based on the types of Improvements in the Common Area and the need for such insurance, casualty insurance and fire insurance with extended coverage, in an amount equal to one hundred percent (100%) for the full insurable replacement cost of all Improvements, equipment and fixtures within the Common Area, without deduction for depreciation. Such insurance shall be maintained for the benefit of the Association and the Owners.

9.1(c) Workers' compensation insurance to the extent required by law (or such greater amount as the Board deems necessary). The Association shall also obtain a Certificate of Insurance naming it as an additional insured in regard to workers' compensation claims from any independent contractor who performs any service for the Association, if the receipt of such a certificate is practicable, as determined by the Manager.

9.2 Waiver of Claims Against Association. As to each policy of insurance maintained by the Board, the Owners hereby waive and release all claims against the Association and the Board, only to the extent of the insurance proceeds available to the Owners, whether or not the insurable damage or injury is caused by the negligence of or breach of any agreement by said persons.

9.3 Notice of Expiration Requirements. All of the policies of insurance or fidelity bonds described herein shall contain a provision that such policies shall not be cancelled or terminated, or expire by their terms, without thirty (30) days' prior written notice to the Association, the Owners (provided that such Owners have filed a written request with the carrier for such notice), and every other person with an interest who has requested such notice from the insurer.

9.4 Insurance Premiums. Premiums for any blanket insurance coverage obtained by the Association and any other insurance deemed necessary by the Board shall be a Common Expense to be included in the assessments levied by the Association and collected from the Owners. The proportions of such assessments necessary for the required insurance premiums shall be used solely for the payment of premiums of the required insurance as such premiums become due.

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9.5 Trustee for Policies. The Board shall be trustee of the interests of all named insureds under policies of insurance purchased and maintained by the Association. All insurance proceeds under any policies shall be paid to the Board as trustee. The Board shall have full power to receive and to receipt for the proceeds and to disperse such proceeds as provided herein. Insurance proceeds shall be used by the Association for the repair or replacement of the property for which the insurance was carried or otherwise disposed of as provided in this Declaration. The Board shall have the authority to negotiate loss settlements with insurance carriers. The President, together with one (1) other Officer of the Association, may sign a loss claim form and release form in connection with the settlement of a loss claim, and such signatures shall be binding on all the named insureds.

9.6 Actions as Trustee. Except as otherwise specifically provided in this Declaration, the Board, acting on behalf of the Association and all Owners, shall have the exclusive right to bind such parties in respect to all matters affecting insurance carried by the Association, including the settlement of a loss claim, and the surrender, cancellation, and modification of all such insurance.

9.7 Annual Insurance Review. The Board shall, upon issuance of a renewal of insurance, but no less than annually, review the insurance carried by the Association for the purpose of determining the adequacy of the Association's insurance coverage, including, without limitation, the general liability policy referred to in Section 9.1(a), and the amount of the casualty and fire insurance referred to in Section 9.1(b) above.

The Board may, in its discretion, obtain a current appraisal of the full replacement value of any buildings and improvements within the Common Area by a qualified independent insurance appraiser, prior to each such annual review.

9.8 Required Waiver. All policies of hazard and physical damage insurance shall provide for a waiver of the following rights, to the extent that the respective insurers would have the rights without such waivers:

- 9.8(a) Subrogation of claims against the tenants of the Owners;
- 9.8(b) Any defense based on co-insurance;
- 9.8(c) Any right of set-off, counterclaim, apportionment, proration or contribution by reason of other insurance not carried by the Association;
- 9.8(d) Any invalidity, other adverse effect or defense on account of any breach of warranty or condition caused by the Association, any Owner or any tenant of an Owner, or arising from any act, neglect or omission of any named insured, or the respective agents, contractors and employees of any insured;
- 9.8(e) Any right of the insurer to repair, rebuild or replace, and, in the event the improvement is not repaired, rebuilt or replaced following the loss, any right to pay under the insurance an amount less than the replacement value of the improvements insured or the fair market value thereof;
- 9.8(f) Notice of the assignment of any Owner of its interest in the insurance by virtue of a conveyance of any Lot; and
- 9.8(g) Any right to require any assignment of any Mortgage to the insurer.

ARTICLE X

PROPERTY TAXES

10.1 Real property taxes, levies and assessments shall be separately and individually billed by the County Tax Assessor's Office to the Owners of individual Lots. Payment of such taxes for Lots shall be the sole responsibility of the Owner of such Lot. The Association shall not be liable for the collection and payment of any real or personal property taxes of any type whatsoever levied against individual Owners on account of their Lots. Any taxes and assessments levied against property of the Association shall constitute a Common Expense, which shall be paid by the Association through the Regular Assessment process.

ARTICLE XI

PROHIBITION AGAINST PARTITION OR SEVERANCE OF LOT FROM INTEREST IN COMMON AREA

11.1 The rights in the Common Area and title to the respective Lots, together with any exclusive or non-exclusive easements or rights appurtenant to each Unit (or Lot), shall not be separated, severed or separately conveyed, assigned, encumbered or otherwise transferred. All rights in the Common Area shall be conclusively deemed to be conveyed, assigned, transferred or encumbered with the respective Lot even though the description in the instrument of conveyance or encumbrance may refer only to the Lot.

ARTICLE XII

ARCHITECTURAL CONTROL

12.1 Architectural Approval. In order to provide a well-maintained appearance throughout the Project, to encourage excellence in architecture, construction and landscaping, and to promote an image readily identifiable with quality, no revision or alteration of the exterior of existing structures, landscaping or other improvements that require permits from the City, and no new construction, landscaping or other improvements requiring permits from the City shall be commenced, erected, altered or maintained, upon the Project, without the prior approval of the Architectural Committee.

12.2 Architectural Committee. The Architectural Committee shall consist of three (3) members, as appointed by the Board President from time to time. At least one member of the Committee shall be an architect licensed in the State of Texas. The Declarant shall appoint the members of the Committee until such time as the Declarant transfers and relinquishes control of the Association to elected members according to Article VIII, Section 8 of this Declaration. Prior to such transfer, it shall not be a requirement that members of the Committee be Lot Owners. After such transfer, however, it shall be a requirement that members of the Committee be Lot Owners, with the exception of one member who must be an architect licensed in the State of Texas but not necessarily a Lot Owner.

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12.3 Submission, Approval and Conformity of Plans. The Board shall adopt and promulgate "Design and Plan Submittal Guidelines" ("Guidelines"), which are attached and incorporated herein as Exhibit "B", which includes detailed architectural standards to be administered through the Architectural Committee. The Guidelines are subject to revision from time to time by the Board of Directors. No Improvement, alteration or addition shall be commenced or erected within the Project and no change in original exterior color shall be made until plans and specifications showing the nature, kind, shape, height, materials and location of the same are submitted to and approved in writing by the Architectural Committee. The Guidelines include, without limitation, the following restrictions and limitations:

12.3(a) Time limitations for the completion of the improvements for which approval is required; the Guidelines also provide for a monetary penalty for each month in which the construction time limitation established in the Guidelines is exceeded, which penalty may be collected as a Reimbursement Assessment;

12.3(b) Conformity of completed improvements to plans and specifications approved by the Architectural Committee; provided, however, that as to purchasers and encumbrancers in good faith and for value, unless a notice of non-completion or nonconformance identifying the violating Unit and its Owner and specifying the reason for the notice, executed by the Architectural Committee, is given to such Owner within thirty (30) days of the expiration of the time limitation described in Section 12.3(a) above, or unless legal proceedings have been instituted to enforce compliance or completion within that thirty-day period, the completed improvements shall be deemed to be in compliance with plans and specifications approved by the Architectural Committee;

12.3(c) Provision for Owner's responsibilities and requirements of Owner's design team, professional consultants, schematic design requirements, preliminary design requirements, working drawing requirements, basic design requirements and fees.

12.3(d) Such other limitations and restrictions as the Board in its reasonable discretion has adopted or shall adopt, including, without limitation, regulation of architecture, landscaping, construction, reconstruction, exterior addition, changes, alteration to or maintenance of any building, with regard to the nature, kind, shape, size, height, materials, exterior color and surface and location of such structure.

12.3(e) The Architectural Committee may delegate its plan review responsibilities to one (1) or more members of the Committee. Upon such delegation, the approval or disapproval of plans and specifications by such person shall be equivalent to approval or disapproval by the entire Committee.

12.3(f) The Guidelines, which are subject to review by the Board, establish reasonable procedural rules and assess reasonable fees in connection with the review of plans and specifications and the construction of the Improvements, including (a) an "Architectural Plan Review Fee"; (b) a requirement that the Owner post a "Construction Escrow Deposit" in cash to secure Owner's compliance with all construction and landscape requirements as described in the Governing Documents; and (c) a "Construction Permit Fee", which is separate from any City permit fees.

12.3(g) All Improvements must follow the types of architecture and design acceptable to the Architectural Committee, and all plans and designs submitted must be prepared and the construction supervised by an architect licensed in the State of Texas. All plans and

specifications for any Improvement to be erected upon any Lot or part of the Project, including the proposed location thereof on any Lot or Lots, the roofs and exterior color schemes thereof, any later changes or additions thereto after initial approval thereof, and any remodeling, reconstruction, alteration, or additions to any Improvement in the Project shall be subject to and shall require approval in writing by the Architectural Committee before any such work is commenced or done. Any Improvement placed, erected or maintained upon any Lot in the Project shall be entirely constructed thereon, and the same shall not nor shall any part thereof be moved or placed thereon from elsewhere, except with the express written consent of the Architectural Committee. No Improvement constructed upon any Lot shall be moved or removed from that Lot without the prior written approval of the Architectural Committee.

12.3(h) In the event that procedural rules regarding the submission of plans, as set forth in the Guidelines, are not complied with, Owner's plans and specifications shall be deemed not submitted.

12.4 Appeal. In the event plans and specifications submitted to the Architectural Committee are disapproved, the party making such submission may appeal in writing to the Board. The written request must be received by the Board not more than thirty (30) days following the final decision of the Architectural Committee. The Board shall submit such request to the Architectural Committee for comment and the Committee's written comments will be submitted to the Board. Within forty-five (45) days following receipt of the request for appeal, the Board shall render its written decision. Failure of the Board to render a decision within this forty-five (45) day period shall be deemed a decision in favor of the appellant.

12.5 General Provisions. Operation of the Architectural Committee shall be subject to the following general provisions:

12.5(a) Review and approval by the Committee of plans and specifications does not constitute approval of engineering design, and by approving such plans and specifications, neither the Committee, the members thereof, the Association, the Members, nor the Board assumes liability or responsibility therefor, or for any defect in any structure constructed from such plans and specifications. Approval of plans and specifications by the Committee does not relieve the Owner or Applicant of the responsibility to obtain necessary building permits and approvals from the City or any other governmental authority having jurisdiction.

12.5(b) The address of the Architectural Committee shall be the principal office of the Association as designated by the Board pursuant to the By-laws. Such address shall be the place for submission of plans and specifications and the place where the current Guidelines and Architectural Standards shall be kept.

12.5(c) The establishment of the Architectural Committee and the procedures described herein for architectural approval shall not be construed as changing any rights or restrictions upon Owners to maintain, repair, alter or modify or otherwise have control over their Separate Interests as may otherwise be specified in the Governing Documents.

12.5(d) The Architectural Committee may allow reasonable variances and adjustments of the architectural provisions contained in this Article and in the Guidelines, in order to overcome practical difficulties and prevent unnecessary hardships in the application of the regulations contained herein, provided this may be done in conformity with the intent and purposes of the Declaration and also provided, in every instance, that such variance or adjustment will not be materially detrimental or injurious to other property or improvements in the Project. Any such

variances or adjustments of the architectural provisions granted by the Architectural Committee, or any acquiescence or failure to enforce any such architectural rule shall not be deemed to be a waiver of any of the architectural rules in any other instance. The approval of a variance shall not be construed to establish a precedent.

12.6 No Liability. Neither the Committee, nor any member thereof, nor their duly authorized representatives, shall be liable to the Association or to any Owner for any loss, damage or injury arising out of or in any way connected with the performance of the Committee's duties hereunder unless due to the willful misconduct or bad faith of the Committee. The Committee's review of plans submitted to it will be based solely on aesthetic considerations, elevations and setbacks, and the overall benefit or detriment which might result to the immediate vicinity and the Project generally. The Committee will not be responsible for reviewing, and its approval of any plan or design will not be deemed approval of, any such plan or design from the standpoint of structural safety or conformance with building or other codes.

ARTICLE XIII

EASEMENTS

13.1 Common Area Easements Previously Granted or Reserved in Favor of Owners. Easements over the Project have been created for the benefit of the Owners and others for access, drainage, and other purposes (a) as shown on the recorded maps of the Project, and/or (b) as reserved or granted in documents of record of the Project.

13.2 Utility and Drainage Easements. Utility and drainage easements and rights-of-way over the Project have been created for the benefit of Owners and others (a) as shown on the recorded maps of the Project, and/or (b) as reserved or granted in documents of record of the Project. Said recorded easements include, without limitation, (i) easements for drainage, and (ii) easements for the erection, construction, maintenance and operation of underground wires, cable, pipes, conduits and apparatus for the transmission of electrical energy, for telephone, television and radio lines and for the furnishing of water, gas, sewer service, or for other utility purposes, together with the right of entry for the purpose of installing, maintaining, and reading gas, electric and water meters, installation and maintenance of electric, telephone, water, gas and sanitary sewer lines and facilities, over, under, along, across, upon and through a strip of land no less than five feet (5') in width along the boundary lines of all Lots in the Project.

An additional existing easement for a buried electrical transmission line, which lies within the Right-of-Way of Oleander Drive, crosses the Common Area designated for the Club House and extends into the Laguna Madre, shall be maintained according to the provisions of the existing easement.

ARTICLE XIV

GENERAL PROVISIONS

14.1 Enforcement. The Association and each Owner shall have the right to enforce, by any proceeding at law or in equity, including all declaratory rules, all restrictions, conditions, covenants, reservations, liens and charges now or hereafter imposed by the Governing

Documents, provided, however, that with respect to assessment liens, the Association shall have the exclusive right of enforcement. Failure by the Association or by any Owner to enforce any covenant or restriction herein contained shall not be deemed a waiver of the right to do so thereafter.

14.2 Civil Actions by Association/Board Authority. The Board is authorized, but not required, to institute, defend, settle or intervene on behalf of the Association in litigation, arbitration, mediation or administrative proceedings in matters pertaining to (i) enforcement of the Governing Documents, (ii) damage to the Common Areas, (iii) damage to the Separate Interests which the Association is obligated to repair or maintain, or (iv) damage to the Separate Interests which arises out of, or is integrally related to, damage to the Common Areas or Separate Interests that the Association is obligated to maintain or repair, and the Board is authorized to do any act reasonably necessary to resolve any civil claim or action through alternative dispute resolution proceedings such as mediation and arbitration proceedings.

14.3 Notice of Significant Legal Proceedings. The Board shall provide the Members with at least sixty (60) days' prior written notice of the Association's intention to institute legal proceedings. The notice shall describe the purpose of the proceeding, the parties to the proceeding, the anticipated cost to the Association (including attorney fees) in handling the proceeding, the source of funds to finance the proceedings (reserves or Special or Regular assessments), and suggested information that should be disclosed to third parties, such as prospective purchasers and lenders, while the matter is being prosecuted. For purposes herein, "significant legal proceeding" shall mean any legal proceeding in which it reasonably could be anticipated that any of the following events could occur:

- 14.3(a) The levy of a Special Assessment to fund all or any portion of the proceeding;
- 14.3(b) The expenditure of funds from the Association's reserves in connection with the proceeding in an amount in excess of fifteen percent (15%) of the then current reserves;
- 14.3(c) The amount of the claim is in excess of Five Thousand Dollars (\$5,000); or
- 14.3(d) A material adverse effect on the ability to sell and/or refinance the Lots within the Project during the period the proceeding is being prosecuted.

Notwithstanding the foregoing, the notice shall not be required to commence and pursue any action to collect delinquent assessments. Furthermore, if the Board in good faith determines that there is insufficient time to provide prior notice to the Members as required herein, before the expiration of any applicable statute of limitations or before the loss of any other significant right of the Association, the Board may take the necessary steps to commence the proceeding to preserve the rights of the Association, provided that as soon as is reasonably practical thereafter, and not later than thirty (30) days following the commencement of the proceeding, the Board shall provide the Members with notice as required herein.

14.4 Severability of Covenants. Invalidation of any one of these covenants or restrictions by a judgment or court order shall not affect any other provisions, which shall remain in full force and effect.

14.5 Term. The covenants and restrictions of this Declaration shall run with and bind the Covered Property and the Project, and shall inure to the benefit of and be enforceable by the Association or the Owners, their legal representatives, heirs, successors and assigns until twenty

(20) years after the date this Declaration is recorded, after which date same shall automatically be extended for successive periods of ten (10) years, unless an instrument signed by seventy-five percent (75%) of the then Owners has been recorded (i) within the year preceding the end of the original twenty (20) year period, or (ii) within the year preceding the beginning of each successive period of ten (10) years, agreeing to terminate this Declaration.

14.6 Construction. The provisions of this Declaration shall be liberally construed to effectuate its purpose of creating a uniform plan for the management and operation of a "Common Interest Development" and for the maintenance of the Common Areas. In case of any conflict between this Declaration and the Articles or the By-laws, this Declaration shall control. The article and section headings have been inserted for convenience only and shall not be considered or referred to in resolving questions of interpretation or construction.

14.7 Amendments. This Declaration may be amended only by the affirmative assent or vote of seventy-five percent (75%) of the voting power of the Association; provided however, that any such amendment is governed by Section 14.5 above, and further, an amendment or modification shall be effective when executed and acknowledged by the Secretary of the Association, who shall certify that the amendment or modification has been approved as provided herein, and recorded in the Official Records of the County.

14.8 Dissolution. So long as there is any Lot or Common Area for which the Association is obligated to provide management, maintenance, preservation or control, the Association may be dissolved or may transfer all or substantially all of its assets only upon the approval of one hundred percent (100%) of the Members after the twenty year term described above.

14.9 Non-liability of Officials. To the fullest extent permitted by law, neither the Board, the Architectural Committee, any other committees of the Association or any member of such Board or committee shall be liable to any Member of the Association for any damage, loss or prejudice suffered or claimed on account of any decision, approval or disapproval of plans or specifications (whether or not defective), course of action, act, omission, error, negligence or the like, made in good faith, and which such Board, committees or persons reasonably believed to be within the scope of their duties.

14.10 Disclosure Information Provided to Prospective Purchasers. Each owner of a Separate Interest shall, as soon as practical, before transfer of title to the Separate Interest or execution of a real property sales contract therefor, provide the following to the prospective purchaser:

14.10(a) A copy of the Governing Documents, as defined in Article I of this Declaration;

14.10(b) A true statement in writing from an authorized representative of the Association as to the amount of the Association's current Regular and Special Assessments and fees, as well as any assessments levied upon the Owner's Separate Interest in the Project which are unpaid on the date of the statement. The statement shall also include true information on late charges, interest, and costs of collection which, as of the date of the statement, are or may be made a lien upon the Owner's Separate Interest in the Project.

14.10(c) Any change in the Association's current Regular and Special Assessments and fees which have been approved by the Association's Board of Directors, but have not become due and payable as of the date of disclosure as provided pursuant to this Section.

14.11 Violation of Declaration. The result of every act or omission, whereby any provision, condition, restriction, covenant, easement, right or reservation contained in this Declaration is violated, is hereby declared to be and constitute a nuisance, and every remedy allowed by law or equity against a nuisance, either public or private, shall be applicable against every such result, and may be exercised by the Architectural Committee and the Association. Such remedy shall be deemed cumulative and not exclusive.

14.12 Severability. Every provision of this Declaration is intended to be severable. If any term or provision is found to be illegal, invalid, or unenforceable for any reason whatsoever such will not affect the validity of the remainder. In lieu of such illegal, invalid, or unenforceable provision, a provision of similar intent, as worded as is necessary to render such provision legal, valid, and enforceable, will be added automatically as part of this Agreement.

14.13 Statutory References: Fixed Amounts. References in this Declaration or the By-laws to specific statutes or provisions of Texas law shall include those statutes or provisions as they may be modified or amended from time to time. Any modification of this Declaration or the By-laws resulting from the application of this Section may be effected by a validly adopted resolution of the Board, without utilizing the formal amendment procedures contained herein or in the By-laws.

14.14 Attorney's Fees. In the event of any controversy, claim or dispute arising out of or relating to this Declaration or the interpretation or breach thereof, the prevailing party shall be entitled to recover from the other party reasonable expenses, attorneys' fees and costs. Upon motion by any party for such attorney's fees and costs to be awarded to the prevailing party in any civil action to enforce the covenants and restrictions contained in this Declaration, the tribunal, in determining the amount of the award, may consider a party's refusal to participate in alternative dispute resolution prior to the filing of the action.

14.15 Common Plan Declaration. The covenants, conditions and restrictions set forth in this Declaration constitute a general program for the development, protection and maintenance of the Project to enhance its value, desirability and attractiveness for the benefit of all Owners. By acquiring any ownership interest in a Lot subject to this Declaration, each person or entity, for himself, his heirs, personal representatives, successors, transferees and assigns, agrees to be subject to all of the provisions, restrictions, covenants, conditions, rules and regulations now or hereafter imposed by this Declaration. Declarant, by this Declaration, sets forth a program for the operation and maintenance of the Project and hereby evidences its intent that all the restrictions, conditions, covenants, rules and regulations contained herein shall run with the land and be binding on all future Owners, grantees, purchasers, assignees, and transferees.

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IN WITNESS WHEREOF, the undersigned, being the Declarant herein, has executed this Declaration this 11th day of November, 2004.

DECLARANT:

LAGUNA DEVELOPMENT GROUP, LTD.,
A Texas Limited Partnership,

By: Yturria Enterprises, LLC, a Texas Limited Liability Company, its General Partner

By: George R. Farish
George R. Farish, President

STATE OF TEXAS

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COUNTY OF CAMERON

This instrument was acknowledged before me on this 11th day of November, 2004, by George R. Farish, President of Yturria Enterprises, LLC, a Texas Limited Liability Company, the General Partner of Laguna Development Group, Ltd., a Texas Limited Partnership, on behalf of the limited partnership.

Kathleen L. Hoover
Notary Public in and for the State of Texas

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EXHIBIT A

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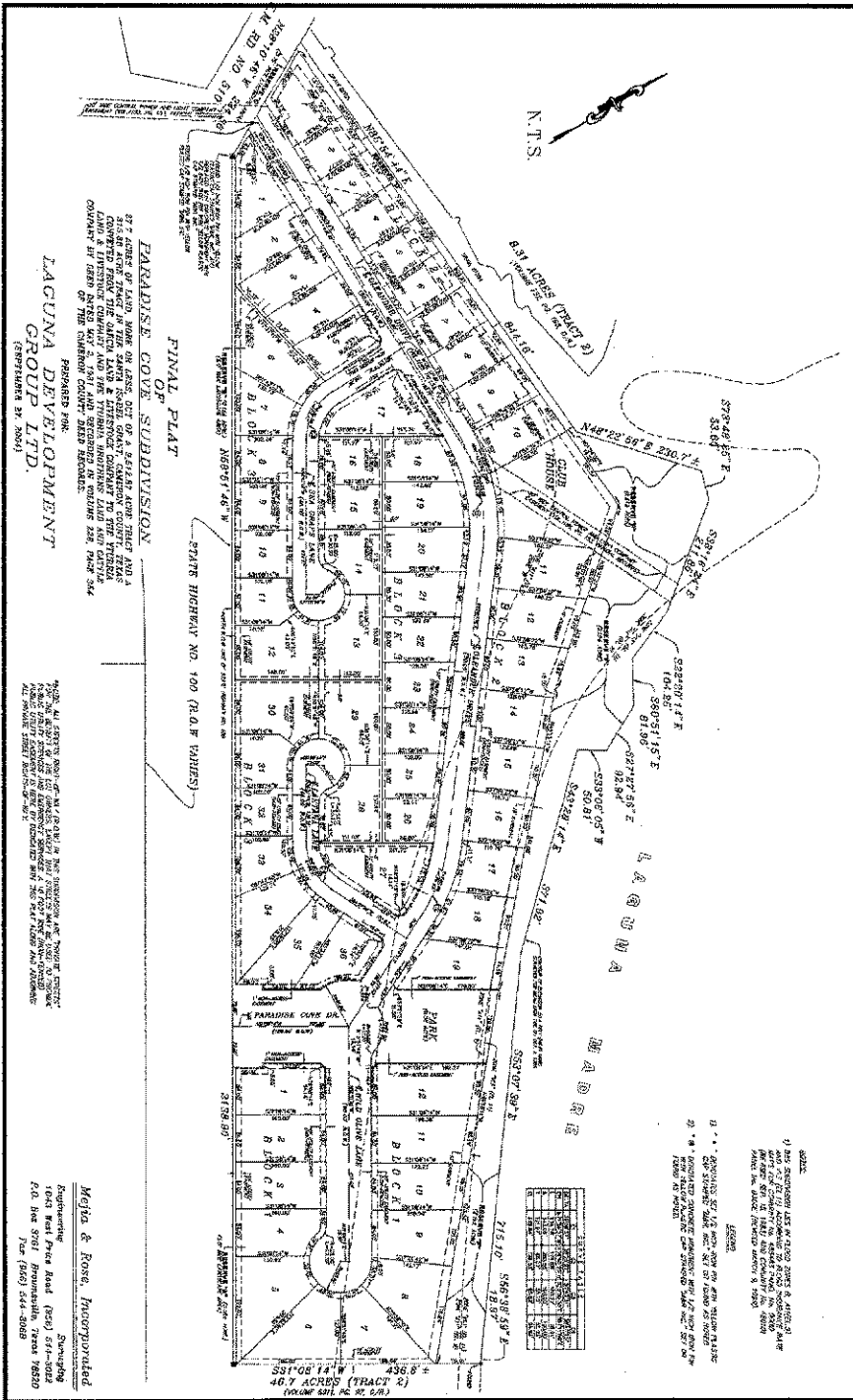


EXHIBIT B

**DESIGN AND PLAN SUBMITTAL GUIDELINES
PARADISE COVE SUBDIVISION**

In accordance with Article XII, Section 3 of the Declaration of Covenants, Conditions and Restrictions for Paradise Cove Subdivision ("CC&Rs"), the Board of Directors shall adopt and promulgate the following Design and Plan Submittal Guidelines ("Guidelines"), which include specific minimum standards to be administered through the Architectural Committee ("Committee"). These Guidelines are subject to revision from time to time by the Board.

These Guidelines shall serve as a bridge of understanding between the Owner, the Owner's design team, the Owner's contractor and the Architectural Committee during the design, review, approval and construction process.

For the purpose of clarity and guidance, these Guidelines are organized into nine (9) sections:

- I. Design Team
- II. Design Process Overview
- III. Schematic Design Package
- IV. Working Drawings Package
- V. Final Approval
- VI. Quality Builders Program
- VII. Insurance
- VIII. Construction Site
- IX. Diligent Execution of Construction Activity

The Owner contemplating works of construction is encouraged to contact the Committee to arrange for an orientation session. The orientation session provides the Owner and/or the Owner's architect an opportunity to review the process, requirements, and fees associated with designing, building, remodeling or altering any structure at Paradise Cove.

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SECTION I

DESIGN TEAM

In order to encourage excellence in architecture, engineering and landscape design at Paradise Cove, the Owner shall be required to use a team of professional consultants ("Design Team") when designing and building a residence. The Professional Team shall consist of the following three (3) professionals who shall be licensed in the State of Texas:

1. Architect
2. Structural Engineer
3. Landscape Architect (or designer)

The Owner shall provide his Design Team with a copy of the CC&Rs and these Guidelines at the beginning of the design process. Furthermore, the Owner shall coordinate with his Design Team to ensure that the design of the Owner's residence conforms to all relevant requirements. The Owner shall also provide to the Committee the names and addresses of all members of the Owner's Design Team at the beginning of the design process.

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SECTION II

DESIGN PROCESS OVERVIEW

During the design process, the Owner or the Owner's architect shall submit to the Committee a series of two (2) "design packages". Each design package shall be subject to the approval of the Committee and shall be submitted in the following sequence:

1. Schematic Design Package. The Schematic Design Package shall be submitted to the Committee when the Owner and/or the Owner's architect have produced a preliminary site plan, a floor plan and an exterior elevation. The Schematic Design Package shall illustrate and communicate a fully developed design concept. The Schematic Design Package shall include proposed building and landscape materials.
2. Working Drawings Package. The Working Drawings Package shall be submitted to the Committee after the Schematic Design Package has been reviewed. The Working Drawings Package shall represent the final set of drawings which a contractor shall eventually use to construct the Owner's residence. The Working Drawings Package shall be reviewed for compliance with the previous plan submittal and all design guideline requirements.

When submitting a design package to the Committee, the Owner or the Owner's architect shall submit a minimum of two (2) sets of copies of the design package. In all cases, one set of copies shall be retained by the Committee for its files. The remaining set(s) of copies shall be returned to the Owner or the Owner's architect.

The length of time it shall take the Committee to review the submission of individual design packages shall vary with the complexity and degree of completion of the design packages. The Committee shall make its best effort to respond to each submission within three (3) weeks.

Please note that the Committee's review and approval of the Schematic Design Package shall not constitute final approval or authorization to construct the proposed residence. The Committee shall issue final approval by providing the Owner or the Owner's architect with the following:

1. Written notice of the Committee's final approval
2. A set of the Working Drawings Package, stamped and signed by the Committee
3. A signed building permit issued by the Committee which shall be conspicuously displayed on the construction site at all times during construction.

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SECTION III

SCHEMATIC DESIGN PACKAGE

The Schematic Design Package shall provide the Committee a first look at the design of the Owner's residence with drawings that illustrate and communicate a fully developed design concept. At this stage, the Committee shall focus on architectural form and the fundamental relationship between the Owner's residence and the surrounding environment. In general, the Committee shall look to see if the Owner's architect is presenting a residence with substance which compliments the spirit of Paradise Cove.

The Schematic Design Package shall be accompanied by a non-refundable "Architectural Plan Review Fee" of \$500. This check shall be made payable to "Paradise Cove Property Owners Association". This sum shall be used to offset the expenses of a professional architect who shall sit on the Committee and help review design packages.

The Schematic Design Package shall include the following eight (8) sheets:

1. Cover Sheet

This sheet shall show:

- a. Owner's name.
- b. Owner's current address.
- c. Address of proposed residence.
- d. North arrow.
- e. Submission date.
- f. Date of each revision, change or plan re-issue.
- g. Name and office telephone number of the architect.
- h. Name and address of the architectural firm.

2. Topographic Survey of Lot and Surrounds (1/8" scale)

This sheet shall show:

- a. A minimum of two (2) spot elevations along edge of pavement and at lot corners.
- b. Utility locations including electric transformer, electric pull, water meter box, or stub out, gas and sewer laterals serving the lot.
- c. Property lines, building and pool set back lines, and any easements.
- d. Pad elevation.

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Note: All grades shall indicate mean elevation above sea level.

3. Schematic Site Grading Plan (1/8" scale)

This sheet shall show:

- a. Proposed floor plan (rooms designated by name) and outline of the roof overhang, include hip, ridge and valley lines.
- b. Schematic site design concept for lot, including driveways, walkways, patios, pools, spas, garden walls.
- c. Location of site grade changes. Existing grades shall be indicated with dashed lines and proposed grades shall be indicated with solid lines.
- d. Spot elevations on hardscape areas, house slab, walls, pool, spas, and planter areas to understand fundamental grade changes and grade transition treatments.
- e. Drainage collection, directions of travel and method. Indicate means of achieving positive drainage from all locations on the lot to an approved drainage location.
- f. A minimum of two (2) spot elevations along edge of pavement and at lot corners.
- g. Property lines, building and pool set back lines, and any easements.
- h. Pad elevation.
- i. Adjacent lots, adjacent lots numbers, common area and streets within thirty-five feet (35') of lot. When a house is existing or proposed on adjacent lot, show all architectural and landscape information.
- j. Easements.
- k. Building setback lines.
- l. Roof overhang line.
- m. Slab elevations.
- n. All service yards and equipment including trash area.
- o. All hardscape.
- p. All utility service locations for the lot and residential meter locations.
- q. Mailbox location.
- r. Location of drywell(s) and inlet receptacle box (if applicable).
- s. Retaining or free-standing garden walls and garden gates (note wall elevations)

4. Schematic Floor Plans (1/4" or 1/8" scale)

This sheet shall show:

- a. Room locations and relationships. Electrical appliances.
- b. Rooms designated by name and dimensions.
- c. Roof overhang line.
- d. Slab elevations.
- e. Square footage of:
 - Enclosed air conditioning space
 - Covered patio space
 - Garage and mechanical space.

5. Schematic Elevations (1/4" scale) Sections (1/4" Scale) and Site Sections (3/8" scale)

This sheet shall show:

- a. At least four (4) building elevations identified as north, south, east, west, and/or front (street side), rear, left and right sides.

Front and rear elevations must extend thirty-five feet (35') beyond property line. Show existing or proposed improvements and grades in those areas. This should include one (1) set of colored elevations.

- b. All proposed exterior materials on elevations.
- c. Two (2) 3/8' sections extended beyond the property line:
 - i. Front yard section taken from an exterior house wall to the street which best shows house/site relationship. Please show all existing grades with dashed lines, proposed grades in solid lines, and include all improvements.
 - ii. Rear yard section taken from an exterior house wall extended thirty-five feet back. Please show all existing grades in dashed lines, proposed grades in solid lines and include all improvements.
- d. Proposed exterior materials and finishes on walls and roofs.
- e. Proposed special architectural elements such as skylights, solar panels and patios.
- f. Maximum height of finished structure from finish floor elevation.
- g. Typical fascia and soffit details, typical exterior column details, if any typical door head and jamb details, window head, jamb and sill details and typical garden wall details, providing sections.

- h. Outline of all garden walls with dash lines as they impact the house elevation.
- i. Address location.
- j. All electrical fixture locations.

6. Schematic Perspective Drawing

This sheet shall show a schematic perspective drawing in two-point perspective from a point on the street, with an angle of approximately 45 degrees to the face of the residence. The schematic perspective drawing shall show:

- a. All visible proposed driveways, walkways, patios, pools, garden walls, etc., as well as special architectural elements.
- b. All planting and grading treatments and how they relate to adjacent land.

7. Roof Plan (1/8" scale)

This sheet shall show:

- a. Flat and sloped roof areas and how they are drained.
- b. Trellis areas, skylight.
- c. Location of exterior walls and columns in relationship to roof edge.

8. Landscape Plan

This sheet shall show:

- a. An indication of all information from the accompanying Schematic Site Grading Plan (1/8" scale).
- b. Proposed trees, shrubs, lawn, berming and ground cover areas (indicate species by common and botanical names) and hardscape.
- c. Existing trees, shrubs, lawn, berming and ground cover areas (indicate species by common and botanical names), hardscape and house walls on adjacent lots within ten feet (10') of the Owner's lot.

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SECTION IV

WORKING DRAWINGS

The Working Drawings are meant to provide the Owner and Committee with a final set of drawings which a contractor shall eventually use to construct the Owner's residence. These drawings shall be reviewed for compliance with the previous plan submittal and all design requirements.

The Committee shall review the Working Drawings Package only after the Committee has reviewed and approved the Schematic Design Package.

The Working Drawings Package shall include the following fourteen (14) sheets:

1. Cover Sheet

This sheet shall show:

- a. Owner's name
- b. Owner's current address.
- c. Address of proposed residence.
- d. North arrow.
- e. Submission date.
- f. Date of each revision, change or plan re-issue.
- g. Name and office telephone number of the architect.
- h. Name and address of the architectural firm.

2. Site Information

This sheet shall show:

- a. All proposed and existing architectural and landscape improvements twelve (12) feet into adjacent lots.
- b. Easements on the lot.
- c. Dimensioned building and pool setback lines from the property lines. Roof overhang line and dimension from property lines.
- d. All service yards, trash areas, pool, air conditioning, irrigation and other equipment location, location of garden gates.
- e. Utility service locations from the lot, and all utility service entrance locations at the house.
- f. Lot area.

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- g. Square footage for enclosed air conditioned space.
- h. Garage and mechanical room square footage.
- i. Covered patio area square footage.
- j. Locate and describe all control and expansion joints on exterior hardscape.

3. Site Grading and Drainage Information

This sheet shall show:

- a. All information from the Schematic Design Package Floor Plans and note any changes from the previous plan submittal.
- b. All existing grade contours, taken from the existing topographic survey on the lot, adjacent lots, community area and streets within thirty-five feet (35') with dashed lines at one (1) foot contour intervals and all proposed grades on lot with solid lines at one (1) foot contour intervals.
- c. Indicate means of achieving positive drainage from all locations on the lot to an approved drainage location.
- d. Location of all bubbler, boxes, area drain and dry wells (if any).
- e. All existing grade contours in dashed lines and all proposed grade contours in solid lines in one (1) foot contour intervals.
- f. Indicate drainage flows with arrows to property line.
- g. Spot elevations on drain inlets and outlets.
- h. Locate and include typical details relating to drainage facilities including drainage inlet and outlet structures dry wells and area drains.
- i. Indicate means of achieving positive drainage from all locations on the lot in the event all drainage improvements fail.

4. Foundation Information

This sheet shall show:

- a. All slab elevations. Reference and include all details required for the construction of the foundation system and installation of the concrete.
- b. Structural Engineer's Seal with note that Framing Plan is designed to meet or exceed TDI Windstorm Requirements.

5. Exterior Elevations (1/4" scale)

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This sheet shall show:

- a. All exterior materials and finishes, describe and provide brochures where applicable.
- b. Main entry door garage overhead door, garden gates, columns, ornamental metal work, exterior trim and special architectural features shown on the exterior elevations.
- c. All special architectural elements, such as skylights and solar panels, noting manufacturers' names.
- d. Method of handling different material or texture transitions from one house to another along property lines.
- e. Items that will be evident on the exterior of the finished building including louvers, vents, roof drain and gutter outlets, access openings, meter boxes, electrical fixtures, switches and outlets, expansion joints, flashing, tile or masonry feature strips, etc.
- f. Roof pitch and maximum height of the finished structure.

6. Framing Plan and Details

This sheet shall show:

- a. Overhangs and exterior trim including fascia, soffits, frieze boards, columns, trellis, doors, windows and sliding glass doors including their head, jamb and sill details, typical details noted in wall section.
- b. Structural Engineer's Seal with note that Framing Plan is designed to meet or exceed TDI Windstorm Requirements.

7. Roof Plan and Details

This sheet shall show:

- a. Roof penetrations including plumbing and HVAC vents, fireplace and miscellaneous equipment flues, skylights, roof access doors.
- b. Roof-mounted equipment and accessories as permitted.
- c. Gutters, roof drains, scuppers, flashings and related sheet metal.
- d. Roof slopes and water flow to drains or gutters or both with directional arrows.
- e. Roofing materials including manufacturers' names and methods of installation – describe and specify.
- f. Roofing plan details including but not limited to roofing installation sections, equipment or accessories mounted on the roof, metal flashing and counter flashing.
- g. Structural Engineer's Seal with note that Framing Plan is designed to meet or exceed TDI Windstorm Requirements.

8. Electrical Plan

This sheet shall show:

- a. All exterior lighting and provide details and cut sheets of textures on the building and attached structures.
- b. Location and specification of Security System, if applicable.

9. Reflected Ceiling Plan

This sheet shall show:

- a. Complete ceiling systems for exterior overhangs

10. Glazing, Door and Finish Schedule

This sheet shall show:

- a. All details necessary for the Committee's understanding of the design and all other details necessary to describe the design and all other details necessary to describe the design and construction elements to the owner, builder, contractors, subcontractors, trades people and city officials.
- b. Structural Engineer's Seal with note that Framing Plan is designed to meet or exceed TDI Windstorm Requirements.

11. Landscape Plan

This sheet shall show:

- a. Proposed trees (note multi or single trunk), shrubs, and ground covers, noting size, location, quantity and species in common and botanical names.
- b. Plant legend and key material to legend.
- c. All details and specifications for landscape installed including head boards, strips, staking details, etc.
- d. Sections and details through all garden and retaining walls.
- e. All hardscape including material, color and finish.

12. Irrigation Plan

This sheet shall show:

- a. Location of all irrigation equipment including clocks, valves, shut-offs, backflow preventers and meters.

b. Note all irrigation standards on plan.

13. Pool, Spa, Fountains

This sheet shall show:

- a. Plans, sections and details for pools, spas, fountains and all other water treatments to be located on the lot.
- b. At least two (2) cross-sections of swimming pool/spas/fountains and adjacent hardscape showing their relationship to the adjacent property where applicable.

14. Material Board and Design Information

The Working Drawings Package should be accompanied by two (2) 8-1/2" x 14" color boards showing samples of the proposed finishes. Show materials, textures and colors of the building and garden walls, fascia, hardscape, and roof. Final color approval of the building and garden walls will require that a section of the building and garden wall be painted. The painted area shall be a minimum of 100 square feet. Please provide manufacturer's brochures and/or illustrations for the following:

- a. All exterior doors including garage and all gates.
- b. Roof installation method.
- c. Building and site light fixtures.
- d. Any special architectural features.
- e. Address numbers.

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SECTION V

FINAL APPROVAL

The Committee shall issue final approval of the Working Drawings Package by providing the Owner or the Owner's architect with the following "Approval Documents":

1. Written notice of the Committee's final approval.
2. A set of the Working Drawings Package, stamped and signed by the Committee.
3. A signed building permit issued by the Committee which shall be conspicuously displayed on the construction site at all times during construction.

Prior to the Committee issuing the Approval Documents listed above, the Owner shall perform the following:

1. Issue a non-refundable "Paradise Cove Building Permit Fee" in the amount of \$500. This check shall be made payable to "Paradise Cove Property Owners Association". This sum shall be used to offset the expenses of a professional architect who shall serve on the Committee and inspect the residence during construction.
2. Issue a refundable "Construction Escrow Deposit" in the amount of \$2,500. This check shall be made payable to "Paradise Cove Property Owners Association". This sum shall be used to secure the contractor's compliance with all homestead construction and landscaping requirements as described in the CC&Rs and these Guidelines. The Committee shall refund all or part of this deposit according to the terms of a separate "Construction Escrow Agreement".
3. Sign a copy of the "Construction Escrow Agreement" for Paradise Cove Subdivision.

A contractor shall not begin construction on the proposed residence unless all of the requirements listed in these Guidelines have been met and all necessary City permits have been obtained.

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SECTION VI

QUALITY BUILDERS PROGRAM

In order to encourage excellence in residential construction at Paradise Cove, Owners shall be required to use a contractor who has been pre-qualified and received written notice of such by the Committee. This process shall be known as the "Quality Builders Program."

The Committee shall reserve the sole right to determine whether or not a contractor is or is not qualified to construct a residence at Paradise Cove. Contractors who desire to be pre-qualified shall submit the following information to the Committee:

1. Proof of registration with the Texas Residential Construction Commission.
2. Typed list of related work experience and a client list with phone numbers; a minimum of five (5) years of experience in the residential construction industry is recommended.
3. Typed list of all major subcontractors with names and phone numbers; electricians, plumbers and air conditioning subcontractors shall all be licensed for their particular trade.
4. Typed name and telephone number of the project manager and/or superintendent together with contact phone numbers.
5. Proof of insurance.

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SECTION VII

INSURANCE

Any contractor performing work within the Project shall secure, pay the premium for, and keep in force until all of the contractor's work within the Project has been completed, adequate insurance as provided below:

Commercial General Liability

- Minimum limits of liability of \$1,000,000 each occurrence, \$2,000,000 annual aggregate.
- Coverage to include owners' and contractors' protective liability.
- Coverage to be primary and non-contributory.
- The Paradise Cove Property Owners Association is to be named as additional insured.
- Waiver of subrogation to apply to the Paradise Cove Property Owners Association and any such Sub-Association.
- Minimum 30-day notice of cancellation or non-renewal.

Automobile Liability

- Minimum limits of liability \$1,00,000.
- Coverage to be primary and noncontributory.
- The Paradise Cove Property Owners Association shall be named as additional insured.
- Waiver of subrogation to apply to the Paradise Cove Property Owners Association and any such Sub-Association.
- Minimum 30-day notice of cancellation or non-renewal.

Certificates of insurance for all insurance required herein, together with a properly executed endorsement requiring thirty (30) days' notice of cancellation to the Association, shall be furnished to the Association prior to commencement of construction. Notice of any policy change shall be furnished immediately to the Association.

SECTION VIII

CONSTRUCTION SITE

During construction, contractors shall comply with the following requirements:

1. Off-site damages that may occur during the course of construction shall be repaired by the contractor and/or his subcontractors; the Committee shall supervise the repair of damaged improvements, which may include, but not be limited to, buildings, outbuildings, electrified fixtures, driveways, parking areas, fences, screening walls, retaining walls, bulkheads, boardwalks, stairs, pools, spas, fountains, water features, decks, hedges, windbreaks, plantings, trees, shrubs, poles, signs, streets and curbs, and all other structures and landscaping improvements of every type and kind.
2. The construction site shall be watered to prevent dust if necessary.
3. A portable trash container on the job site shall be provided for the purpose of containing all disposable refuse.
4. Adjoining street areas within one hundred feet (100') of the job site shall be kept clean at all times; street areas shall be cleaned as needed during the work week; prior to close of work on Friday, the street areas shall be shoveled and swept, and all trash shall be collected and deposited in a portable trash container on site.
5. Concrete trucks, if cleaned on the job site, shall be cleaned within the building setback lines of the job site.
6. Workmen shall park their vehicles in designated areas during construction so as not to create a nuisance or block traffic upon the roadways; workmen shall not park vehicles within twenty feet (20') of any retaining wall cap.

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SECTION IX

DILIGENT EXECUTION OF CONSTRUCTION ACTIVITY

Contractors shall be strongly encouraged to complete construction projects, including but not limited to construction, alteration, landscaping or remodeling of a residence, within a period of twelve (12) months, referred to in the CC&Rs as the "Standard Construction Period". The Standard Construction Period shall commence upon the date of issuance of a building permit by the City and shall end upon the date of issuance of a Certificate of Occupancy by the City.

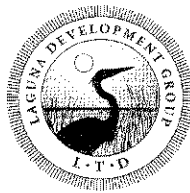
In the event that the construction, alteration, landscaping or remodeling of a residence is not completed within the Standard Construction Period, the Association shall reserve the right to charge the Owner, the Owner's successors and/or assigns an "Assessment for Excessive Construction Overrun" in the amount of \$1,000 for more than 12 full months but less than 13 full months of construction; this assessment shall be increased \$500 per month for every additional month thereafter, which will remain in effect until such time the construction is completed and the City issues final approval for occupancy of the residence. Assessment charges shall be levied against the Owner as a reimbursement assessment. No stoppage of the work shall be allowed until the exterior envelope of the building is complete and driveway and landscaping installed.

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