

To: Margaret R. Maddox
mmaddox@daughtryjordan.com
Daughtry & Jordan, P.C.
17044 El Camino Real
Houston, Texas 77058
281-480-6888
281-218-9151 (fax)
1-866-480-6888 (toll free)
Houston & The Woodlands
www.daughtryjordan.com

From: Jack Barry CSHOA

Subject: As requested

FILED
In the Office of the
Secretary of State of Texas

JUL 28 2004

Corporations Section

ARTICLES OF INCORPORATION
OF
CAMPECHE SHORES HOMEOWNERS ASSOCIATION, INC.

I, the undersigned natural person, qualified as an incorporator of a corporation under the Texas Non-Profit Corporation Act, Article 1396-1.01, et seq., as amended, Vernon's Annotated Texas Civil Statutes (the "Act"), do hereby adopt the following Articles of Incorporation for such corporation:

ARTICLE I

The name of the corporation is CAMPECHE SHORES HOMEOWNERS ASSOCIATION, INC. (the "Association").

ARTICLE II

The Association is a non-profit corporation.

ARTICLE III

The duration of the Association is perpetual.

ARTICLE IV

The Association is organized for the following purposes:

- (a) to provide for the maintenance, preservation, and architectural control of all property at any time annexed into and made subject to the Restrictions, Covenants and Conditions for Campeche Shores, recorded under Clerk's File No. 2004044815 in the Office of the County Clerk of Galveston County, Texas, and all amendments and supplements thereto, and all annexation agreements recorded in

connection therewith ("Declaration") and such other property as may affect the association's members, all in accordance with the terms of such Declaration;

(b) to promote the health, safety, and welfare of the owners and tenant within the property described above;

(c) to exercise the powers and privileges and to perform all of the duties and obligations of the Association as set forth in the Declaration, which Declaration is incorporated herein as if set forth at length herein;

(d) to fix, to levy, to collect, and to enforce payment by any lawful means all charges and assessments pursuant to the terms of the Declaration;

(e) to pay all expenses in connection with any collection or enforcement action, and all office and other expenses incident to the conduct of the business of the Association, including all licenses, taxes, or governmental charges levied or imposed against the property of the Association;

(f) to acquire (by gift, purchase or otherwise), to own, to hold, to improve, to build upon, to operate, to maintain, to convey, to sell, to lease, to transfer, to dedicate for public use, or otherwise dispose of real or personal property in connection with the affairs of the Association;

(g) to borrow money and to mortgage, to pledge, to deed in trust, or to hypothecate any or all of its real or personal property for borrowed money or debts incurred as may be permitted by the Declaration;

(h) to dedicate, to sell, or to transfer all or any part of the Common Elements (as defined in the Declaration) to any public agency, authority, or utility as may be permitted by the Declaration;

(i) to participate in mergers and consolidations with other non-profit corporations organized for the same or similar purposes and/or to annex additional property and Common Area as may be permitted by the Declaration;

(j) to enter into, to make, and to perform contracts of every kind and description and to do all things necessary to carry on and accomplish the purposes for which the Association is organized and chartered, including to have and to exercise any and all powers, rights and privileges conferred on corporations under the Texas Non-Profit Corporation Act now existing or as same may hereafter be amended.

ARTICLE V

Every person or entity who is a record owner of a fee simple or undivided fee simple interest in any lot or parcel of property which is subject by covenants of record to assessment by the Association, including contract sellers ("Owners"), will be a member of the Association. The foregoing is not intended to include persons or entities who hold an interest merely as security for the performance of an obligation. Memberships will be appurtenant to and may not be separated from the ownership of any lot or parcel which is so subject to assessment by the Association.

ARTICLE VI

The Corporation will have two (2) classes of voting membership.

Class A. Class A Member shall be all the Members of The Homeowners Association, with the exception of Developer – Campeche Shores, Limited Partnership, or its assigns. Class A Members shall be entitled to one vote for each Lot in the Subdivision in which they hold the interest required for membership by these Restrictions, Covenants and Conditions or any Supplemental Restrictions, Covenants, and Conditions.

Class B. The Class B Member shall be Developer. The Class B Member shall be entitled to three (3) votes for each lot in the Subdivision in which it holds the interest required for membership by

these Restrictions, Covenants and Conditions or any Supplemental Restrictions, Covenants, and Conditions; provided that the Class B membership shall cease and become converted to Class A membership on the happening of the following events, whichever occurs earlier:

- (a) when the total votes outstanding in the Class A membership equal the total votes outstanding in the Class B membership;
- (b) on January 1, 2007.

From and after the happening of whichever of these events occurs earlier, the Class B Member shall be deemed to be a Class A Member entitled to one (1) vote for each Lot in the Subdivision in which it holds the interest required for membership by The Declaration or any Supplemental Declaration.

When more than one person or entity holds an interest in any lot, then all such persons and/or entities will be members. The vote for such lot will be exercised as such persons and/or entities may determine among themselves, but in no event will more than one vote be cast with respect to any one lot.

ARTICLE VII

Cumulative voting is expressly denied.

ARTICLE VIII

The Association will have members as stated in Article VI. Its affairs will be managed by a Board of Directors.

ARTICLE IX

The Association will have no stock or shares.

ARTICLE X

The Association is formed strictly as a non-profit undertaking. The Association will be non-partisan, non-sectarian, and non-political. The Association is not organized for profit or personal gain and there will never be any dividend declared or paid from profits. All profits, if any, accruing or earned will be placed in a surplus fund to be used in furtherance of the non-profit objectives and purposes of the Association. The Association will use its assets only to accomplish the objectives and purposes specified in these Articles of Incorporation or in the Declaration, and no part of said funds will inure or be distributed to the members of the Board of Directors of the Association except in reasonable amounts for services rendered or expenses incurred. No substantial part of the Association's activities will consist of carrying on propaganda or otherwise attempting to influence legislation and it shall not participate or intervene in (including the publishing or distributing of statements) any political campaign on behalf of or in opposition to any candidate for public office.

ARTICLE XI

The street address of the initial registered office of the Association is 1027 Tremont, Galveston, Texas 77550, and the name of the initial registered agent at such address is E. Sid Holliday, III.

ARTICLE XII

The Association's internal affairs will be governed by the Association's Bylaws and the Declaration, as long as and to the extent such bylaws and Declaration are not inconsistent with these Articles of Incorporation or any laws of the State of Texas. The Association's Bylaws will be adopted and may be amended from time to time by majority vote of the Board of Directors.

ARTICLE XIII

The number of directors constituting the initial Board of Directors of the Association is three (3), which number may be subsequently changed by the bylaws. Directors need not be members of the Association. The names and addresses of the persons who are to serve as the initial directors until their successors are selected are as follows:

| NAME: | ADDRESS |
|----------------------|--|
| E. Sid Holliday, III | 1027 Tremont Galveston, Texas 77550 |
| Judy Johnson | 1027 Tremont Galveston, Texas 77550 |
| John L. Sullivan | P. O. Box 3088 Galveston, Texas 77552 |

At the first annual meeting, or special called meeting for the purpose of electing directors, the members shall elect three (3) directors for a term of one (1) year, and at each annual meeting thereafter the members shall elect three (3) directors for a term of one (1) year.

ARTICLE XIV

The name and street address of the incorporator, who is a citizen of the State of Texas and is at least eighteen years old, is Stephen G. Schulz and his address is c/o Greer, Herz & Adams, L.L.P., One Moody Plaza, 18th Floor, Galveston, Texas 77550.

ARTICLE XV

The Association reserves the right to amend, to alter, to change, or to repeal any provision contained in these Articles of Incorporation in the manner now or hereafter prescribed by statute, and consistent with the terms of the Declaration.

ARTICLE XVI

Section 1. Any person who at any time serves as director, officer, employee, or agent of the Association or of any other enterprise at the request of the Association and the heirs, executors, and administrators of such person will be indemnified by the Association to the maximum extent permitted by applicable law against all costs and expenses (including but not limited to counsel fees, amounts of judgments paid, and amounts paid in settlement) reasonably incurred in connection with the defense of any actual or threatened claim, action, suit, or proceeding, whether of a civil, criminal, administrative, or other nature, in which he or she may be involved by virtue of such person being or having been such a director, officer, employee, or agent. The foregoing indemnification will not be deemed to be exclusive of any other rights to which those indemnified may be entitled under any agreement, vote of shareholders, or otherwise. Further, any person who at any time serves as a director of the Association or of any other enterprise at the request of the Association and the heirs, executors, and administrators of such person will not be liable to the Association or to the members of the Association for monetary damages for an act or omission in the director's capacity as a director.

Section 2. The Association may purchase and maintain insurance on behalf of each person who holds or who has held any position referred to in Section 1 against any liability (i) incurred by such person in any such position or (ii) arising out of his or her status as such, whether or not the Association would have the power or option to indemnify such person against such liability under applicable law.

ARTICLE XVII

The Association may be dissolved with the assent given in writing and signed by not less than three-fourths (3/4th) of each class of members. Upon dissolution of the Association, other than

Campeche Shores, Inc.
1027 Tremont
Galveston, Texas 77550
(409) 741-2277

July 14, 2004


Office of the Secretary of State
Corporations Section
Special Handling
James Earl Rudder Office Building
1019 Brazos
Austin, TX 78701

RE: Campeche Shores Homeowners Association, Inc.

Dear Sir:

Please be advised that Campeche Shores, Inc. has no objections and hereby unequivocally consents to the use by Campeche Shores Homeowners Association, Inc. of that portion of its name involving "Campeche Shores."

Campeche Shores, Inc.

By: 
Name: E. Sid Holliday, Jr.
Title: President

/f

10/1/04

**DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS FOR
CAMPECHE SHORES
A SUBDIVISION IN GALVESTON COUNTY, TEXAS**

This Declaration ("Declaration") is made on the date hereinafter set forth by **CAMPECHE SHORES, Limited Partnership**, hereinafter collectively referred to as "Declarant"

WITNESSETH:

WHEREAS, Declarant is the owner of that certain property known as **CAMPECHE SHORES**, a subdivision in Galveston County, Texas, according to the map or replat thereof recorded in Volume 2004A, Page 76, of the Map Records of Galveston County, Texas (hereinafter sometimes called the "Property" or the "Subdivision"); and

WHEREAS, it is the desire of Declarant to place certain restrictions, covenants and conditions, stipulations and reservations upon and against the Property in order to establish a uniform plan for the development, improvement and sale of the Property, and to insure the preservation of such uniform plan for the benefit of both the present and future owners of lots in the Subdivision:

NOW, THEREFORE, Declarant (joined herein by the lienholder upon the Property) hereby adopts, establishes and imposes upon the Property, and declares the following reservations, easements, restrictions, covenants, and conditions (sometimes referred to herein collectively as the "Covenants") applicable thereto, all of which are for the purpose of enhancing and protecting the value, desirability and attractiveness of the Subdivision, which Covenants shall run with the land and shall be binding upon all parties having or acquiring any right, title or interest in the Property, or any part thereof, and shall inure to the benefit of each owner thereof.

ARTICLE I.

Definitions

Section 1. "Association" shall mean and refer to the homeowner association whose membership is composed of all of the owners of lots within the Subdivision, and its successors and assigns, as described in Article IV of this Declaration.

Section 2. "Owner" shall mean and refer to the record Owner, whether one or more persons or entities, of a fee simple title to any Lot which is part of the Property, including contract sellers, but excluding those who have such interest merely as security for the performance of an obligation. For purposes of membership in the Association, each lot shall only have one Owner, and if multiple parties own a Lot they shall designate the "Owner" for purposes hereof.

Section 3. "Property" shall mean and refer to the Property hereinbefore described, and such additions thereto as may hereafter be brought within the jurisdiction of the Association.

Section 4. "Subdivision Plat and Replat" shall mean and refer to the map or replat of the Property, recorded in Volume 2004A, Page 76 of the Map Records of Galveston County, Texas, and any additional recorded replat thereof.

Section 5. "Lot" and/or "Lots" shall mean and refer to the Lots shown upon the Subdivision Plat and Replat (with the exception of the Common Properties).

Section 6. "Common Property" shall mean and refer to those areas of land within the Property as are now shown and identified on the Subdivision Plat and Replat as a park, greenbelt, public open space, landscape reserves, Wetland and Open Space Reserves, and subdivision entrances and other subdivision amenities not shown or identified on the Subdivision plat and Replat such as a mailbox kiosk a monument sign, a putting green, nature areas, boardwalk, and gazebo, which are to be maintained and regulated by the Association, together with such other property as the Association may, at any time or from time to time, acquire by purchase or otherwise, subject, however, to the easements, limitations, restrictions, dedications and reservations applicable thereto by virtue hereof and/or by virtue of the Subdivision Plat and Replat, and/or by virtue of grants or dedications by Declarant or Declarant's successors in title. References herein to "the Common Properties in the Subdivision" shall mean and refer to Common Properties as defined respectively in this Declaration and all Supplemental Declarations.

Section 7. "Architectural Control Committee" shall mean the committee appointed by Declarant or the Board of Directors of the Association to perform the functions set forth in Article VII hereof.

Section 8. "Declarant" shall mean and refer to **CAMPECHE SHORES, Limited Partnership**, its successors, and assigns.

Section 9. "Board of Directors" shall mean and refer to the Board of Directors of the Association.

Section 10. "Lien Notice" shall mean the written notice given by the Board of Directors pursuant to Section VI hereof, such notice setting forth details regarding an assessment unpaid by an Owner.

Section 11. "Wetland and Open Space Reserves" shall mean Reserves D and E, as shown on the Replat.

Section 12. "Party Wall" shall mean each wall built as part of the original construction of the homes upon the properties which is placed on the dividing line between two adjacent Lots.

Section 13. "Person" shall mean and refer to one or more individuals, corporations, partnerships, organizations, or other entities.

Section 14. "Residential Unit" shall mean either an attached, single family dwelling or a detached, single family dwelling. For the purpose of this Declaration, a Residential Unit shall come into existence upon the issuance of a certificate of occupancy by the appropriate agency of the City of Galveston, or other local Governmental Authority.

Section 15. "Reserve" shall mean an area designated as a Reserve on the Plat or Replat.

ARTICLE II.

Reservations, Exceptions and Dedications

Section 1. Existing Easements. The Subdivision Plat and Replat dedicates for use as such, subject to the limitations set forth therein, certain streets and easements shown thereon, and such Subdivision Plat and Replat further establishes certain dedications, limitations, reservations, certain minimum setback lines, and restrictions applicable to the Property. All (i) dedications,

limitations, restrictions, minimum setback lines, and reservations shown on the Subdivision Plat and Replat and (ii) grants and dedications of easements and related rights heretofore made by Declarant and/or Declarant's predecessors in title affecting the Property and currently of record in the Official Records of Galveston County, Texas and enforceable against the Property or are incorporated herein by reference and made a part of this Declaration for all purposes, as if fully set forth herein, and shall be construed as being adopted in each and every contract, deed or conveyance executed or to be executed by or on behalf of Declarant conveying any part of the Property, whether specifically referred to therein or not.

Section 2. Utility Easements and Rights-of-Way. Declarant reserves the easements and rights-of-way as shown on the Subdivision Plat and Replat (collectively called the "Easements" and the portion of the Property designated on the Subdivision Plat and Replat for Easements being hereinafter sometimes called the "Easement Property" for the purpose of constructing, maintaining and repairing a system or systems of electric lighting, electric power, natural gas, cable television, aerial telephone line or lines, water lines, sewers, storm sewers or any other utility Declarant sees fit to install in, across and/or under the Easement Property.

Section 3. Changes and Additions. Declarant reserves the right to make changes in and additions to the Easements for the purpose of most efficiently and economically installing the improvements and utilities within the Easement Property.

Section 4. Easements and Appurtenances. It is expressly agreed and understood that the title conveyed by Declarant to any Lot or parcel of land within the Property by contract, deed or other conveyance shall be subject to (a) the easements described in this Declaration for roadways or drainage, water, sewer, storm sewer, electric light, electric power, natural gas, cable television, telephone or other utility purposes and such conveyance shall not convey any interest in pipes, lines, poles or conduits, or in any utility facility or appurtenances thereto, constructed by or under Declarant or any easement owner, or their agents through, along or upon the Easement Property, or any part thereof, to serve the Property, and (b) the right of Declarant, its successors and assigns, to maintain, repair, sell or lease such appurtenances (subject to the provisions of this Declaration) to any municipality, or other governmental agency or to any public service corporation or to any other party (and such right is hereby expressly reserved).

Section 5. Installation and Maintenance. There is hereby created an easement upon, across, over and under all of the Property for ingress and egress in connection with installing, replacing, repairing, and maintaining all utilities, including but not limited to, water, sewer, storm sewer, natural gas, telephones, electricity, and appurtenances thereto and to perform canal maintenance. By virtue of this easement, it shall be expressly permissible for the utility companies and other entities supplying service to install and maintain pipes, wires, conduits, service lines, or other utility facilities or appurtenances thereto, on, across and under the Easement Property and within any other public utility easements from time to time created, and from service lines situated within such easements to the point of service on or in any structure. Notwithstanding anything contained in this Section 5 of Article II, no sewer, electrical lines, water lines, or other utilities or appurtenances thereto may be installed or relocated on the Property until approved by Declarant. The utility companies furnishing service shall have the right to remove all trees situated within the Easements shown on the Subdivision Plat and Replat,

and to trim overhanging trees and shrubs located on the portions of the Property abutting such Easements. Neither Declarant nor any utility company using the Easements herein referred to, shall be liable for any damages done by them or their assigns, their agents, employees or servants, to fences, shrubbery, trees or flowers or other property situated on the land covered by said Easements. With the exception of the utility poles with transformers located upon them, all utility systems shall be located underground.

Section 6. Emergency and Service Vehicles. An easement is hereby granted to all police, fire protection, ambulance and other emergency vehicles, and to garbage and trash collection vehicles, and other service vehicles to enter upon the Property (but not within buildings) in the performance of their duties. Further, an easement is hereby granted to the Association, its officers, agents, employees and management personnel to enter the Property (but not within buildings) to render any service.

Section 7. Underground Electric System. An underground electric distribution system will be installed in the entire Subdivision, herein sometimes called the Underground Residential Subdivision, which underground service area embraces all of the Lots which are platted in the Subdivision. The Owner of each Lot containing a single dwelling unit, shall, at his or its own cost, furnish, install, own and maintain (all in accordance with the requirements of local governing authorities and the National Electric Code) the underground service cable and appurtenances from the point of electric company's metering at the structure to the point of attachment at such company's installed transformers or energized secondary junction boxes, such point of attachment to be made available by the electric company at a point designated by such company at the property lines of each Lot. The electric company furnishing service shall make the necessary connections at said point of attachment and at the meter. Declarant has either by designation on the Subdivision Plat and Replat or by separate recorded instrument granted necessary easements to the electric company providing for the installation, maintenance and operation of its electric distribution system and has also granted to the various Lot Owners reciprocal easements providing for access to the area occupied by and centered on the service wires of the various Lot Owners to permit installation, repair and maintenance of each Lot Owner's owned and installed service wires. In addition, the Owner of each Lot containing a single dwelling unit, shall at his or its own cost, furnish, install, own and maintain a meter loop (in accordance with the then current standards and specifications of the electric company furnishing service) for the location and installation of the meter of such electric company for each dwelling unit involved. For so long as underground service is maintained in the Underground Residential Subdivision, the electric service to each dwelling unit therein shall be underground, uniform in character and exclusively of the type known as single phase, 240/120 volt, three wire, 60 cycle, alternating current.

The electric company has installed the underground electric distribution system in the Underground Residential Subdivision at no cost to Declarant (except for certain conduits, where applicable, and except as hereinafter provided) upon Declarant's representation that the Underground Residential Subdivision is being developed for single family residential dwelling units, including homes, and if permitted by the restrictions applicable to such subdivision, which

are built for sale or rent and all of which single family dwelling structures and amenities are wired so as to provide for separate metering to each single family dwelling unit.

No provision of this Section 7 of Article II (the text of which is prescribed by the electric company) shall in any manner operate or be construed to permit the construction on any Lot of any type of residential structure other than a single family residence as provided in Section 1. of Article XI.

Section 8. Surface Areas. The surface area of easement property for underground utility services may be used for the planting of shrubbery, trees, lawns or flowers. Declarant and the Association shall install all of the original landscaping for the Subdivision. No landscaping shall be installed on any Lot by any Lot Owner without the prior written approval of the Architectural Control Committee. Neither the Declarant nor any supplier of any utility or service using any portion of the Easement Property shall be liable to any Owner or to the Association for any damage done by them or either of them, or their respective agents, employees, servants or assigns, to any of the aforesaid vegetation as a result of any activity relating to the construction, maintenance, operation or repair of any facility in any such Easement Property.

ARTICLE III.

Property Subject to this Declaration

Section 1. Description. The real property which is, and shall be, held, transferred, sold, conveyed, and occupied subject to this Declaration consists of all of the Property, according to the Subdivision Plat and Replat (or any subsequently recorded replat thereof), which real property is sometimes hereinafter referred to as the "Existing Property".

Section 2. Mineral Exception. There is hereby excepted from the Property and Declarant will hereafter except from all its sales and conveyances of the Property, or any part thereof, including the Lots and Common Properties, all oil, gas, and other minerals, in, on, and under the Properties; but each such reservation shall be subject to the provision and requirements of Article XIII of this Declaration.

Section 3. Additions to Existing Property. Additional lands may become subject to the scheme of this Declaration in the following manner:

(a) **Additions by Declarant.** The Declarant, and its successors and assigns, shall have the right to bring within the scheme of this Declaration additional properties in future stages of development ("Additional Property") in its sole discretion. Any additions of Additional Property authorized under this and the succeeding subsection of this Declaration shall be made by filing of record in the Official Records of Galveston County, Texas, an amendment to this Declaration with respect to the Additional Property which shall extend the scheme of the Covenants of this Declaration to the Additional Property. Any such amendment to this Declaration must impose an annual maintenance charge assessment on the Additional Property, on a uniform, per lot basis, substantially equivalent to the maintenance charge and assessment imposed by this Declaration, and may contain such complementary additions and/or modifications of the covenants and restrictions contained in this Declaration as may be applicable to the Additional Property.

(b) **Mergers.** Upon a merger or consolidation of the Association with another association, the Association's properties, rights, and obligations may be transferred to another

surviving or consolidated association or, alternatively, the properties, rights, and obligations of another association may be added to the properties, rights and obligations of the Association as a surviving corporation pursuant to a merger. The surviving or consolidated association shall administer the covenants and restrictions applicable to the properties of the other association as one scheme. No such merger or consolidation, however, shall affect any revocation, change or addition to the Covenants established by this Declaration or any amendment thereto.

ARTICLE IV.

The Association

Section 1. Organization. The Declarant will cause the Association to be organized and formed as a non-profit corporation under the laws of the State of Texas by August 2, 2004.

Section 2. Purpose and Powers. The purpose of the Association in general is to provide for and promote the health, safety, and welfare of the members ("Members" or "Owners"), to collect the annual maintenance charges and to administer the Maintenance Fund (as defined herein), to provide for the maintenance, repair, preservation, upkeep, and protection of the Common Property and Wetland and Open Space Reserves, and such other purposes as are stated in the Articles of Incorporation and By-Laws consistent with the provisions of this Declaration and all amendments thereto.

In addition to any other power granted herein, the Association shall have the following powers and duties (subject to the terms and conditions set forth in this Declaration) which may be exercised within its reasonable discretion:

- (a) To maintain, repair, or replace, or pay for the maintenance, repair, or replacement, of the Common Properties;
- (b) To operate, administer, maintain and preserve the Wetland and Open Space Reserves;
- (c) To employ counsel and institute and prosecute such suits as the Association may deem necessary or advisable, and to defend suits brought against the Association;
- (d) To employ from time to time such agents, servants, and laborers as the Association may deem necessary in order to exercise the powers, rights, and privileges granted to it, and to make contracts;
- (e) To maintain insurance;
- (f) To pay market costs for all goods and services purchased by the Association;
- (g) To fix, levy, and collect assessments pursuant to Article VI hereof;
- (h) To enforce the provisions of this Declaration; and
- (i) To conduct any other activity within the terms and conditions set forth in this Declaration or allowed under the Texas Non-Profit Corporation Act.

Section 3. Directors. The Association shall act through a three (3) member Board of Directors, which shall manage the affairs of the Association. The initial Directors of the Association will be selected by Declarant by August 2, 2004. Each initial Director shall serve for a term of one (1) year from date of appointment, and thereafter, until his successor is duly elected and qualified. Upon the expiration of the term of the initial Directors, the Members shall elect a Board of Directors as provided for in the By-Laws. Any vacancy, from whatever cause, occurring in the Board of Directors during the initial one (1) year term shall be filled by

appointment made by the remaining Director or Directors. The person appointed by the remaining Director or Directors to fill such vacancy shall serve for the remainder of the initial one (1) year term and until his successor is duly elected and qualified. The Directors shall have the power to select one or more advisory directors from the residents of the Subdivision to serve for such periods of time as the Board of Directors shall deem appropriate, for the purpose of providing advice and counsel to the Board of Directors, provided that such advisory directors shall have no right to act on behalf of the Association.

Section 4. Members. Each Owner, whether one or more persons or entities, of a Lot shall, upon and by virtue of becoming such Owner, automatically become 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 automatically cease, but there shall only be one (1) vote per Lot, except as stated below. Membership in the Association shall be appurtenant to and shall automatically follow the legal ownership of each Lot and may not be separated from such ownership. Whenever the legal ownership of any Lot passes from one person to another, by whatever means, it shall not be necessary that any instrument provide for transfer of membership in the Association, and no certificate of membership will be issued.

The Association shall have two classes of membership:

Class B. The Class B Member shall be the Declarant. The Class B Member shall be entitled to three (3) votes for each lot in the Subdivision in which it holds the interest required for membership by these Restrictions, Covenants and Conditions or any Supplemental Restrictions, Covenants, and Conditions;

Class A. Class A Member shall be all the Members of the Association, with the exception of the Declarant or the Class B Member. Class A Members shall be entitled to one vote for each Lot in the Subdivision in which they hold the interest required for membership by these Restrictions, Covenants and Conditions or any Supplemental Restrictions, Covenants, and Conditions; provided that the Class B membership shall cease and become converted to Class A membership on the happening of the following events, whichever occurs earlier:

- (a) When the total votes outstanding in the Class A membership equal the total votes outstanding in the Class B membership;
- (b) on January 1, 2007.

From and after the happening of whichever of these events occurs earlier, the Class B Member shall be deemed to be a Class A Member entitled to one (1) vote for each Lot in the Subdivision in which it holds the interest required for membership by these Restrictions, Covenants and Conditions, or any Supplemental Restrictions, Covenant, or Conditions.

Section 5. Title to Common Property. The Declarant may retain the legal title to the Common Property until such time as: (i) Declarant no longer owns seventy-five percent (75%) of the Property; or (ii) in the sole opinion of Declarant, the Association is able to operate and maintain the same, whereupon title to the Common Property shall be conveyed to the Association. Until title to such Common Property has been conveyed to the Association by

Declarant, Declarant shall be entitled to exercise all rights and privileges relating to such Common Property granted to the Association in this Declaration and all amendments thereto.

ARTICLE V.

Property Rights in the Common Properties and Common Facilities

Section 1. Members' Easements of Enjoyment. Subject to the provisions of Section 2 of this Article V, every Member shall have a common right and easement of enjoyment in and to the Common Property, and such right and easement shall be appurtenant to and shall pass with the title to each Lot.

Section 2. Extent of Members' Easements. The rights and easements of enjoyment created hereby shall be subject to the following:

(a) The right of the Association, in its discretion, to make, publish, and enforce reasonable rules and regulations shall be binding upon, complied with, and observed by each Member. These rules and regulations may include provisions to govern and control the use of such Common Property by guests or invitees of the Members, including, without limitation, the number of guests or invitees who may use such Common Property or any part thereof at the same time; and

(b) The right of the Association to grant or dedicate easements in, on, under or above such Common Property or any part thereof to any public or governmental agency or authority or to any utility facility or equipment situated in any part of such Common Property and owned by the Association to any public or political authority or agency or to any utility company rendering or to render service to the Subdivision or any part thereof; and

(c) The right of the Association to enter management and/or operating contracts or agreements relative to the maintenance and operation of such Common Property in such instances and on such terms as its Board of Directors may deem appropriate; and

(d) The right of the Association to suspend the voting rights of a Member or his right to use any recreational Common Property during the period he is in default in excess of fourteen (14) days in the payment of any maintenance charge assessment against his Lot; and to suspend such rights for a period not to exceed sixty (60) days for any infractions of its published rules and regulations; and the aforesaid rights of the Association shall not be exclusive, but shall be cumulative of and in addition to all other rights and remedies which the Association may have in this Declaration and any amendment thereto or in its By-Laws or at law or in equity on account of any such default or infraction; and

(e) The rights and easements existing, herein created or hereafter created in favor of others, as provided for in Article II and Article VII hereof, in this Declaration and in all amendments thereto;

(f) Any contract entered into by the Association with Declarant or any affiliate of Declarant shall be at market terms no less favorable to the Association than would be available from a third party. No contract with Declarant or any affiliate of Declarant shall be for a term in excess of one (1) year.

Section 3. Delegation of Use. Any member may delegate his right of use and enjoyment of the Common Property in the Subdivision, together with all easement rights granted to Members in this Declaration and all amendments thereto, to the members of his family, his

tenants, guests (subject to Section 2 (a) above), or contract purchasers who reside on his Lot. The term "Member" is further defined to include and refer to the executors, personal representatives and administrators of any Member, and all other persons, firms or corporations acquiring or succeeding to the title of the Member by sale, grant, will, foreclosure, execution, or by any legal process, or by operation of law, or in any other legal manner.

ARTICLE VI.

Annual Assessments

Section 1. The Maintenance Fund. All funds collected by the Association from the common area maintenance charges provided for in this Article VI, together with all funds collected by the Association from the regular annual maintenance charges imposed on the Lots in the Subdivision by this Declaration and all amendments thereto, shall constitute and be known as the "Maintenance Fund". The Maintenance Fund shall be held, used, and expended by the Association for the common benefit of all Members for the following purposes, to-wit: to promote the health, safety, recreation, and welfare of the Members, including, without limitation, the installation, construction, erection, maintenance and relocation of improvements related to the enhancement and beautification of the Common Property, and any other areas provided by this Declaration or any amendment thereto to be developed or maintained by the Association, such as shrubbery, trees, walkways and street lights, and the construction, repair, maintenance and replacement of properties, services, improvements and facilities devoted to such purposes and related to the use and enjoyment of the Subdivision by the Members.

The Association may, in its sole discretion, give one or more of the purposes set forth in this Section 1 of Article VI preference over other purposes, and it is agreed that all expenses incurred and expenditures and decisions made by the Association in good faith shall be binding and conclusive on all Members.

Section 2. Covenant for Assessments. Subject to the provisions set forth below in Sections 3 and 4 of this Article VI relating to the rate at which the maintenance charge and assessments imposed herein shall be paid on unimproved Lots owned by Declarant, each and every Lot is hereby severally subjected to and impressed with a regular annual maintenance charge or assessment in the average amount of Three Thousand Five Hundred Four and No/100 Dollars (\$3504.00) per annum per Lot (herein sometimes referred to as the "Maintenance Charge") which shall run with the land, subject to increase and decrease and payable as provided in Section 5 below. The actual charge shall be greater than the average maintenance charge for any Lot upon which a Residential Unit is built that is greater in square footage than the average size of the Residential Unit built on all Lots. The amount to be charged for such a Lot shall be based upon the ratio that the square footage of the larger than average Residential Unit on such Lot bears to the square footage of the average size of the Residential Unit on all Lots.

Each Owner of a Lot, by his claim or assertion of ownership or by accepting a deed to any such Lot, whether or not it be so expressed in such deed, is hereby conclusively deemed to covenant and agree, as a covenant running with the land, to pay to the Association, its successors or assigns, each and all of the charges and assessments against his Lot and/or assessed against him by virtue of his ownership, thereof, as the same shall become due and payable, without demand. The charges and assessments herein provided for shall be a charge and a continuing

lien upon each Lot, together with all improvements thereon, as hereinafter more particularly stated. Each assessment, together with interest, costs, and reasonable attorneys' fees, shall also be the personal obligation of the person who was the Owner of the Lot at the time the obligation to pay such assessment accrued, but no Member shall be personally liable for the payment of any assessment made or becoming due and payable after his ownership ceases. No Member shall be exempt or excused from paying any such charge or assessment by waiver of the use or enjoyment of the Common Properties, or any part thereof, or by abandonment of his Lot or his interest therein.

Section 3. The Annual Maintenance Charge. Unless a Lot is purchased prior to January 1, 2005, the annual assessments provided for herein shall commence on January 1, 2005. The first annual assessment shall be payable on the day fixed for commencement. If a Lot is purchased prior to January 1, 2005, each member shall pay the applicable percentage of the annual maintenance charge payable with respect to a partial year as hereinafter set forth. The assessments for each calendar year, including the first year, shall be due and payable to the Association in advance, in quarter-annual installments, on the 1st day of January, April, July, and October of each year. Provided, however, that, upon the purchase of his Lot (as evidenced by the date of his contract of sale or deed, or his occupancy, whichever is earlier), each Member shall be obligated to pay to the Association a pro rata part of the applicable percentage (as determined pursuant to the terms hereof) of the regular annual maintenance charge assessed on such Lot, which shall bear the same ratio to the applicable percentage of the full annual maintenance charge as the number of full calendar months remaining in the current year of the year of purchase, and which shall be payable in full upon such purchase.

The Board of Directors may decrease or increase the amount of the regular annual maintenance charge or assessment provided for herein at any time and from time to time by the adoption of a resolution for such purpose, but no resolution increasing or decreasing the annual maintenance charge assessment shall become effective prior to the expiration of ninety (90) days from the date of its adoption, and the Owner of each Lot shall, within thirty (30) days from such effective date, pay to the Association or be credited by the Association for the proportionate part of such increase or decrease for the balance of the year in which such resolution is adopted; provided, however, that no resolution of the Board of Directors which fixes the amount of the regular annual maintenance charge or assessment at less than fifty percent (50%) of the amount assessed in the preceding calendar year, or in excess of one hundred fifteen percent (115%) of the amount assessed in the preceding calendar year, shall become effective unless and until such resolution is ratified by the written assent of the Members of the Association who in the aggregate then own at least sixty-six and two thirds percent (66⅔%) of the votes of the Members of the Association who are present and voting in person or by proxy at a special meeting of the membership of the Association called for his purpose and at which a quorum is present. The written assent or the vote of the Member must be given prior to the effective date of the resolution of the Board of Directors. No increase or decrease in the annual maintenance charge or assessment shall take effect retroactively.

If any resolution of the Board of Directors which requires ratification by the assent of the Members of the Association as above provided shall fail to receive such assent, then the amount

of the regular annual maintenance charge or assessment last in effect shall continue in effect until duly changed in accordance with the above provisions.

Declarant shall not be charged any maintenance fee with respect to any unimproved lot owned by Declarant; however, Declarant shall be responsible for all maintenance and mowing of such lots until they are sold to third parties.

Section 4. Quorum for any Action Authorized Under Section 3. The Quorum required for any action authorized by Section 3 of this Article VI hereof shall be as follows:

At the first meeting called, as provided in Section 5 of this Article VI hereof, the presence at the meeting of Members, or of proxies, entitled to cast twenty percent (20%) of all the votes of the membership shall constitute a quorum. If the required quorum is not forthcoming at any meeting, another meeting may be called and the required quorum at any such subsequent meeting shall be one-half (1/2) the required quorum at the preceding meeting, provided that such reduced quorum requirement shall not be applicable to any such subsequent meeting held more than sixty (60) days following the preceding meeting.

Section 5. Special assessment for Capital Investments. In addition to the annual assessments authorized above, the Association may levy, in any assessment year, a special assessment applicable to that year only for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, repair or replacement of a capital improvement upon the Common Property, including fixtures and personal property related thereto, provided that any such assessment shall have the assent of two-thirds (2/3) of the votes of the Members who are voting in person or by proxy at a meeting duly called for this purpose.

Section 6. Duties of the Board of Directors. The Board of Directors shall fix the date of commencement and the amount of the assessment against each Lot or Owner for each assessment period at least thirty (30) days in advance for such date or period and shall, at that time, prepare a roster of the properties and assessments applicable thereto which shall be kept in the office of the Association and shall be open to inspection by any Owner. Written notice of the assessment shall thereupon be sent to every Owner subject thereto. The Association (or its agent) shall, upon demand at any time, furnish to any Owner liable for said assessment a certificate in writing signed by an officer of the Association, setting forth whether said assessment has been paid. Such certificate shall be conclusive evidence of payment of any assessment therein stated to have been paid.

Section 7. Liens to Secure Assessments. The regular annual maintenance charges or assessments, as hereinabove provided for, shall constitute and be secured by a separate and valid and subsisting lien, hereby created and fixed, and which shall exist upon and against each Lot and all improvements thereon, for the benefit of the Association and all Members. The lien hereby created shall be subordinate and inferior to:

- (a) All liens for taxes or special assessments levied by the City, County, and State governments, or any political subdivision or special district thereof, and
- (b) all liens securing amounts due or to become due under any term contract of sale, or any mortgage, vendor's lien, or deed of trust filed for record, prior to the date payment of any such charges or assessments become due and payable, and

(c) all liens, including, but not limited to, vendor's lien, deeds of trust, and other security instruments which secure any loan made by any lender to an Owner for any part of the purchase price of any Lot and the improvements thereon, if improved, when the same is purchased, or for any part of the cost of construction, repairing, adding to, or remodeling the residence and appurtenances situated on any Lot.

Any foreclosures of any such superior lien under the power of sale of any mortgage, deed of trust, or other security instrument, or through Court proceedings in which the Association has been made a party, shall cut off and extinguish the liens securing maintenance charges or assessments which become due and payable prior to such foreclosure date, but no such foreclosure shall free any Lot from the liens securing assessments thereafter becoming due and payable, nor shall the liability of any Member personally obligated to pay maintenance charges or assessments which become due prior to such foreclosure, be extinguished by any foreclosure.

Section 8. Effect of Non-Payment of Assessment. If any such annual charge or assessment is not paid within fourteen (14) days from the date thereof, the same shall bear interest from the due date until paid at the highest interest rate allowed under the laws of the State of Texas, and, if placed in the hands of an attorney for collection or if suit is brought thereon or if collected through probate or other judicial proceedings, there shall be paid to the Association an additional reasonable amount, but not less than ten (10%) per cent of the amount owing, as attorney's fees. The Association, as a common expense of all Members, may institute and maintain an action at law or in equity against any defaulting Member to enforce collection and/or for foreclosure of the liens against his Lot. All such actions may be instituted and brought in the name of the Association and may be maintained and prosecuted by the Association in a like manner as an action to foreclose the lien of a mortgage or deed of trust on real property.

Section 9. Collection and Enforcement. Each Member, by his assertion of title or claim of ownership or by his acceptance of a deed to a Lot, whether or not it shall be so recited in such deed, shall be conclusively deemed to have expressly vested in the Association, and in its officers and agents, the right, power and authority to take all action which the Association shall deem proper for the collection of assessments and/or for the enforcement and foreclosure of the liens securing the same. The provisions of Chapter 209 of the Property Code of the State of Texas, as amended from time to time, shall be complied with by the Association.

ARTICLE VII.

Architectural Control Committee

Section 1. The Committee. The Architectural Control Committee shall have exclusive jurisdiction over all construction on any portion of the Property. The Committee shall prepare and, on behalf of the Board of Directors, shall promulgate design guidelines and application procedures. The standards and procedures shall be those of the Association, and the Committee and the Board jointly shall have sole and full authority to prepare and to amend the standards and procedures except that no such amendment shall be construed as requiring the removal or remodeling of any improvements theretofore approved by the Committee. The Committee shall make the standards and procedures available to Owners, builders, and developers who seek to engage in development of or construction upon all or any portion of the Property. The Committee shall consist of at least three (3), but no more than five (5), persons (who may also be

members of the Board of Directors) appointed by the Board of Directors. The Committee shall have exclusive authority over modifications, additions, or alterations made on or to existing Residential Units or structures and the open space, if any, appurtenant thereto. No building, fence, wall, swimming pool, playground equipment, outdoor cooking or eating facility of permanent nature or other structure of any kind shall be commenced or erected, or changed or alteration of the exterior of same made, until the plans and specifications showing the nature, kind, shape, height, materials and locations of the same is submitted to and approved in writing by the Committee.

Section 2. Submission and Approval of Plans. Plans and specifications showing the nature, kind, shape, color, size, materials, and location of all new construction and all modifications, additions, or alterations, shall be submitted to the Committee for approval as to quality of workmanship and design, harmony of external design with existing structures, as to location in relation to surrounding structures, topography, and finish grade elevation, and conformance with the design guidelines and application procedures promulgated under Section 1. No permission or approval shall be required to repaint in accordance with an originally approved color scheme, or to rebuild in accordance with originally approved plans and specifications. Nothing contained herein shall be construed to limit the right of an Owner to remodel the interior of his or her residence, or to paint the interior of his or her residence any color desired.

Section 3. Procedure. Each application made for approval shall be accompanied by a fee of one hundred fifty dollars (\$150.00) to defray expenses of the Committee and shall illustrate by plans and specifications all proposed walls, drives, curb cuts, structures, and other matters relevant to architectural approval. If the plans and specifications are approved by the Committee, a Certificate of Compliance shall be issued authorizing construction of the proposed improvements in accordance with the plans and specifications so approved. After the plans for construction have been approved, and the pilings have been set, the Owner or builder shall have a maximum of six (6) months to complete the exterior construction unless the Committee approves a written request from the Owner for an extension of such time limit. Exterior construction shall be deemed complete when the structure or structures have been painted or stained. Final completion of the construction (which shall be deemed complete upon the issuance of a certificate of occupancy from the City of Galveston or other applicable Governmental Authority) shall be completed within twelve (12) months after the plans have been approved, and all construction materials and debris shall be removed from the Property within such twelve (12) month period. Approval by the Committee shall not relieve the Owner from complying with applicable public ordinances or regulations, and is not, nor intended to be, an indication of compliance with any such ordinance or regulations.

Section 4. Clean-up. It shall be the responsibility of the Lot Owner during construction to remove in a timely manner all trash, lumber, and debris of any other description associated with such construction so as to preserve a neat and orderly appearance to his Lot, and, upon completion of construction, to completely remove all remaining construction debris from the Property. If, in the opinion of the Committee, a Lot Owner fails to remove such construction debris in a timely manner, the Committee shall have the option to cause such debris to be

removed from the Property, and the cost of such work shall be charged to the Lot Owner and be paid upon demand to the Committee.

Section 5. Adoption of Rules and Regulations. The committee shall have the authority to adopt, and to amend from time to time, such procedural and substantive rules, not in conflict with this Declaration, as it may deem necessary or appropriate for the performance of its duties hereunder.

Section 6. Actions of the Committee. The vote of a Majority of all the members of the Committee shall constitute an act of the Committee. The Committee may, by resolution, unanimously adopted in writing, designate one or two of its members, or an agent acting on its behalf, to take any action or perform any duties for and on behalf of the Committee, except the granting of variances under Section 8.

Section 7. Failure to Act. In the event that plans are submitted to the Committee as provided above, and the Committee shall fail either to approve or reject the plans within forty-five (45) days following the submission of all plans required by the Committee, no approval by the Committee shall be required, and approval of the plans shall be presumed; provided, however, that such 45-day period shall not begin to run until all information required by the Committee to assist the Committee in its view has been received. Any failure of the Committee to act upon a request for a variance, however, shall not be deemed a consent to the variance, and the Committee's written approval of all requests for variances shall be expressly required.

Section 8. Variances. The Committee may grant a variance from compliance with any of the provisions of this Declaration or any supplemental declaration, when the Committee determines, in its sole and absolute discretion, the variance will not be adverse to the overall development plan for the Property, and the variance is justified due to visual or aesthetic considerations or unusual circumstances. All variances must be evidenced in writing and must be signed by at least a majority of the Members of the Committee. The granting of a variance shall not operate to waive or amend any of the terms and provisions of this Declaration or any supplemental declaration for any purpose except as to the particular property and in the particular instance covered by the variance. A variance shall not be considered to establish a precedent for any future waiver, modification, or amendment of the terms and provisions of this Declaration. Requests for variances must be submitted in accordance with Sections 2, 3, and 7 above.

Section 9. No Waiver of Future Approvals. The approval of the Committee to any plans or variance request shall not be deemed a waiver of any right to withhold approval or consent as to any other plans or variance request, or any other matter whatsoever, nor shall the approval or consent be deemed a precedent for future approvals by the Committee.

Section 10. Non-Liability of Committee, Members. Neither the Committee nor any members thereof shall be liable to any Owner or to any other Person for any loss, damage, or injury arising out of the performance or non-performance of the Committee's rights and duties under this Declaration unless such performance or non-performance is taken (or not taken, as the case may be) in bad faith.

Section 11. Miscellaneous. The Board of Directors shall have the authority and standing, on behalf of the Association, to enforce decisions of the Committee in courts of competent jurisdiction. Nothing contained in this Declaration shall be construed as requiring the

removal or re-modeling of any improvements heretofore approved by the Committee under the Declaration.

Section 12. Easements. Easements for the installation and maintenance of utilities, drainage facilities, roads and streets are granted and reserved as shown on the Plat. No utility company, water district or other authorized entity or political subdivision using the easements herein referred to shall be liable for any damage done by themselves, their successors, assigns, agents, employees, or servants, to shrubbery, trees or flowers or other property of the owner situated on the land covered by said easements. Developer reserves the right to grant (without the consent of any lot owner) such additional easements as may, in the opinion of Developer, be necessary to properly serve the Subdivision's requirements.

Section 13. Annoyances or Nuisances. No noxious or offensive activity shall be carried on upon any lot, nor shall anything be done thereon which may become an annoyance or nuisance to the neighborhood or to a person of reasonable sensibilities.

ARTICLE VIII.

Other Easements

Section 1. The rights and duties of the Owners of Lots within the Property with respect to sanitary sewer and water, electricity, telephone and cable television lines and drainage facilities shall be governed by the following:

(a) Wherever sanitary sewer house connections and/or water house connections or electricity, or telephone and cable television lines or drainage facilities are installed within the Property, which connection lines or facilities or any portion thereof, lie in or upon Lots owned by the Association or any entity other than the Owner of a Lot served by said connections, lines or facilities, such Owners of Lots served shall have the right, and are hereby granted an easement to the full extent necessary therefore, to enter upon the Lots in or upon which said connections, lines or facilities, or any portion thereof, lie, to repair, replace and generally maintain said connections as and when the same may be necessary as set forth below.

(b) Wherever sanitary sewer house connections and/or water house connections or electricity, telephone or cable television lines or drainage facilities are installed within the Property, which connections serve more than one (1) Lot, the Owner of each Lot served by said connections shall be entitled to the full use and enjoyment of such portions of said connections which service his Lot.

Section 2. Easements over the Lots and Common Property for the installation and maintenance of electric, telephone, cable television, water, and sanitary sewer lines and drainage facilities within the Easement Property are hereby reserved by Declarant, together with the right to grant and transfer same.

Section 3. Public Streets. All Lots within the Subdivision shall abut and have access to a public street. Public street rights-of-way are shown on the Subdivision Plat and Replat.

ARTICLE IX.

Utility Bills, Taxes and Insurance

Section 1. Obligations of the Owners.

(a) Each Owner shall have his separate electric and water meter and shall directly pay at his own cost and expense for all electricity, water, sanitary sewer service, telephone service, cable television and other utilities used or consumed by him on his Lot.

(b) Each Owner shall directly render for taxation his own Lot and improvements thereon, and shall at his own expense and cost directly pay all taxes levied or assessed against or upon his Lot and his improvements and property thereon.

(c) Each Owner shall be responsible at his own cost and expense for his own property insurance and contents of his own residence, and his additions and improvements thereto, including decorations, furnishings and personal property therein; and also for his personal liability not covered by liability insurance for all Owners which may be obtained by the Association as part of the common expense in connection with the Common Property and Residential Units. Each Owner of a Lot shall obtain a policy of liability insurance for matters occurring on his property with minimum coverage amounts of \$ 100,000.00 and shall deposit a copy of such insurance policy with the Association..

Section 2. Obligation of the Association.

(a) The Association shall pay as a common expense of all Owners, for all water, electricity and other utilities used in connection with the enjoyment and operation of the Common Property or any part thereof. The Association shall maintain the property shown on the Subdivision Plat and Replat as parks, greenbelts, open space, landscape reserves, Wetland and Open Space Reserves, subdivision entrances, and other subdivision amenities not shown or identified on the Subdivision Plat and Replat such as a putting green, nature areas, boardwalk, and gazebo, and shall pay the cost of such maintenance as a common expense of all Owners.

(b) The Association shall render for taxation and, as part of the common expenses of all Owners, shall pay all taxes levied or assessed against or upon the Common Property and the improvements and the property appertaining thereto.

(c) The Association shall have authority to obtain and continue in effect as a common expense of all Owners, a blanket property insurance policy or policies to insure the Residential Units and the structures and facilities in the Common Property and the contents of the Common Property and the Association against the risks of loss or damage by fire and other hazards as are covered under standard extended coverage provisions, in such limits as the Association deems proper, and said insurance may include coverage against vandalism and such other coverage as the Association may deem desirable. The Association shall also have the authority to obtain comprehensive public liability insurance in such limits as it shall deem desirable, insuring the Association, its Board of Directors, agents and employees and each Owner (if coverage for Owners is available) from and against liability in connection with the Common Property.

(d) All costs, charges and premiums for all utility bills, taxes, and any insurance to be paid by the Association as hereinabove provided shall be paid out of the Maintenance Fund as a common expense of all Owners and shall be a part of the maintenance assessments.

ARTICLE X.

Maintenance and Repairs

Section 1. By the Owners. It shall be the duty, responsibility and the obligation of each Owner at his own cost and expense to care for, maintain and repair the interior of his Residential

Unit and improvements on his Lot and the fixtures, appliances, equipment and other appurtenances thereto pertaining. The Association shall have no duty or obligation to any Owner in this regard.

Section 2. By the Association. The Association, as a common expense of all Owners, shall perpetually care for, maintain and keep in good repair the exterior of the Residential Unit, the Common Property and all parts thereof, including but not limited to, any entrance structure, and any facilities owned by the Association.

Section 3. Maintenance and Repair Due to Negligence of a Lot Owner. Should it be necessary for the Association to perform maintenance or make repairs to any of the Common Property or to any Residential Unit due solely to the negligence of any Lot Owner or his tenants, guests, or invitees, then the Association shall have the right to charge the particular Lot Owner for the costs incurred by the Association to do such maintenance or repair.

ARTICLE XI.

Restrictions of Use

Section 1. Single Family Residential Construction. No building shall be erected, altered or permitted to remain on any single Lot, other than one attached or detached single-family residential dwelling. No such residence shall be constructed on less than the equivalent of one (1) full Lot as defined on the Subdivision Plat and Replat.

Section 2. Commercial Use. No part of the Property, except that portion of the Property shown on the Plat as a Commercial Reserve, shall ever be used or caused to be used or allowed or authorized in any way, directly or indirectly, for any business, commercial, manufacturing, mercantile, storing, vending, or other such non residential purposes.

Section 3. Prohibition of Offensive Activities. No noxious or offensive trade or activity shall be conducted, whether for profit or not, on any Lot. No activity which may become an annoyance or nuisance to the other Owners, or which shall in any way interfere with the quiet enjoyment of each of the Owners of his respective dwelling unit, or which shall in any way increase the rate of insurance, or which will degrade property values, or distract from the aesthetic beauty of the Subdivision, shall be conducted.

Section 4. Temporary Structures. No structures of a temporary character, trailer, tent, shower, garage, barn, construction trailer, or other outbuilding shall be constructed, erected, altered, placed or permitted to remain on any Lot at any time as a residence or other use, either temporarily or permanently except such buildings or structures as may be hereafter permitted.

Section 5. Animal Husbandry. Dogs, cats, or usual and ordinary household pets (excluding horses, livestock, or reptiles, etc.) may be kept in any dwelling unit upon a Lot (not to exceed a total of two (2) pets, provided they are not kept, bred, or maintained for any commercial purpose). Notwithstanding the foregoing, no animals or fowl may be kept on the Property which creates a nuisance or results in any annoyance or are obnoxious to residents' of the Subdivision. All animals shall be leashed at all times and all excrement shall be immediately removed by the animal owner.

Section 6. Parking or Storage of Automobiles, Boats, Trailers, Other Vehicles and Equipment. No motorcycle, moped, boat, boat and trailer, trailer, house trailer, mobile home, recreational vehicle, camper or any other similar transportation vehicle or device shall be parked

on any roadway overnight. No such vehicle shall be allowed to be stored within any lot unless within a garage and shielded from view.

No mobile home, trailer, camper, boat, truck larger than a one (1) ton pickup, commercial vehicles, or similar equipment shall be parked or stored permanently or semi-permanently on any street, right-of-way or on driveways. Permanent or semi-permanent storage of such vehicles or items must be kept within a garage. The Board of Directors of the Association may adopt rules for the regulation of the admission and parking of vehicles within the Subdivision and Common Property, including the assessment of charges to Owners who violate, or whose invitees violate, such rules. Under no circumstances may repairs to any vehicles or equipment be made on the Property except when screened from public view within a garage.

Section 7. Visual Screening on Lots. The drying of clothes in public view is prohibited. Similarly, all yard equipment, woodpiles or storage piles shall be kept screened by a service yard or other similar facility as herein otherwise provided, as to conceal them from view from neighboring Lots.

Section 8. Lot Maintenance. The Association shall provide all lawn and landscaping maintenance. All Lots shall be kept at all times in a sanitary, healthful and attractive condition by the Owner and/or occupants and the Owner and/or occupants shall in no event use any Lot for storage of material and equipment except for normal residential requirements or incident to construction of improvements thereon as herein permitted, or permit the accumulation of garbage, trash or rubbish of any kind thereon, and shall not burn any garbage, trash or rubbish. In the event of default on the part of the Owner or occupant of any improved Lot in observing the above requirements, or any of them, such default continuing for ten (10) days after the mailing of written notice thereof to the Owner at the address for the Owner shown on the Association's records, the Declarant, the Association, or its assignee or designee, may, without liability to the Owner or occupant, in trespass or otherwise, enter upon said Lot and cause to be removed such garbage, trash and rubbish, or do any other thing necessary to secure compliance with these restrictions, so as to place said Lot in a neat, attractive, healthful and sanitary condition, and may charge the Owner or occupant, as the case may be, for said services, and the Owner or occupant agrees by the purchase or occupation of the Lot to pay such statement immediately upon receipt thereof. To secure the payment of such charges in the event of nonpayment by the Owner, a vendor's lien is herein and hereby retained against the Property in favor of Declarant or their assignee but inferior to purchase money liens or mortgages. Such vendor's lien shall be applicable and effective whether mentioned specifically in each deed or conveyance by Declarant or not.

Section 9. Removal of Dirt and Trees. The digging of dirt or the removal of any dirt from any Lot is expressly prohibited except as necessary in conjunction with the landscaping of or construction on such Lot approved in plans submitted to the Association or Committee. No trees shall be cut except to provide room for construction of improvements or to remove dead or unsightly trees.

Section 10. Right of Inspection. During reasonable hours and after reasonable notice, the Association shall have the right to enter upon and inspect the Property or any portion thereof and the exterior portions of improvements thereon for the purpose of ascertaining whether or not

the provisions of this Declaration are being complied with and shall not be deemed guilty of trespass by reasons thereof

Section 11. New Construction. All buildings or structures on the Property shall be constructed of new or like new materials. All buildings or structures must be completed within one (1) year of start of construction or such reasonable time thereafter, subject to force majeure. The Contractor shall furnish trash containers and construction and site fencing at all times, and shall keep the premises free from accumulation of trash and scrap caused by construction. Construction activities shall not take place before noon on Saturdays, Sundays and Holidays. Radios and domestic animals are not allowed on construction sites. During the construction of any improvements, there shall be no pile driving or usage of nail guns on Sundays on the exterior of any improvement. Usage of nail guns on the exterior is also prohibited on Saturday, except between the hours of 10:00 a.m. to 4:00 p.m.

Section 12. Rental of Dwellings. Dwellings may be rented, subject only to rules and regulations established by the Homeowners Association. Rental of such dwellings will only be allowed if managed by a professional rental agency and the Association shall be informed whenever a Residential Unit is rented and shall be provided the names of all tenants .

Section 13. Party Walls.

(a) **General Rules of Law to Apply.** Each wall which is built as a part of the original construction of the homes upon the properties and placed on the dividing line between the lots shall constitute a party wall, and, to the extent not inconsistent with the provisions of this article, the general rules of law regarding party walls and liability for property damage to negligence or willful acts or omissions shall apply thereto.

(b) **Sharing of Repair and Maintenance.** The cost of reasonable repair and maintenance of a party wall shall be shared by the owners who make use of the wall in proportion to such use.

(c) **Destruction by Fire or Other Casualty.** If a party wall is destroyed or damaged by fire or other casualty, any owner who has used the wall may restore it, and if the other owners thereafter make use of the wall, they shall contribute to the cost of restoration thereof in proportion to such use without the cost of prejudice, however, subject to the right of any such owners to call for a larger contribution from the others under any rule of law regarding liability for negligence or willful acts or omissions.

(d) **Weatherproofing.** Notwithstanding any other provision of this article, an owner who by his negligent or willful act causes the party wall to be exposed to the elements shall bear the whole cost of furnishing the necessary protection against such elements.

(e) **Right to Contribution Runs with Land.** The right of any owner to contribution from any other owner under this article shall be appurtenant to the land and shall pass to such owner's successors in title.

(f) **Arbitration.** In the event of any dispute arising concerning a party wall, or under the provisions of this article, each party shall choose one arbitrator, and such arbitrators shall choose one additional arbitrator, and the decision shall be by a majority of all arbitrators. If a party refuses to select an arbitrator within ten (10) days after requested so to do, the Board of Directors of the Association shall select an arbitrator for the party refusing to do so.

ARTICLE XII.

General Provisions

Section 1. Enforcement. The Association or any Owner shall have the right to enforce, by any proceedings at law or in equity, all restrictions, conditions, covenants, reservations, liens or charges now or hereafter imposed by the provisions of this Declaration. Failure by the Association or by any Owner to enforce any covenant or restriction herein contained shall in no event be deemed a waiver of the right to do so thereafter.

Section 2. Severability. Invalidity of any one of these covenants or restrictions shall in no wise affect any other provisions, which shall remain in full force and effect.

Section 3. Amendment. The covenants and restrictions of this Declaration shall run with and bind the land, for a term of thirty (30) years from the date this Declaration is recorded, after which time they shall be automatically extended for successive periods of ten (10) years. This Declaration may be amended during the first thirty (30) year period by an instrument signed by no less than seventy-five percent (75%) of the Owners, and thereafter by an instrument signed by not less than sixty-seven percent (67%) of the Owners. Any amendment must be recorded to be effective.

Section 4. Amendments by Declarant. The Declarant shall have and reserves the right at any time and from time to time, without the joinder or consent of any other party to amend this Declaration by any instrument in writing duly signed, acknowledged, and filed for record for the purpose of correcting any typographical or grammatical error, ambiguity or inconsistency appearing herein, provided that any such amendment shall be consistent with and in furtherance of the general plan and scheme of development as evidenced by the Declaration, and shall not impair or affect the vested property or other rights of any Owner or his mortgagee.

Section 5. Books and Records. The books and records of the Association shall, during reasonable business hours, be subject to reasonable inspection by any member. The Board of Directors may, by resolution, establish rules and regulations governing the frequency of inspection and other matters to the end that inspection of the books and records by any member or members will not become burdensome to nor constitute harassment of the Association. The Declaration, the Articles of Incorporation and the Bylaws of the Association shall be available for inspection by any member at the principal office of the Association where copies may be purchased at reasonable cost.

ARTICLE XIII.

Reservation of Minerals

There is hereby excepted from the land encompassed by the boundaries of this Subdivision, and Declarant will hereafter except from all its sales and conveyances of said land, or any part thereof, including the Common Property, all oil, gas and other minerals; however, Declarant hereby waives the right to use the surface of the Property, or any part thereof, for development of oil, gas and other minerals. Such exceptions and such retained rights and reservations shall inure to the benefit of Declarant and their heirs, executors, administrators, successors, and assigns and this waiver of surface rights by Declarant shall be effective even if Declarant fails to so state in any instrument or deed conveying an interest in the Property.



**BYLAWS
OF
CAMPECHE SHORES
HOMEOWNERS ASSOCIATION, INC.**

**Article I.
Name and Location**

The name of the corporation is Campeche Shores Homeowners Association, Inc., hereinafter referred to as the "Association". The principal office of the corporation shall be located at the contracted property manager's office, 1411 39th Street, Galveston, Texas 77550, but meetings of members and directors may be held at such places within the State of Texas as may be designated by the Board of Directors hereinafter referred to as the "BOD or Board". All capitalized terms used in these Bylaws shall have the same meanings ascribed to them as set forth in the Declaration of Covenants, Conditions, Restrictions for Campeche Shores, a subdivision in Galveston County, Texas, recorded under Clerk's File No. 2004044815 in the Office of the County Clerk of Galveston County, Texas, and all amendments, modifications and supplements thereto and all annexation agreements recorded in connection therewith ("Declaration").

**Article II.
Board Of Directors**

Section 1. Number of Directors. The Association will be managed by a Board of Directors (BOD) whose number is three (3) but which number may be increased or decreased from time to time by a resolution adopted by the affirmative vote of the Board. Directors need not be members of the Association. At the first annual meeting the members shall elect three (3) directors for a term of one (1) year; and at each annual meeting thereafter the members shall elect three +/- (3) directors for a term of one (1) year. However, in each case, the directors then serving will continue to serve until their successors are elected and qualify.

Section 2. Compensation. Directors will not receive any compensation for their services as officers or directors.

Section 3. General Powers and Duties of Directors. The directors will have general charge of the affairs, property, and assets of the Association. It will be the duty of the Board to carry out the goals and purposes of the Association and, to this end, to manage and to control all of its property and assets. In carrying out its duties the BOD is authorized to elect officers and to employ or to arrange for the services of such other persons, including attorneys, agents, managers and assistants, as in their opinion are necessary or desirable for the proper administration of the Association and or its properties, and to pay reasonable compensation for such officers' and persons' services and expenses. The Board may also, from time to time, appoint and retain as advisors persons whose advice, assistance, or support may be deemed helpful in determining policies and formulating programs for carrying out the Association's purposes and pay the reasonable expenses thereof.

Section 4. Specific Powers. The Board of Directors shall specifically, but without limiting any general powers, have power to:

(a) adopt and publish rules and regulations governing the use of the Common Area and facilities, and the personal conduct of the Members and their guests thereon, and to establish penalties for the infraction thereof;

(b) suspend the voting rights of a member during any period in which such member shall be in default in the payment of any assessment levied by the Association. Such rights may also be suspended after notice and hearing for infraction of rules and regulations adopted by the Board;

(c) exercise for the Association all powers, duties and authority vested in or delegated to this Association and not reserved to the membership by other provisions of these By-Laws or the Articles of Incorporation, or the Declaration.

Section 5. Specific Duties. It shall be the duty of the Board of Directors to:

(a) cause to be kept a complete record of all its acts and corporate affairs;

(b) supervise all officers, agents and employees of this Association, and to see that their duties are properly performed;

(c) to carry out the duties more fully provided in the Declaration;

(d) issue, or to cause an appropriate officer to issue, upon demand by any person, a certificate setting forth whether or not any assessment has been paid. A reasonable charge may be made by the Board before the issuance of these certificates. If a certificate states an assessment has been paid, such certificate shall be conclusive evidence of such payment.

Section 6. Vacancies. Whenever a vacancy occurs in the Board by death, resignation, or increase in the number of directors of the Association, such vacancy or vacancies will be filled by a majority vote of the Board, even though the remaining directors may constitute less than a quorum. Each director, so elected, will hold office for the unexpired term of his predecessor in office.

Section 7. Removal. Any director may be removed from the Board for cause by a majority vote of the members of the Association at a meeting called for such purpose. In the event of removal of a director, his successor shall be selected by the remaining members of the Board and shall serve for the unexpired term of his predecessor.

Article III.

Meetings Of Board Of Directors

Section 1. Annual Meeting. The annual meeting of the Board will be held annually on such day and date in the fourth quarter of the year as determined by the Board and stated in notice to all directors, or at such other time as may be determined by the directors for the purpose of electing

officers and for the transaction of such other business as may come before the meeting.

Section 2. Regular Meetings. Regular meetings of the Board will be held, if necessary, at such times as may be determined from time to time by the Board or by any officer of the Association and preceded by notice sent to each director at least five (5) business days before the date scheduled for the meeting called.

Section 3. Special Meetings. Special meetings of the Board may be held at any time upon the call of the President, the Secretary, or any two directors of the Association. Notice will be sent by mail or facsimile to the last known address of each director at least three (3) days before the meeting. Oral notice may be substituted for such written notice if given not later than one (1) day before the meeting. Notices of such meeting may be waived in writing before or after such meeting and will be equivalent to the giving of notice. Attendance of a director at such meeting will also constitute a waiver of notice thereof, except where he attends for the announced purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened. Except as otherwise required by law, neither the business to be transacted at nor the purpose of any regular or special meeting of the directors need be specified in notice or waiver of notice of such meeting.

Section 4. Action Without a Meeting. Any action required or permitted by law, the Articles of Incorporation, or these Bylaws to be taken at a meeting of the Board may be taken without a meeting if a consent in writing, setting forth the action to be taken, is signed by all of the directors. Consent by e-mail shall be acceptable.

Section 5. Quorum and Determination of Majority Vote. A quorum for the transaction of business will consist of a majority of the number of directors. Unless otherwise required by law or these Bylaws, all acts and determinations of the Board will require the affirmative vote of the directors present at any duly called and held meeting of the directors at which a quorum is present throughout, and the phrases "majority vote," "majority vote of the Board," and others describing or requiring action by the directors will be so construed. Every act or decision done or made or ratified by a majority of the directors present at a duly held meeting at which a quorum is present shall be regarded as an act of the Board.

Article IV. Officers

Section I. Officers. The officers of the Board of Directors will be elected by the Board and will consist of a President, one or more Vice Presidents, a Secretary, a Treasurer, and such other officers as the Board may from time to time designate, all of whom will hold office until their successors are elected and qualified.

Two (2) or more offices may be held by the same person. All officers will be entitled to be paid or reimbursed for all costs and expenditures incurred in the Association's business. Officers shall serve one (1) year terms and shall be elected at the annual meeting of the Board.

Section 2. Vacancies. Whenever a vacancy occurs in any office by death, resignation, increase in the number of officers of the Board, or otherwise, the vacancy will be filled by the Board and the officer so elected will hold office until his successor is chosen and qualified.

Section 3. Removal. Any officer elected or appointed by the Board may be removed by the Board whenever in its judgment the best interests of the Association will be served thereby. The Board shall then elect the successor for such removed officer.

Section 4. President. It will be the duty of the President to preside at all meetings of the Board, to sign all deeds, conveyances, releases, and to be the chief executive officer of the Association.

Section 5. Vice Presidents. Any Vice President may perform the usual and customary duties that pertain to such officers (but no unusual or extraordinary duties or powers conferred by the directors upon the President) and, under the direction and subject to the control of the directors, such other duties as may be assigned to him.

Section 6. Secretary. It will be the duty of the Secretary to attend all meetings of the directors and to record correctly the proceedings of such meetings in a book suitable for that purpose. The person holding the office of the Secretary also will perform such other duties as may be assigned to him. The duties of the Secretary may also be performed by any Assistant Secretary.

Section 7. Treasurer. The Treasurer will keep and account for such monies of the Association as may be entrusted to his keeping. He will be prepared at all times to give information as to the condition of the Association. The person holding the office of Treasurer also will perform such other duties as may be assigned to him. The duties of the Treasurer may also be performed by any Assistant Treasurer.

Section 8. Delegation of Authority. In the case of any absence of any officer of the Association or for any other reason that the directors may deem sufficient, the directors may delegate some or all of the powers or duties of such officer to any other officer or to any director, employee, or agent for whatever period of time seems desirable.

Article V. Committees

Section 1. Executive Committee. The Board may create an Executive Committee the members of which will be appointed by a majority vote of the Board to serve at the pleasure of the Board. Except as otherwise provided herein, the Executive Committee, during the intervals between the meetings of the directors, will possess and may exercise those powers of the directors specifically assigned to such Committee by the Board. A majority of the members of the Executive Committee present at any meeting will constitute a quorum. The Executive Committee will keep full records and accounts of its proceedings and transactions. All actions taken by the Executive Committee will be reported to the Board at its meeting next succeeding such action and will be subject to control,

revision, and alteration by the Board. The Board shall have the power and authority to fill any vacancies in the Executive Committee from time to time.

Section 2. Other Committees. The Board may provide for such other standing or special committees, the members of each of which will be appointed by the Board and the Board may discontinue any such committee at its pleasure. Each such committee will have such powers and perform such duties, not inconsistent with the law, the Articles of Incorporation, the Declaration, or these Bylaws, as the directors may prescribe. Vacancies in such other committees will be filled by the Board or as the Board may provide.

Section 3. Absence of any Committee: In the absence of any committee, the BOD will perform the duties of the committee.

Article VI. Declaration

Section 1. Incorporation by Reference. The Declaration of Restrictions, Covenants, Conditions and Easements for CAMPECHE SHORES, a Subdivision in Galveston County, Texas, as filed under Film Code No. 019-16-1734 and under Clerk's File No. 2003062482 in the Office of the County Clerk of Galveston County, Texas, and as it may be from time to time amended, is hereby incorporated herein by reference, the same as if such document, as amended, were set out in full herein.

Article VII. Members

Section 1. Classes of Members. The Association shall have one (1) class of members as described in the Articles of Incorporation and the Declaration. Each person or if more than one, all persons collectively, who constitute the Owner of a lot or property shall be a Member.

Section 2. Voting Rights. Each Member shall have the right to cast the number of votes allocated to it in the Articles of Incorporation and the Declaration for the purposes of voting on each matter submitted to a vote of the members.

Section 3. Transfer of Membership. Membership in this corporation is not transferable or assignable, except as such transfer or assignment may be effectuated by a sale of the Lots, the ownership of which gave rise to the status and rights of Membership.

Article VIII. Meetings Of Members

Section 1. Annual Meetings of Members. The Members of the Association will meet in an annual meeting which will be held on such day and date and at such time in the fourth quarter of each calendar year as is set forth in the notice of annual meeting sent to Members, or at such other time and date as the Board may determine and so notify the Members. The purpose of said annual meetings shall be to elect the Directors, and for the transaction of other business as may come before the members of that particular meeting. If the day fixed for any such annual meeting of Members falls on a legal holiday in the State of Texas, then such meeting will be held on the next succeeding

business day. If the election of the directors is not held on the day designated for any annual meeting of Members, then the Association will cause the election to be held at a meeting of its Members as soon thereafter as a quorum can be present or represented.

Section 2. Special Meeting. Special meetings of the Members may be called by the President of the Association or by not less than one-fourth (1/4) of the Members, except to the extent the Declaration of Covenants, Conditions and Restrictions shall be otherwise provided.

Section 3. Place of Meeting. The Board of Directors may designate anyplace, either within or without the State of Texas as a place of meeting for any annual meeting or for any special meeting called for Members. If no designation is made or if a special meeting be otherwise called, the place of meeting will be the registered office of the Association in the State of Texas; but if all the Members meet at any time and place, either within or without the State, and consent to the holding of a meeting, then such meeting will be valid, without call or notice, and at such meeting any action authorized to be taken by such Members may be taken.

Section 4. Notice of Meetings. Written or printed notice stating the place, day, and hour of any meeting of Members will be delivered, either personally or by mail, to each Member entitled to vote at such meeting, not less than ten (10) nor more than fifty (50) days before the date of such meeting, by or at the direction of the person or persons calling the meeting. In case of a special meeting or when required by statute or these by-laws, the purpose or purposes for which the meeting is called will be stated in the notice. If mailed, the notice of a meeting shall be deemed to be delivered when deposited in the United States Mail addressed to the Member at his, her or its address as it appears on the records of the Corporation, with postage thereon prepaid. Notification by e-mail will be deemed delivered when an e-mail of acknowledgement of said e-mail notification is received by the sender of the notification.

Section 5. Quorum. Except to the extend the Declaration of Covenants, Conditions and Restrictions provide otherwise, the Members of the Association holding ten percent (10%) of the votes which are eligible to be cast at any meeting of the Association will constitute a quorum at such meeting. If a quorum is not present at any meeting of such Members, the Members present who are eligible to vote shall adjourn the meeting from time to time without further notice.

Section 6. Proxies. At any meeting of Members, a Member entitled to vote may vote by proxy executed in writing by the Member or by his duly authorized attorney-in-fact. No proxy will be valid after eleven (11) months from the date of its execution, unless otherwise provided in the proxy.

Section 7. Voting by Mail. Where directors are to be elected, such election may be conducted by mail in such manner as the Board of Directors shall determine.

Section 8. Authority of Members. Each Member entitled to vote in accordance with the Declaration or these Bylaws has the power to cast the authorized number of votes as set forth in the Articles of Incorporation to elect directors.

Article IX.
Contracts, Checks, Deposits, And Funds

Section 1. Contracts. The Board may authorize any officer or officers, agent or agents of the Association, in addition to the officers so authorized by these bylaws, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Association. Such authority may be general or confined to specific instances.

Section 2. Checks and Drafts. All checks, drafts, or orders for the payment of money, notes, or other evidences of indebtedness issued in the name of the Association will be signed by such officer or officers, agent or agents of the Association and in such manner as shall from time to time be determined by resolution of the Board. Board members may independently obligate the Association for necessary expenses of the Association up to the amount of \$200.00 per purchase and be reimbursed for that expense by check upon presentation of appropriate receipts.

Section 3. Deposits. All funds of the Association will be deposited from time to time to the credit of the Association in such banks, trust companies, or other depositories as the Board may from time to time select.

Section 4. Gifts. The Board may accept on behalf of the Association any contribution, gift, bequest, or devise for the general purposes or for any special purpose of the Association.

Article X.
Books And Records

Section 1. The Association or its designated agent will keep correct and complete books and records of account, also will keep minutes of the proceedings of its Board, and committees having any of the authority of the Board, and will keep at its registered or principal office a record giving the names and addresses of the Members. All books and records of the Corporation may be inspected by any Member or his agent or attorney for any proper purpose, upon prior notice, during normal business hours. Copies of the Declaration, these Bylaws and the Articles of Incorporation of the Association, and all Books and Records shall be available to be purchased by Members at a reasonable cost.

Article XI.
Rules And Regulations

Section 1. At any meeting called for such purpose or at any regular annual meeting, the Board may promulgate rules and regulations for the use and maintenance of Lots and for the use of Common Areas, and for such other purposes as deemed necessary or desirable by the Board. Such rules and regulations will be enforceable by the Board as provided in the Declaration.

Article XII.
Support Services

Section 1. Manager. The Board, at its sole and absolute discretion, will have the authority to hire a managing agent ("Manager"), whose duties will be defined in a contract entered into by and between the Association and such Manager.

Section 2. Support Services. A Manager hired by the Association will have the authority expressly granted to it by contract and, in addition, unless otherwise provided in such contract, will have the authority, subject to approval of the Board, to hire individuals or business entities for any purposes for which the Corporation has responsibility, and, in addition, will have the authority to recommend for approval by the Board other individuals or business entities to carry out responsibilities of the Corporation on behalf of the Corporation.

Article XIII.
Remedies

Section 1. Late Charges. In all instances in which an assessment provided for in the Declaration applicable to the Member's Lot is not paid within thirty (30) days after the due date, such Member may be obligated to pay late charges or interest, which will be billed against such delinquent Member in an amount not to exceed the maximum amount allowed by applicable law. This late charge will be reflected on the statement for assessments for the month next succeeding the month in which such late fee was incurred.

Section 2. Default and Termination of Membership. When any Member shall be in default in the payment of assessments or in complying with the restrictions and provisions of the Declaration or the Rules and Regulations such members' voting rights shall be suspended until the member has cured all defaults.

Article XIV.
Other Transactions

Section 1. No contract or other transaction between the Association and one or more of its directors, officers, or Members or between the Association and another corporation, partnership, joint venture, trust or other enterprise of which one or more of the Association's directors, officers, or Members are security holders, members, officers, directors, or employees or in which they are otherwise interested, will be invalid solely because of this relationship or because of the presence of such director, officer, or Member at any meeting authorizing the contract or transaction or his or her participation or vote in the meeting or authorization.

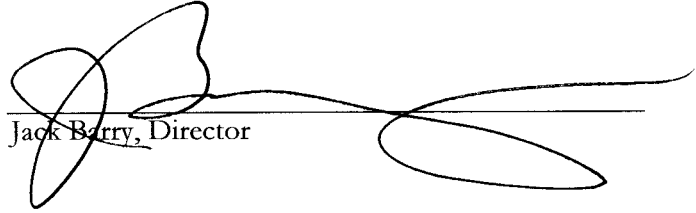
Article XV.
Amendments

These Bylaws may be amended or repealed by the affirmative vote of a **majority of the** directors at any regular meeting of the directors or at any special meeting of the directors if notice of the proposed amendment or repeal is contained in the notice of such regular or special meeting.

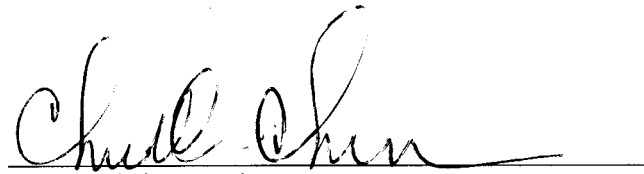
Article XVI.
Fiscal Year

The fiscal year of the Association will begin on the first day of January of each year.

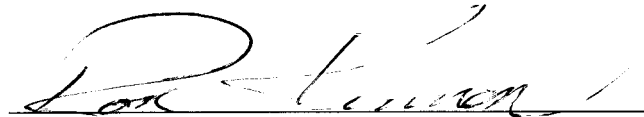
In witness whereof, the undersigned directors of Campeche Shores Homeowners Association, Inc. have affixed their names hereto this the 13th day of April, 2011.



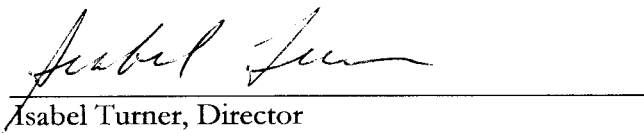
Jack Barry, Director



Chris Schrimmer, Director



Ron Kennon, Director



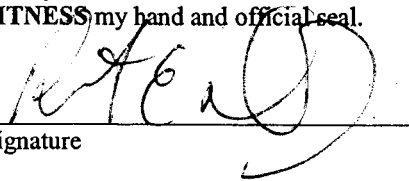
Asabel Turner, Director

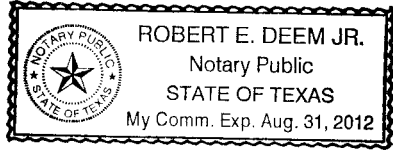
Return To:
Campeche Shores Homeowners', Inc
1411-39th Street
Galveston, TX 77550

STATE OF TEXAS
COUNTY OF Galveston

On Date Instrument was Signed in the Presence of the Notary Public April 13, 2011 before me, Robert E. Deem Jr. , personally appeared Jack Barry , personally known to me (or proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person executed the instrument.

WITNESS my hand and official seal.

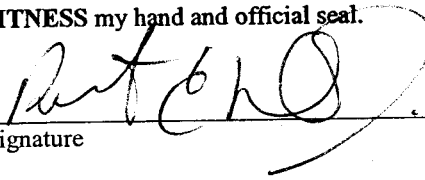

Signature

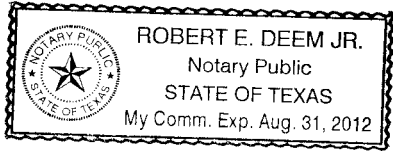


STATE OF TEXAS
COUNTY OF Galveston

On Date Instrument was Signed in the Presence of the Notary Public April 13, 2011 before me, Robert E. Deem Jr. , personally appeared Chris Schrimmer, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person executed the instrument.

WITNESS my hand and official seal.

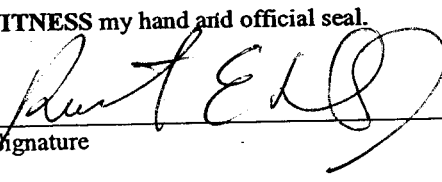

Signature

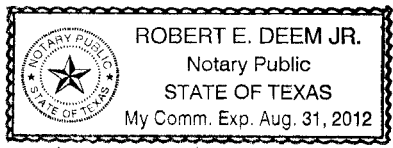


STATE OF TEXAS
COUNTY OF Galveston

On Date Instrument was Signed in the Presence of the Notary Public April 13, 2011 before me, Robert E. Deem Jr. , personally appeared Ron Kennon, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person executed the instrument.

WITNESS my hand and official seal.

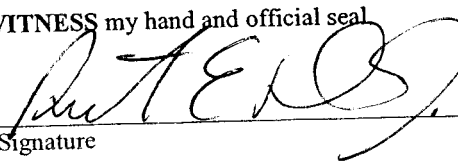

Signature

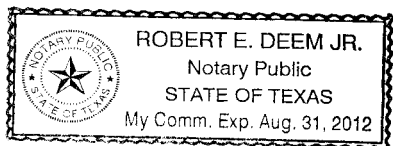


STATE OF TEXAS
COUNTY OF Galveston

On Date Instrument was Signed in the Presence of the Notary Public April 13, 2011 before me, Robert E. Deem Jr. , personally appeared Isabel Turner, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person executed the instrument.

WITNESS my hand and official seal.


Signature



**FIRST AMENDED
DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS FOR
CAMPECHE SHORES
A SUBDIVISION IN GALVESTON COUNTY, TEXAS**

This First Amended Declaration ("Declaration") is made on the date hereinafter set forth by CAMPECHE SHORES, Limited Partnership, hereinafter referred to as "Declarant", pursuant to Article XII, Section 4 of that certain Declaration of Covenants, Conditions, and Restrictions of record under Clerk's File No. 200404815 in the Official Records of Real Property of Galveston County, Texas

WITNESSETH:

WHEREAS, Declarant is the owner of all lots in that certain property known as CAMPECHE SHORES, a subdivision in Galveston County, Texas, according to the map or replat thereof recorded in Volume 2004A, Page 76, of the Map Records of Galveston County, Texas (hereinafter sometimes called the "Property" or the "Subdivision"); and

WHEREAS, it is the desire of Declarant to place certain restrictions, covenants and conditions, stipulations and reservations upon and against the Property in order to establish a uniform plan for the development, improvement and sale of the Property, and to insure the preservation of such uniform plan for the benefit of both the present and future owners of lots in the Subdivision:

NOW, THEREFORE, Declarant (joined herein by the lienholder upon the Property) hereby adopts, establishes and imposes upon the Property, and declares the following reservations, easements, restrictions, covenants, and conditions (sometimes referred to herein collectively as the "Covenants") applicable thereto, all of which are for the purpose of enhancing and protecting the value, desirability and attractiveness of the Subdivision, which Covenants shall run with the land and shall be binding upon all parties having or acquiring any right, title or interest in the Property, or any part thereof, and shall inure to the benefit of each owner thereof.

ARTICLE I.

Definitions

Section 1. "Association" shall mean and refer to the homeowner association whose membership is composed of all of the owners of lots within the Subdivision, and its successors and assigns, as described in Article IV of this Declaration.

Section 2. "Owner" shall mean and refer to the record Owner, whether one or more persons or entities, of a fee simple title to any Lot which is part of the Property, including contract sellers, but excluding those who have such interest merely as security for the performance of an obligation. For purposes of membership in the Association, each lot shall only have one Owner, and if multiple parties own a Lot they shall designate the "Owner" for purposes hereof.

Section 3. "Property" shall mean and refer to the Property hereinbefore described, and such additions thereto as may hereafter be brought within the jurisdiction of the Association.

Section 4. "Subdivision Plat and Replat" shall mean and refer to the map or replat of the Property, recorded in Volume 2004A, Page 76 of the Map Records of Galveston County, Texas, and any additional recorded replat thereof.

Section 5. "Lot" and/or "Lots" shall mean and refer to the Lots shown upon the Subdivision Plat and Replat (with the exception of the Common Properties).

Section 6. "Common Property" shall mean and refer to those areas of land within the Property as are now shown and identified on the Subdivision Plat and Replat as a park, greenbelt, public open space, landscape reserves, Wetland and Open Space Reserves, and subdivision entrances and other subdivision amenities not shown or identified on the Subdivision plat and Replat such as a mailbox kiosk, a monument sign, a putting green, nature areas, boardwalk, and gazebo, which are to be maintained and regulated by the Association, together with such other property as the Association may, at any time or from time to time, acquire by purchase or otherwise, subject, however, to the easements, limitations, restrictions, dedications and reservations applicable thereto by virtue hereof and/or by virtue of the Subdivision Plat and Replat, and/or by virtue of grants or dedications by Declarant or Declarant's successors in title. References herein to "the Common Properties in the Subdivision" shall mean and refer to Common Properties as defined respectively in this Declaration and all Supplemental Declarations.

Section 7. "Architectural Control Committee" shall mean the committee appointed by Declarant or the Board of Directors of the Association to perform the functions set forth in Article VII hereof.

Section 8. "Declarant" shall mean and refer to CAMPECHE SHORES, Limited Partnership, its successors, and assigns.

Section 9. "Board of Directors" shall mean and refer to the Board of Directors of the Association.

Section 10. "Lien Notice" shall mean the written notice given by the Board of Directors pursuant to Section VI hereof, such notice setting forth details regarding an assessment unpaid by an Owner.

Section 11. "Wetland and Open Space Reserves" shall mean Reserves D and E, as shown on the Replat.

Section 12. "Party Wall" shall mean each wall built as part of the original construction of the homes upon the properties which is placed on the dividing line between two adjacent Lots.

Section 13. "Person" shall mean and refer to one or more individuals, corporations, partnerships, organizations, or other entities.

Section 14. "Residential Unit" shall mean either an attached, single family dwelling or a detached, single family dwelling. For the purpose of this Declaration, a Residential Unit shall come into existence upon the issuance of a certificate of occupancy by the appropriate agency of the City of Galveston, or other local Governmental Authority.

Section 15. "Reserve" shall mean an area designated as a Reserve on the Plat or Replat.

ARTICLE II.

Reservations, Exceptions and Dedications

Section 1. Existing Easements. The Subdivision Plat and Replat dedicates for use as such, subject to the limitations set forth therein, certain streets and easements shown thereon, and such Subdivision Plat and Replat further establishes certain dedications, limitations, reservations, certain minimum setback lines, and restrictions applicable to the Property. All (i) dedications, limitations, restrictions, minimum setback lines, and reservations shown on the Subdivision Plat and Replat and (ii) grants and dedications of easements and related rights heretofore made by Declarant and/or Declarant's predecessors in title affecting the Property and currently of record in the Official Records of Galveston County, Texas and enforceable against the Property or are incorporated herein by reference and made a part of this Declaration for all purposes, as if fully set forth herein, and shall be construed as being adopted in each and every contract, deed or conveyance executed or to be executed by or on behalf of Declarant conveying any part of the Property, whether specifically referred to therein or not.

Section 2. Utility Easements and Rights-of-Way. Declarant reserves the easements and rights-of-way as shown on the Subdivision Plat and Replat (collectively called the "Easements" and the portion of the Property designated on the Subdivision Plat and Replat for Easements being hereinafter sometimes called the "Easement Property" for the purpose of constructing, maintaining and repairing a system or systems of electric lighting, electric power, natural gas, cable television, aerial telephone line or lines, water lines, sewers, storm sewers or any other utility Declarant sees fit to install in, across and/or under the Easement Property.

Section 3. Changes and Additions. Declarant reserves the right to make changes in and additions to the Easements for the purpose of most efficiently and economically installing the improvements and utilities within the Easement Property.

Section 4. Easements and Appurtenances. It is expressly agreed and understood that the title conveyed by Declarant to any Lot or parcel of land within the Property by contract, deed or other conveyance shall be subject to (a) the easements described in this Declaration for roadways or drainage, water, sewer, storm sewer, electric light, electric power, natural gas, cable television, telephone or other utility purposes and such conveyance shall not convey any interest in pipes, lines, poles or conduits, or in any utility facility or appurtenances thereto, constructed by or under Declarant or any easement owner, or their agents through, along or upon the Easement Property, or any part thereof, to serve the Property, and (b) the right of Declarant, its successors and assigns, to maintain, repair, sell or lease such appurtenances (subject to the provisions of this Declaration) to any municipality, or other governmental agency or to any public service corporation or to any other party (and such right is hereby expressly reserved).

Section 5. Installation and Maintenance. There is hereby created an easement upon, across, over and under all of the Property for ingress and egress in connection with installing, replacing, repairing, and maintaining all utilities, including but not limited to, water, sewer, storm sewer, natural gas, telephones, electricity, and appurtenances thereto and to perform canal maintenance. By virtue of this easement, it shall be expressly permissible for the utility companies and other entities supplying service to install and maintain pipes, wires, conduits, service lines, or other utility facilities or appurtenances thereto, on, across and under the

Easement Property and within any other public utility easements from time to time created, and from service lines situated within such easements to the point of service on or in any structure. Notwithstanding anything contained in this Section 5 of Article II, no sewer, electrical lines, water lines, or other utilities or appurtenances thereto may be installed or relocated on the Property until approved by Declarant. The utility companies furnishing service shall have the right to remove all trees situated within the Easements shown on the Subdivision Plat and Replat, and to trim overhanging trees and shrubs located on the portions of the Property abutting such Easements. Neither Declarant nor any utility company using the Easements herein referred to, shall be liable for any damages done by them or their assigns, their agents, employees or servants, to fences, shrubbery, trees or flowers or other property situated on the land covered by said Easements. With the exception of the utility poles with transformers located upon them, all utility systems shall be located underground.

Section 6. Emergency and Service Vehicles. An easement is hereby granted to all police, fire protection, ambulance and other emergency vehicles, and to garbage and trash collection vehicles, and other service vehicles to enter upon the Property (but not within buildings) in the performance of their duties. Further, an easement is hereby granted to the Association, its officers, agents, employees and management personnel to enter the Property (but not within buildings) to render any service.

Section 7. Underground Electric System. An underground electric distribution system will be installed in the entire Subdivision, herein sometimes called the Underground Residential Subdivision, which underground service area embraces all of the Lots which are platted in the Subdivision. The Owner of each Lot containing a single dwelling unit, shall, at his or its own cost, furnish, install, own and maintain (all in accordance with the requirements of local governing authorities and the National Electric Code) the underground service cable and appurtenances from the point of electric company's metering at the structure to the point of attachment at such company's installed transformers or energized secondary junction boxes, such point of attachment to be made available by the electric company at a point designated by such company at the property lines of each Lot. The electric company furnishing service shall make the necessary connections at said point of attachment and at the meter. Declarant has either by designation on the Subdivision Plat and Replat or by separate recorded instrument granted necessary easements to the electric company providing for the installation, maintenance and operation of its electric distribution system and has also granted to the various Lot Owners reciprocal easements providing for access to the area occupied by and centered on the service wires of the various Lot Owners to permit installation, repair and maintenance of each Lot Owner's owned and installed service wires. In addition, the Owner of each Lot containing a single dwelling unit, shall at his or its own cost, furnish, install, own and maintain a meter loop (in accordance with the then current standards and specifications of the electric company furnishing service) for the location and installation of the meter of such electric company for each dwelling unit involved. For so long as underground service is maintained in the Underground Residential Subdivision, the electric service to each dwelling unit therein shall be underground, uniform in character and exclusively of the type known as single phase, 240/120 volt, three wire, 60 cycle, alternating current.

The electric company has installed the underground electric distribution system in the Underground Residential Subdivision at no cost to Declarant (except for certain conduits, where applicable, and except as hereinafter provided) upon Declarant's representation that the Underground Residential Subdivision is being developed for single family residential dwelling units, including homes, and if permitted by the restrictions applicable to such subdivision, which are built for sale or rent and all of which single family dwelling structures and amenities are wired so as to provide for separate metering to each single family dwelling unit.

No provision of this Section 7 of Article II (the text of which is prescribed by the electric company) shall in any manner operate or be construed to permit the construction on any Lot of any type of residential structure other than a single family residence as provided in Section 1, of Article XI.

Section 8. Surface Areas. The surface area of easement property for underground utility services may be used for the planting of shrubbery, trees lawns or flowers. Declarant and the Association shall install all of the original landscaping for the Subdivision. No landscaping shall be installed on any Lot by any Lot Owner without the prior written approval of the Architectural Control Committee. Neither the Declarant nor any supplier of any utility or service using any portion of the Easement Property shall be liable to any Owner or to the Association for any damage done by them or either of them, or their respective agents, employees, servants or assigns, to any of the aforesaid vegetation as a result of any activity relating to the construction, maintenance, operation or repair of any facility in any such Easement Property.

ARTICLE III.

Property Subject to this Declaration

Section 1. Description. The real property which is, and shall be, held, transferred, sold, conveyed, and occupied subject to this Declaration consists of all of the Property, according to the Subdivision Plat and Replat (or any subsequently recorded replat thereof), which real property is sometimes hereinafter referred to as the "Existing Property".

Section 2. Mineral Exception. There is hereby excepted from the Property and Declarant will hereafter except from all its sales and conveyances of the Property, or any part thereof, including the Lots and Common Properties, all oil, gas, and other minerals, in, on, and under the Properties; but each such reservation shall be subject to the provision and requirements of Article XIII of this Declaration.

Section 3. Additions to Existing Property. Additional lands may become subject to the scheme of this Declaration in the following manner:

(a) **Additions by Declarant.** The Declarant, and its successors and assigns, shall have the right to bring within the scheme of this Declaration additional properties in future stages of development ("Additional Property") in its sole discretion. Any additions of Additional Property authorized under this and the succeeding subsection of this Declaration shall be made by filing of record in the Official Records of Galveston County, Texas, an amendment to this Declaration with respect to the Additional Property which shall extend the scheme of the Covenants of this Declaration to the Additional Property. Any such amendment to this Declaration must impose an annual maintenance charge assessment on the Additional Property, on a uniform, per lot basis, substantially equivalent to the maintenance charge and assessment

imposed by this Declaration, and may contain such complementary additions and/or modifications of the covenants and restrictions contained in this Declaration as may be applicable to the Additional Property.

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

ARTICLE IV.

The Association

Section 1. Organization. The Declarant will cause the Association to be organized and formed as a non-profit corporation under the laws of the State of Texas by August 2, 2004.

Section 2. Purpose and Powers. The purpose of the Association in general is to provide for and promote the health, safety, and welfare of the members ("Members" or "Owners"), to collect the annual maintenance charges and to administer the Maintenance Fund (as defined herein), to provide for the maintenance, repair, preservation, upkeep, and protection of the Common Property and Wetland and Open Space Reserves, and such other purposes as are stated in the Articles of Incorporation and By-Laws consistent with the provisions of this Declaration and all amendments thereto.

In addition to any other power granted herein, the Association shall have the following powers and duties (subject to the terms and conditions set forth in this Declaration) which may be exercised within its reasonable discretion:

- (a) To maintain, repair, or replace, or pay for the maintenance, repair, or replacement, of the Common Properties;
- (b) To operate, administer, maintain and preserve the Wetland and Open Space Reserves;
- (c) To employ counsel and institute and prosecute such suits as the Association may deem necessary or advisable, and to defend suits brought against the Association;
- (d) To employ from time to time such agents, servants, and laborers as the Association may deem necessary in order to exercise the powers, rights, and privileges granted to it, and to make contracts;
- (e) To maintain insurance;
- (f) To pay market costs for all goods and services purchased by the Association;
- (g) To fix, levy, and collect assessments pursuant to Article VI hereof;
- (h) To enforce the provisions of this Declaration; and
- (i) To conduct any other activity within the terms and conditions set forth in this Declaration or allowed under the Texas Non-Profit Corporation Act.

Section 3. Directors. The Association shall act through a three (3) member Board of Directors, which shall manage the affairs of the Association. The initial Directors of the

Association will be selected by Declarant by August 2, 2004. Each initial Director shall serve for a term of one (1) year from date of appointment, and thereafter, until his successor is duly elected and qualified. Upon the expiration of the term of the initial Directors, the Members shall elect a Board of Directors as provided for in the By-Laws. Any vacancy, from whatever cause, occurring in the Board of Directors during the initial one (1) year term shall be filled by appointment made by the remaining Director or Directors. The person appointed by the remaining Director or Directors to fill such vacancy shall serve for the remainder of the initial one (1) year term and until his successor is duly elected and qualified. The Directors shall have the power to select one or more advisory directors from the residents of the Subdivision to serve for such periods of time as the Board of Directors shall deem appropriate, for the purpose of providing advice and counsel to the Board of Directors, provided that such advisory directors shall have no right to act on behalf of the Association.

Section 4. Members. Each Owner, whether one or more persons or entities, of a Lot shall, upon and by virtue of becoming such Owner, automatically become 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 automatically cease, but there shall only be one (1) vote per Lot, except as stated below. Membership in the Association shall be appurtenant to and shall automatically follow the legal ownership of each Lot and may not be separated from such ownership. Whenever the legal ownership of any Lot passes from one person to another, by whatever means, it shall not be necessary that any instrument provide for transfer of membership in the Association, and no certificate of membership will be issued.

The Association shall have two classes of membership:

Class B. The Class B Member shall be the Declarant. The Class B Member shall be entitled to three (3) votes for each lot in the Subdivision in which it holds the interest required for membership by these Restrictions, Covenants and Conditions or any Supplemental Restrictions, Covenants, and Conditions;

Class A. Class A Member shall be all the Members of the Association, with the exception of the Declarant or the Class B Member. Class A Members shall be entitled to one vote for each Lot in the Subdivision in which they hold the interest required for membership by these Restrictions, Covenants and Conditions or any Supplemental Restrictions, Covenants, and Conditions; provided that the Class B membership shall cease and become converted to Class A membership on the happening of the following events, whichever occurs earlier:

(a) When the total votes outstanding in the Class A membership equal the total votes outstanding in the Class B membership;

(b) on January 1, 2007.

From and after the happening of whichever of these events occurs earlier, the Class B Member shall be deemed to be a Class A Member entitled to one (1) vote for each Lot in the Subdivision in which it holds the interest required for membership by these Restrictions, Covenants and Conditions, or any Supplemental Restrictions, Covenants, or Conditions.

Section 5. Title to Common Property. The Declarant may retain the legal title to the Common Property until such time as: (i) Declarant no longer owns seventy-five percent (75%) of the Property; or (ii) in the sole opinion of Declarant, the Association is able to operate and maintain the same, whereupon title to the Common Property shall be conveyed to the Association. Until title to such Common Property has been conveyed to the Association by Declarant, Declarant shall be entitled to exercise all rights and privileges relating to such Common Property granted to the Association in this Declaration and all amendments thereto.

ARTICLE V.

Property Rights in the Common Properties and Common Facilities

Section 1. Members' Easements of Enjoyment. Subject to the provisions of Section 2 of this Article V, every Member shall have a common right and easement of enjoyment in and to the Common Property, and such right and easement shall be appurtenant to and shall pass with the title to each Lot.

Section 2. Extent of Members' Easements. The rights and easements of enjoyment created hereby shall be subject to the following:

(a) The right of the Association, in its discretion, to make, publish, and enforce reasonable rules and regulations shall be binding upon, complied with, and observed by each Member. These rules and regulations may include provisions to govern and control the use of such Common Property by guests or invitees of the Members, including, without limitation, the number of guests or invitees who may use such Common Property or any part thereof at the same time; and

(b) The right of the Association to grant or dedicate easements in, on, under or above such Common Property or any part thereof to any public or governmental agency or authority or to any utility facility or equipment situated in any part of such Common Property and owned by the Association to any public or political authority or agency or to any utility company rendering or to render service to the Subdivision or any part thereof; and

(c) The right of the Association to enter management and/or operating contracts or agreements relative to the maintenance and operation of such Common Property in such instances and on such terms as its Board of Directors may deem appropriate; and

(d) The right of the Association to suspend the voting rights of a Member or his right to use any recreational Common Property during the period he is in default in excess of fourteen (14) days in the payment of any maintenance charge assessment against his Lot; and to suspend such rights for a period not to exceed sixty (60) days for any infractions of its published rules and regulations; and the aforesaid rights of the Association shall not be exclusive, but shall be cumulative of and in addition to all other rights and remedies which the Association may have in this Declaration and any amendment thereto or in its By-Laws or at law or in equity on account of any such default or infraction; and

(e) The rights and easements existing, herein created or hereafter created in favor of others, as provided for in Article II and Article VII hereof, in this Declaration and in all amendments thereto;

(f) Any contract entered into by the Association with Declarant or any affiliate of Declarant shall be arm's length terms no less favorable to the Association than would be available

from a third party. No contract with Declarant or any affiliate of Declarant shall be for a term in excess of one (1) year.

Section 3. Delegation of Use. Any member may delegate his right of use and enjoyment of the Common Property in the Subdivision, together with all easement rights granted to Members in this Declaration and all amendments thereto, to the members of his family, his tenants, guests (subject to Section 2 (a) above), or contract purchasers who reside on his Lot. The term "Member" is further defined to include and refer to the executors, personal representatives and administrators of any Member, and all other persons, firms or corporations acquiring or succeeding to the title of the Member by sale, grant, will, foreclosure, execution, or by any legal process, or by operation of law, or in any other legal manner.

ARTICLE VI.

Annual Assessments

Section 1. The Maintenance Fund. All funds collected by the Association from the common area maintenance charges provided for in this Article VI, together with all funds collected by the Association from the regular annual maintenance charges imposed on the Lots in the Subdivision by this Declaration and all amendments thereto, shall constitute and be known as the "Maintenance Fund". The Maintenance Fund shall be held, used, and expended by the Association for the common benefit of all Members for the following purposes, to-wit: to promote the health, safety, recreation, and welfare of the Members, including, without limitation, the installation, construction, erection, maintenance and relocation of improvements related to the enhancement and beautification of the Common Property, and any other areas provided by this Declaration or any amendment thereto to be developed or maintained by the Association, such as shrubbery, trees, walkways and street lights, and the construction, repair, maintenance and replacement of properties, services, improvements and facilities devoted to such purposes and related to the use and enjoyment of the Subdivision by the Members.

The Association may, in its sole discretion, give one or more of the purposes set forth in this Section 1 of Article VI preference over other purposes, and it is agreed that all expenses incurred and expenditures and decisions made by the Association in good faith shall be binding and conclusive on all Members.

Section 2. Covenant for Assessments. Subject to the provisions set forth below in Sections 3 and 4 of this Article VI relating to the rate at which the maintenance charge and assessments imposed herein shall be paid on unimproved Lots owned by Declarant, each and every Lot is hereby severally subjected to and impressed with a regular annual maintenance charge or assessment in the average amount of Three Thousand Five Hundred Four and No/100 Dollars (\$3504.00) per annum per Lot (herein sometimes referred to as the "Maintenance Charge") which shall run with the land, subject to increase and decrease and payable as provided in Section 5 below. The actual charge shall be greater than the average maintenance charge for any Lot upon which a Residential Unit is built that is greater in square footage than the average size of the Residential Unit built on all Lots. The amount to be charged for such a Lot shall be based upon the ratio that the square footage of the larger than average Residential Unit on such Lot bears to the square footage of the average size of the Residential Unit on all Lots.

Each Owner of a Lot, by his claim or assertion of ownership or by accepting a deed to any such Lot, whether or not it be so expressed in such deed, is hereby conclusively deemed to covenant and agree, as a covenant running with the land, to pay to the Association, its successors or assigns, each and all of the charges and assessments against his Lot and/or assessed against him by virtue of his ownership, thereof, as the same shall become due and payable, without demand. The charges and assessments herein provided for shall be a charge and a continuing lien upon each Lot, together with all improvements thereon, as hereinafter more particularly stated. Each assessment, together with interest, costs, and reasonable attorney's fees, shall also be the personal obligation of the person who was the Owner of the Lot at the time the obligation to pay such assessment accrued, but no Member shall be personally liable for the payment of any assessment made or becoming due and payable after his ownership ceases. No Member shall be exempt or excused from paying any such charge or assessment by waiver of the use or enjoyment of the Common Properties, or any part thereof, or by abandonment of his Lot or his interest therein.

Section 3. The Annual Maintenance Charge. Unless a Lot is purchased prior to January 1, 2005, the annual assessments provided for herein shall commence on January 1, 2005. The first annual assessment shall be payable on the day fixed for commencement. If a Lot is purchased prior to January 1, 2005, each member shall pay the applicable percentage of the annual maintenance charge payable with respect to a partial year as hereinafter set forth. The assessments for each calendar year, including the first year, shall be due and payable to the Association in advance, in monthly installments, on the 1st day of the month during the calendar year. Provided, however, that, upon the purchase of his Lot (as evidenced by the date of his contract of sale or deed, or his occupancy, whichever is earlier), each Member shall be obligated to pay to the Association a pro rata part of the applicable percentage (as determined pursuant to the terms hereof) of the regular annual maintenance charge assessed on such Lot, which shall bear the same ratio to the applicable percentage of the full annual maintenance charge as the number of full calendar months remaining in the current year of the year of purchase, and which shall be payable in full upon such purchase.

The Board of Directors may decrease or increase the amount of the regular annual maintenance charge or assessment provided for herein, at any time and from time to time by the adoption of a resolution for such purpose, but no resolution increasing or decreasing the annual maintenance charge assessment shall become effective prior to the expiration of ninety (90) days from the date of its adoption, and the Owner of each Lot shall, within thirty (30) days from such effective date, pay to the Association or be credited by the Association for the proportionate part of such increase or decrease for the balance of the year in which such resolution is adopted; provided, however, that no resolution of the board of Directors which fixes the amount of the regular annual maintenance charge or assessment at less than fifty percent (50%) of the amount assessed in the preceding calendar year, or in excess of one hundred fifteen percent (115%) of the amount assessed in the preceding calendar year, shall become effective unless and until such resolution is ratified by the written assent of the Members of the Association who in the aggregate then own at least sixty-six and two thirds percent (66 $\frac{2}{3}$ %) of the votes of the Members of the Association who are present and voting in person or by proxy at a special meeting of the

membership of the Association called for his purpose and at which a quorum is present. The written assent or the vote of the Member must be given prior to the effective date of the resolution of the Board of Directors. No increase or decrease in the annual maintenance charge or assessment shall take effect retroactively.

If any resolution of the Board of Directors which requires ratification by the assent of the Members of the Association as above provided shall fail to receive such assent, then the amount of the regular annual maintenance charge or assessment last in effect shall continue in effect until duly changed in accordance with the above provisions.

Declarant shall not be charged any maintenance fee with respect to any unimproved lot owned by Declarant; however, Declarant shall be responsible for all maintenance and mowing of such lots until they are sold to third parties.

Section 4. Quorum for any Action Authorized Under Section 3. The Quorum required for any action authorized by Section 3 of this Article VI hereof shall be as follows:

At the first meeting called, as provided in Section 3 of this Article VI hereof, the presence at the meeting of Members, or of proxies, entitled to cast twenty percent (20%) of all the votes of the membership shall constitute a quorum. If the required quorum is not forthcoming at any meeting, another meeting may be called and the required quorum at any such subsequent meeting shall be one-half (1/2) the required quorum at the preceding meeting, provided that such reduced quorum requirement shall not be applicable to any such subsequent meeting held more than sixty (60) days following the preceding meeting.

Section 5. Special assessment for Capital Investments. In addition to the annual assessments authorized above, the Association may levy, in any assessment year, a special assessment applicable to that year only for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, repair or replacement of a capital improvement upon the Common Property, including fixtures and personal property related thereto, provided that any such assessment shall have the assent of two-thirds (2/3) of the votes of the Members who are voting in person or by proxy at a meeting duly called for this purpose.

Section 6. Duties of the Board of Directors. The Board of Directors shall fix the date of commencement and the amount of the assessment against each Lot or Owner for each assessment period at least thirty (30) days in advance for such date or period and shall, at that time, prepare a roster of the properties and assessments applicable thereto which shall be kept in the office of the Association and shall be open to inspection by any Owner. Written notice of the assessment shall thereupon be sent to every Owner subject thereto. The Association (or its agent) shall, upon demand at any time, furnish to any Owner liable for said assessment a certificate in writing signed by an officer of the Association, setting forth whether said assessment has been paid. Such certificate shall be conclusive evidence of payment of any assessment therein stated to have been paid.

Section 7. Liens to Secure Assessments. The regular annual maintenance charges or assessments, as hereinabove provided for, shall constitute and be secured by a separate and valid and subsisting lien, hereby created and fixed, and which shall exist upon and against each Lot and all improvements thereon, for the benefit of the Association and all Members. The lien hereby created shall be subordinate and inferior to:

(a) All liens for taxes or special assessments levied by the City, County, and State governments, or any political subdivision or special district thereof; and

(b) all liens securing amounts due or to become due under any term, contract or sale, or any mortgage, vendor's lien, or deed of trust filed for record, prior to the date payment of any such charges or assessments become due and payable; and

(c) all liens, including but not limited to, vendor's lien, deeds of trust, and other security instruments which secure any loan made by any lender to an Owner for any part of the purchase price of any Lot and the improvements thereon, if improved, when the same is purchased, or for any part of the cost of construction, repairing, adding to, or remodeling the residence and appurtenances situated on any Lot.

Any foreclosures of any such superior lien under the power of sale of any mortgage, deed of trust, or other security instrument, or through Court proceedings in which the Association has been made a party, shall cut off and extinguish the liens securing maintenance charges or assessments which become due and payable prior to such foreclosure date, but no such foreclosure shall free any Lot from the liens securing assessments thereafter becoming due and payable, nor shall the liability of any Member personally obligated to pay maintenance charges or assessments which become due prior to such foreclosure, be extinguished by any foreclosure.

Section 8. Effect of Non-Payment of Assessment. If any such annual charge or assessment is not paid within fourteen (14) days from the date thereof, the same shall bear interest from the due date until paid at the highest interest rate allowed under the laws of the State of Texas, and, if placed in the hands of an attorney for collection or if suit is brought thereon or if collected through probate or other judicial proceedings, there shall be paid to the Association an additional reasonable amount, but not less than ten (10%) per cent of the amount owing, as attorney's fees. The Association, as a common expense of all Members, may institute and maintain an action at law or in equity against any defaulting Member to enforce collection and/or for foreclosure of the liens against his Lot. All such actions may be instituted and brought in the name of the Association and may be maintained and prosecuted by the Association in a like manner as an action to foreclose the lien of a mortgage or deed of trust on real property.

Section 9. Collection and Enforcement. Each Member, by his assertion of title or claim of ownership or by his acceptance of a deed to a Lot, whether or not it shall be so recited in such deed, shall be conclusively deemed to have expressly vested in the Association, and in its officers and agents, the right, power and authority to take all action which the Association shall deem proper for the collection of assessments and/or for the enforcement and foreclosure of the liens securing the same. The provisions of Chapter 209 of the Property Code of the State of Texas, as amended from time to time, shall be complied with by the Association.

ARTICLE VII

Architectural Control Committee

Section 1. The Committee. The Architectural Control Committee shall have exclusive jurisdiction over all construction on any portion of the Property. The Committee shall prepare and, on behalf of the Board of Directors, shall promulgate design guidelines and application procedures. The standards and procedures shall be those of the Association, and the Committee and the Board jointly shall have sole and full authority to prepare and to amend the standards and

procedures except that no such amendment shall be construed as requiring the removal or remodeling of any improvements theretofore approved by the Committee. The Committee shall make the standards and procedures available to Owners, buildings, and developers who seek to engage in development of or construction upon all or any portion of the Property. The Committee shall consist of at least three (3), but no more than five (5), persons (who may also be members of the Board of Directors) appointed by the Board of Directors. The Committee shall have exclusive authority over modifications, additions, or alterations made on or to existing Residential Units or structures and the open space, if any, appurtenant thereto. No building, fence, wall, swimming pool, playground equipment, outdoor cooking or eating facility or permanent nature or other structure of any kind shall be commenced or erected, or changed or alteration of the exterior of same made, until the plans and specifications showing the nature, kind, shape, height, materials and locations of the same is submitted to and approved in writing by the Committee.

Section 2. Submission and Approval of Plans. Plans and specifications showing the nature, kind, shape, color, size, materials, and location of all new construction and all modifications, additions, or alterations, shall be submitted to the Committee for approval as to quality of workmanship and design, harmony of external design with existing structures, as to location in relation to surrounding structures, topography, and finish grade elevation, and conformance with the design guidelines and application procedures promulgated under Section 1. No permission or approval shall be required to repaint in accordance with an originally approved color scheme, or to rebuild in accordance with originally approved plans and specifications. Nothing contained herein shall be construed to limit the right of an Owner to remodel the interior of his or her residence, or to paint the interior of his or her residence any color desired.

Section 3. Procedure. Each application made for approval shall be accompanied by a fee of one hundred fifty dollars (\$150.00) to defray expenses of the Committee and shall illustrate by plans and specifications all proposed walls, drives, curb cuts, structures, and other matters relevant to architectural approval. If the plans and specifications are approved by the Committee, a Certificate of Compliance shall be issued authorizing construction of the proposed improvements in accordance with the plans and specifications so approved. After the plans for construction have been approved, and the pilings have been set, the Owner or builder shall have a maximum of six (6) months to complete the exterior construction unless the Committee approves a written request from the Owner for an extension of such time limit. Exterior construction shall be deemed complete when the structure or structures have been painted or stained. Final completion of the construction (which shall be deemed complete upon the issuance of a certificate of occupancy from the City of Galveston or other applicable Governmental Authority) shall be completed within twelve (12) months after the plans have been approved, and all construction materials and debris shall be removed from the Property within such twelve (12) month period. Approval by the Committee shall not relieve the Owner from complying with applicable public ordinances or regulations, and is not intended to be an indication of compliance with any such ordinance or regulations.

Section 4. Clean-up. It shall be the responsibility of the Lot Owner during construction to remove in a timely manner all trash, lumber, and debris of any other description associated with such construction so as to preserve a neat and orderly appearance to his Lot, and, upon completion of construction, to completely remove all remaining construction debris from the Property. If, in the opinion of the Committee, a Lot Owner fails to remove such construction debris in a timely manner, the Committee shall have the option to cause such debris to be removed from the Property, and the cost of such work shall be charged to the Lot Owner and be paid upon demand to the Committee.

Section 5. Adoption of Rules and Regulations. The committee shall have the authority to adopt, and to amend from time to time, such procedural and substantive rules, not in conflict with this Declaration, as it may deem necessary or appropriate for the performance of its duties hereunder.

Section 6. Actions of the Committee. The vote of a Majority of all the members of the Committee shall constitute an act of the Committee. The Committee may, by resolution, unanimously adopted in writing, designate one or two of its members, or an agent acting on its behalf, to take any action or perform any duties for and on behalf of the Committee, except the granting of variances under Section 8.

Section 7. Failure to Act. In the event that plans are submitted to the Committee as provided above, and the Committee shall fail either to approve or reject the plans within forty-five (45) days following the submission of all plans required by the Committee, no approval by the Committee shall be required, and approval of the plans shall be presumed; provided, however, that such 45-day period shall not begin to run until all information required by the Committee to assist the Committee in its view has been received. Any failure of the Committee to act upon a request for a variance, however, shall not be deemed a consent to the variance, and the Committee's written approval of all requests for variances shall be expressly required.

Section 8. Variances. The Committee may grant a variance from compliance with any of the provisions of this Declaration or any supplemental declaration, when the Committee determines, in its sole and absolute discretion, the variance will not be adverse to the overall development plan for the Property, and the variance is justified due to visual or aesthetic considerations or unusual circumstances. All variances must be evidenced in writing and must be signed by at least a majority of the Members of the Committee. The granting of a variance shall not operate to waive or amend any of the terms and provisions of this Declaration or any supplemental declaration for any purpose except as to the particular property and in the particular instance covered by the variance. A variance shall not be considered to establish a precedent for any future waiver, modification, or amendment of the terms and provisions of this Declaration. Requests for variances must be submitted in accordance with Sections 2, 3, and 7 above.

Section 9. No Waiver of Future Approvals. The approval of the Committee to any plans or variance request shall not be deemed a waiver of any right to withhold approval or consent as to any other plans or variance request, or any other matter whatsoever, nor shall the approval or consent be deemed a precedent for future approvals by the Committee.

Section 10. Non-Liability of Committee, Members. Neither the Committee nor any members thereof shall be liable to any Owner or to any other Person for any loss, damage, or

injury arising out of the performance or non-performance of the Committee's rights and duties under this Declaration unless such performance or non-performance is taken (or not taken, as the case may be) in bad faith.

Section 11. Miscellaneous. The Board of Directors shall have the authority and standing, on behalf of the Association, to enforce decisions of the Committee in courts of competent jurisdiction. Nothing contained in this Declaration shall be construed as requiring the removal or re-modeling of any improvements heretofore approved by the Committee under the Declaration.

Section 12. Easements. Easements for the installation and maintenance of utilities, drainage facilities, roads and streets are granted and reserved as shown on the plat. No utility company, water district or other authorized entity or political subdivision using the easements herein referred to shall be liable for any damage done by themselves, their successors, assigns, agents, employees, or servants, to shrubbery, trees or flowers or other property of the owner situated on the land covered by said easements. Developer reserves the right to grant (without the consent of any lot owner) such additional easements as may, in the opinion of Developer, be necessary to properly serve the Subdivision's requirements.

Section 13. Annoyances or Nuisances. No noxious or offensive activity shall be carried on upon any lot, nor shall anything be done thereon which may become an annoyance or nuisance to the neighborhood or to a person of reasonable sensibilities.

ARTICLE VIII.

Other Easements

Section 1. The rights and duties of the Owners of Lots within the Property with respect to sanitary sewer and water, electricity, telephone and cable television lines and drainage facilities shall be governed by the following:

(a) Wherever sanitary sewer house connections and/or water house connections or electricity, or telephone and cable television lines or drainage facilities are installed within the Property, which connection lines or facilities or any portion thereof, lie in or upon Lots owned by the Association or any entity other than the Owner of a Lot served by said connections, lines or facilities, such Owners of Lots served shall have the right, and are hereby granted an easement to the full extent necessary therefore, to enter upon the Lots in or upon which said connections, lines or facilities, or any portion thereof, lie, to repair, replace and generally maintain said connections as and when the same may be necessary as set forth below.

(b) Wherever sanitary sewer house connections and/or water house connections or electricity, telephone or cable television lines or drainage facilities are installed within the Property, which connections serve more than one (1) Lot, the Owner of each Lot served by said connections shall be entitled to the full use and enjoyment of such portions of said connections which service his Lot.

Section 2. Easements over the Lots and Common Property for the installation and maintenance of electric, telephone, cable television, water, and sanitary sewer lines and drainage facilities within the Easement Property are hereby reserved by Declarant, together with the right to grant and transfer same.

Section 3. Public Streets. All Lots within the Subdivision shall abut and have access to a public street. Public street rights-of-way are shown on the Subdivision Plat and Replat.

ARTICLE IX.

Utility Bills, Taxes and Insurance

Section 1. Obligations of the Owners.

(a) Each Owner shall have his separate electric, and water meter and shall directly pay at his own cost and expense for all electricity, water, sanitary sewer service, telephone service, cable television and other utilities used or consumed by him on his Lot.

(b) Each Owner shall directly render for taxation his own Lot and improvements thereon, and shall at his own expense and cost directly pay all taxes levied or assessed against or upon his Lot and his improvements and property thereon.

(c) Each Owner shall be responsible at his own cost and expense for his own property insurance and contents of his own residence, and his additions and improvements thereto, including decorations, furnishings and personal property therein, and also for his personal liability not covered by liability insurance for all Owners which may be obtained by the Association as part of the common expense in connection with the Common Property and Residential Units. Each Owner of a Lot shall obtain a policy of liability insurance for matters occurring on his property with minimum coverage amounts of \$ 100,000.00 and shall deposit a copy of such insurance policy with the Association.

Section 2. Obligation of the Association.

(a) The Association shall pay as a common expense of all Owners, for all water, electricity and other utilities used in connection with the enjoyment and operation of the Common Property or any part thereof. The Association shall maintain the property shown on the Subdivision Plat and Replat as parks, greenbelts, open space, landscape reserves, Wetland and Open Space Reserves, subdivision entrances, and other subdivision amenities not shown or identified on the Subdivision Plat and Replat such as a putting green, nature areas, boardwalk, and gazebo, and shall pay the cost of such maintenance as a common expense of all Owners.

(b) The Association shall render for taxation and, as part of the common expenses of all Owners, shall pay all taxes levied or assessed against or upon the Common Property and the improvements and the property appertaining thereto.

(c) The Association shall have authority to obtain and continue in effect as a common expense of all Owners, a blanket property insurance policy or policies to insure the Residential Units and the structures and facilities in the Common Property and the contents of the Common Property and the Association against the risks of loss or damage by fire and other hazards as are covered under standard extended coverage provisions, in such limits as the Association deems proper, and said insurance may include coverage against vandalism and such other coverage as the Association may deem desirable. The Association shall also have the authority to obtain comprehensive public liability insurance in such limits as it shall deem desirable, insuring the Association, its Board of Directors, agents and employees and each Owner (if coverage for Owners is available) from and against liability in connection with the Common Property.

(d) All costs, charges and premiums for all utility bills, taxes, and any insurance to be paid by the Association as hereinabove provided shall be paid out of the Maintenance Fund as a common expense of all Owners and shall be a part of the maintenance assessments.

ARTICLE X.

Maintenance and Repairs

Section 1. By the Owners. It shall be the duty, responsibility and the obligation of each Owner at his own cost and expense to care for, maintain, and repair the interior of his Residential Unit and improvements on his Lot and the fixtures, appliances, equipment and other appurtenances thereto pertaining. The Association shall have no duty or obligation to any Owner in this regard.

Section 2. By the Association. The Association, as a common expense of all Owners, shall perpetually care for, maintain and keep in good repair the exterior of the Residential Unit, the Common Property and all parts thereof, including but not limited to, any entrance structure, and any facilities owned by the Association.

Section 3. Maintenance and Repair Due to Negligence of a Lot Owner. Should it be necessary for the Association to perform maintenance or make repairs to any of the Common Property or to any Residential Unit due solely to the negligence of any Lot Owner or his tenants, guests, or invitees, then the Association shall have the right to charge the particular Lot Owner for the costs incurred by the Association to do such maintenance or repair.

ARTICLE XI.

Restrictions of Use

Section 1. Single Family Residential Construction. No building shall be erected, altered or permitted to remain on any single Lot, other than one attached or detached single-family residential dwelling. No such residence shall be constructed on less than the equivalent of one (1) full Lot as defined on the Subdivision Plat and Replat.

Section 2. Commercial Use. No part of the Property, except that portion of the Property shown on the Plat as a Commercial Reserve, shall ever be used or caused to be used or allowed or authorized in any way, directly or indirectly, for any business, commercial, manufacturing, mercantile, storing, vending, or other such non residential purposes.

Section 3. Prohibition of Offensive Activities. No noxious or offensive trade or activity shall be conducted, whether for profit or not, on any Lot. No activity which may become an annoyance or nuisance to the other Owners, or which shall in any way interfere with the quiet enjoyment of each of the Owners of his respective dwelling unit, or which shall in any way increase the rate of insurance, or which will degrade property values, or distract from the aesthetic beauty of the Subdivision, shall be conducted.

Section 4. Temporary Structures. No structures of a temporary character, trailer, tent, shower, garage, barn, construction trailer, or other outbuilding shall be constructed, erected, altered, placed or permitted to remain on any Lot at any time as a residence or other use, either temporarily or permanently except such buildings or structures as may be hereafter permitted.

Section 5. Animal Husbandry. Dogs, cats, or usual and ordinary household pets (excluding horses, livestock, or reptiles, etc.) may be kept in any dwelling unit upon a Lot (not to exceed a total of two (2) pets, provided they are not kept, bred, or maintained for any commercial

purpose). Notwithstanding the foregoing, no animals or fowl may be kept on the Property which creates a nuisance or results in any annoyance or are obnoxious to residents' of the Subdivision. All animals shall be leashed at all times and all excrement shall be immediately removed by the animal owner.

Section 6. Parking or Storage of Automobiles, Boats, Trailers, Other Vehicles and Equipment. No motorcycle, moped, boat, boat and trailer, trailer, house trailer, mobile home, recreational vehicle, camper or any other similar transportation vehicle or device shall be parked on any roadway overnight. No such vehicle shall be allowed to be stored within any lot unless within a garage and shielded from view.

No mobile home, trailer, camper, boat, truck larger than a one (1) ton pickup, commercial vehicles, or similar equipment shall be parked or stored permanently or semi-permanently on any street, right-of-way or on driveways. Permanent or semi-permanent storage of such vehicles or items must be kept within a garage. The Board of Directors of the Association may adopt rules for the regulation of the admission and parking of vehicles within the Subdivision and Common Property, including the assessment of charges to Owners who violate, or whose invitees violate, such rules. Under no circumstances may repairs to any vehicles or equipment be made on the Property except when screened from public view within a garage.

Section 7. Visual Screening on Lots. The drying of clothes in public view is prohibited. Similarly, all yard equipment, woodpiles or storage piles shall be kept screened by a service yard or other similar facility as herein otherwise provided, as to conceal them from view from neighboring Lots.

Section 8. Lot Maintenance. The Association shall provide all lawn and landscaping maintenance. All Lots shall be kept at all times in a sanitary, healthful and attractive condition by the Owner and/or occupants and the Owner and/or occupants shall in no event use any Lot for storage of material and equipment except for normal residential requirements or incident to construction of improvements thereon as herein permitted, or permit the accumulation of garbage, trash or rubbish of any kind thereon, and shall not burn any garbage, trash or rubbish. In the event of default on the part of the Owner or occupant of any improved Lot in observing the above requirements, or any of them, such default continuing for ten (10) days after the mailing of written notice thereof to the Owner at the address for the Owner shown on the Association's records, the Declarant, the Association, or its assignee or designee, may, without liability to the Owner or occupant, in trespass or otherwise, enter upon said Lot and cause to be removed such garbage, trash and rubbish, or do any other thing necessary to secure compliance with these restrictions, so as to place said Lot in a neat, attractive, healthful and sanitary condition, and may charge the Owner or occupant, as the case may be, for said services, and the Owner or occupant agrees by the purchase or occupation of the Lot to pay such statement immediately upon receipt thereof. To secure the payment of such charges in the event of nonpayment by the Owner, a vendor's lien is herein and hereby retained against the Property in favor of Declarant or their assignee but inferior to purchase money liens or mortgages. Such vendor's lien shall be applicable and effective whether mentioned specifically in each deed or conveyance by Declarant or not.

Section 9. Removal of Dirt and Trees. The digging of dirt or the removal of any dirt from any Lot is expressly prohibited except as necessary in conjunction with the landscaping of or construction on such Lot approved in plans submitted to the Association or Committee. No trees shall be cut except to provide room for construction of improvements or to remove dead or unsightly trees.

Section 10. Right of Inspection. During reasonable hours and after reasonable notice, the Association shall have the right to enter upon and inspect the Property or any portion thereof and the exterior portions of improvements thereon for the purpose of ascertaining whether or not the provisions of this Declaration are being complied with and shall not be deemed guilty of trespass by reasons thereof.

Section 11. New Construction. All buildings or structures on the Property shall be constructed of new or like new materials. All buildings or structures must be completed within one (1) year of start of construction or such reasonable time thereafter, subject to force majeure. The Contractor shall furnish trash containers and construction and silt fencing at all times, and shall keep the premises free from accumulation of trash and scrap caused by construction. Construction activities shall not take place before noon on Saturdays, Sundays and Holidays. Radios and domestic animals are not allowed on construction sites. During the construction of any improvements, there shall be no pile driving or usage of nail guns on Sundays on the exterior of any improvement. Usage of nail guns on the exterior is also prohibited on Saturday, except between the hours of 10:00 a.m. to 4:00 p.m.

Section 12. Rental of Dwellings. Dwellings may be rented, subject only to rules and regulations established by the Homeowners Association. Rental of such dwellings will only be allowed if managed by a professional rental agency and the Association shall be informed whenever a Residential Unit is rented and shall be provided the names of all tenants.

Section 13. Party Walls.

(a) **General Rules of Law to Apply.** Each wall which is built as a part of the original construction of the homes upon the properties and placed on the dividing line between the lots shall constitute a party wall, and, to the extent not inconsistent with the provisions of this article, the general rules of law regarding party walls and liability for property damage to negligence or willful acts or omissions shall apply thereto.

(b) **Sharing of Repair and Maintenance.** The cost of reasonable repair and maintenance of a party wall shall be shared by the owners who make use of the wall in proportion to such use.

(c) **Destruction by Fire or Other Casualty.** If a party wall is destroyed or damaged by fire or other casualty, any owner who has used the wall may restore it, and if the other owners thereafter make use of the wall, they shall contribute to the cost of restoration thereof in proportion to such use without the cost of prejudice, however, subject to the right of any such owners to call for a larger contribution from the others under any rule of law regarding liability for negligence or willful acts or omissions.

(d) **Weatherproofing.** Notwithstanding any other provision of this article, an owner who by his negligent or willful act causes the party wall to be exposed to the elements shall bear the whole cost of furnishing the necessary protection against such elements.

(e) Right to Contribution Runs with Land. The right of any owner to contribution from any other owner under this article shall be appurtenant to the land and shall pass to such owner's successors in title.

(f) Arbitration. In the event of any dispute arising concerning a party wall, or under the provisions of this article, each party shall choose one arbitrator, and such arbitrators shall choose one additional arbitrator, and the decision shall be by a majority of all arbitrators. If a party refuses to select an arbitrator within ten (10) days after requested so to do, the Board of Directors of the Association shall select an arbitrator for the party refusing to do so.

ARTICLE XII.

General Provisions

Section 1. Enforcement. The Association or any Owner shall have the right to enforce, by any proceedings at law or in equity, all restrictions, conditions, covenants, reservations, liens or charges now or hereafter imposed by the provisions of this Declaration. Failure by the Association or by any Owner to enforce any covenant or restriction herein contained shall in no event be deemed a waiver of the right to do so thereafter.

Section 2. Severability. Invalidation of any one of these covenants or restrictions shall in no wise affect any other provisions, which shall remain in full force and effect.

Section 3. Amendment. The covenants and restrictions of this Declaration shall run with and bind the land, for a term of thirty (30) years from the date this Declaration is recorded, after which time they shall be automatically extended for successive periods of ten (10) years. This Declaration may be amended during the first thirty (30) year period by an instrument signed by no less than seventy-five percent (75%) of the Owners, and thereafter by an instrument signed by not less than sixty-seven percent (67%) of the Owners. Any amendment must be recorded to be effective.

Section 4. Amendments by Declarant. The Declarant shall have and reserves the right at any time and from time to time, without the joinder or consent of any other party to amend this Declaration by any instrument in writing duly signed, acknowledged, and filed for record for the purpose of correcting any typographical or grammatical error, ambiguity or inconsistency appearing herein, provided that any such amendment shall be consistent with and in furtherance of the general plan and scheme of development as evidenced by the Declaration, and shall not impair or affect the vested property or other rights of any Owner or his mortgagee.

Section 5. Books and Records. The books and records of the Association shall, during reasonable business hours, be subject to reasonable inspection by any member. The Board of Directors may, by resolution, establish rules and regulations governing the frequency of inspection and other matters to the end that inspection of the books and records by any member or members will not become burdensome to nor constitute harassment of the Association. The Declaration, the Articles of Incorporation and the Bylaws of the Association shall be available for inspection by any member at the principal office of the Association where copies may be purchased at reasonable cost.

ARTICLE XIII.

Reservation of Minerals

There is hereby excepted from the land encompassed by the boundaries of this Subdivision, and Declarant will hereafter except from all its sales and conveyances of said land, or any part thereof, including the Common Property, all oil, gas and other minerals; however, Declarant hereby waives the right to use the surface of the Property, or any part thereof, for development of oil, gas and other minerals. Such exceptions and such retained rights and reservations shall inure to the benefit of Declarant and their heirs, executors, administrators, successors, and assigns and this waiver of surface rights by Declarant shall be effective even if Declarant fails to so state in any instrument or deed conveying an interest in the Property.

IN WITNESS WHEREOF, the undersigned, being the Declarant and the Lienholder, has hereunto set his/her/its hand this 24th day of September, 2004

CAMPECHE SHORES,
Limited Partnership
BY: CAMPECHE SHORES, INC.,
Its General Partner

By: [Signature]
E. SID HOLLIDAY, JR., President

TEXAS FIRST BANK

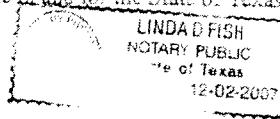
By: [Signature]
Name: [Name]
Title: [Title]

THE STATE OF TEXAS §
COUNTY OF GALVESTON §

Before me, the undersigned authority, on this day personally appeared E. SID HOLLIDAY, JR., President of CAMPECHE SHORES, INC., General Partner of CAMPECHE SHORES, LIMITED PARTNERSHIP, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, and in the capacity therein stated.

Given under my hand and seal of office this 24th day of September, 2004.

[Signature]
Notary Public in and for the State of Texas



THE STATE OF TEXAS §
COUNTY OF GALVESTON §

This instrument was acknowledged before me on this the 29th day of September, 2004, by J. Scott Kusnerik, Executive President of TEXAS FIRST BANK, a State Banking Corporation, on behalf of said Corporation.



[Signature]
Notary Public in and for the State of Texas
FILED AND RECORDED
OFFICIAL PUBLIC RECORDS OF REAL PROPERTY

PAID

Stephen G. Schulz
Greer, Herz & Adams, LLP
One Moody Plaza, 18th Floor
Galveston, TX 77550

[Signature]
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Maple and Delisle, COUNTY CLERK
GALVESTON, TEXAS

**SECOND AMENDED
DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS FOR
CAMPECHE SHORES
A SUBDIVISION IN GALVESTON COUNTY, TEXAS**

This Second Amended Declaration ("Declaration") is made on the date hereinafter set forth by **CAMPECHE SHORES, Limited Partnership**, hereinafter referred to as "Declarant", pursuant to Article XII, Section 3 of that certain Declaration of Covenants, Conditions, and Restrictions of record under Clerk's File No. 200404815 in the Official Records of Real Property of Galveston County, Texas, and that certain First Amended Declaration of Covenants, Conditions, and Restrictions of record under Clerk's File No. 2004067058 in the Official Records of Real Property of Galveston County, Texas

WITNESSETH:

WHEREAS, Declarant is the owner of all lots, except Lot 45, in that certain property known as **CAMPECHE SHORES**, a subdivision in Galveston County, Texas, according to the map or replat thereof recorded in Volume 2004A, Page 76, of the Map Records of Galveston County, Texas (hereinafter sometimes called the "Property" or the "Subdivision"), and

WHEREAS, it is the desire of Declarant to place certain restrictions, covenants and conditions, stipulations and reservations upon and against the Property in order to establish a uniform plan for the development, improvement and sale of the Property, and to insure the preservation of such uniform plan for the benefit of both the present and future owners of lots in the Subdivision

NOW, THEREFORE, Declarant (joined herein by the lienholder upon the Property) hereby adopts, establishes and imposes upon the Property, and declares the following reservations, easements, restrictions, covenants, and conditions (sometimes referred to herein collectively as the "Covenants") applicable thereto, all of which are for the purpose of enhancing and protecting the value, desirability and attractiveness of the Subdivision, which Covenants shall run with the land and shall be binding upon all parties having or acquiring any right, title or interest in the Property, or any part thereof, and shall inure to the benefit of each owner thereof.

ARTICLE I.

Definitions

Section 1. "Association" shall mean and refer to the homeowner association whose membership is composed of all of the owners of lots within the Subdivision, and its successors and assigns, as described in Article IV of this Declaration

Section 2. "Owner" shall mean and refer to the record Owner, whether one or more persons or entities, of a fee simple title to any Lot which is part of the Property, including contract sellers, but excluding those who have such interest merely as security for the performance of an obligation. For purposes of membership in the Association, each lot shall only have one Owner, and if multiple parties own a Lot they shall designate the "Owner" for purposes hereof

Section 3. "Property" shall mean and refer to the Property hereinbefore described, and such additions thereto as may hereafter be brought within the jurisdiction of the Association

Section 4. "Subdivision Plat and Replat" shall mean and refer to the map or replat of the Property, recorded in Volume 2004A, Page 76 of the Map Records of Galveston County, Texas, and any additional recorded replat thereof

Section 5. "Lot" and/or "Lots" shall mean and refer to the Lots shown upon the Subdivision Plat and Replat (with the exception of the Common Properties)

Section 6. "Common Property" shall mean and refer to those areas of land within the Property as are now shown and identified on the Subdivision Plat and Replat as a park, greenbelt, public open space, landscape reserves, Wetland and Open Space Reserves, and subdivision entrances and other subdivision amenities not shown or identified on the Subdivision plat and Replat such as a mailbox kiosk a monument sign, a putting green, nature areas, boardwalk, and gazebo, which are to be maintained and regulated by the Association, together with such other property as the Association may, at any time or from time to time, acquire by purchase or otherwise, subject, however, to the easements, limitations, restrictions, dedications and reservations applicable thereto by virtue hereof and/or by virtue of the Subdivision Plat and Replat, and/or by virtue of grants or dedications by Declarant or Declarant's successors in title. References herein to "the Common Properties in the Subdivision" shall mean and refer to Common Properties as defined respectively in this Declaration and all Supplemental Declarations

Section 7. "Architectural Control Committee" shall mean the committee appointed by Declarant or the Board of Directors of the Association to perform the functions set forth in Article VII hereof.

Section 8. "Declarant" shall mean and refer to **CAMPECHE SHORES, Limited Partnership**, its successors, and assigns.

Section 9. "Board of Directors" shall mean and refer to the Board of Directors of the Association.

Section 10. "Lien Notice" shall mean the written notice given by the Board of Directors pursuant to Section VI hereof, such notice setting forth details regarding an assessment unpaid by an Owner.

Section 11. "Wetland and Open Space Reserves" shall mean Reserves D and E, as shown on the Replat.

Section 12. "Party Wall" shall mean each wall built as part of the original construction of the homes upon the properties which is placed on the dividing line between two adjacent Lots.

Section 13. "Person" shall mean and refer to one or more individuals, corporations, partnerships, organizations, or other entities.

Section 14. "Residential Unit" shall mean either an attached, single family dwelling or a detached, single family dwelling For the purpose of this Declaration, a Residential Unit shall come into existence upon the issuance of a certificate of occupancy by the appropriate agency of the City of Galveston, or other local Governmental Authority.

Section 15. "Reserve" shall mean an area designated as a Reserve on the Plat or Replat.

ARTICLE II.

Reservations, Exceptions and Dedications

Section 1. Existing Easements. The Subdivision Plat and Replat dedicates for use as such, subject to the limitations set forth therein, certain streets and easements shown thereon, and such Subdivision Plat and Replat further establishes certain dedications, limitations, reservations, certain minimum setback lines, and restrictions applicable to the Property. All (i) dedications, limitations, restrictions, minimum setback lines, and reservations shown on the Subdivision Plat and Replat and (ii) grants and dedications of easements and related rights heretofore made by Declarant and/or Declarant's predecessors in title affecting the Property and currently of record in the Official Records of Galveston County, Texas and enforceable against the Property or are incorporated herein by reference and made a part of this Declaration for all purposes, as if fully set forth herein, and shall be construed as being adopted in each and every contract, deed or conveyance executed or to be executed by or on behalf of Declarant conveying any part of the Property, whether specifically referred to therein or not

Section 2. Utility Easements and Rights-of-Way. Declarant reserves the easements and rights-of-way as shown on the Subdivision Plat and Replat (collectively called the "Easements" and the portion of the Property designated on the Subdivision Plat and Replat for Easements being hereinafter sometimes called the "Easement Property" for the purpose of constructing, maintaining and repairing a system or systems of electric lighting, electric power, natural gas, cable television, aerial telephone line or lines, water lines, sewers, storm sewers or any other utility Declarant sees fit to install in, across and/or under the Easement Property.

Section 3. Changes and Additions. Declarant reserves the right to make changes in and additions to the Easements for the purpose of most efficiently and economically installing the improvements and utilities within the Easement Property.

Section 4. Easements and Appurtenances. It is expressly agreed and understood that the title conveyed by Declarant to any Lot or parcel of land within the Property by contract, deed or other conveyance shall be subject to (a) the easements described in this Declaration for roadways or drainage, water, sewer, storm sewer, electric light, electric power, natural gas, cable television, telephone or other utility purposes and such conveyance shall not convey any interest in pipes, lines, poles or conduits, or in any utility facility or appurtenances thereto, constructed by or under Declarant or any easement owner, or their agents through, along or upon the Easement Property, or any part thereof, to serve the Property, and (b) the right of Declarant, its successors and assigns, to maintain, repair, sell or lease such appurtenances (subject to the provisions of this Declaration) to any municipality, or other governmental agency or to any public service corporation or to any other party (and such right is hereby expressly reserved)

Section 5. Installation and Maintenance. There is hereby created an easement upon, across, over and under all of the Property for ingress and egress in connection with installing, replacing, repairing, and maintaining all utilities, including but not limited to, water, sewer, storm sewer, natural gas, telephones, electricity, and appurtenances thereto and to perform canal maintenance. By virtue of this easement, it shall be expressly permissible for the utility companies and other entities supplying service to install and maintain pipes, wires, conduits, service lines, or other utility facilities or appurtenances thereto, on, across and under the

Easement Property and within any other public utility easements from time to time created, and from service lines situated within such easements to the point of service on or in any structure. Notwithstanding anything contained in this Section 5 of Article II, no sewer, electrical lines, water lines, or other utilities or appurtenances thereto may be installed or relocated on the Property until approved by Declarant. The utility companies furnishing service shall have the right to remove all trees situated within the Easements shown on the Subdivision Plat and Replat, and to trim overhanging trees and shrubs located on the portions of the Property abutting such Easements. Neither Declarant nor any utility company using the Easements herein referred to, shall be liable for any damages done by them or their assigns, their agents, employees or servants, to fences, shrubbery, trees or flowers or other property situated on the land covered by said Easements. With the exception of the utility poles with transformers located upon them, all utility systems shall be located underground.

Section 6. Emergency and Service Vehicles. An easement is hereby granted to all police, fire protection, ambulance and other emergency vehicles, and to garbage and trash collection vehicles, and other service vehicles to enter upon the Property (but not within buildings) in the performance of their duties. Further, an easement is hereby granted to the Association, its officers, agents, employees and management personnel to enter the Property (but not within buildings) to render any service.

Section 7. Underground Electric System. An underground electric distribution system will be installed in the entire Subdivision, herein sometimes called the Underground Residential Subdivision, which underground service area embraces all of the Lots which are platted in the Subdivision. The Owner of each Lot containing a single dwelling unit, shall, at his or its own cost, furnish, install, own and maintain (all in accordance with the requirements of local governing authorities and the National Electric Code) the underground service cable and appurtenances from the point of electric company's metering at the structure to the point of attachment at such company's installed transformers or energized secondary junction boxes, such point of attachment to be made available by the electric company at a point designated by such company at the property lines of each Lot. The electric company furnishing service shall make the necessary connections at said point of attachment and at the meter. Declarant has either by designation on the Subdivision Plat and Replat or by separate recorded instrument granted necessary easements to the electric company providing for the installation, maintenance and operation of its electric distribution system and has also granted to the various Lot Owners reciprocal easements providing for access to the area occupied by and centered on the service wires of the various Lot Owners to permit installation, repair and maintenance of each Lot Owner's owned and installed service wires. In addition, the Owner of each Lot containing a single dwelling unit, shall at his or its own cost, furnish, install, own and maintain a meter loop (in accordance with the then current standards and specifications of the electric company furnishing service) for the location and installation of the meter of such electric company for each dwelling unit involved. For so long as underground service is maintained in the Underground Residential Subdivision, the electric service to each dwelling unit therein shall be underground, uniform in character and exclusively of the type known as single phase, 240/120 volt, three wire, 60 cycle, alternating current.

The electric company has installed the underground electric distribution system in the Underground Residential Subdivision at no cost to Declarant (except for certain conduits, where applicable, and except as hereinafter provided) upon Declarant's representation that the Underground Residential Subdivision is being developed for single family residential dwelling units, including homes, and if permitted by the restrictions applicable to such subdivision, which are built for sale or rent and all of which single family dwelling structures and amenities are wired so as to provide for separate metering to each single family dwelling unit

No provision of this Section 7 of Article II (the text of which is prescribed by the electric company) shall in any manner operate or be construed to permit the construction on any Lot of any type of residential structure other than a single family residence as provided in Section 1, of Article XI

Section 8. Surface Areas. The surface area of easement property for underground utility services may be used for the planting of shrubbery, trees lawns or flowers Declarant and the Association shall install all of the original landscaping for the Subdivision No landscaping shall be installed on any Lot by any Lot Owner without the prior written approval of the Architectural Control Committee Neither the Declarant nor any supplier of any utility or service using any portion of the Easement Property shall be liable to any Owner or to the Association for any damage done by them or either of them, or their respective agents, employees, servants or assigns, to any of the aforesaid vegetation as a result of any activity relating to the construction, maintenance, operation or repair of any facility in any such Easement Property.

ARTICLE III.

Property Subject to this Declaration

Section 1. Description. The real property which is, and shall be, held, transferred, sold, conveyed, and occupied subject to this Declaration consists of all of the Property, according to the Subdivision Plat and Replat (or any subsequently recorded replat thereof), which real property is sometimes hereinafter referred to as the "Existing Property"

Section 2. Mineral Exception. There is hereby excepted from the Property and Declarant will hereafter except from all its sales and conveyances of the Property, or any part thereof, including the Lots and Common Properties, all oil, gas, and other minerals, in, on, and under the Properties; but each such reservation shall be subject to the provision and requirements of Article XIII of this Declaration.

Section 3. Additions to Existing Property. Additional lands may become subject to the scheme of this Declaration in the following manner:

(a) **Additions by Declarant.** The Declarant, and its successors and assigns, shall have the right to bring within the scheme of this Declaration additional properties in future stages of development ("Additional Property") in its sole discretion Any additions of Additional Property authorized under this and the succeeding subsection of this Declaration shall be made by filing of record in the Official Records of Galveston County, Texas, an amendment to this Declaration with respect to the Additional Property which shall extend the scheme of the Covenants of this Declaration to the Additional Property. Any such amendment to this Declaration must impose an annual maintenance charge assessment on the Additional Property, on a uniform, per lot basis, substantially equivalent to the maintenance charge and assessment

imposed by this Declaration, and may contain such complementary additions and/or modifications of the covenants and restrictions contained in this Declaration as may be applicable to the Additional Property

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

ARTICLE IV.

The Association

Section 1. Organization. The Declarant will cause the Association to be organized and formed as a non-profit corporation under the laws of the State of Texas by August 2, 2004.

Section 2. Purpose and Powers. The purpose of the Association in general is to provide for and promote the health, safety, and welfare of the members ("Members" or "Owners"), to collect the annual maintenance charges and to administer the Maintenance Fund (as defined herein), to provide for the maintenance, repair, preservation, upkeep, and protection of the Common Property and Wetland and Open Space Reserves, and such other purposes as are stated in the Articles of Incorporation and By-Laws consistent with the provisions of this Declaration and all amendments thereto

In addition to any other power granted herein, the Association shall have the following powers and duties (subject to the terms and conditions set forth in this Declaration) which may be exercised within its reasonable discretion:

- (a) To maintain, repair, or replace, or pay for the maintenance, repair, or replacement, of the Common Properties,
- (b) To operate, administer, maintain and preserve the Wetland and Open Space Reserves,
- (c) To employ counsel and institute and prosecute such suits as the Association may deem necessary or advisable, and to defend suits brought against the Association;
- (d) To employ from time to time such agents, servants, and laborers as the Association may deem necessary in order to exercise the powers, rights, and privileges granted to it, and to make contracts,
- (e) To maintain insurance;
- (f) To pay market costs for all goods and services purchased by the Association,
- (g) To fix, levy, and collect assessments pursuant to Article VI hereof,
- (h) To enforce the provisions of this Declaration, and
- (i) To conduct any other activity within the terms and conditions set forth in this Declaration or allowed under the Texas Non-Profit Corporation Act

Section 3. Directors. The Association shall act through a three (3) member Board of Directors, which shall manage the affairs of the Association. The initial Directors of the

Association will be selected by Declarant by August 2, 2004. Each initial Director shall serve for a term of one (1) year from date of appointment, and thereafter, until his successor is duly elected and qualified. Upon the expiration of the term of the initial Directors, the Members shall elect a Board of Directors as provided for in the By-Laws. Any vacancy, from whatever cause, occurring in the Board of Directors during the initial one (1) year term shall be filled by appointment made by the remaining Director or Directors. The person appointed by the remaining Director or Directors to fill such vacancy shall serve for the remainder of the initial one (1) year term and until his successor is duly elected and qualified. The Directors shall have the power to select one or more advisory directors from the residents of the Subdivision to serve for such periods of time as the Board of Directors shall deem appropriate, for the purpose of providing advice and counsel to the Board of Directors, provided that such advisory directors shall have no right to act on behalf of the Association.

Section 4. Members. Each Owner, whether one or more persons or entities, of a Lot shall, upon and by virtue of becoming such Owner, automatically become 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 automatically cease, but there shall only be one (1) vote per Lot, except as stated below. Membership in the Association shall be appurtenant to and shall automatically follow the legal ownership of each Lot and may not be separated from such ownership. Whenever the legal ownership of any Lot passes from one person to another, by whatever means, it shall not be necessary that any instrument provide for transfer of membership in the Association, and no certificate of membership will be issued.

The Association shall have two classes of membership:

Class B. The Class B Member shall be the Declarant. The Class B Member shall be entitled to three (3) votes for each lot in the Subdivision in which it holds the interest required for membership by these Restrictions, Covenants and Conditions or any Supplemental Restrictions, Covenants, and Conditions,

Class A. Class A Member shall be all the Members of the Association, with the exception of the Declarant or the Class B Member. Class A Members shall be entitled to one vote for each Lot in the Subdivision in which they hold the interest required for membership by these Restrictions, Covenants and Conditions or any Supplemental Restrictions, Covenants, and Conditions; provided that the Class B membership shall cease and become converted to Class A membership on the happening of the following events, whichever occurs earlier:

(a) When the total votes outstanding in the Class A membership equal the total votes outstanding in the Class B membership,

(b) on January 1, 2007.

From and after the happening of whichever of these events occurs earlier, the Class B Member shall be deemed to be a Class A Member entitled to one (1) vote for each Lot in the Subdivision in which it holds the interest required for membership by these Restrictions, Covenants and Conditions, or any Supplemental Restrictions, Covenant, or Conditions.

Section 5. Title to Common Property. The Declarant may retain the legal title to the Common Property until such time as: (i) Declarant no longer owns seventy-five percent (75%) of the Property; or (ii) in the sole opinion of Declarant, the Association is able to operate and maintain the same, whereupon title to the Common Property shall be conveyed to the Association. Until title to such Common Property has been conveyed to the Association by Declarant, Declarant shall be entitled to exercise all rights and privileges relating to such Common Property granted to the Association in this Declaration and all amendments thereto.

ARTICLE V.

Property Rights in the Common Properties and Common Facilities

Section 1. Members' Easements of Enjoyment. Subject to the provisions of Section 2 of this Article V, every Member shall have a common right and easement of enjoyment in and to the Common Property, and such right and easement shall be appurtenant to and shall pass with the title to each Lot.

Section 2. Extent of Members' Easements. The rights and easements of enjoyment created hereby shall be subject to the following.

(a) The right of the Association, in its discretion, to make, publish, and enforce reasonable rules and regulations shall be binding upon, complied with, and observed by each Member. These rules and regulations may include provisions to govern and control the use of such Common Property by guests or invitees of the Members, including, without limitation, the number of guests or invitees who may use such Common Property or any part thereof at the same time, and

(b) The right of the Association to grant or dedicate easements in, on, under or above such Common Property or any part thereof to any public or governmental agency or authority or to any utility facility or equipment situated in any part of such Common Property and owned by the Association to any public or political authority or agency or to any utility company rendering or to render service to the Subdivision or any part thereof, and

(c) The right of the Association to enter management and/or operating contracts or agreements relative to the maintenance and operation of such Common Property in such instances and on such terms as its Board of Directors may deem appropriate; and

(d) The right of the Association to suspend the voting rights of a Member or his right to use any recreational Common Property during the period he is in default in excess of fourteen (14) days in the payment of any maintenance charge assessment against his Lot; and to suspend such rights for a period not to exceed sixty (60) days for any infractions of its published rules and regulations; and the aforesaid rights of the Association shall not be exclusive, but shall be cumulative of and in addition to all other rights and remedies which the Association may have in this Declaration and any amendment thereto or in its By-Laws or at law or in equity on account of any such default or infraction; and

(e) The rights and easements existing, herein created or hereafter created in favor of others, as provided for in Article II and Article VII hereof, in this Declaration and in all amendments thereto;

(f) Any contract entered into by the Association with Declarant or any affiliate of Declarant shall be at market terms no less favorable to the Association than would be available

from a third party. No contract with Declarant or any affiliate of Declarant shall be for a term in excess of one (1) year

Section 3. Delegation of Use. Any member may delegate his right of use and enjoyment of the Common Property in the Subdivision, together with all easement rights granted to Members in this Declaration and all amendments thereto, to the members of his family, his tenants, guests (subject to Section 2 (a) above), or contract purchasers who reside on his Lot. The term "Member" is further defined to include and refer to the executors, personal representatives and administrators of any Member, and all other persons, firms or corporations acquiring or succeeding to the title of the Member by sale, grant, will, foreclosure, execution, or by any legal process, or by operation of law, or in any other legal manner.

ARTICLE VI.

Annual Assessments

Section 1. The Maintenance Fund. All funds collected by the Association from the common area maintenance charges provided for in this Article VI, together with all funds collected by the Association from the regular annual maintenance charges imposed on the Lots in the Subdivision by this Declaration and all amendments thereto, shall constitute and be known as the "Maintenance Fund". The Maintenance Fund shall be held, used, and expended by the Association for the common benefit of all Members for the following purposes, to-wit: to promote the health, safety, recreation, and welfare of the Members, including, without limitation, the installation, construction, erection, maintenance and relocation of improvements related to the enhancement and beautification of the Common Property, and any other areas provided by this Declaration or any amendment thereto to be developed or maintained by the Association, such as shrubbery, trees, walkways and street lights, and the construction, repair, maintenance and replacement of properties, services, improvements and facilities devoted to such purposes and related to the use and enjoyment of the Subdivision by the Members.

The Association may, in its sole discretion, give one or more of the purposes set forth in this Section 1 of Article VI preference over other purposes, and it is agreed that all expenses incurred and expenditures and decisions made by the Association in good faith shall be binding and conclusive on all Members.

Section 2. Covenant for Assessments. Subject to the provisions set forth below in Sections 3 and 4 of this Article VI relating to the rate at which the maintenance charge and assessments imposed herein shall be paid on unimproved Lots owned by Declarant, each and every Lot is hereby severally subjected to and impressed with a regular annual maintenance charge or assessment in the average amount of Three Thousand Five Hundred Four and No/100 Dollars (\$3504.00) per annum per Lot (herein sometimes referred to as the "Maintenance Charge") which shall run with the land, subject to increase and decrease and payable as provided in Section 5 below. The actual charge shall be greater than the average maintenance charge for any Lot upon which a Residential Unit is built that is greater in square footage than the average size of the Residential Unit built on all Lots. The amount to be charged for such a Lot shall be based upon the ratio that the square footage of the larger than average Residential Unit on such Lot bears to the square footage of the average size of the Residential Unit on all Lots.

Each Owner of a Lot, by his claim or assertion of ownership or by accepting a deed to any such Lot, whether or not it be so expressed in such deed, is hereby conclusively deemed to covenant and agree, as a covenant running with the land, to pay to the Association, its successors or assigns, each and all of the charges and assessments against his Lot and/or assessed against him by virtue of his ownership, thereof, as the same shall become due and payable, without demand. The charges and assessments herein provided for shall be a charge and a continuing lien upon each Lot, together with all improvements thereon, as hereinafter more particularly stated. Each assessment, together with interest, costs, and reasonable attorneys' fees, shall also be the personal obligation of the person who was the Owner of the Lot at the time the obligation to pay such assessment accrued, but no Member shall be personally liable for the payment of any assessment made or becoming due and payable after his ownership ceases. No Member shall be exempt or excused from paying any such charge or assessment by waiver of the use or enjoyment of the Common Properties, or any part thereof, or by abandonment of his Lot or his interest therein.

Section 3. The Annual Maintenance Charge. Unless a Lot is purchased prior to January 1, 2005, the annual assessments provided for herein shall commence on January 1, 2005. The first annual assessment shall be payable on the day fixed for commencement. If a Lot is purchased prior to January 1, 2005, each member shall pay the applicable percentage of the annual maintenance charge payable with respect to a partial year as hereinafter set forth. The assessments for each calendar year, including the first year, shall be due and payable to the Association in advance, in monthly installments, on the 1st day of the month during the calendar year. Provided, however, that, upon the purchase of his Lot (as evidenced by the date of his contract of sale or deed, or his occupancy, whichever is earlier), each Member shall be obligated to pay to the Association a pro rata part of the applicable percentage (as determined pursuant to the terms hereof) of the regular annual maintenance charge assessed on such Lot, which shall bear the same ratio to the applicable percentage of the full annual maintenance charge as the number of full calendar months remaining in the current year of the year of purchase, and which shall be payable in full upon such purchase.

The Board of Directors may decrease or increase the amount of the regular annual maintenance charge or assessment provided for herein at any time and from time to time by the adoption of a resolution for such purpose, but no resolution increasing or decreasing the annual maintenance charge assessment shall become effective prior to the expiration of ninety (90) days from the date of its adoption, and the Owner of each Lot shall, within thirty (30) days from such effective date, pay to the Association or be credited by the Association for the proportionate part of such increase or decrease for the balance of the year in which such resolution is adopted; provided, however, that no resolution of the Board of Directors which fixes the amount of the regular annual maintenance charge or assessment at less than fifty percent (50%) of the amount assessed in the preceding calendar year, or in excess of one hundred fifteen percent (115%) of the amount assessed in the preceding calendar year, shall become effective unless and until such resolution is ratified by the written assent of the Members of the Association who in the aggregate then own at least sixty-six and two thirds percent (66⅔%) of the votes of the Members of the Association who are present and voting in person or by proxy at a special meeting of the

membership of the Association called for his purpose and at which a quorum is present. The written assent or the vote of the Member must be given prior to the effective date of the resolution of the Board of Directors. No increase or decrease in the annual maintenance charge or assessment shall take effect retroactively

If any resolution of the Board of Directors which requires ratification by the assent of the Members of the Association as above provided shall fail to receive such assent, then the amount of the regular annual maintenance charge or assessment last in effect shall continue in effect until duly changed in accordance with the above provisions

Declarant shall not be charged any maintenance fee with respect to any unimproved lot owned by Declarant, however, Declarant shall be responsible for all maintenance and mowing of such lots until they are sold to third parties

Section 4. Quorum for any Action Authorized Under Section 3. The Quorum required for any action authorized by Section 3 of this Article VI hereof shall be as follows:

At the first meeting called, as provided in Section 5 of this Article VI hereof, the presence at the meeting of Members, or of proxies, entitled to cast twenty percent (20%) of all the votes of the membership shall constitute a quorum. If the required quorum is not forthcoming at any meeting, another meeting may be called and the required quorum at any such subsequent meeting shall be one-half (1/2) the required quorum at the preceding meeting, provided that such reduced quorum requirement shall not be applicable to any such subsequent meeting held more than sixty (60) days following the preceding meeting

Section 5. Special assessment for Capital Investments. In addition to the annual assessments authorized above, the Association may levy, in any assessment year, a special assessment applicable to that year only for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, repair or replacement of a capital improvement upon the Common Property, including fixtures and personal property related thereto, provided that any such assessment shall have the assent of two-thirds (2/3) of the votes of the Members who are voting in person or by proxy at a meeting duly called for this purpose

Section 6. Duties of the Board of Directors. The Board of Directors shall fix the date of commencement and the amount of the assessment against each Lot or Owner for each assessment period at least thirty (30) days in advance for such date or period and shall, at that time, prepare a roster of the properties and assessments applicable thereto which shall be kept in the office of the Association and shall be open to inspection by any Owner. Written notice of the assessment shall thereupon be sent to every Owner subject thereto. The Association (or its agent) shall, upon demand at any time, furnish to any Owner liable for said assessment a certificate in writing signed by an officer of the Association, setting forth whether said assessment has been paid. Such certificate shall be conclusive evidence of payment of any assessment therein stated to have been paid.

Section 7. Liens to Secure Assessments. The regular annual maintenance charges or assessments, as hereinabove provided for, shall constitute and be secured by a separate and valid and subsisting lien, hereby created and fixed, and which shall exist upon and against each Lot and all improvements thereon, for the benefit of the Association and all Members. The lien hereby created shall be subordinate and inferior to

(a) All liens for taxes or special assessments levied by the City, County, and State governments, or any political subdivision or special district thereof, and

(b) all liens securing amounts due or to become due under any term contract of sale, or any mortgage, vendor's lien, or deed of trust filed for record, prior to the date payment of any such charges or assessments become due and payable, and

(c) all liens, including, but not limited to, vendor's lien, deeds of trust, and other security instruments which secure any loan made by any lender to an Owner for any part of the purchase price of any Lot and the improvements thereon, if improved, when the same is purchased, or for any part of the cost of construction, repairing, adding to, or remodeling the residence and appurtenances situated on any Lot.

Any foreclosures of any such superior lien under the power of sale of any mortgage, deed of trust, or other security instrument, or through Court proceedings in which the Association has been made a party, shall cut off and extinguish the liens securing maintenance charges or assessments which become due and payable prior to such foreclosure date, but no such foreclosure shall free any Lot from the liens securing assessments thereafter becoming due and payable, nor shall the liability of any Member personally obligated to pay maintenance charges or assessments which become due prior to such foreclosure, be extinguished by any foreclosure.

Section 8. Effect of Non-Payment of Assessment. If any such annual charge or assessment is not paid within fourteen (14) days from the date thereof, the same shall bear interest from the due date until paid at the highest interest rate allowed under the laws of the State of Texas, and, if placed in the hands of an attorney for collection or if suit is brought thereon or if collected through probate or other judicial proceedings, there shall be paid to the Association an additional reasonable amount, but not less than ten (10%) per cent of the amount owing, as attorney's fees. The Association, as a common expense of all Members, may institute and maintain an action at law or in equity against any defaulting Member to enforce collection and/or for foreclosure of the liens against his Lot. All such actions may be instituted and brought in the name of the Association and may be maintained and prosecuted by the Association in a like manner as an action to foreclose the lien of a mortgage or deed of trust on real property.

Section 9. Collection and Enforcement. Each Member, by his assertion of title or claim of ownership or by his acceptance of a deed to a Lot, whether or not it shall be so recited in such deed, shall be conclusively deemed to have expressly vested in the Association, and in its officers and agents, the right, power and authority to take all action which the Association shall deem proper for the collection of assessments and/or for the enforcement and foreclosure of the liens securing the same. The provisions of Chapter 209 of the Property Code of the State of Texas, as amended from time to time, shall be complied with by the Association

ARTICLE VII.

Architectural Control Committee

Section 1. The Committee. The Architectural Control Committee shall have exclusive jurisdiction over all construction on any portion of the Property. The Committee shall prepare and, on behalf of the Board of Directors, shall promulgate design guidelines and application procedures. The standards and procedures shall be those of the Association, and the Committee and the Board jointly shall have sole and full authority to prepare and to amend the standards and

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procedures except that no such amendment shall be construed as requiring the removal or remodeling of any improvements theretofore approved by the Committee. The Committee shall make the standards and procedures available to Owners, buildings, and developers who seek to engage in development of or construction upon all or any portion of the Property. The Committee shall consist of at least three (3), but no more than five (5), persons (who may also be members of the Board of Directors) appointed by the Board of Directors. The Committee shall have exclusive authority over modifications, additions, or alterations made on or to existing Residential Units or structures and the open space, if any, appurtenant thereto. No building, fence, wall, swimming pool, playground equipment, outdoor cooking or eating facility of permanent nature or other structure of any kind shall be commenced or erected, or changed or alteration of the exterior of same made, until the plans and specifications showing the nature, kind, shape, height, materials and locations of the same is submitted to and approved in writing by the Committee.

Section 2. Submission and Approval of Plans. Plans and specifications showing the nature, kind, shape, color, size, materials, and location of all new construction and all modifications, additions, or alterations, shall be submitted to the Committee for approval as to quality of workmanship and design, harmony of external design with existing structures, as to location in relation to surrounding structures, topography, and finish grade elevation, and conformance with the design guidelines and application procedures promulgated under Section 1. No permission or approval shall be required to repaint in accordance with an originally approved color scheme, or to rebuild in accordance with originally approved plans and specifications. Nothing contained herein shall be construed to limit the right of an Owner to remodel the interior of his or her residence, or to paint the interior of his or her residence any color desired

Section 3. Procedure. Each application made for approval shall be accompanied by a fee of one hundred fifty dollars (\$150.00) to defray expenses of the Committee and shall illustrate by plans and specifications all proposed walls, drives, curb cuts, structures, and other matters relevant to architectural approval. If the plans and specifications are approved by the Committee, a Certificate of Compliance shall be issued authorizing construction of the proposed improvements in accordance with the plans and specifications so approved. After the plans for construction have been approved, and the pilings have been set, the Owner or builder shall have a maximum of six (6) months to complete the exterior construction unless the Committee approves a written request from the Owner for an extension of such time limit. Exterior construction shall be deemed complete when the structure or structures have been painted or stained. Final completion of the construction (which shall be deemed complete upon the issuance of a certificate of occupancy from the City of Galveston or other applicable Governmental Authority) shall be completed within twelve (12) months after the plans have been approved, and all construction materials and debris shall be removed from the Property within such twelve (12) month period. Approval by the Committee shall not relieve the Owner from complying with applicable public ordinances or regulations, and is not, nor intended to be, an indication of compliance with any such ordinance or regulations.

Section 4. Clean-up. It shall be the responsibility of the Lot Owner during construction to remove in a timely manner all trash, lumber, and debris of any other description associated with such construction so as to preserve a neat and orderly appearance to his Lot, and, upon completion of construction, to completely remove all remaining construction debris from the Property. If, in the opinion of the Committee, a Lot Owner fails to remove such construction debris in a timely manner, the Committee shall have the option to cause such debris to be removed from the Property, and the cost of such work shall be charged to the Lot Owner and be paid upon demand to the Committee.

Section 5. Adoption of Rules and Regulations. The committee shall have the authority to adopt, and to amend from time to time, such procedural and substantive rules, not in conflict with this Declaration, as it may deem necessary or appropriate for the performance of its duties hereunder.

Section 6. Actions of the Committee. The vote of a Majority of all the members of the Committee shall constitute an act of the Committee. The Committee may, by resolution, unanimously adopted in writing, designate one or two of its members, or an agent acting on its behalf, to take any action or perform any duties for and on behalf of the Committee, except the granting of variances under Section 8.

Section 7. Failure to Act. In the event that plans are submitted to the Committee as provided above, and the Committee shall fail either to approve or reject the plans within forty-five (45) days following the submission of all plans required by the Committee, no approval by the Committee shall be required, and approval of the plans shall be presumed; provided, however, that such 45-day period shall not begin to run until all information required by the Committee to assist the Committee in its view has been received. Any failure of the Committee to act upon a request for a variance, however, shall not be deemed a consent to the variance, and the Committee's written approval of all requests for variances shall be expressly required.

Section 8. Variances. The Committee may grant a variance from compliance with any of the provisions of this Declaration or any supplemental declaration, when the Committee determines, in its sole and absolute discretion, the variance will not be adverse to the overall development plan for the Property, and the variance is justified due to visual or aesthetic considerations or unusual circumstances. All variances must be evidenced in writing and must be signed by at least a majority of the Members of the Committee. The granting of a variance shall not operate to waive or amend any of the terms and provisions of this Declaration or any supplemental declaration for any purpose except as to the particular property and in the particular instance covered by the variance. A variance shall not be considered to establish a precedent for any future waiver, modification, or amendment of the terms and provisions of this Declaration. Requests for variances must be submitted in accordance with Sections 2, 3, and 7 above.

Section 9. No Waiver of Future Approvals. The approval of the Committee to any plans or variance request shall not be deemed a waiver of any right to withhold approval or consent as to any other plans or variance request, or any other matter whatsoever, nor shall the approval or consent be deemed a precedent for future approvals by the Committee.

Section 10. Non-Liability of Committee, Members. Neither the Committee nor any members thereof shall be liable to any Owner or to any other Person for any loss, damage, or

injury arising out of the performance or non-performance of the Committee's rights and duties under this Declaration unless such performance or non-performance is taken (or not taken, as the case may be) in bad faith.

Section 11. Miscellaneous. The Board of Directors shall have the authority and standing, on behalf of the Association, to enforce decisions of the Committee in courts of competent jurisdiction. Nothing contained in this Declaration shall be construed as requiring the removal or re-modeling of any improvements heretofore approved by the Committee under the Declaration.

Section 12. Easements. Easements for the installation and maintenance of utilities, drainage facilities, roads and streets are granted and reserved as shown on the plat. No utility company, water district or other authorized entity or political subdivision using the easements herein referred to shall be liable for any damage done by themselves, their successors, assigns, agents, employees, or servants, to shrubbery, trees or flowers or other property of the owner situated on the land covered by said easements. Developer reserves the right to grant (without the consent of any lot owner) such additional easements as may, in the opinion of Developer, be necessary to properly serve the Subdivision's requirements.

Section 13. Annoyances or Nuisances. No noxious or offensive activity shall be carried on upon any lot, nor shall anything be done thereon which may become an annoyance or nuisance to the neighborhood or to a person of reasonable sensibilities.

ARTICLE VIII.

Other Easements

Section 1. The rights and duties of the Owners of Lots within the Property with respect to sanitary sewer and water, electricity, telephone and cable television lines and drainage facilities shall be governed by the following:

(a) Wherever sanitary sewer house connections and/or water house connections or electricity, or telephone and cable television lines or drainage facilities are installed within the Property, which connection lines or facilities or any portion thereof, lie in or upon Lots owned by the Association or any entity other than the Owner of a Lot served by said connections, lines or facilities, such Owners of Lots served shall have the right, and are hereby granted an easement to the full extent necessary therefore, to enter upon the Lots in or upon which said connections, lines or facilities, or any portion thereof, lie, to repair, replace and generally maintain said connections as and when the same may be necessary as set forth below

(b) Wherever sanitary sewer house connections and/or water house connections or electricity, telephone or cable television lines or drainage facilities are installed within the Property, which connections serve more than one (1) Lot, the Owner of each Lot served by said connections shall be entitled to the full use and enjoyment of such portions of said connections which service his Lot

Section 2. Easements over the Lots and Common Property for the installation and maintenance of electric, telephone, cable television, water, and sanitary sewer lines and drainage facilities within the Easement Property are hereby reserved by Declarant, together with the right to grant and transfer same

Section 3. Public Streets. All Lots within the Subdivision shall abut and have access to a public street. Public street rights-of-way are shown on the Subdivision Plat and Replat

ARTICLE IX.

Utility Bills, Taxes and Insurance

Section 1. Obligations of the Owners.

(a) Each Owner shall have his separate electric, and water meter and shall directly pay at his own cost and expense for all electricity, water, sanitary sewer service, telephone service, cable television and other utilities used or consumed by him on his Lot.

(b) Each Owner shall directly render for taxation his own Lot and improvements thereon, and shall at his own expense and cost directly pay all taxes levied or assessed against or upon his Lot and his improvements and property thereon.

(c) Each Owner shall be responsible at his own cost and expense for his own property insurance and contents of his own residence, and his additions and improvements thereto, including decorations, furnishings and personal property therein; and also for his personal liability not covered by liability insurance for all Owners which may be obtained by the Association as part of the common expense in connection with the Common Property and Residential Units. Each Owner of a Lot shall obtain a policy of liability insurance for matters occurring on his property with minimum coverage amounts of \$100,000.00 and shall deposit a copy of such insurance policy with the Association.

(d) Should the Association not obtain a blanket property insurance policy or policies to insure the Residential Units against the risk of loss or damage by fire or other hazards as are covered under standard extended coverage provisions in accordance with the right of the Association to obtain such insurance coverage or coverages pursuant to Section 2 (c) below, each Owner shall obtain at his own cost such policies of insurance with full insurable replacement cost limits of coverage to assure that his property may be completely rebuilt and refurbished in the case of catastrophe or vandalism. Each Owner shall name the Association as an additional insured, as its interest may appear, and the acceptance by any Grantee of a deed from Declarant or any Owner shall constitute appointment of, and each Owner hereby appoints, the Association attorney-in-fact, to deal with any insurer on behalf of the Owner in the event a catastrophe or vandalism damages a Residential Unit. To the extent the Association is unable to negotiate and collect any insurance proceeds needed to restore any Residential Unit to, as near as possible, the condition which existed prior to the occurrence of the catastrophe or vandalism, each Owner agrees to make the proceeds of any insurance collected available to the Association for the purpose of repair, restoration, or replacement, unless all of the Owners and their mortgagees agree not to rebuild in accordance with the provisions set forth hereinafter:

(1) In the event of damage or destruction due to fire or other disaster, the insurance proceeds, if sufficient to reconstruct the improvement(s), shall be applied by the Association as Attorney-in-Fact, to such reconstruction, and the improvement(s) shall be promptly repaired and reconstructed.

(2) If the insurance proceeds are insufficient to repair and reconstruct the improvement(s), such damage or destruction shall be promptly repaired and reconstructed by the Association, as Attorney-in-Fact, using the proceeds of

insurance and the proceeds of an assessment to be made against the Owner and his Residential Unit. Such deficiency assessment shall be a special assessment made against the Owner's Residential Unit and shall be due and payable within thirty (30) days after written notice thereof. The Association shall have the authority to cause the repair or restoration of the improvements using all of the insurance proceeds for such purpose notwithstanding the failure of an Owner to pay the assessment. The assessment provided for herein shall be a debt of each Owner and a lien on his Residential Unit and may be enforced and collected as is provided in Article VI hereof. In the event that the Association obtains a judgment for the assessment and title to the Residential Unit, the Association shall sell the Residential Unit of any Owner refusing or failing to pay such deficiency of the assessment within the time provided. The proceeds derived from the sale of such Residential Unit shall be used and disbursed by the Association, as Attorney-in-Fact, in the following order.

- (i) For payment of taxes and special assessment liens in favor of any assessing entity;
- (ii) For payment of the balance of the lien of any first mortgage,
- (iii) For payment of unpaid assessments;
- (iv) For payment of junior liens and encumbrances in the order and extent of their priority, and
- (v) The balance remaining, if any, shall be paid to the Residential Unit Owner.

Section 2. Obligation of the Association.

(a) The Association shall pay as a common expense of all Owners, for all water, electricity and other utilities used in connection with the enjoyment and operation of the Common Property or any part thereof. The Association shall maintain the property shown on the Subdivision Plat and Replat as parks, greenbelts, open space, landscape reserves, Wetland and Open Space Reserves, subdivision entrances, and other subdivision amenities not shown or identified on the Subdivision Plat and Replat such as a putting green, nature areas, boardwalk, and gazebo, and shall pay the cost of such maintenance as a common expense of all Owners.

(b) The Association shall render for taxation and, as part of the common expenses of all Owners, shall pay all taxes levied or assessed against or upon the Common Property and the improvements and the property appertaining thereto.

(c) The Association shall have authority to obtain and continue in effect as a common expense of all Owners, a blanket property insurance policy or policies to insure the Residential Units and the structures and facilities in the Common Property and the contents of the Common Property and the Association against the risks of loss or damage by fire and other hazards as are covered under standard extended coverage provisions, in such limits as the Association deems proper, and said insurance may include coverage against vandalism and such other coverage as the Association may deem desirable. The Association shall also have the authority to obtain comprehensive public liability insurance in such limits as it shall deem desirable, insuring the

Association, its Board of Directors, agents and employees and each Owner (if coverage for Owners is available) from and against liability in connection with the Common Property.

(d) All costs, charges and premiums for all utility bills, taxes, and any insurance to be paid by the Association as hereinabove provided shall be paid out of the Maintenance Fund as a common expense of all Owners and shall be a part of the maintenance assessments.

ARTICLE X.

Maintenance and Repairs

Section 1. By the Owners. It shall be the duty, responsibility and the obligation of each Owner at his own cost and expense to care for, maintain and repair the interior of his Residential Unit and improvements on his Lot and the fixtures, appliances, equipment and other appurtenances thereto pertaining. The Association shall have no duty or obligation to any Owner in this regard

Section 2. By the Association. The Association, as a common expense of all Owners, shall perpetually care for, maintain and keep in good repair the exterior of the Residential Unit, the Common Property and all parts thereof, including but not limited to, any entrance structure, and any facilities owned by the Association.

Section 3. Maintenance and Repair Due to Negligence of a Lot Owner. Should it be necessary for the Association to perform maintenance or make repairs to any of the Common Property or to any Residential Unit due solely to the negligence of any Lot Owner or his tenants, guests, or invitees, then the Association shall have the right to charge the particular Lot Owner for the costs incurred by the Association to do such maintenance or repair

ARTICLE XI.

Restrictions of Use

Section 1. Single Family Residential Construction. No building shall be erected, altered or permitted to remain on any single Lot, other than one attached or detached single-family residential dwelling. No such residence shall be constructed on less than the equivalent of one (1) full Lot as defined on the Subdivision Plat and Replat.

Section 2. Commercial Use. No part of the Property, except that portion of the Property shown on the Plat as a Commercial Reserve, shall ever be used or caused to be used or allowed or authorized in any way, directly or indirectly, for any business, commercial, manufacturing, mercantile, storing, vending, or other such non residential purposes.

Section 3. Prohibition of Offensive Activities. No noxious or offensive trade or activity shall be conducted, whether for profit or not, on any Lot. No activity which may become an annoyance or nuisance to the other Owners, or which shall in any way interfere with the quiet enjoyment of each of the Owners of his respective dwelling unit, or which shall in any way increase the rate of insurance, or which will degrade property values, or distract from the aesthetic beauty of the Subdivision, shall be conducted.

Section 4. Temporary Structures. No structures of a temporary character, trailer, tent, shower, garage, barn, construction trailer, or other outbuilding shall be constructed, erected, altered, placed or permitted to remain on any Lot at any time as a residence or other use, either temporarily or permanently except such buildings or structures as may be hereafter permitted.

Section 5. Animal Husbandry. Dogs, cats, or usual and ordinary household pets (excluding horses, livestock, or reptiles, etc.) may be kept in any dwelling unit upon a Lot (not to exceed a total of two (2) pets, provided they are not kept, bred, or maintained for any commercial purpose). Notwithstanding the foregoing, no animals or fowl may be kept on the Property which creates a nuisance or results in any annoyance or are obnoxious to residents' of the Subdivision. All animals shall be leashed at all times and all excrement shall be immediately removed by the animal owner.

Section 6. Parking or Storage of Automobiles, Boats, Trailers, Other Vehicles and Equipment. No motorcycle, moped, boat, boat and trailer, trailer, house trailer, mobile home, recreational vehicle, camper or any other similar transportation vehicle or device shall be parked on any roadway overnight. No such vehicle shall be allowed to be stored within any lot unless within a garage and shielded from view.

No mobile home, trailer, camper, boat, truck larger than a one (1) ton pickup, commercial vehicles, or similar equipment shall be parked or stored permanently or semi-permanently on any street, right-of-way or on driveways. Permanent or semi-permanent storage of such vehicles or items must be kept within a garage. The Board of Directors of the Association may adopt rules for the regulation of the admission and parking of vehicles within the Subdivision and Common Property, including the assessment of charges to Owners who violate, or whose invitees violate, such rules. Under no circumstances may repairs to any vehicles or equipment be made on the Property except when screened from public view within a garage.

Section 7. Visual Screening on Lots. The drying of clothes in public view is prohibited. Similarly, all yard equipment, woodpiles or storage piles shall be kept screened by a service yard or other similar facility as herein otherwise provided, as to conceal them from view from neighboring Lots.

Section 8. Lot Maintenance. The Association shall provide all lawn and landscaping maintenance. All Lots shall be kept at all times in a sanitary, healthful and attractive condition by the Owner and/or occupants and the Owner and/or occupants shall in no event use any Lot for storage of material and equipment except for normal residential requirements or incident to construction of improvements thereon as herein permitted, or permit the accumulation of garbage, trash or rubbish of any kind thereon, and shall not burn any garbage, trash or rubbish. In the event of default on the part of the Owner or occupant of any improved Lot in observing the above requirements, or any of them, such default continuing for ten (10) days after the mailing of written notice thereof to the Owner at the address for the Owner shown on the Association's records, the Declarant, the Association, or its assignee or designee, may, without liability to the Owner or occupant, in trespass or otherwise, enter upon said Lot and cause to be removed such garbage, trash and rubbish, or do any other thing necessary to secure compliance with these restrictions, so as to place said Lot in a neat, attractive, healthful and sanitary condition, and may charge the Owner or occupant, as the case may be, for said services, and the Owner or occupant agrees by the purchase or occupation of the Lot to pay such statement immediately upon receipt thereof. To secure the payment of such charges in the event of nonpayment by the Owner, a vendor's lien is herein and hereby retained against the Property in favor of Declarant or their assignee but inferior to purchase money liens

or mortgages. Such vendor's lien shall be applicable and effective whether mentioned specifically in each deed or conveyance by Declarant or not.

Section 9. Removal of Dirt and Trees. The digging of dirt or the removal of any dirt from any Lot is expressly prohibited except as necessary in conjunction with the landscaping of or construction on such Lot approved in plans submitted to the Association or Committee. No trees shall be cut except to provide room for construction of improvements or to remove dead or unsightly trees.

Section 10. Right of Inspection. During reasonable hours and after reasonable notice, the Association shall have the right to enter upon and inspect the Property or any portion thereof and the exterior portions of improvements thereon for the purpose of ascertaining whether or not the provisions of this Declaration are being complied with and shall not be deemed guilty of trespass by reasons thereof

Section 11. New Construction. All buildings or structures on the Property shall be constructed of new or like new materials. All buildings or structures must be completed within one (1) year of start of construction or such reasonable time thereafter, subject to force majeure. The Contractor shall furnish trash containers and construction and silt fencing at all times, and shall keep the premises free from accumulation of trash and scrap caused by construction. Construction activities shall not take place before noon on Saturdays, Sundays and Holidays. Radios and domestic animals are not allowed on construction sites. During the construction of any improvements, there shall be no pile driving or usage of nail guns on Sundays on the exterior of any improvement. Usage of nail guns on the exterior is also prohibited on Saturday, except between the hours of 10:00 a.m. to 4:00 p.m.

Section 12. Rental of Dwellings. Dwellings may be rented, subject only to rules and regulations established by the Homeowners Association. Rental of such dwellings will only be allowed if managed by a professional rental agency and the Association shall be informed whenever a Residential Unit is rented and shall be provided the names of all tenants.

Section 13. Party Walls.

(a) **General Rules of Law to Apply.** Each wall which is built as a part of the original construction of the homes upon the properties and placed on the dividing line between the lots shall constitute a party wall, and, to the extent not inconsistent with the provisions of this article, the general rules of law regarding party walls and liability for property damage to negligence or willful acts or omissions shall apply thereto.

(b) **Sharing of Repair and Maintenance.** The cost of reasonable repair and maintenance of a party wall shall be shared by the owners who make use of the wall in proportion to such use.

(c) **Destruction by Fire or Other Casualty.** If a party wall is destroyed or damaged by fire or other casualty, any owner who has used the wall may restore it, and if the other owners thereafter make use of the wall, they shall contribute to the cost of restoration thereof in proportion to such use without the cost of prejudice, however, subject to the right of any such owners to call for a larger contribution from the others under any rule of law regarding liability for negligence or willful acts or omissions.

(d) Weatherproofing. Notwithstanding any other provision of this article, an owner who by his negligent or willful act causes the party wall to be exposed to the elements shall bear the whole cost of furnishing the necessary protection against such elements

(e) Right to Contribution Runs with Land. The right of any owner to contribution from any other owner under this article shall be appurtenant to the land and shall pass to such owner's successors in title.

(f) Arbitration. In the event of any dispute arising concerning a party wall, or under the provisions of this article, each party shall choose one arbitrator, and such arbitrators shall choose one additional arbitrator, and the decision shall be by a majority of all arbitrators. If a party refuses to select an arbitrator within ten (10) days after requested so to do, the Board of Directors of the Association shall select an arbitrator for the party refusing to do so.

ARTICLE XII.

General Provisions

Section 1. Enforcement. The Association or any Owner shall have the right to enforce, by any proceedings at law or in equity, all restrictions, conditions, covenants, reservations, liens or charges now or hereafter imposed by the provisions of this Declaration. Failure by the Association or by any Owner to enforce any covenant or restriction herein contained shall in no event be deemed a waiver of the right to do so thereafter

Section 2. Severability. Invalidation of any one of these covenants or restrictions shall in no wise affect any other provisions, which shall remain in full force and effect.

Section 3. Amendment. The covenants and restrictions of this Declaration shall run with and bind the land, for a term of thirty (30) years from the date this Declaration is recorded, after which time they shall be automatically extended for successive periods of ten (10) years. This Declaration may be amended during the first thirty (30) year period by an instrument signed by no less than seventy-five percent (75%) of the Owners, and thereafter by an instrument signed by not less than sixty-seven percent (67%) of the Owners. Any amendment must be recorded to be effective

Section 4. Amendments by Declarant. The Declarant shall have and reserves the right at any time and from time to time, without the joinder or consent of any other party to amend this Declaration by any instrument in writing duly signed, acknowledged, and filed for record for the purpose of correcting any typographical or grammatical error, ambiguity or inconsistency appearing herein, provided that any such amendment shall be consistent with and in furtherance of the general plan and scheme of development as evidenced by the Declaration, and shall not impair or affect the vested property or other rights of any Owner or his mortgagee.

Section 5. Books and Records. The books and records of the Association shall, during reasonable business hours, be subject to reasonable inspection by any member. The Board of Directors may, by resolution, establish rules and regulations governing the frequency of inspection and other matters to the end that inspection of the books and records by any member or members will not become burdensome to nor constitute harassment of the Association. The Declaration, the Articles of Incorporation and the Bylaws of the Association shall be available for inspection by any member at the principal office of the Association where copies may be purchased at reasonable cost.

ARTICLE XIII.

Reservation of Minerals

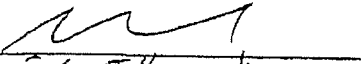
There is hereby excepted from the land encompassed by the boundaries of this Subdivision, and Declarant will hereafter except from all its sales and conveyances of said land, or any part thereof, including the Common Property, all oil, gas and other minerals; however, Declarant hereby waives the right to use the surface of the Property, or any part thereof, for development of oil, gas and other minerals. Such exceptions and such retained rights and reservations shall inure to the benefit of Declarant and their heirs, executors, administrators, successors, and assigns and this waiver of surface rights by Declarant shall be effective even if Declarant fails to so state in any instrument or deed conveying an interest in the Property

IN WITNESS WHEREOF, the undersigned, being the Declarant and the Lienholder, has hereunto set his/her/its hand this 4th day of November, 2004.

CAMPECHE SHORES,
Limited Partnership
BY: CAMPECHE SHORES, INC.,
Its General Partner

By: 
E. SID HOLLIDAY, JR., President

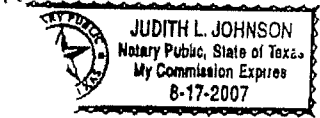
TEXAS FIRST BANK

By: 
Name: J. S. T. Husgar, Jr.
Title: Executive Vice President

THE STATE OF TEXAS §
COUNTY OF GALVESTON §

Before me, the undersigned authority, on this day personally appeared E. SID HOLLIDAY, JR., President of CAMPECHE SHORES, INC., General Partner of CAMPECHE SHORES, LIMITED PARTNERSHIP, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, and in the capacity therein stated

Given under my hand and seal of office this 4th day of November, 2004



Judith L. Johnson
Notary Public in and for the State of Texas

THE STATE OF TEXAS §
COUNTY OF GALVESTON §

Before me, the undersigned authority, on this day personally ^{FIRST} appeared J. Scott Kusnerik, Exec Vice President of TEXAS STATE BANK, a Texas Banking Corporation, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, and in the capacity therein stated.

Given under my hand and seal of office this 4th day of November, 2004.



Dyanthalyn Raven Herd
Notary Public in and for the State of Texas

AFTER RECORDING RETURN TO:

Stephen G. Schulz
Greer, Herz & Adams, LLP
One Moody Plaza, 18th Floor
Galveston, TX 77550

PAID

FILED AND RECORDED
OFFICIAL PUBLIC RECORDS OF REAL PROPERTY

Mary Ann Daigle

2004 NOV 05 08:57 AM 2004073871
RUIZ_AD \$58.00
Mary Ann Daigle, COUNTY CLERK
GALVESTON, TEXAS

**THIRD AMENDMENT TO
DECLARATION
OF COVENANTS, CONDITIONS AND RESTRICTIONS FOR
CAMPECHE SHORES, A SUBDIVISION IN
GALVESTON COUNTY, TEXAS**

WHEREAS, on or about July 1, 2004, CAMPECHE SHORES, LIMITED PARTNERSHIP, a Texas limited partnership (the "Declarant"), and filed under Clerk's File Number 2004044815 in the Official Records of Real Property in Galveston County, Texas the "Declaration of Covenants, Conditions and Restrictions for Campeche Shores, a Subdivision in Galveston County Texas (the "Declaration"); and

WHEREAS, a First Amended Declaration of Covenants, Conditions and Restrictions was filed for record under Clerk's File No. 2004067058 (the "First Amended Declaration"); and

WHEREAS, a Second Amended Declaration of Covenants, Conditions and Restrictions was filed for record under Clerk's File No. 2004073872 in the Official Records of Real Property of Galveston County, Texas; and

WHEREAS, the Declarant retained the right, pursuant to Article XII, Section 4, of the Declaration, the First Amended Declaration, and the Second Amended Declaration, to make and file amendments for the purpose of clarifying any ambiguity or inconsistency appearing in such Declaration; and

WHEREAS, Declarant wishes to clarify the type of policy of insurance which must be provided by each Owner to the Association pursuant to Article IX, Section 1(d) of the Declaration, as previously amended;

NOW, THEREFORE, for Ten Dollars (\$10.00) and other good and valuable consideration, the receipt, adequacy and sufficiency of which is hereby acknowledged the Declaration, First Amended Declaration, and Second Amended Declaration hereby is amended in accordance with the following:

Article IX, Section 1(d) is hereby amended to read as follows:

(d) Should the Association not obtain a blanket property insurance policy or policies to insure the Residential Units against the risk of loss or damage by fire or other hazards as are covered under standard extended coverage provisions in accordance with the right of the Association to obtain such insurance coverage or coverages pursuant to Section 2 (c) below, each Owner shall obtain at his own cost such policies of insurance with full insurable replacement cost limits of coverage, with no co-insurance clause, to assure that his property may be completely rebuilt and refurbished in the case of catastrophe or vandalism. Each Owner shall name the Association as an additional

insured, as its interest may appear, and the acceptance by any Grantee of a deed from Declarant or any Owner shall constitute appointment of, and each Owner hereby appoints, the Association attorney-in-fact, to deal with any insurer on behalf of the Owner in the event a catastrophe or vandalism damages a Residential Unit. To the extent the Association is unable to negotiate and collect any insurance proceeds needed to restore any Residential Unit to, as near as possible, the condition which existed prior to the occurrence of the catastrophe or vandalism, each Owner agrees to make the proceeds of any insurance collected available to the Association for the purpose of repair, restoration, or replacement, unless all of the Owners and their mortgagees agree not to rebuild in accordance with the provisions set forth hereinafter:

(1) In the event of damage or destruction due to fire or other disaster, the insurance proceeds, if sufficient to reconstruct the improvement(s), shall be applied by the Association as Attorney-in-Fact, to such reconstruction, and the improvement(s) shall be promptly repaired and reconstructed.

(2) If the insurance proceeds are insufficient to repair and reconstruct the improvement(s), such damage or destruction shall be promptly repaired and reconstructed by the Association, as Attorney-in-Fact, using the proceeds of insurance and the proceeds of an assessment to be made against the Owner and his Residential Unit. Such deficiency assessment shall be a special assessment made against the Owner's Residential Unit and shall be due and payable within thirty (30) days after written notice thereof. The Association shall have the authority to cause the repair or restoration of the improvements using all of the insurance proceeds for such purpose notwithstanding the failure of an Owner to pay the assessment. The assessment provided for herein shall be a debt of each Owner and a lien on his Residential Unit and may be enforced and collected as is provided in Article VI hereof. In the event that the Association obtains a judgment for the assessment and title to the Residential Unit, the Association shall sell the Residential Unit of any Owner refusing or failing to pay such deficiency of the assessment within the time provided. The proceeds derived from the sale of such Residential Unit shall be used and disbursed by the Association, as Attorney-in-Fact, in the following order.

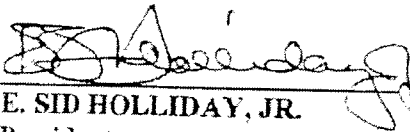
- (i) For payment of taxes and special assessment liens in favor of any assessing entity;
- (ii) For payment of the balance of the lien of any first mortgage;
- (iii) For payment of unpaid assessments;
- (iv) For payment of junior liens and encumbrances in the order and extent of their priority; and
- (v) The balance remaining, if any, shall be paid to the Residential Unit Owner.

IN WITNESS WHEREOF, this Third Amendment to Declaration has been executed as of the 29th day of July, 2005.

DECLARANT

CAMPECHE SHORES, LIMITED
PARTNERSHIP,
A Texas limited partnership

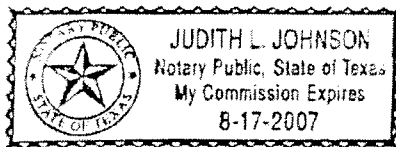
BY: CAMPECHE SHORES, INC.,
A Texas corporation,
Its General Partners

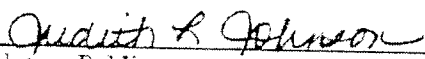
BY: 
E. SID HOLLIDAY, JR.
President

THE STATE OF TEXAS

COUNTY OF GALVESTON

This instrument was acknowledged before me on the 15th day of August, 2005 by E. Sid Holliday, Jr., President of Campeche Shores, Inc., a Texas corporation, as General Partner of Campeche Shores, Limited Partnership, a Texas limited partnership.




Notary Public
State of Texas



**FOURTH AMENDMENT
TO DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS
FOR CAMPECHE SHORES,
A SUBDIVISION IN GALVESTON COUNTY, TEXAS**

On or about July, 1, 2004, Campeche Shores, Limited Partnership, a Texas limited partnership, filed the "Declaration of Covenants, Conditions and Restrictions for Campeche Shores, a Subdivision in Galveston County, Texas," under document number 2004044815 in the real property records of Galveston County, Texas. The First Amended Declaration of Covenants, Conditions and Restrictions was filed on or about October 4, 2004 under document number 2004067058. The Second Amended Declaration of Covenants, Conditions and Restrictions was filed on or about November 5, 2004 under document number 2004073871. The Third Amended Declaration of Covenants, Conditions and Restrictions was filed on or about August 3, 2005 under document number 2005053012.

Article XII, Section 3 Declaration of Covenants, Conditions and Restrictions for Campeche Shores, a Subdivision in Galveston County, Texas, as amended, permits the amendment of said Declaration by means of a document signed by not less than 75% of the Owners of Lots that comprise part of the Property, as such capitalized terms are defined therein, during the first thirty years that such Declaration is in effect.

NOW, THEREFORE, by the signatures hereto of Owners comprising at least 75% of the Owners of Lots comprising part of the Property, and for other good and valuable consideration, the receipt and sufficiency of which hereby are acknowledged, the Declaration, the First Amended Declaration, the Second Amended Declaration, and the Third Amended Declaration hereby are amended as follows:

1. Article X, Maintenance and Repairs, Section 1 hereby is amended to read as follows:

By the Owners. It shall be the duty, responsibility, and the obligation of each Owner at his own cost and expense to care for, maintain, and repair the interior and exterior of his Residential Unit, any and all improvements on his Lot, and the fixtures, appliances, equipment, and other appurtenances thereto pertaining, including without limitation the entire interior and exterior of the building along with all driveways, walkways, decks, patios, and similar structures. The Association shall have no duty or obligation to any Owner in this regard.

2. Article X, Maintenance and Repairs, Section 2 hereby is amended to read as follows:

By the Association. The Association, as a common expense of all Owners, shall perpetually care for, maintain, and keep in good repair the Common Property and all parts thereof, including but not limited to any entrance structure to the Common Property and any facilities owned by the Association. The Association shall perpetually care for, maintain, and keep in good repair the exterior grounds and landscaping throughout the Property, including all Lots. Although the Association may adopt bylaws or other policies concerning landscaping, the decision of the Association concerning the type and style of landscaping on the

Property as a whole or any portion thereof shall be final.

3. Article IX, Utility Bills, Taxes and Insurance, Section 1(c) hereby is amended to read as follows:

Insurance Required. Each Owner shall be responsible at his own cost and expense for his own property insurance and contents of his own residence, and his additions and improvements thereto, including decorations, furnishings and personal property therein; and also for his personal liability not covered by liability insurance for all Owners which may be obtained by the Association as part of the common expense in connection with the Common Property and Residential Units. Each Owner of a Lot shall obtain at his own cost and expense a policy of liability insurance for matters occurring on his property with minimum coverage amounts of \$100,000.00. Each Owner of a Lot shall obtain at his own cost and expense a homeowner's casualty insurance policy with minimum coverage amounts that are sufficient to assure that his property may be completely rebuilt and refurbished in the event of catastrophe, damage, or vandalism. Each Owner of a Lot shall obtain at his own cost and expense a windstorm insurance policy with minimum coverage amounts that are sufficient to assure that his property may be completely rebuilt and refurbished in the event of damage or destruction caused by a windstorm. Each Owner of a Lot shall deposit with the Association a copy of each insurance policy required hereunder at least annually or upon each renewal of such policy.

4. Article IX, Utility Bills, Taxes and Insurance, Section 1(e) hereby is added, which reads as follows:

The Association may adopt bylaws or policies that suspend or otherwise modify the obligation of each Owner to name the Association as an additional insured party on each insurance policy covering each Owner's Lot and Residential Unit. The Association may not adopt any bylaw or policy that excuses any Owner from purchasing and maintaining the required insurance coverage as set forth herein.

5. Article IX, Utility Bills, Taxes and Insurance, Section 1(f) hereby is added, which reads as follows:

Should any Owner fail or refuse to purchase and/or maintain any insurance coverage required hereunder, or to provide timely proof of the existence and coverage of such policies as required hereunder, the Association, upon thirty days written notice to the Owner, may procure for itself one or more insurance policies for such Owner's Lot and/or Residential Unit and name itself as the primary insured party with the Owner as an additional insured. The coverage amount for such policies shall be at least the minimum amounts set forth previously herein. The premiums for such policies shall be assessed against such Owner's

such policies shall be at least the minimum amounts set forth previously herein. The premiums for such policies shall be assessed against such Owner's Residential Unit, and such assessment shall be a debt of each such Owner and a lien against his Residential Unit, enforceable and collectible as provided in Article IV herein.

6. Article IX, Utility Bills, Taxes and Insurance, Section 1(g) hereby is added, which reads as follows:


Nothing stated in this Article IX impairs the right or authority of the Association to obtain one or more blanket policies of insurance as set forth in Section 2(c) below.

7. All other terms and provisions of the Declaration of Covenants, Conditions and Restrictions for Campeche Shores, a Subdivision in Galveston County, Texas, as amended remain in full force and effect.

EXECUTED to be effective as of December 31, 2012.

CAMPECHE SHORES, LIMITED PARTNERSHIP
a Texas limited partnership
(Owner of 29 Lots)

By: CAMPECHE SHORES, INC.
a Texas corporation,
Its General Partner

By: 
Name: John L. Sullivan
Title: President

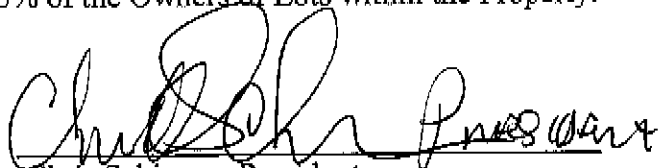
Name: _____
Address: _____

Name: _____
Address: _____

CERTIFICATION AND ACKNOWLEDGEMENT

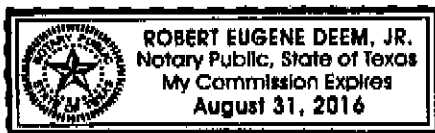
State of Texas §
 §
County of Galveston §

I, Chris Schirmer, President of Campeche Shores Homeowners Association, Inc. hereby certify the foregoing Forth Amendment to Declaration of Covenants, Conditions and Restrictions for Campeche Shores, a Subdivision in Galveston County, Texas was duly adopted by the signatures of at least 75% of the Owners of Lots within the Property.


Chris Schirmer, President

GIVEN UNDER MY HANDS AND SEAL OF OFFICE by Chris Schirmer, President of Campeche Shores Homeowners Association, Inc., a Texas Corporation, on

March 6, 2013



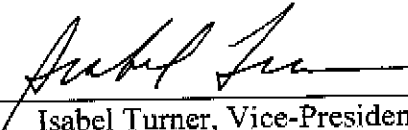

NOTARY PUBLIC, STATE OF TEXAS

My commission expires: Aug 31, 2016

CERTIFICATION AND ACKNOWLEDGEMENT

State of Texas §
 §
County of Galveston §

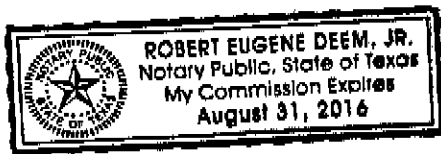
I, Isabel Turner, Vice-President of Campeche Shores Homeowners Association, Inc. hereby certify the foregoing Forth Amendment to Declaration of Covenants, Conditions and Restrictions for Campeche Shores, a Subdivision in Galveston County, Texas was duly adopted by the signatures of at least 75% of the Owners of Lots within the Property.



Isabel Turner, Vice-President

GIVEN UNDER MY HANDS AND SEAL OF OFFICE by Isabel Turner, Vice-President of Campeche Shores Homeowners Association, Inc., a Texas Corporation, on

March 6, _____, 2013






NOTARY PUBLIC, STATE OF TEXAS

My commission expires: August 31, 2016

CERTIFICATION AND ACKNOWLEDGEMENT

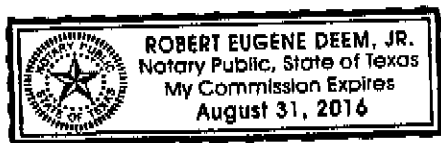
State of Texas §
County of Galveston §

I, Ron Kennon, Secretary/Treasury of Campeche Shores Homeowners Association, Inc. hereby certify the foregoing Forth Amendment to Declaration of Covenants, Conditions and Restrictions for Campeche Shores, a Subdivision in Galveston County, Texas was duly adopted by the signatures of at least 75% of the Owners of Lots within the Property.



Ron Kennon, Secretary/Treasury

GIVEN UNDER MY HANDS AND SEAL OF OFFICE by Ron Kennon, Secretary/Treasury of Campeche Shores Homeowners Association, Inc., a Texas Corporation, on MARCH 6, 2013





NOTARY PUBLIC, STATE OF TEXAS

My commission expires: August 31, 2016

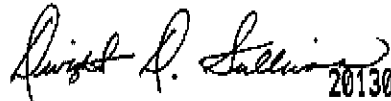
PREPARED IN THE OFFICE OF:
The Law Offices of J. Michael Hughes, PLLC
502 Highway 3 N, Suite C
League City, Texas 77573
Tel: (281) 724-9752
Fax: (281) 724- 9937

After Recording Return To:
J. Michael Hughes, PLLC
502 Highway 3 N, Suite C
League City, Texas 77573



FILED AND RECORDED

OFFICIAL PUBLIC RECORDS


2013024244

April 22, 2013 02:38:31 PM

FEE: \$36.00

Dwight D. Sullivan, County Clerk
Galveston County, TEXAS

PUBLIC IMPROVEMENT DEVELOPMENT AGREEMENT
CAMPECHE SHORES PUBLIC IMPROVEMENT DISTRICT

By and Between:

THE GALVESTON ISLAND REDEVELOPMENT AUTHORITY

and

CAMPECHE SHORES LP

Dated as of June 15, 2005

PUBLIC IMPROVEMENT DEVELOPMENT AGREEMENT
CAMPECHE SHORES PUBLIC IMPROVEMENT DISTRICT

THIS PUBLIC IMPROVEMENT DEVELOPMENT AGREEMENT (hereinafter, as amended from time to time in accordance with its terms, referred to as this "Agreement"), is made by and between the Galveston Island Redevelopment Authority (hereinafter referred to as the "Authority"), a local government corporation created and organized under the provisions of the Texas Transportation Corporation Act, Chapter 431, Transportation Code, and authorized and approved by the City of Galveston, Texas (the "City") under Resolution No. 02-071, acting as administrator and manager of a public improvement district created by the City known as Campeche Shores Public Improvement District (the "District"), and Campeche Shores LP, a Texas limited partnership (hereinafter, together with its successors and assigns, referred to as the "Developer"), dated as of June 15, 2005.

WITNESSETH:

WHEREAS, pursuant to Chapter 372, Texas Local Government Code Code, as amended, (the "Act") the City created the District by Resolution No. 04-029;

WHEREAS, the Developer is the owner of approximately 20.03 acres of land located within the corporate boundaries of the City and within the boundaries of the District that the Developer is desirous of subdividing and developing;

WHEREAS, a preliminary service and assessment plan was presented to the City in connection with the creation of the District pursuant to Resolution No. 04-029, and such preliminary service and assessment plan has since been finalized and is attached hereto as Exhibit "A" (the "Plan"), which Plan details the acquisition, construction, implementation and financing of certain public improvements within the District pursuant to the Plan and in accordance with the Act (the "Public Improvements"), payable from assessments levied against property within the District as more specifically provided for in the Plan;

WHEREAS, the Developer has determined that the value of his Development will be enhanced through the construction of the Public Improvements on behalf of the City in accordance with the provisions of this Agreement;

WHEREAS, the Authority and the Developer wish to agree on the conditions under which the Developer will construct the Public Improvements on behalf of the City and under which the Authority, in its capacity as administrator and manager of public improvement districts in the City, will reimburse the Developer for the costs of creating and operating the District and the costs of constructing the Public Improvements.

NOW, THEREFORE, for and in consideration of the premises and the mutual covenants herein contained, and subject to the conditions herein set forth, the Authority and the Developer agree as follows:

**ARTICLE I
DEFINITIONS AND GENERAL PROVISIONS**

SECTION 1.01 Definitions. The terms “Act,” “Agreement,” “Authority,” “City,” “District,” “Developer,” “Plan,” and “Public Improvements” have the above meanings, and the following terms have the following meanings:

“Administrative Costs” mean all costs paid or incurred by the Authority, the City or the Developer in connection with the administration of this Agreement, the District or the Assessments.

“Assessments” mean the special assessments levied by the City Council of the City on property in the District pursuant to the Plan and in accordance with the Act.

“Chairman of the Authority” means the Chairman of the Board of Directors of the Authority.

“Costs” mean (1) all costs paid or incurred by the Developer in planning, designing, acquiring, constructing, and installing the Public Improvements, as such Public Improvements are authorized by the Act, and obtaining reimbursement therefor, whether before or after the date of this Agreement, including engineering, planning, accounting, architectural, environmental and legal fees and expenses, (2) all costs paid or incurred by the Developer in connection with creation and organization of the District, and (3) all Administrative Costs.

“HOA” means the homeowners’ association to be created by the Developer to serve development within the District.

“Landscaping Public Improvements” mean those Public Improvements not typically maintained by the City, such as sidewalks, curbs, landscaping, fencing, monuments, signage, decorative or security gates, retaining walls and open drainage ditches. Such Landscaping Public Improvements shall be operated and maintained by the Developer or the HOA in accordance with Section 3.06.

“Public Improvement District Fund” means a separate fund established by the City and funded with Assessments.

“Street Drainage and Utility Public Improvements” mean the street, road and paving projects and water, wastewater and drainage projects all as described in the Plan to be developed and conveyed to the City for operation and maintenance in accordance with Section 3.05.

SECTION 1.02 Singular and Plural. Words used herein in the singular shall include the plural, and vice versa, where the context so permits.

SECTION 1.03 Effect of Headings. The Article and Section headings herein are for convenience only and shall not affect the construction or terms hereof.

ARTICLE II
REPRESENTATIONS OF THE PARTIES

SECTION 2.01 Representations of the Authority. The Authority represents to the Developer that:

A. Due Existence: The Authority is duly authorized and existing in good standing under the laws of the State of Texas and is duly qualified and authorized to carry on the functions and operations contemplated by this Agreement.

B. Due Authority; No Contravention: The Authority has the power, authority, and legal right to enter into and perform this Agreement and the execution, delivery, and performance hereof by the Authority have been duly authorized, do not and will not violate any judgment, order, law or regulation applicable to the Authority, and do not and will not constitute a default under, or result in the creation of, any lien, charge, encumbrance, or security interest upon any assets of the Authority under any agreement or instrument to which the Authority is a party or by which the Authority or its assets may be bound or affected.

C. Enforceable Agreement: This Agreement has been duly authorized, executed, and delivered by the Authority and constitutes a legal, valid, and binding obligation of the Authority, enforceable in accordance with its terms.

SECTION 2.02 Representations of the Developer. The Developer represents to the Authority that:

A. Due Qualification: The Developer is a limited partnership duly organized, validly existing, and in good standing under the laws of the state of Texas.

B. Due Authority; No Contravention: The Developer has the legal power, authority, and right to enter into and perform its obligations set forth in this Agreement, and the execution, delivery, and performance hereof have been duly authorized, do not and will not violate any judgment, order, law, or regulation applicable to the Developer or any provisions of the Developer's partnership agreement and do not and will not constitute a default under or result in the creation of any lien, charge, encumbrance, or security interest upon any assets of the Developer under any agreement or instrument to which the Developer is a party or by which the Developer or its assets may be bound or affected.

C. Enforceable Agreement: This Agreement has been duly authorized, executed, and delivered by the Developer and constitutes a legal, valid, and binding obligation of the Developer, enforceable in accordance with its terms.

D. Sufficient Resources: The Developer currently has or will have sufficient capital to perform its obligations under this Agreement at the time it needs to have sufficient capital.

**ARTICLE III
ACQUISITION, INSTALLATION, AND CONSTRUCTION OF
PUBLIC IMPROVEMENTS**

SECTION 3.01 General. The Developer has planned, designed, acquired, installed, and constructed, the Public Improvements. This Agreement does not apply to any Public Improvements not specifically described in the Plan unless this Agreement is amended to provide for the design and construction of additional Public Improvements.

SECTION 3.02 Design. The Developer has caused to be prepared the plans and specifications for the Public Improvements. The Developer shall certify, prior to reimbursement pursuant to the terms of this Agreement, that if a Public Improvement is the type for which the approval of plans and specifications by the City is required by statute, charter, ordinance or resolution, prior to the commencement of construction of such Public Improvement, such plans and specifications were reviewed and approved by the City. The Authority hereby delegates to the Chairman of the Authority the power to review and approve such certification that the Developer obtained such approvals from the City.

SECTION 3.03 Construction of Public Improvements. The Developer shall be responsible for the construction and implementation of the Public Improvements and for the entire costs of the Public Improvements. The Developer will certify, prior to reimbursement pursuant to the terms of this Agreement that the Developer advertised for and awarded construction contracts to the same extent and in the same manner as would be required by statute, charter, ordinance or resolution for similar work carried out by the City in accordance with the competitive bidding procedures attached hereto as Exhibit "B." The Authority hereby delegates to the Chairman of the Authority the power to review and approve such certification that the Developer followed the attached competitive bidding procedures.

SECTION 3.04 Contractor Warranties. The Developer shall ensure that each construction contract for a Street Drainage and Utility Public Improvement provides that the contractor shall provide the Developer with a one-year warranty of the work performed pursuant to such contract. The Developer agrees to enforce such warranties during the warranty period even if the warranty involves work on a Street Drainage and Utility Public Improvement already conveyed to the City pursuant to Section 3.05.

SECTION 3.05 Transfer of Public Improvements. Upon completion of a Street Drainage and Utility Public Improvement, the Developer shall call for inspection of the Street Drainage and Utility Public Improvement by the City and upon approval thereof as being in compliance with the plans and specifications for the Public Improvement, the Street Drainage and Utility Public Improvement shall be conveyed to the City for maintenance and operation, subject only to a lien protecting the right of the Developer to be reimbursed for the Costs with respect thereto.

SECTION 3.06 Dedication of Property. To the extent necessary and appropriate, the Developer agrees to dedicate to the City or the public all necessary easements, rights-of-way and sites needed to construct, operate and maintain Public Improvements. Landscaping Public Improvements are typically not the type of Public Improvement operated and maintained by the

City. Thus, the Developer agrees to operate and maintain the Landscaping Public Improvements until such time as its operation and maintenance obligations are assigned to the HOA.

ARTICLE IV ACCOUNTING FOR AND PAYMENT OF COSTS

SECTION 4.01 Public Improvement District Fund. The Authority has recommended to the City that it establish the Public Improvement District Fund for the District. Each year, following the levy and collection of Assessments, the City shall transfer the amount in the Public Improvement District Fund to a separate Authority fund to be known as the "Campeche Shores Public Improvement District Fund." Such amounts in the Campeche Shores Public Improvement District Fund shall be used by the Authority to pay the Administrative Costs and to reimburse the Developer as provided herein.

SECTION 4.02 Accounting for Costs. The Developer shall provide to the Authority, upon completion of a contract for the construction of a Public Improvement, a final cost summary of all Costs associated with the Public Improvement, together with invoices or such other documentation as the Authority may reasonably request to evidence payment or incurrence of the Costs. Additionally, the Developer must show that all amounts owing to contractors and subcontractors have been paid in full as evidenced by customary affidavits executed by such contractors. The Authority shall review and approve for reimbursement to the Developer each Cost identified in the accounting within 60 days after receipt. If the Authority shall dispute any item in any such accounting, it shall promptly notify the Developer of the basis for the dispute, approve all remaining undisputed items, and allow the Developer a reasonable opportunity to establish its right to reimbursement of the disputed item.

SECTION 4.03 Reimbursement Audit. At such time as funds are available to reimburse all or a portion of the Costs advanced by the Developer, the Authority shall hire a certified public accountant to calculate the amount due to the Developer and prepare and submit a report to the Authority certifying the amount due the Developer for costs advanced and that funds are available for such payment. The Developer agrees to cooperate with the auditor, and for the purposes of the audit, agrees to provide access to all documents and records in the Developer's possession custody or control relating to Costs advanced by the Developer. Such report shall be approved by the Authority, and the expense of such audit shall be an administrative and operating expense of the District.

SECTION 4.04 Payment of Administrative Costs and Obligation to Reimburse the Developer. In consideration for the construction of Public Improvements by the Developer, the Authority shall reimburse the Developer for all Costs of the Public Improvements from the Assessments. The Authority shall make such reimbursement from available funds in the Campeche Shores Public Improvement District Fund upon accounting as provided in Section 4.02 and the approval of the reimbursement audit in accordance with Section 4.03. Such reimbursement shall be subject to the retention by the Authority of a reserve to pay the Administrative Costs of 1% of the Assessments collected during the immediately preceding year, or actual costs, whichever is higher; provided such reserve shall never exceed 15% of Assessments collected during the immediately preceding year. The Administrative Costs of the District are deemed to be an administrative cost under the Plan. The payment of such expenses

shall be on an annual basis from funds available in the Public Improvement District Fund. The Developer, its successors, and assigns shall have no right to payment hereunder out of any funds of the City or the Authority other than the available funds in the Campeche Shores Public Improvement District Fund. The Authority hereby irrevocably pledges the available funds in the Campeche Shores Public Improvement District Fund to the payment of its obligations to the Developer pursuant to the terms of this Agreement. The lien on, and pledge of and rights in and to the available funds in the Campeche Shores Public Improvement District Fund established, made, and granted herein shall constitute a first and senior lien thereon. Such obligations constitute a special obligation of the Authority payable solely from the available funds in the Campeche Shores Public Improvement District Fund as and to the extent provided for in this Agreement. Such obligations to the Developer do not give rise to a charge against the general credit or taxing powers of the Authority or the City.

SECTION 4.05 Ineligible Costs. The Developer shall bear all risk that any of the Costs may be determined to be ineligible under the Act, and the City and the Authority shall not be obligated to reimburse the Developer for any such ineligible Costs. In the event that a Cost is determined to be ineligible under the Act, after the City and the Authority have reimbursed the Developer for the Cost in accordance with this Agreement, the amount of the ineligible Cost reimbursed by the City and the Authority shall be offset against future reimbursements owed to the Developer by the City and the Authority, or, if no further reimbursements are to be made by the City and the Authority, the Developer shall reimburse the City and the Authority for the ineligible Cost reimbursement within 30 days after receipt of an invoice from the City or the Authority.

ARTICLE V INSURANCE, INDEMNIFICATION AND RELEASE

SECTION 5.01 Insurance. The Developer shall maintain insurance coverage as would be required by statute, charter, ordinance or resolution for similar City contracts. Current insurance requirements of the City, as such insurance requirements may subsequently be amended, are attached as Exhibit "C."

SECTION 5.02 INDEMNIFICATION AND RELEASE. THE DEVELOPER SHALL DEFEND, INDEMNIFY, AND HOLD THE CITY AND THE AUTHORITY, THEIR AGENTS, EMPLOYEES, OFFICERS, AND LEGAL REPRESENTATIVES (COLLECTIVELY, THE "INDEMNIFIED PERSONS") HARMLESS FOR ALL CLAIMS, CAUSES OF ACTION, LIABILITIES, FINES, AND EXPENSES (INCLUDING, WITHOUT LIMITATION, ATTORNEYS' FEES, COURT COSTS, AND ALL OTHER DEFENSE COSTS AND INTEREST) FOR INJURY, DEATH, DAMAGE, OR LOSS TO PERSONS OR PROPERTY SUSTAINED IN CONNECTION WITH OR INCIDENTAL TO PERFORMANCE UNDER THIS AGREEMENT, INCLUDING, WITHOUT LIMITATION, THOSE CAUSED BY:

A. THE DEVELOPER'S AND/OR ITS AGENTS', EMPLOYEES', OFFICERS', DIRECTORS', CONTRACTORS', OR SUBCONTRACTORS' (COLLECTIVELY "THE DEVELOPER'S") ACTUAL OR ALLEGED NEGLIGENCE OR INTENTIONAL ACTS OR OMISSIONS;

B. THE INDEMNIFIED PERSONS' AND THE DEVELOPER'S ACTUAL OR ALLEGED CONCURRENT NEGLIGENCE, WHETHER THE DEVELOPER IS IMMUNE FROM LIABILITY OR NOT; AND

C. THE INDEMNIFIED PERSONS' AND THE DEVELOPER'S ACTUAL OR ALLEGED STRICT PRODUCTS LIABILITY OR STRICT STATUTORY LIABILITY, WHETHER THE DEVELOPER IS IMMUNE FROM LIABILITY OR NOT.

THE DEVELOPER SHALL DEFEND, INDEMNIFY, AND HOLD THE INDEMNIFIED PERSONS HARMLESS FOR FIVE YEARS FOLLOWING COMPLETION OF CONSTRUCTION OF EACH PUBLIC IMPROVEMENT.

The Developer shall require all contractors to provide such indemnities to the City and the Authority.

If an Indemnified Person or the Developer receives notice of any claim or circumstance which could give rise to an indemnified loss, the receiving party shall give written notice to the other party within 10 days. The notice must include a description of the indemnification event in reasonable detail, the basis on which indemnification may be due, and the anticipated amount of the indemnified loss. This notice shall not estop or prevent an Indemnified Person from later asserting a different basis for indemnification or a different amount of indemnified loss than that indicated in the initial notice. If an Indemnified Person does not provide this notice within the 10 day period, it does not waive any right to indemnification except to the extent that the Developer is prejudiced, suffers loss, or incurs expense because of the delay.

The Developer shall assume the defense of the claim at its own expense with counsel chosen by it that is reasonably satisfactory to the Indemnified Person. The Developer shall then control the defense and any negotiations to settle the claim. Within 10 days after receiving written notice of the indemnification request, the Developer shall advise the Indemnified Person as to whether or not it will defend the claim. If the Developer does not assume the defense, the Indemnified Person shall assume and control the defense, and all defense expenses incurred by it shall constitute an indemnification loss.

If the Developer elects to defend a claim, the Indemnified Person may retain separate counsel to participate in (but not control) the defense and to participate in (but not control) any settlement negotiations. The Developer may settle the claim without the consent or agreement of the Indemnified Person, unless the settlement (i) would result in injunctive relief or other equitable remedies or otherwise require the Indemnified Person to comply with restrictions or limitations that adversely affect the Indemnified Person, (ii) would require the Indemnified Person to pay amounts that the Developer does not fund in full, or (iii) would not result in the Indemnified Person's full and complete release from all liability to the plaintiffs or claimants who are parties to or otherwise bound by the settlement.

THE DEVELOPER RELEASES EACH INDEMNIFIED PERSON FROM ALL LIABILITY FOR INJURY, DEATH, DAMAGE, OR LOSS TO PERSONS OR PROPERTY SUSTAINED IN CONNECTION WITH OR INCIDENTAL TO

PERFORMANCE UNDER THIS AGREEMENT, EVEN IF THE INJURY, DEATH, DAMAGE, OR LOSS IS CAUSED BY THE INDEMNIFIED PERSON'S SOLE OR CONCURRENT NEGLIGENCE AND/OR THE INDEMNIFIED PERSON'S STRICT PRODUCTS LIABILITY OR STRICT STATUTORY LIABILITY.

THE DEVELOPER SHALL REQUIRE ALL CONTRACTORS ENGAGED BY IT TO CONSTRUCT PUBLIC IMPROVEMENTS (AND THEIR SUBCONTRACTORS) TO RELEASE AND INDEMNIFY THE INDEMNIFIED PERSONS TO THE SAME EXTENT AND IN SUBSTANTIALLY THE SAME FORM AS ITS RELEASE OF AND INDEMNITY TO THE INDEMNIFIED PERSONS HEREUNDER.

ARTICLE VI MISCELLANEOUS

SECTION 6.01 Term and Termination. The term of this Agreement shall commence on the date first above and shall terminate upon the earlier of the expiration of the Plan or the payment of the Costs as provided herein. If the District or the Authority is dissolved, the City shall make satisfactory arrangements to provide for the payment of the obligations hereunder from the Assessments collected.

SECTION 6.02 Default. A party shall be deemed in default under this Agreement if such party fails to materially perform, observe or comply with any of the covenants, agreements or obligations hereunder or breaches or violates any of its representations contained in this Agreement.

Before any failure of any party to perform its obligations under this Agreement shall be deemed to be a breach of this Agreement, the party claiming such failure shall notify, in writing, the party alleged to have failed to perform of the alleged failure and shall demand performance. No breach of this Agreement may be found to have occurred if performance has commenced to the reasonable satisfaction of the complaining party within 30 days of the receipt of such notice (5 days in the case of a monetary default). Upon a breach of this Agreement, the non-defaulting party in State District Court in Galveston County, Texas, by an action or proceeding at law or in equity, may secure the specific performance of the covenants and agreements herein contained. Except as otherwise set forth herein, no action taken by a party pursuant to the provisions of this Section or pursuant to the provisions of any other Section of this Agreement shall be deemed to constitute an election of remedies and all remedies set forth in this Agreement shall be cumulative and non-exclusive of any other remedy either set forth herein or available to any party at law or in equity. Each of the parties shall have the affirmative obligation to mitigate its damages in the event of a default by the other party.

Notwithstanding anything in this Agreement which is or may appear to be to the contrary, if the performance of any covenant or obligation to be performed hereunder by any party is delayed as a result of circumstances which are beyond the reasonable control of such party (which circumstances may include, without limitation, pending or threatened litigation, acts of God, war, acts of civil disobedience, fire or other casualty, shortage of materials, adverse weather conditions such as, by way of illustration and not limitation, severe rain storms or tornadoes, labor action, strikes or similar acts) the time for such performance shall be extended

by the amount of time of such delay. The party claiming delay of performance as a result of any of the foregoing "force majeure" events shall deliver written notice of the commencement of any such delay resulting from such force majeure event not later than seven days after the claiming Party becomes aware of the same, and if the claiming Party fails to so notify the other Party of the occurrence of a "force majeure" event causing such delay, the claiming Party shall not be entitled to avail itself of the provisions for the extension of performance contained in this Section.

In addition to any other right or remedy available to the parties pursuant to this Agreement, in the event of a material breach by a party under this Agreement which continues for 30 days after written notice to the defaulting party thereof and the defaulting party's failure to cure or diligently proceed to cure such breach to the complaining party's reasonable satisfaction, the complaining party shall have the right (but not the obligation), in its sole discretion, to exercise its rights hereunder, with regard to mandamus, specific performance or mandatory permanent injunction to require the defaulting Party to do so.

SECTION 6.03 Amendments and Waivers. Any provision in this Agreement may be amended or waived if such amendment or waiver is in writing and is signed by the Authority and the Developer. No failure by any party hereto to insist upon the strict performance or observance of any obligation hereunder, or to exercise any right or remedy consequent upon a breach thereof, and no acceptance of any payment hereunder, shall constitute a waiver of such obligation or a breach thereof. No waiver of any breach of any obligation shall affect or alter this Agreement or shall be deemed a waiver of any other then existing or subsequent breach hereof.

SECTION 6.04 Rights and Obligations Under this Agreement. Nothing in this Agreement shall confer upon any person, firm, or other entity other than the parties hereto any benefit or any legal or equitable right, remedy, or claim under this Agreement. All obligations hereunder of the parties hereto shall be binding upon their respective successors and assigns from time to time, whether so expressed or not.

SECTION 6.05 Terms of this Agreement Exclusive. The terms and provisions of this Agreement contain the entire agreement between the parties and shall supersede all previous communications, representations, and agreements, either verbal or written, with respect to such matters.

SECTION 6.06 Notices. Any notice or invoice authorized or required by this Agreement to be given to or to be filed with either party hereto shall be deemed to have been sufficiently given or filed for all purposes of this Agreement if and when sent by United States mail, postage prepaid, addressed as follows:

Galveston Island Redevelopment Authority
City of Galveston
823 Rosenberg
Galveston, Texas 77550
Attention: Chair, Board of Directors

Developer
Campeche Shores LP
1027 Tremont
Galveston, Texas 77550
Attention: Sid Holliday, Jr.

with copies to:
Stephen G. Schulz
Greer, Herz & Adams L.L.P.
One Moody Plaza, 18th Floor
Galveston, Texas 77550

Sue Darcy
Knudson & Associates
8588 Katy Freeway, Suite 441
Houston, Texas 77024

Barron Wallace
Vinson & Elkins L.L.P.
First City Tower
1001 Fannin Street, Suite 2300
Houston, Texas 77002-6760

Any party hereto may, by notice sent to the other parties hereto, designate a different address to which notices under this Agreement are to be sent.

SECTION 6.07 Assignments. No party to this Agreement shall have the right to assign its rights or obligations under this Agreement without the prior written consent of the other party. The Authority agrees to provide non-monetary aid and assistance to the Developer in order to facilitate assignments of rights under this agreement needed for the Developer to obtain financing for construction of the Public Improvements.

SECTION 6.08 Governing Law. This Agreement shall be construed in accordance with and governed by the laws of the State of Texas.

SECTION 6.09 Severability. If any provision or application of this Agreement shall be held illegal, invalid, or unenforceable by any court, the invalidity of such provision or application shall not affect or impair any of the remaining provisions and applications hereof.

SECTION 6.10 Venue. The applicable venue for any dispute arising hereunder shall be the appropriate district, county, or justice court in and for Galveston County, Texas.

SECTION 6.11 Entire Agreement. THIS WRITTEN AGREEMENT REPRESENTS THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL

AGREEMENTS BETWEEN THE PARTIES REGARDING THE TERMS OF THIS AGREEMENT.

SECTION 6.12 Developer Operations and Employees. The Developer shall perform its obligations under this Agreement as an independent contractor and not as an employee or agent of the City or the Authority. All personnel supplied or used by the Developer in the performance of its obligations hereunder shall be deemed employees or subcontractors of the Developer and shall not be considered employees, agents, or subcontractors of the City or the Authority for any purpose whatsoever.

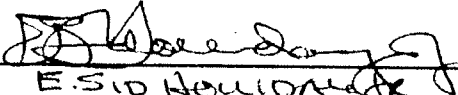
SECTION 6.13 Remedies. Unless otherwise specified elsewhere in this Agreement, the rights and remedies contained in this Agreement are not exclusive, but are cumulative of all rights and remedies which exist now or in the future. No party hereto may terminate its duties under this Agreement except in accordance with its provisions.

SECTION 6.14 Authority's Obligation to Meet with HOA. At such time as the Developer is no longer the owner of more than 50 percent of the appraised value of real property within the District liable for assessment in accordance with the Plan, as such is determined by the then current roll of the Galveston Central Appraisal District, the power of the Developer to amend this Agreement to provide for the design and construction of additional Public Improvements shall pass to, and be exclusively held by the HOA. Additionally, at such time as the Developer is no longer the owner of more than 50 percent of the appraised value of real property within the District liable for assessment in accordance with the Plan, as such is determined by the then current roll of the Galveston Central Appraisal District, the Authority shall become obligated to meet not less than annually with the HOA's duly authorized representative(s) with respect to both amendments to this Agreement and to the Plan.

This Agreement may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one main instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed.

Campeche Shores LP

By: 
Name: E. SID HOULTON
Title: PRESIDENT

GALVESTON ISLAND REDEVELOPMENT
AUTHORITY

By: _____
Name: _____
Title: _____

ATTEST:

By: _____
Name: _____
Title: _____

**Exhibit A
to
Public Improvement
Development Agreement**

SERVICE AND ASSESSMENT PLAN

(See Exhibit A to Ordinance Approving a Service and Assessment Plan for Campeche Shores Public Improvement District; Approving Assessment Rolls; Levying Assessment on Certain Property in the District; and Enacting Other Provisions Relating Thereto, passed and approved by the City of Galveston on April 28, 2005)

**Exhibit B
to
Public Improvement
Development Agreement**

CITY COMPETITIVE BIDDING PROCEDURES

(See attached Ordinance No. 04-050 for City competitive bidding procedures except that where City Manager or City Council approval is required, no such approval is required for purposes of this Agreement)

**Exhibit C
to
Public Improvement
Development Agreement**

CITY INSURANCE REQUIREMENTS

Bidding

ORDINANCE NO. 04-050

New ordinance

Revising sealed bids to
\$25,000 and above

AN ORDINANCE OF THE CITY OF GALVESTON, TEXAS, AMENDING THE CITY OF GALVESTON PURCHASING POLICIES AND PROCEDURES MANUAL TO INCREASE THE PROCUREMENT LEVEL FOR FORMAL COMPETITIVE SEALED BID PROCESS TO TWENTY-FIVE THOUSAND (\$25,000.00) DOLLARS; MAKING VARIOUS FINDINGS AND PROVISIONS RELATED TO THE SUBJECT.

WHEREAS, on November 12, 1998, City Council adopted Ordinance No. 98-107 amending Chapter 2, "Administration" of "The Code of the City of Galveston 1982, as amended" by adopting a "Purchasing Policies and Procedures Manual" ("Purchasing Manual") to provide that all purchasing and bidding shall be done in accordance with policies and procedures set forth in the Manual in accordance with Federal, State, and local law; and,

WHEREAS, the Purchasing Manual provides that if the procurement for a contract reaches ten thousand (\$10,000.00) dollars the City must follow a formal competitive sealed bid process; and,

WHEREAS, State law requires the formal competitive bid sealed process to begin at twenty-five thousand (\$25,000.00) dollars; and,

WHEREAS, Staff recommends increasing the minimum procurement contract level to \$25,000.00 in accordance with State law to expedite procurements and reduce advertising costs; and,

WHEREAS, the City Manager must approve all procurements up to \$15,000.00 and Council must approve all procurements that exceed \$15,000.00; and,

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF GALVESTON, TEXAS:

SECTION 1. The findings and recitations set out in the preamble to this Ordinance are found to be true and correct and they are hereby adopted by the City Council and made a part hereof for all purposes.

SECTION 2. The City Council of the City of Galveston, Texas hereby increases the procurement level for the formal competitive sealed bid process from \$10,000.00 to \$25,000.00 in accordance with State competitive sealed bidding procedures.

SECTION 3. In accordance with "The City Code", Chapter 2, "Administration", Division 7. "Purchasing Agent", Section 2-117, "Purchasing policies and procedures manual", the City Council of the City of Galveston, Texas hereby amends that document entitled "City of Galveston, Texas Purchasing Policies and Procedures Manual" as set forth in "Exhibit A" attached to and incorporated herein for all intents and purposes.

SECTION 4. It is hereby declared to be the intention of the City Council that the sections, paragraphs, sentences, clauses and phrases of this Ordinance are severable and, if any phrase, clause, sentence, paragraph or section of this Ordinance should be declared invalid by the final judgment or decree of any court of competent jurisdiction, such invalidity shall not affect any of the remaining phrases, clauses, sentences, paragraphs and sections of this Ordinance.

SECTION 5. All Ordinances or parts thereof in conflict herewith are repealed to the extent of such conflict only.

SECTION 6. In accordance with the provisions of Sections 12 and 13 of Article II of the City Charter this Ordinance has been publicly available in the office of the City Secretary for not less than 72 hours prior to its adoption; that this Ordinance may be read and published by descriptive caption only.

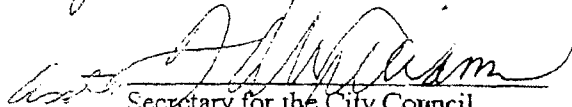
SECTION 7. This Ordinance shall be and become effective from and after its adoption and publication in accordance with the provisions of the Charter of the City of Galveston.

APPROVED AS TO FORM:


SUSIE GREEN
CITY ATTORNEY

I, Barbara S. Lawrence, Secretary of the City Council of the City of Galveston, do hereby certify that the foregoing is a true and correct copy of an Ordinance adopted by the City Council of the City of Galveston at its regular meeting held on the 13th day of May, 2004, as the same appears in records of this office.

IN TESTIMONY WHEREOF I subscribe my name hereto officially under the corporate seal of the City of Galveston this 1st day of June, 2004.


Secretary for the City Council
of the City of Galveston

City of Galveston, Texas
Purchasing Policies and Procedures Manual

IV. GENERAL INFORMATION

The City of Galveston operates under a home rule form of city government. Because of this, The City Charter may be more restrictive than the state law regarding purchasing requirements. Under the City Charter, most purchases for goods or services with a dollar value of what state law requires or greater must be awarded through a sealed bid process. The City Manager must approve the award of the bid for contracting any expenditure up to \$15,000.00, and City Council must approve an award of \$15,001.00 and greater. The state law level of requirement value represents the accumulative annual total for each commodity per vendor.

City departments may purchase goods, supplies, materials, and services if the amount of such expenditure is less than one thousand dollars (\$1,000.00). City departments must obtain written bids on all purchases if they are one thousand dollars (\$1,000.00) and greater, and less than the state law level. Such written bids may be by facsimile. Purchases five thousand dollars (\$5,000.00) and greater require City Manager approval before the purchase is made. Under no normal circumstances will a purchase be made without first obtaining a purchase order number. The Purchasing Division must approve all purchases regardless of the dollar amount and issue purchase order numbers, unless such purchase is pursuant to the emergency purchases procedures set forth in this Purchasing Policies and Procedures Manual at V-c-3 from its Table of Contents. Sealed bids must be obtained for all purchases that the department head estimates to be at least state law level. City Council must award all bids involving such purchases greater than fifteen thousand (\$15,000.00). All bids in which the amount is estimated to be at least state law level must be advertised in the City's official newspaper in accordance with state law guidelines set forth by the City Manager or designee.

All purchases involving federal or state funding shall be made in accordance with applicable federal or state procurement requirements.

City of Galveston, Texas
Purchasing Policies and Procedures Manual

V-a CITY CHARTER

Article VII, Section 17. Purchase Procedure

1. All purchases made by the City, and contracts executed which will require the expenditure of City funds, shall be made pursuant to a requisition from the head of the office or department whose appropriation will be charged. No order shall be given, nor contract made, and neither shall be binding upon the City, unless the Director of Finance shall have certified that there is to the credit of budget appropriation to be charged a sufficient unencumbered balance to pay therefore.
2. It shall be the policy of the City to obtain written competitive bids on purchases or contracts involving the expenditure of City funds, and such bidding shall be required when the amount involved is one thousand dollars (\$1,000.00) or greater. When bids are received the purchase or contract shall be awarded to the lowest and best bid expecting that the City shall reserve the right to reject any and all bids for cause stated. Purchases that are five thousand dollars (\$5,000.00) and greater, require City Manager approval.
3. The Council may by ordinance confer upon the City Manager the power and authority to enter upon purchases and contracts without further action of the Council where the expenditure is provided in the budget and does not exceed fifteen thousand dollars (\$15,000.00). All other expenditures must have the express approval of the Council, in advance.
4. Contracts for supplies, equipment or contractual services to be furnished the City shall only be made upon competitive bidding and the period of such contracts may not exceed thirty-six (36) months unless a longer term, not to exceed sixty (60) months, is approved by five members of City Council.
5. The requirements of competitive bidding shall not extend to contracts for personal or professional services.
6. The requirement of competitive bidding shall not apply to purchases made by public or private auctions if the items purchased do not exceed ten thousand dollars (\$10,000.00) each, and items may be purchased at

such auctions for amounts in excess of fifteen thousand dollars (\$15,000.00) with the prior approval of the Council.

Article XIV, Section 16. Sale of Property

No City property shall be sold or otherwise disposed of without prior approval of the Council. The Council may, by ordinance, give authority to the City Manager for the routine sale or other disposition of personal property without further action by the Council where the value of the property does not exceed one thousand dollars (\$1,000.00) and provided that the sale or disposition is reported the next meeting of the Council.

City of Galveston, Texas
Purchasing Policies and Procedures Manual

V-b CITY CODE

Division 7. Purchasing Supervisor

Section 2-114. Duties and Powers, generally

It shall be the duty of the Purchasing Supervisor to pass upon the requisitions of all heads of departments and officers, agents and employees of the City for all supplies, merchandise and articles of every description needed by them for the use and benefit of the City. He shall contract for and purchase the same in the name of the City.

The City Council of the City of Galveston adopted the Purchasing Policies and Procedures Manual, applicable for all City procurement.

The Purchasing Supervisor shall insure that all City employees involved in the procurement process follow the policies and procedures as stated in the City's Purchasing Policies and Procedures Manual.

City of Galveston, Texas
Purchasing Policies and Procedures Manual

V-c CITY PURCHASING POLICIES AND PROCEDURES

General:

A staff member authorized to make purchases on behalf of the City of Galveston shall determine in his/her best judgment the most appropriate and effective method of acquisition for each assigned requisition(s) or request for purchase. In making this determination, the staff member will have a variety of options to select from; these include GSC State Contracts, CISV vendors, Catalogue Purchase, Cooperative Purchasing Agreements, City of Galveston Contracts, etc. The objective and outcome of the determination is to acquire the product or service, meeting the needs of the user department while ensuring that the method selected for acquisitions achieves: (1) "best value", (2) "conformance to standards of ethical conduct", and (3) compliance with all applicable laws, rules, and regulations.

Purchasing Authority:

Authority to obligate City of Galveston funds for the purchase of supplies, materials, equipment, and services (including repairs and maintenance agreements) has been granted to the City Manager. The primary purchasing document used by the City to secure supplies and/or equipment is the City of Galveston Purchase Order (PO).

Obligations of Funds:

The purchase order represents a binding written agreement between the City and a seller obligating the City to pay for specific goods or services when delivered in accordance with the purchase order terms and conditions. The Purchasing Division issues all purchase orders. **Any other commitments, written or verbal, are considered unauthorized purchases and the individual making the commitment might incur a personal obligation to the vendor.**

1. Requisitioning Process:

Departments shall input requisitions into the on-line requisitioning process for all purchases of materials, supplies, and services they need based on the following criteria:

a. Purchases less than \$1,000.00

The individual buyer may exercise discretionary purchasing and acquisition of such purchases. These purchases will be accomplished through the use of requisitions submitted and issuance of a purchase order from the Purchasing Department.

b. Purchases \$1,000.00 and over but less than state law level

A minimum of three written bids is required. The ordering department may solicit the quotations or leave the responsibility up to the Purchasing Division. The ordering department is still responsible for initiating the requisition. All such purchases require a purchase order issued by the Purchasing Division. All purchases of a value of \$5,000.00 and greater require prior approval of the City Manager. Written bids may be faxed or mailed to the department.

c. Purchases of state law level and Greater

Purchases at state law level and greater require sealed bids, unless exempt by Article VII, section 17(5) of "The City Charter". City Council must approve all bids for purchases \$15,001.00 and over, even if such purchases is exempt from sealed bids. The City's Purchasing Supervisor shall be responsible for soliciting and opening all sealed bids.

d. Department head or designated representative shall ensure that funds are available in the department's budget before requisitions are written and before purchases, are made. Departments shall electronically forward requisitions to Purchasing for review and approval. The Budget Officer shall certify availability of funds before the Purchasing Division issues purchase order numbers.

The Purchasing Division shall approve on-line requisitions and issue purchase order numbers at least twice a day. Employees shall not make any purchases without first obtaining purchase order numbers except under emergency conditions as set forth in Section #3 below.

2. Types of Purchases

a. Sole Source Purchases

Departments shall make sole source purchases in accordance with applicable City, State, and Federal regulations. Departments shall perform price/cost analysis on all federal funded sole source purchases, prior to the purchase, pursuant to FTA Circular 4220.1E, as amended. Departments must justify sole source designation to Purchasing and must obtain approval from Purchasing before a purchase order number is issued authorizing the purchase. Such items may be purchased from a sole source without competitive bidding only after the department head obtains written documentation of the sole source justification.

b. Open Market Purchases

Open market purchases are defined as one-time purchases of materials, supplies or services under one thousand dollars (\$1,000) for a particular purpose specific to the requesting departments needs.

c. Land Acquisitions

Any land or right of way is exempt from the bidding process by state law, if City Council by order grants the exemption.

d. Personal and Professional Services

Personal and Professional Services contracts are exempt from the competitive bidding requirements. However, departments must comply with certain City procedures if federal funds are to be used. These procedures are outlined in the Policy and Procedures for Federally Funded Personal or Professional Services or Third Party Contracts.

Professional Services provided by, or within the scope of services provided by, licensed physicians, optometrists, architects, certified public accountants, registered engineers, appraisers, surveyors, and tax appraisal engineers.

The selection of providers, of professional services, will be based on the competency of the firm or individuals – not on competitive bidding. However, Request for Proposals may be used to determine professional providers as necessary but is not statutorily required.

e. Competitive Bid Purchases

Competitive bid purchases are defined as purchases of materials or services of a value of one thousand dollars (\$1,000) or greater. The City requires three (3) written competitive bids for purchases of one thousand dollars (\$1,000) or greater but less than state law level. Bidders may submit the written bids by facsimile. Departments shall submit a staff report to the City Manager for approval on all purchases over \$5,000.00 before Purchasing shall issue a purchase order number.

Before purchasing or obtaining bids on any goods or services for which the Department estimates costs may exceed the state law level, the Department shall notify the Purchasing Supervisor. The Purchasing Supervisor shall determine applicable federal or state requirements and shall determine the form and manner of obtaining bids. City Council shall approve or reject all bids greater than fifteen thousand dollars (\$15,000). Departments shall not purchase any goods or services greater than fifteen thousand dollars (\$15,000) until and unless City Council awards such bid.

e.1 Competitive Bidding Notice

The Purchasing Supervisor will ensure publication of the legally required notice as outlined in Section 271.025 of the Texas Local Government Code. Bids may be submitted by postal mail or hand delivered to the reception desk of the Purchasing office. Bids are not accepted by fax or e-mail. The bid must be received in the Purchasing office prior to the specific date and time on the bid notice. Only the time stamped by the Purchasing office will determine whether the bid was received on time.

Note If bidders are required to submit a bid bond. The bond shall be in the form of a cashiers check, or surety bond, made payable to the order of the City of Galveston for the sum of not less than five percent (5%) of the bid amount. The Purchasing Supervisor shall deem any bid received without the appropriate bid bond as "non-responsive." The Purchasing Supervisor shall not present a non-responsive bid to City Council for its consideration.

e.2 Lump Sum or Unit Price

Competitive bidding can be let on either a lump sum or unit price basis. If unit price bids are solicited, the approximate quantities specified are estimated on best available information, but the compensation paid the bidder is based on actual quantities purchased. If the bid or proposal submitted for evaluation shows a discrepancy between a unit price and its extended total, the unit price prevails. In the case of conflicting written words and figures, the amount stated in written word governs.

e.3 Receiving Bids and Proposals

Bids will be received by the Purchasing office prior to the opening date and time specified in the bid advertisement, **bids and/or proposals received late will not be considered.** Only the time stamped by the Purchasing office will determine whether the bid is received on time.

e.4 Openings Bids/Proposals

At the specific time, date and place the Purchasing Supervisor will open all sealed bids. The bids will be opened in a public forum with a representative from the Finance Department present. Department representative requesting the purchase is encouraged to attend the witnessing, as well as all vendors. All bids are read aloud and the lump sum pricing for each bid is recorded on a bid tabulation worksheet.

All bidders are required to complete and sign Attachment A, "Property Taxes" pertaining to delinquent property taxes. The Purchasing Supervisor shall deem any and all bids received without Attachment A, completed and signed as "Non-responsive." The Purchasing Supervisor shall not present a non-responsive bid to City Council for its consideration.

All bidders are required to complete and sign Attachment B, "Nepotism" pertaining to the Bidder's relationship to any City official or employee. The Purchasing Supervisor shall deem any and all bids received without Attachment B completed and signed as "non-responsive." The Purchasing Supervisor shall not present a non-responsive bid to City Council for its consideration

Each bid must state the Bidder's name, mailing address and telephone number and be signed and witnessed and must be submitted on the "Bid Sheet" set forth in the Attachment C. A bidder may include additional information in the bidder's proposal; however, the proposal must include all information set forth in the Attachment C. The Purchasing Supervisor shall deem any bid received without a signed and fully completed proposal as "non-responsive." The Purchasing Supervisor shall not present a non-responsive bid to City Council for its consideration

NOTE: Original bids/proposals are property of the City of Galveston after official bid opening.

e.5 Evaluating Bids

City of Galveston reserves the right to reject any and all bids or proposals. The requesting department will, at least thirteen (13) days prior to the City Council award date submit a written recommendation for bid award in the form of a staff letter to the City Manager. The Purchasing Supervisor will verify that the departmental recommendation for award is the lowest bidder meeting specifications prior to the City Manager's approval.

e.6 Evaluating Proposals

In a Request for Proposals (RFP) process, price and other criteria are considered, therefore, the contract award may be to a vendor other than one offering the lowest price.

When the City receives only one bid, the bid may be accepted if, the Purchasing Supervisor, and requesting department recommends such purchase and City Council determines the price is fair and reasonable.

When two or more bids or proposals are evaluated as tied and all objectives considered equal, the bids or proposals will be decided by lot.

e.7 Awarding Bids and Proposals

Bids and proposals are awarded to the lowest and most responsible bidder. In addition to price, the Purchasing Supervisor and requesting department will consider:

- I. The quality of the product
- II. The adaptability of the product to the intended use

III. The ability, experience, integrity, and financial responsibility of the bidder.

City Council during their regular scheduled Thursday meetings awards contracts resulting from the formal competitive sealed bid process. Vendors are welcome (but not required) to attend. Agendas for these meetings are posted on Friday prior to the Thursday Council Workshop, and on Monday prior to the actual City Council Session.

e.8 Change Orders

A change order is required when it becomes necessary to make changes after performance of the contract has commenced. The City Manager is authorized to approve increases or decreases that do not exceed \$15,000. All changes orders that increases or decreases the original contract price by more than \$15,000 require City Council approval. The original contract price may NOT be increased by more than 25%.

Since July 25, 1994, the Federal Transit Administration has approved the City of Galveston procurement system for self-certification of federally funded procurements. The attached FTA Circular 4220.1E details all the requirements for all FTA funded procurements. These procedures are a part of the "City of Galveston Purchasing Policies and Procedures."

3. Issuance of Purchase Orders for Emergency Purchases

If during non-business hours, such as after hours, weekends or holidays, an emergency arises that requires immediate purchase of items or services, the department may make such purchase not in accordance with the policies and procedures set forth in this document. However, the Department **must**, during the next business day, immediately notify Purchasing as to the situation and also write or enter a requisition to obtain a purchase order number for the emergency purchase and forward the requisition to Purchasing immediately.

Definition of Emergency Purchase:

A purchase that is required immediately to remedy a situation that endangers public safety, public health, or a public calamity, or unforeseen damages to public property. **Lack of planning does NOT constitute an emergency.**

4. Receipt of Goods or Services:

After receipt of goods or services, the requisitioning department must enter the receiving information, invoice information, into the Receiving Module. The purchase order number must be reflected in the receiving data. The receiving document copy must be signed by the department head or designated representative and returned to Purchasing immediately upon receipt of the goods or services in accordance with the Purchase Order. This must be done immediately in order to take advantage of any discounts offered by the vendor and to ensure proper accounting.

Purchase Order. This must be done immediately in order to take advantage of any discounts offered by the vendors and to comply with State law.

5. Purchase Order Forms

The Purchase Order form consists of three (3) copies. The first copy or original is the Purchase Order or Vendor copy. The original vendor copy of the Purchase Order is to be mailed out to the vendor at a one thousand (\$1,000) minimum procurement. The second copy is the requisitioning department's copy. The third copy is the Accounting copy, which the Department must sign and return to Purchasing with the invoice when the order is complete.

In order to timely process receiving documents, departments should check their requisition files on a regular basis at least twice a week to determine if the Department has received any orders. If an order is received without an invoice and the department requires a copy of the invoice for departmental files, the department shall send the signed receiving document immediately to Purchasing with a notation requesting a copy of the invoice.

Departments are responsible, clearing all outstanding requisitions, receiving documents, purchase orders that have not been paid and incomplete orders.

6. Cost Analysis

The Cost Analysis procedure for the bid of construction or consumable commodities, as well as the request for proposals for a professional service is performed by the department in house user.

7. Library of Contracts

After all procurement processing is complete and awarded, all procurement files are kept and stored in the office of the Purchasing Supervisor, to include all contracts for construction, professional services and consumable commodities, as well as all purchase orders.

8. Protest Procedures

Any actual or prospective proposer who is allegedly in connection with the solicitation or award of proposal may protest. The protest will be submitted in writing to the City of Galveston's Purchasing Supervisor within seven days after such aggrieved person knows of, or should have known of the facts giving rise thereto. If the protest is not resolved by mutual agreement, the Purchasing Supervisor will promptly issue a decision in writing to the protesters.

All protest lodged by potential or actual bidders, contractors, or proposers must be made in writing and contain the following information:

**Exhibit C
to
Public Improvement
Development Agreement**

CITY INSURANCE REQUIREMENTS

Insurance

~~Bid bonds will be held up to ninety days during any discussions prior to an award. Should discussions require additional time, Bidders will approve in writing an additional thirty days, not to exceed one hundred and twenty days.~~

Performance and payment bonds

Vernon's Texas Civil Acts ("V.T.C.A.") government code chapter 2253 requires a performance bond (for contracts in excess of a \$1000,000) and a payment bond (for contracts in excess of \$25,000) to be provided by the contractor. Each bond required shall be equal to the total contract price and shall be issued by a satisfactory surety company. The bond(s) will remain in full force and effect until final completion and acceptance of the work.

Bonds are made to the City of Galveston. They shall be written on forms provided by the surety for public works projects in Texas. A surety licensed to do business in the State of Texas must execute the bond.

Pricing

~~Bids will be either lump sum or unit prices as shown on the bid sheet. The net price will be that which reflects the goods to be delivered to the City of Galveston, including all freight or shipping charges. The City is tax exempt and no taxes should be included in your bid.~~

Pass-through cost adjustments

~~Except in instances of extreme extenuating circumstances, vendor prices shall remain firm throughout the contract period and any renewal period(s). Examples of extreme extenuating circumstances include such situations as a nationwide rail strike, oil shortage, oil embargo or war.~~

~~In extreme extenuating circumstances vendors may be allowed to temporarily "pass-through" additional costs that they are forced to incur through no fault of their own. A request for a pass through cost increase will not be considered unless a vendor's cost for his product exceeds 10% over the original cost of the product. Also, the increase in cost must be nationwide and consistent for a minimum period of sixty (60) days. If a vendor thinks he/she will be asking for a pass through cost adjustment during the term of his/her contract, then the original cost of his/her product to him/her must be stated in the vendor's original bid.~~

Modification of bids

~~A bidder may modify a bid by letter at any time prior to the submission deadline for receipt of bids. The modification letter must be received prior to the submission deadline. Alterations made before opening time must be initialed by the bidder guaranteeing authenticity. Bids may not be amended or altered after the official opening with the single exception that any product literature and/or supporting data required by the actual specifications will be accepted at any time prior to City Council's consideration of the bid.~~

Award of contract

~~In accordance with State law, if the competitive sealed bidding requirement applies to the contract for goods or services, the contract must be awarded to the lowest most responsive and responsible bidder or to the bidder who provides goods or services at the best value for the municipality.~~

Responsibility

~~The City must decide whether or not the supplier has the strengths to be granted an award. Certain criteria must be met such as: financial stability, capability and capacity. History of past litigation due to lack of performance may be considered but not necessarily used as a determining factor.~~

- ~~1.) Capability may be defined as the ability of a supplier to perform all contractual provisions to an acceptable level.
 - A. Frequency or volume of orders.
 - B. Delivery, quality and quality control systems.
 - C. Product or service expertise.
 - D. Productivity and cycle time.
 - E. Management and employee skills.
 - F. Financial standing.~~
- ~~2.) Capacity may be defined as how many products/services the supplier can produce. Factors to consider are:
 - A. Frequency or volume of orders.
 - B. Delivery or lead time.~~

All protests lodged by potential or actual bidders, contractors, or proposers must be made in writing and contain the following information.

1. Name, address, and telephone number of the protester.
2. Identification of the solicitation or contract number and title.
3. A detailed statement of the protest's legal and factual grounds, including copies of relevant documents.
4. Identification of the issue (s) to be resolved and statement of what relief is requested.
5. Arguments and authorities in support of the protest.
6. A statement that copies of the protest have been mailed or delivered to all interested parties in the invitation to bid or request for proposals process. In the case of request for proposals, the City of Galveston Purchasing Supervisor shall direct the protester to mail or deliver the protest to relevant parties.

The City of Galveston's City Manager has the authority to render the final determination regarding the protest. Any determination rendered by the City of Galveston will be final.

Proof of insurance

The successful bidder agrees to maintain certain types of insurance and bond protection throughout the duration of the project. All insurance policies and bonds are to be issued by an insurance company authorized to do business in the State of Texas, using an insurance company with an A.M. Best rating of a 5 or better. All subcontractors utilized must also comply with these specifications as if they were the winning bidder. Specific details of coverage limits and conditions are to be followed as listed below. Any variance from these requirements must be denoted in writing and included as exceptions to the bid specifications.

Required insurance

Commercial general liability insurance, naming the City of Galveston as an additional insured, and waiving subrogation per the contractual requirements of this project. Limits are to be equal to or greater than:

- \$2,000,000 general liability (includes products and personal, etc.)
- \$1,000,000 fire damage
- \$1,000,000 automobile damage
- \$500,000 workers compensation employers' liability
- Statutory limits for workers compensation
- \$2,000,000 error and omissions

Design and build insurance requirements

When the contractor or his subcontractors are performing certain professional services under this contract, including but not limited to engineering, surveying, and/or architectural services, professional liability will be required. Limits and coverages are to be the greater of the following.

- 1.) Each occurrence liability limits equal to the dollar amount of the contract as awarded to the contractor, with double aggregates, including any subcontractors as so utilized, inserted in the limits shown below in #2 of this section.
- 2.) \$500,000 each claim
\$1,000,000 policy aggregate

This coverage shall name the City of Galveston as additional insured, and include a waiver of subrogation. Coverage shall remain in effect for the entire life of the contract.

Builder's risk

The contractor shall provide builder's risk insurance in the amount of the construction value to include labor and materials. The coverage shall be "All-risk" type with the contractor being the named insured and the City of Galveston being named as additionally insured.

Liquidated damages

The parties agree that, if the Project is not completed within the time specified in section #0050.3 of the bid proposal, plus any extensions of time allowed pursuant thereto, the actual damages sustained by the Owner because of any such delay will be uncertain and difficult of ascertainment, and that the reasonable foreseeable value of the use of said project by the Owner would be the sum of \$ _____ per day. The Contractor therefore agrees to pay, and the Owner agrees to accept, as liquidated damages and

~~not as a penalty, the sum of \$ _____ per day for each day's delay in fully completing said project beyond the time specified in the Contract and any extensions of such time allowed there under.~~

Workers Compensation

The successful proposer shall carry in full force workers compensation policy (ies) for all employees, including but not limited to full-time, part-time, and emergency employees employed by the successful proposer. Current insurance certificates, certifying that such policies as specified above are in full force, shall be presented to the City of Galveston by the successful proposer.

Definitions: workers compensation insurance coverage

1. **Certificate of coverage** - a copy of a certificate of insurance, a certificate of authority to self-insure issued by the commission, or a coverage agreement. TWCC-81, TWCC-82, TWCC-83, or TWCC-84, showing statutory workers' compensation insurance coverage for the person's or entity's employees providing services on a project, for the duration of the project.

2. **Duration of the project** - includes the time from the beginning of the work on the project until the contractor's / person's work on the project has been completed and accepted by the governmental entity.

3. **Persons providing services on the project** ("subcontractor" in article 406.096) Includes all persons or entities performing all or part of the services the contractor has undertaken to perform on the project, regardless of whether that person contracted directly with the contractor and regardless of whether that person has employees. This includes, with limitation, independent contractors, subcontractors, leasing companies, motor carriers, owner-operators, employees of any such entity, or employees of any such entity, which furnishes persons to provide services on the project. "Services" include, without limitation, providing, hauling or delivering equipment or materials, or providing labor, transportation, or other service related to a project. "Services" does not include activities unrelated to the project, such as food/beverage vendors, office supply deliveries, and delivery of portable toilets.

The contractor shall provide coverage, based on proper reporting of classification code and payroll amounts and filing of any coverage agreements, which meets the statutory requirements of Texas labor code, section 401.011(44) for all employees of the contractor providing services on the project, for the duration of the project. The contractor must provide a certificate of coverage to the governmental entity prior to being award the contract.

If the coverage period shown on the contractor's current certificate of coverage ends during the duration of the project, the contractor must, prior to the need of coverage period, file a new certificate of coverage with the governmental entity showing that coverage has been extended.

The contractor shall obtain from each person providing services on a project, and provide to the governmental entity.

1. A certificate of coverage, prior to that person beginning work on the project, so the governmental entity will have on file certificates of coverage showing coverage for all persons providing services on the project; and

2. No later than seven days after receipt by the contractor, a new certificate of coverage showing extension of coverage, if the coverage period shown on the current certificate ends during the duration of the project.

The contractor shall retain all required certificates of coverage for the duration of the project and for one year thereafter.

The contractor shall notify the governmental entity in writing by certified mail or personal delivery, within ten days after the contractor knew or should have known of any change that materially affects the provision of coverage of any person providing services on the project.

The contractor shall post on each project site a notice, in the text, form and manner prescribed by the Texas workers' compensation commission, informing all persons providing services on the project that they are required to be covered, and stating how a person may verify coverage and report lack of coverage.

The contractor shall contractually require each person with whom it contracts to provide services on a project, to:

1. Provide coverage, based on proper reporting of classification codes and payroll amounts and filing of any coverage agreements, which meets the statutory requirements of Texas labor code, section 401.011(44) for all of its employees providing services on the project, for the duration of the project;
2. Provide to the contractor, prior to that person beginning work on the project a certificate showing that coverage is being provided for all employees of the person providing services on the project, for the duration of the project;
3. Provide to the contractor, prior to the end of the coverage, a new certificate of coverage showing extension of coverage, if the coverage period shown on the current certificate ends during the duration of the project;
4. Obtain from each other person with whom it contracts, and to provide to the contractor;
 - A. A certificate of coverage, prior to the other person beginning work on the project; and
 - B. The coverage period, if the coverage period shown on the current certificate of a new certificate of coverage showing extension of coverage, prior to the end of coverage ends during the duration of the project;
5. Retain all inquired certificates of coverage on file for the duration of the project and for one year thereafter;
6. Notify the governmental entity in writing by certified mail or personal delivery, within days after the person knew or should have known, of any change that materially affects the provision of coverage of any person providing services on the project; and
7. Require each person / firm with whom it contracts to perform as required by this invitation to bid, conform to project specifications, and abide by any/all requirements placed on the contractor, and to provide any certificates of coverage to the person/firm for whom they are providing services.

By signing this contract or providing or causing to be provided a certificate of coverage, the contractor is representing to the governmental entity that all employees of the contractor who will provide services on the project will be covered by workers' compensation coverage for the duration of the project, that the coverage will be based on proper reporting of classification codes and payroll amounts, and that all coverage agreements will be filed with the appropriate insurance carrier or, in the case of a self-insured, with the commission's division of self insurance regulation. Providing false or misleading information may subject the contractor to administrative penalties, criminal penalties, or other civil actions.

The contractor's failure to comply with any of these provisions is a breach of contract by the contractor which entitles the governmental entity to declare the contract void if the contractor does not remedy the breach within ten days after receipt of notice of breach from the governmental entity.

Disadvantaged business enterprise requirements

The City of Galveston encourages all disadvantaged business enterprises ("DBE") vendors to participate in all invitations to bid as well as request for proposals and request for qualifications. The City of Galveston has an ordinance, which defines the terms of this DBE (49 cfr 126.5) this is a regulation mandated by the U.S. Department of Transportation. It is the policy of the City of Galveston to ensure that all DBE vendors, as well as women/minority business enterprises have an equal opportunity to receive and participate in all federally funded grants, as well as general operating budgeted projects.

This contract contains a Disadvantage Business Goal of 10%. The contract requires that you submit work schedules and copies of executed sub-contract agreements for your proposed DBE sub-contractors within 30 days of the date of your awarded letter. You are further required to submit monthly reports of your progress toward meeting these goals, on the forms provided in the contract documents. Bidders are hereby informed that Federal or State funds will be used for this procurement and that all their guidelines will be complied with. The bidder certifies by submitting their bid that they are or shall be in full compliance with all of the Federal or State requirements (if any) for this project.

ORDINANCE NO. 05-024

AN ORDINANCE APPROVING A SERVICE AND ASSESSMENT PLAN FOR CAMPECHE SHORES PUBLIC IMPROVEMENT DISTRICT (the "DISTRICT"); APPROVING ASSESSMENT ROLLS; LEVYING ASSESSMENTS ON CERTAIN PROPERTY IN THE DISTRICT; AND ENACTING OTHER PROVISIONS RELATING THERETO.

WHEREAS, a petition was submitted to the governing body of the City of Galveston, Texas (the "City"), pursuant to the Public Improvement District Assessment Act, Chapter 372, Texas Local Government Code, as amended (the "Act"), requesting the creation of the District;

WHEREAS, the petition contained the signature of an owner of property representing more than fifty percent (50%) of the appraised value of taxable real property liable for assessment within the District, as determined by the current tax roll of the Galveston Central Appraisal District, and the signature of a property owner who owns taxable real property that constitutes more than fifty percent (50%) of the area of all taxable real property that is liable for assessment within the District;

WHEREAS, the governing body of the City conducted a hearing on the advisability of creating the District on July 22, 2004, after giving notice of the hearing in accordance with the requirements of the Act;

WHEREAS, on July 22, 2004, the governing body of the City passed and approved Resolution No. 04-029 making certain findings in connection with the District, authorizing the creation of the District, approving and adopting a Preliminary Service and Assessment Plan and making and directing the publication of notice of the authorization and creation of the District;

WHEREAS, notice of the authorization of the District was published in the Galveston County Daily News, a newspaper of general circulation within the City, as required by the Act;

WHEREAS, by Resolution No. 05-012 dated April 14, 2005, the governing body of the City approved and adopted the Proposed Assessment Rolls, directed that the Proposed Assessment Rolls be filed with the Secretary of the governing body of the City for public inspection as required by the Act, directed that a hearing be held on April 28, 2005, at 5:30 p.m. at which time the governing body of the City would consider approving the Service and Assessment Plan and the Proposed Assessment Rolls of the District and the levy of assessments payable at the times and at the rates and in the amounts proposed in the Preliminary Service and Assessment Plan against each parcel of property in the District as set forth in the Proposed Assessment Rolls, and directed the Secretary of the governing body of the City to give notice of the hearing in the manner required by the Act;

WHEREAS, notice of such public hearing on the Service and Assessment Plan and Proposed Assessment Rolls of the District was published in the Galveston County Daily News, a newspaper of general circulation within the City, and mailed to property owners subject to the proposed assessment, as required by the Act;

WHEREAS, the governing body of the City conducted such hearing at 5:30 p.m. on April 28, 2005, at which all persons who appeared, or requested to appear, in person or by their attorney, were given the opportunity to contend for or contest the Preliminary Service and Assessment Plan, the Proposed Assessment Rolls, and each proposed assessment, and offer testimony pertinent to any issue presented on the amount of the assessments, the purpose of the assessments, the special benefit of the assessments, and the penalties and interest on delinquent assessments and the annual installments thereof;

WHEREAS, certain persons appeared in support of the Preliminary Service and Assessment Plan and the levy of assessments as proposed in the Proposed Assessment Rolls;

WHEREAS, the governing body of the City finds and determines that the Service and Assessment Plan should be approved and the assessments which should be levied are substantially as provided in the Proposed Assessment Rolls;

WHEREAS, the governing body of the City further finds that there were no written objections or evidence submitted to the Secretary of the governing body of the City in opposition to the Service and Assessment Plan, the Proposed Assessment Rolls, and the levy of assessments, but there was material submitted in support thereof;

WHEREAS, the governing body of the City closed the hearing, and after considering all evidence presented at the hearing, both written and documentary, and all written comments and statements filed with the City, finds and determines as follows:

- (i) The Preliminary Service and Assessment Plan with the modifications provided in the Service and Assessment Plan attached hereto as Exhibit A should be approved as the Service and Assessment Plan for the District (the "Service and Assessment Plan").
- (ii) The Assessment Rolls in the form attached as Schedule I to the Service and Assessment Plan should be approved as the Assessment Rolls for the District (the "Assessment Rolls").
- (iii) There should be levied and collected in Annual Installments (as hereinafter defined) the Assessments (as hereinafter defined) on the assessable property within the District identified on Schedule I to the Service and Assessment Plan at the rate and in the amounts hereinafter set forth in this Ordinance. The Assessments may be paid in full at any time or may be paid in Annual Installments. Each Assessment may be paid in full at any time by paying the unpaid amount of such Assessment plus any accrued interest and penalties thereon.
- (iv) All of the real property in the District that is being assessed in the amounts shown in the Assessment Rolls will be benefited by the improvements proposed to be provided pursuant to the Service and Assessment Plan, and each such parcel of real property will receive special benefits equal to or greater than the total amount assessed.
- (v) Allocating the cost of improvements as shown in the Service and Assessment Plan according to individual lot results in imposing equal shares of the cost of property similarly benefited and results in a reasonable classification and formula for the apportionment of costs of

the various classes of improvements proposed to be provided in the Service and Assessment Plan to the benefited property within the District.

(vi) The method of apportioning the cost of the improvements to be provided pursuant to the Service and Assessment Plan between the City and the area within the District as provided in the Service and Assessment Plan is fair and reasonable and results in a reasonable and fair classification and formula for apportioning the cost between the City, the District, and the property benefited.

(vii) The provisions relating to due dates and delinquency dates for the Assessments, the Annual Installments, interest on Annual Installments of the Assessments, interest and penalties on delinquent Assessments and delinquent Annual Installments, and procedures in connection with the imposition and collection of Assessments and Annual Installments as set forth in the Service and Assessment Plan should be approved and will expedite collection of the Assessments and Annual Installments in a timely manner in order to provide the improvements for the District.

(viii) A sufficient written notice of the date, hour, place and subject of this meeting of the governing body of the City was posted at a place convenient to the public for the time required by law preceding this meeting, as required by the Open Meetings Act, Chapter 551, Texas Government Code, as amended, and this meeting has been open to the public as required by law at all times during which this Ordinance and the subject matter thereof has been discussed, considered, and formally acted upon;

WHEREAS, the governing body of the City desires to establish a separate fund to which the Assessments will be deposited upon collection by the City, and, within thirty (30) days of such deposit shall be transferred to the Galveston Island Redevelopment Authority (the "Authority"), and the governing body of the City desires to cause the Authority to manage and administer the District and the Assessments derived therefrom;

WHEREAS, the governing body of the City acknowledges that it is appropriate for the Authority to enter into a development agreement with Campeche Shores LP, the developer of land within the District (the "Developer") in the form attached hereto as Exhibit B, in order to cause the Developer to construct public improvements in the District;

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF GALVESTON, TEXAS:

Section 1. Findings.

That the recitals and findings in the preamble of this Ordinance are hereby found and determined to be true and correct.

Section 2. Assessment Plan.

The Service and Assessment Plan, in the form attached hereto as Exhibit A is hereby approved as the Service and Assessment Plan for the District.

Section 3. Assessment Rolls.

The Assessment Rolls included in Schedule I to the Service and Assessment Plan are hereby approved as the Assessment Rolls of the District.

Section 4. Levy of Assessment For Project Costs.

There is hereby levied by the City, as special assessments, total assessments of \$1,764,414 on all of the assessable property within the District identified on Schedule I to the Service and Assessment Plan to pay the Project Costs, as set forth in the Service and Assessment Plan (the "Improvement Assessments"), and to pay any bonds issued to provide funds to pay the Project Costs. The amount of the Assessment hereby levied, as a special assessment, against each parcel of assessable property within the District is set forth in Schedule I to the Service and Assessment Plan. The Assessments shall be effective on the date of the adoption of this Ordinance and are due and payable strictly in accordance with the terms of this Ordinance. The Assessments may be paid immediately or in periodic annual installments (each an "Annual Installment"). The Assessments shall bear interest at the per annum interest rate of five percent (5%) from the effective date of the Assessments until paid, with such interest rate being calculated on the basis of a 360-day year of twelve 30-day months. Each Annual Installment, which shall include the interest on the unpaid amount of the related Assessment, shall be due on December 1 of each year with the first Annual Installment being due on the earlier of the first December 1 after the date a property subject to assessment has been conveyed by the Developer to a purchaser or December 1, 2007, and each subsequent Annual Installment being due on December 1 of each year thereafter with the final Annual Installment due the earlier of 20 years after the first Annual Installment or December 1, 2026. Each Annual Installment shall be delinquent if not paid prior to December 2 of the year such Annual Installment is due. The Annual Installment for each parcel of assessable property within the District shall be as set forth in Schedule I to the Service and Assessment Plan.

Section 5. Prepayment of Assessments For Each Year.

Pursuant to the provisions of Section 372.018(b) of the Act, the Assessment on any parcel identified on Schedule I to the Service and Assessment Plan may be paid in whole or in part at any time by paying the unpaid amount of the Assessment plus the interest accrued or penalties that have been imposed prior to the date of such payment of the unpaid amount of the Assessment.

Section 6. Interest On Delinquent Assessments and Annual Installments.

In addition to any other interest provided for herein, a delinquent Annual Installment will accrue interest at the rate of 1% for each month or portion of a month the Annual Installment remains unpaid after it becomes delinquent.

Section 7. Penalties.

A delinquent Annual Installment incurs a penalty of 6% of the amount of the Annual Installment for the first calendar month or fraction thereof it is delinquent plus 1% for each additional month or fraction thereof the Annual Installment remains unpaid prior to May 1 of the

year following the year in which it becomes delinquent; however, an Annual Installment delinquent on May 1 of the year following the year in which it becomes delinquent incurs a total penalty of 12% of the amount of the delinquent Annual Installment without regard to the number of months the Annual Installment has been delinquent.

Section 8. Additional Penalty.

If an Annual Installment remains delinquent on May 1 in the year following the year in which the Annual Installment became delinquent, there shall be imposed an additional penalty to defray costs of collection if it is necessary for the City to contract with an attorney for the purposes of representing the City in the collection of the delinquent Annual Installment. The additional penalty shall be 20% of the Annual Installment and the penalties and interest on the Annual Installment.

Section 9. No Discounts Or Split Payments.

There shall be no split payment of an Annual Installment or discount for the early payment of an Annual Installment.

Section 10. Lien For Collection Of Assessments.

The Assessments and each Annual Installment, together with interest, penalties, and expense of collection and reasonable attorneys fees, as permitted by the Act, shall be a first and prior lien against the property assessed, superior to all other liens and claims, except liens or claims for state, county, school district, municipal or other ad valorem taxes, and shall be a personal liability of and charge against the owners of the property regardless of whether the owners are named. The lien for Assessments, each Annual Installment and penalties and interest thereon is effective from the date of this Ordinance until the Assessments are fully paid, and shall be enforced by the City in the manner provided by Vernon's Texas Tax Code for collecting ad valorem taxes on real property.

Section 11. Applicability Of Tax Code.

To the extent not inconsistent with this Ordinance, and not inconsistent with the Act or the other laws governing public improvement districts, the provisions of the Texas Tax Code relating to the imposition and collection of ad valorem taxes by the City shall be applicable to the imposition and collection of the Assessments by the City.

Section 12. Foreclosure of Lien and Acceleration of Annual Installments

Any sale of property for nonpayment of the Assessments or an Annual Installment of the Assessment shall be subject to the lien established for the remaining unpaid Annual Installments against such property and such property may again be sold at a judicial foreclosure sale if the purchaser thereof fails to make timely payment of the nondelinquent Assessments or Annual Installments against such property as they become due and payable pursuant to the terms of this Ordinance.

Notwithstanding the foregoing, if a property owner fails to pay an Annual Installment when due, either as to principal or interest, the City shall have the right to accelerate the maturity of the remaining Annual Installments against such property and declare the entire unpaid balance of the Assessment due and payable; provided that the City (i) shall give written notice of the delinquency and of its intent to accelerate the maturity of the remaining unpaid balance of the Assessment, and (ii) no sooner than 15 days thereafter, shall give written notice of acceleration, stating the date on which the total remaining unpaid balance of the Assessment, as so accelerated, shall be due, which date shall be no earlier than the date of such notice of acceleration. All such notices shall be mailed to the owner of the real property against which the delinquent Assessment was levied, as determined from the most recent property tax rolls of the Galveston Central Appraisal District, and any notice so mailed to the address shown on such tax rolls shall be deemed effective, regardless of whether such notice is actually received by the property owner. Upon nonpayment of such accelerated unpaid balance of the Assessment, the City shall have the right to foreclose for such entire unpaid balance of the Assessment.

Section 13. Assessments Due on Sale.

Upon the sale of any lot or parcel within the District, the unpaid balance of the Assessment attributable to such lot or parcel shall be immediately due and payable, together with any unpaid penalties and interest then due for delinquent Assessments or Annual Installments.

Section 14. Public Improvement Fund. The City hereby establishes a separate fund to which the Assessments will be deposited annually upon collection by the City. The City hereby authorizes the Director of Finance for the City to deposit Assessments in such fund, then, within thirty (30) days of receipt of such Assessments, to transfer the Assessments and any interest earned thereon to the Authority for deposit to a separate fund to be established by the Authority in accordance with the Development Agreement attached hereto as Exhibit B. The City further authorizes the Authority to manage and administer such Assessments upon transfer, also in accordance with the Development Agreement attached hereto as Exhibit B. The City also authorizes the Authority to develop such procedures, rules and regulations necessary to ensure the efficient operation of the District.

Section 15. Development Agreement.

The City hereby authorizes the Authority to enter into the Development Agreement, in the form attached hereto as Exhibit B, with the Developer.

Section 16. Severability.

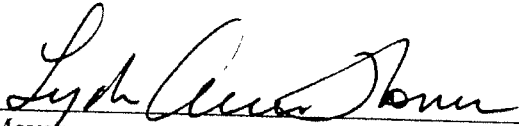
If any provision, section, subsection, sentence, clause, or phrase of this Ordinance, or the application of same to any person or set of circumstances is for any reason held to be unconstitutional, void, or invalid, the validity of the remaining portions of this Ordinance or the application to other persons or sets of circumstances shall not be affected thereby, it being the intent of the governing body of the City in adopting this Ordinance that no portion hereof, or provision or regulation contained herein shall become inoperative or fail by reason of any unconstitutionality, voidness, or invalidity of any other portion hereof, and all provisions of this Ordinance are declared to be severable for that purpose.

Section 17. Effective Date and Termination of the Service and Assessment Plan.

The Service and Assessment Plan shall take effect on the effective date of this Ordinance and shall continue until the Assessments have been paid in full and terminate.

[EXECUTION PAGE FOLLOWS]

Passed and approved this 28th day of April, 2005.



Mayor
City of Galveston, Texas

APPROVED AS TO FORM:



SUSIE M. GREEN
CITY ATTORNEY

I, Barbara S. Lawrence, Secretary of the City Council of the City of Galveston, do hereby certify that the foregoing is a true and correct copy of an Ordinance adopted by the City Council of the City of Galveston at its meeting held on the 28th day of April, 2005, as the same appears in the records of this office.

IN TESTIMONY WHEREOF, I subscribe my name hereto officially under the corporate seal of the City of Galveston this ____ day of _____, 20__.

Secretary for the City Council

EXHIBIT A

SERVICE AND ASSESSMENT PLAN

**Campeche Shores Public Improvement District
Service and Assessment Plan
City of Galveston, Texas**

1. Introduction

This Service and Assessment Plan (the "Plan") is prepared and adopted in conformance with the Public Improvement District Assessment Act, codified as Chapter 372, Texas Local Government Code (the "Act"), and pursuant to Resolution No. 04-029 of the City of Galveston, Texas (the "City"), creating the Campeche Shores Public Improvement District (the "District"). The creation of the District was initiated by a petition submitted to the City by Campeche Shores LP (the "Developer") in compliance with the requirements of Section 372.005 of the Act.

2. Boundaries

The boundaries of the District are as indicated in the Metes and Bounds Description attached as Exhibit "A".

3. Public Improvements

The Public Improvements will serve to promote the development of approximately 60 single-family residential housing units on 20.03 acres. The Public Improvements included in this Plan (the "Public Improvements") will confer a special and equal benefit to properties within the District and consist generally of preparation of the site, the establishment and improvement of parks, landscaping, certain paving items, the construction, acquisition and improvement of water distribution and wastewater collection lines, stormwater drainage facilities, a retaining wall, streets and street lighting, and the establishment, administration and operation costs of the District. The Public Improvements to be constructed will be pre-funded by the Developer.

The Public Improvements authorized under this Plan, and the estimated costs thereof, are described below:

**CAMPECHE SHORES
TOTAL ESTIMATED PROJECT COSTS**

| Category | Category Cost |
|---------------------------------------|----------------------|
| Retaining Wall | 100,000 |
| Fill for area outside of right-of-way | 304,614 |
| Streets | 392,848 |
| Brick Paving | 176,344 |
| Water Distribution System | 150,840 |
| Sanitary Sewer System | 134,471 |
| Storm Sewer | 7,020 |
| Landscape site complete | 300,000 |
| Marsh land walkway and gazebo | 164,450 |
| Street lights | 23,982 |
| Subtotal | \$1,754,569 |
| Contingency (10%) | 175,457 |
| WS&D Engineering (15%) | 289,504 |
| PID Creation Fee | 60,000 |
| TOTAL | \$2,279,530 |

Note: The project costs provided herein are estimates; actual project costs may be higher or lower. The rate of each assessment will be calculated at the time of the levy of each assessment. The City and the Developer recognize that an assessment rate that would fully pay the total actual project costs may be so high as to negatively affect the marketability of the project. Therefore, the Developer may choose to accept partial reimbursement of actual project costs.

4. Construction of Public Improvements

Design and construction of all Public Improvements shall be performed to City specifications, and all construction shall be bid competitively to the same extent and in the same manner as would be required for similar work carried out by the City, as further detailed in the Public Improvement Development Agreement between the Galveston Island Redevelopment Authority (the "Authority") and the Developer (the "Development Agreement"). The Plan will be reviewed annually in accordance with the provisions of Chapter 372 of the Local Government Code and will include a review of the budget estimates, expenditures and revenues of the District. Additionally, the Plan will be reviewed for the purpose of establishing the installments for assessments for Public Improvements based upon actual construction bids for Public Improvements made and the financial needs of the District.

5. Conveyance of Completed Improvements

Upon completion of the Public Improvements, and final inspection and acceptance of the improvements, the Developer may convey all rights to the Public Improvements to the City, subject to the Developer's rights of reimbursement, as described in the Development Agreement.

6. Authorized Public Improvements

The area within the District is planned to be developed as part of the development known as Campeche Shores. It is estimated that the development of Campeche Shores will be accomplished within a year after the infrastructure is complete. This Plan designates the Public Improvements required for the growth and development of the land within the District. The goal of this Plan is to provide sufficient certainty for the owners of land within the District to proceed with the financing and construction of the necessary Public Improvements, while allowing for sufficient flexibility to meet the needs of the District over the life of the development of Campeche Shores.

It is estimated that construction of the Public Improvements authorized herein will be completed during the calendar year 2005. The proposed costs and structure are estimated and may vary. The cost estimates provided below are expressed in calendar year 2005 dollars. The actual costs of the Public Improvements will be determined subject to final engineering and competitive public bid pursuant to the guidelines of the City.

REIMBURSABLE EXPENSES

Public Improvements in the Plan are planned to be completed by the end of calendar year 2005. Improvements will be constructed as dictated by market conditions. Activities shall include construction and supervisory services for improvements detailed below. The following is a list of the Public Improvements planned and estimated reimbursable costs to the Developer:

**CAMPECHE SHORES
ESTIMATED REIMBURSABLE PROJECT COSTS**

| | Category | Reimb. Cost |
|-------------------|---|--------------------|
| Hard Costs | Retaining Wall | 100,000 |
| | Fill for areas outside of rights-of-way | 0 |
| | Streets | 392,848 |
| | Brick Paving | 176,344 |
| | Water Distribution System | 150,840 |
| | Sanitary Sewer System | 134,471 |
| | Storm Sewer | 7,020 |
| | Landscaping (a) | 150,000 |
| | Marsh land nature walkway and gazebo | 0 |
| | Street lights | 23,982 |
| | Contingency (10%) | 113,551 |
| Soft Costs | Engineering (15%) (b) | 187,358 |
| | PID Creation Fee | 60,000 |
| | Total (c) | \$1,496,414 |

Note:

- (a) 50% of landscaping within public rights-of-way. The remainder is non-reimbursable.
- (b) Engineering costs are calculated to include construction costs and contingency
- (c) Annual administrative fees of \$20k for 2004 and 2005 and \$12k for the remainder of the District are collected from the cash flow prior to Developer reimbursement. Total costs shown do not include estimated administrative expenses associated with the District. Those costs are estimated to total \$268,000 and when added to the total estimated project costs bring the estimated reimbursable costs to approximately \$1,764,414.

Note: The rate of each assessment will be calculated at the time of the levy of each assessment. This estimate of reimbursable project costs is based upon the current estimated project costs and a rate of assessment that is acceptable under current market conditions. With changes in market conditions and potential differences between the actual project costs and the current estimated project costs, the Developer may be reimbursed for a greater or lesser portion of the total actual project costs than shown in this chart.

7. Annual Indebtedness

The estimates of annual indebtedness are included in Exhibit B.

8. Advance Financing by Developer

The Developer will advance the funds for construction of the Public Improvements and will be entitled to repayment pursuant to the Development Agreement. Although the Public Improvements are required for the growth and development of the District, it is not necessary for them to be built simultaneously. In addition, it is intended that portions of the District only be assessed for the portion of such Public Improvements that provide benefit to that portion of the District.

9. Apportionment of Costs

In accordance with the Act, a portion of the Public Improvements to be constructed will be paid by assessments (as estimated herein) and the Developer will pay the remaining portion. The City is responsible for assessments against exempt municipal property in the District. Payment of assessments on property owned by exempt jurisdictions other than the City shall be established by contract.

10. Levy of Assessments

The plan of assessment contemplates that the assessment will be levied once the Developer sells the lots. The assessment year shall be concurrent with the City's tax year. The assessments against property may be paid in annual installments based on an amortization of twenty (20) years plus the period between the effective date of the ordinance and the date of the first installment.

The assessment shall be based upon the actual cost of design and construction of the Public Improvements plus the creation, administration, and operation costs of the District. The assessment will be based upon an equal apportionment of the sum of money

per lot. The cost of the Public Improvements will consist of the costs to (1) construct the Public Improvements plus contingencies, planning, and engineering fees, and (2) establishment, administration and operation costs of the District.

The Plan estimates the annual payment per lot to be \$1,470.

Notice of the levy of each assessment will be given as provided in the Act. The assessment levy statement will be sent to each property owner in the District, and the installment of the assessment levy will be due and payable at the same time property taxes are due and payable to the City.

After the City Council takes action to levy assessments, assessments will be calculated from, and the obligation to begin paying assessments shall be on, the earlier of (i) the first December 1 after the date a property subject to assessment has been conveyed by the Developer to a purchaser, or (ii) December 1, 2007. Subsequent installments shall be due at the same time property taxes are due and payable to the City until the assessment together with interest as provided herein has been paid in full. The owner of assessed property may pay at any time the entire assessment then due on each property.

A lien will be established against the land assessed effective as of the date of the City Ordinance levying the assessment, privileged above all other liens, including prior mortgage liens, to the extent allowed by the Act. Assessment installments shall be considered delinquent on the same date as the City's property taxes in the year following the assessment levy. Delinquent assessments or installments shall accrue interest and penalties in the same manner as property taxes as defined by Texas Property Tax Code Sec. 33.01 (a) & (c) and may be subject to the imposition of additional penalties for collection costs as outlined in Section 33.07. If practicable, the assessment may be included on the City property tax statement.

The Assessment Rolls of the District are attached as Schedule I

SCHEDULE I
Assessment Rolls

Campeche Shores
PID Assessment Role

| No. | Account Number ⁽¹⁾ | Property Owner | Legal Description | Annual Assessment | Total Assessment |
|-----|-------------------------------|--------------------|--|-------------------|------------------|
| 1 | | Campeche Shores LP | Survey of Lot One (1) of REPLAT OF CAMPECHE SHORES, a subdivision in Galveston County, Texas according to the map or plat thereof recorded in Volume 2004A, Page 75 and 76, of the Map Records in the Office of the County Clerk of Galveston County, Texas. | \$ 1,470 | \$ 29,400 |
| 2 | | Campeche Shores LP | Survey of Lot Two (2) of REPLAT OF CAMPECHE SHORES, a subdivision in Galveston County, Texas according to the map or plat thereof recorded in Volume 2004A, Page 75 and 76, of the Map Records in the Office of the County Clerk of Galveston County, Texas. | \$ 1,470 | \$ 29,400 |
| 3 | | Campeche Shores LP | Survey of Lot Three (3) of REPLAT OF CAMPECHE SHORES, a subdivision in Galveston County, Texas according to the map or plat thereof recorded in Volume 2004A, Page 75 and 76, of the Map Records in the Office of the County Clerk of Galveston County, Texas. | \$ 1,470 | \$ 29,400 |
| 4 | | Tiny Brown | Survey of Lot Four (4) of REPLAT OF CAMPECHE SHORES, a subdivision in Galveston County, Texas according to the map or plat thereof recorded in Volume 2004A, Page 75 and 76, of the Map Records in the Office of the County Clerk of Galveston County, Texas. | \$ 1,470 | \$ 29,400 |
| 5 | | Campeche Shores LP | Survey of Lot Five (5) of REPLAT OF CAMPECHE SHORES, a subdivision in Galveston County, Texas according to the map or plat thereof recorded in Volume 2004A, Page 75 and 76, of the Map Records in the Office of the County Clerk of Galveston County, Texas. | \$ 1,470 | \$ 29,400 |
| 6 | | Campeche Shores LP | Survey of Lot Six (6) of REPLAT OF CAMPECHE SHORES, a subdivision in Galveston County, Texas according to the map or plat thereof recorded in Volume 2004A, Page 75 and 76, of the Map Records in the Office of the County Clerk of Galveston County, Texas. | \$ 1,470 | \$ 29,400 |
| 7 | | Campeche Shores LP | Survey of Lot Seven (7) of REPLAT OF CAMPECHE SHORES, a subdivision in Galveston County, Texas according to the map or plat thereof recorded in Volume 2004A, Page 75 and 76, of the Map Records in the Office of the County Clerk of Galveston County, Texas. | \$ 1,470 | \$ 29,400 |
| 8 | | Campeche Shores LP | Survey of Lot Eight (8) of REPLAT OF CAMPECHE SHORES, a subdivision in Galveston County, Texas according to the map or plat thereof recorded in Volume 2004A, Page 75 and 76, of the Map Records in the Office of the County Clerk of Galveston County, Texas. | \$ 1,470 | \$ 29,400 |
| 9 | | Campeche Shores LP | Survey of Lot Nine (9) of REPLAT OF CAMPECHE SHORES, a subdivision in Galveston County, Texas according to the map or plat thereof recorded in Volume 2004A, Page 75 and 76, of the Map Records in the Office of the County Clerk of Galveston County, Texas. | \$ 1,470 | \$ 29,400 |
| 10 | | Campeche Shores LP | Survey of Lot Ten (10) of REPLAT OF CAMPECHE SHORES, a subdivision in Galveston County, Texas according to the map or plat thereof recorded in Volume 2004A, Page 75 and 76, of the Map Records in the Office of the County Clerk of Galveston County, Texas. | \$ 1,470 | \$ 29,400 |

Campeche Shores
PID Assessment Role

| No. | Account Number ⁽¹⁾ | Property Owner | Legal Description | Annual Assessment | Total Assessment |
|-----|-------------------------------|--------------------|---|-------------------|------------------|
| 11 | | Campeche Shores LP | Survey of Lot Eleven (11) of REPLAT OF CAMPECHE SHORES, a subdivision in Galveston County, Texas according to the map or plat thereof recorded in Volume 2004A, Page 75 and 76, of the Map Records in the Office of the County Clerk of Galveston County, Texas. | \$ 1,470 | \$ 29,400 |
| 12 | | Campeche Shores LP | Survey of Lot Twelve (12) of REPLAT OF CAMPECHE SHORES, a subdivision in Galveston County, Texas according to the map or plat thereof recorded in Volume 2004A, Page 75 and 76, of the Map Records in the Office of the County Clerk of Galveston County, Texas. | \$ 1,470 | \$ 29,400 |
| 13 | | Campeche Shores LP | Survey of Lot Thirteen (13) of REPLAT OF CAMPECHE SHORES, a subdivision in Galveston County, Texas according to the map or plat thereof recorded in Volume 2004A, Page 75 and 76, of the Map Records in the Office of the County Clerk of Galveston County, Texas. | \$ 1,470 | \$ 29,400 |
| 14 | | Campeche Shores LP | Survey of Lot Fourteen (14) of REPLAT OF CAMPECHE SHORES, a subdivision in Galveston County, Texas according to the map or plat thereof recorded in Volume 2004A, Page 75 and 76, of the Map Records in the Office of the County Clerk of Galveston County, Texas. | \$ 1,470 | \$ 29,400 |
| 15 | | Campeche Shores LP | Survey of Lot Fifteen (15) of REPLAT OF CAMPECHE SHORES, a subdivision in Galveston County, Texas according to the map or plat thereof recorded in Volume 2004A, Page 75 and 76, of the Map Records in the Office of the County Clerk of Galveston County, Texas. | \$ 1,470 | \$ 29,400 |
| 16 | | Campeche Shores LP | Survey of Lot Sixteen (16) of REPLAT OF CAMPECHE SHORES, a subdivision in Galveston County, Texas according to the map or plat thereof recorded in Volume 2004A, Page 75 and 76, of the Map Records in the Office of the County Clerk of Galveston County, Texas. | \$ 1,470 | \$ 29,400 |
| 17 | | Campeche Shores LP | Survey of Lot Seventeen (17) of REPLAT OF CAMPECHE SHORES, a subdivision in Galveston County, Texas according to the map or plat thereof recorded in Volume 2004A, Page 75 and 76, of the Map Records in the Office of the County Clerk of Galveston County, Texas. | \$ 1,470 | \$ 29,400 |
| 18 | | Campeche Shores LP | Survey of Lot Eighteen (18) of REPLAT OF CAMPECHE SHORES, a subdivision in Galveston County, Texas according to the map or plat thereof recorded in Volume 2004A, Page 75 and 76, of the Map Records in the Office of the County Clerk of Galveston County, Texas. | \$ 1,470 | \$ 29,400 |
| 19 | | Campeche Shores LP | Survey of Lot Nineteen (19) of REPLAT OF CAMPECHE SHORES, a subdivision in Galveston County, Texas according to the map or plat thereof recorded in Volume 2004A, Page 75 and 76, of the Map Records in the Office of the County Clerk of Galveston County, Texas. | \$ 1,470 | \$ 29,400 |
| 20 | | Campeche Shores LP | Survey of Lot Twenty (20) of REPLAT OF CAMPECHE SHORES, a subdivision in Galveston County, Texas according to the map or plat thereof recorded in Volume 2004A, Page 75 and 76, of the Map Records in the Office of the County Clerk of Galveston County, Texas. | \$ 1,470 | \$ 29,400 |

Campeche Shores
PID Assessment Role

| No. | Account Number (1) | Property Owner | Legal Description | Annual Assessment | Total Assessment |
|-----|--------------------|--------------------|--|-------------------|------------------|
| 21 | | Campeche Shores LP | Survey of Lot Twenty-One (21) of REPLAT OF CAMPECHE SHORES, a subdivision in Galveston County, Texas according to the map or plat thereof recorded in Volume 2004A, Page 75 and 76, of the Map Records in the Office of the County Clerk of Galveston County, Texas. | \$ 1,470 | \$ 29,400 |
| 22 | | Campeche Shores LP | Survey of Lot Twenty-Two (22) of REPLAT OF CAMPECHE SHORES, a subdivision in Galveston County, Texas according to the map or plat thereof recorded in Volume 2004A, Page 75 and 76, of the Map Records in the Office of the County Clerk of Galveston County, Texas. | \$ 1,470 | \$ 29,400 |
| 23 | | Campeche Shores LP | Survey of Lot Twenty-Three (23) of REPLAT OF CAMPECHE SHORES, a subdivision in Galveston County, Texas according to the map or plat thereof recorded in Volume 2004A, Page 75 and 76, of the Map Records in the Office of the County Clerk of Galveston County, Texas. | \$ 1,470 | \$ 29,400 |
| 24 | | Campeche Shores LP | Survey of Lot Twenty-Four (24) of REPLAT OF CAMPECHE SHORES, a subdivision in Galveston County, Texas according to the map or plat thereof recorded in Volume 2004A, Page 75 and 76, of the Map Records in the Office of the County Clerk of Galveston County, Texas. | \$ 1,470 | \$ 29,400 |
| 25 | | Campeche Shores LP | Survey of Lot Twenty-Five (25) of REPLAT OF CAMPECHE SHORES, a subdivision in Galveston County, Texas according to the map or plat thereof recorded in Volume 2004A, Page 75 and 76, of the Map Records in the Office of the County Clerk of Galveston County, Texas. | \$ 1,470 | \$ 29,400 |
| 26 | | Campeche Shores LP | Survey of Lot Twenty-Six (26) of REPLAT OF CAMPECHE SHORES, a subdivision in Galveston County, Texas according to the map or plat thereof recorded in Volume 2004A, Page 75 and 76, of the Map Records in the Office of the County Clerk of Galveston County, Texas. | \$ 1,470 | \$ 29,400 |
| 27 | | Campeche Shores LP | Survey of Lot Twenty-Seven (27) of REPLAT OF CAMPECHE SHORES, a subdivision in Galveston County, Texas according to the map or plat thereof recorded in Volume 2004A, Page 75 and 76, of the Map Records in the Office of the County Clerk of Galveston County, Texas. | \$ 1,470 | \$ 29,400 |
| 28 | | Campeche Shores LP | Survey of Lot Twenty-Eight (28) of REPLAT OF CAMPECHE SHORES, a subdivision in Galveston County, Texas according to the map or plat thereof recorded in Volume 2004A, Page 75 and 76, of the Map Records in the Office of the County Clerk of Galveston County, Texas. | \$ 1,470 | \$ 29,400 |
| 29 | | Campeche Shores LP | Survey of Lot Twenty-Nine (29) of REPLAT OF CAMPECHE SHORES, a subdivision in Galveston County, Texas according to the map or plat thereof recorded in Volume 2004A, Page 75 and 76, of the Map Records in the Office of the County Clerk of Galveston County, Texas. | \$ 1,470 | \$ 29,400 |
| 30 | | Campeche Shores LP | Survey of Lot Thirty (30) of REPLAT OF CAMPECHE SHORES, a subdivision in Galveston County, Texas according to the map or plat thereof recorded in Volume 2004A, Page 75 and 76, of the Map Records in the Office of the County Clerk of Galveston County, Texas. | \$ 1,470 | \$ 29,400 |

Campeche Shores
PID Assessment Role

| No. | Account Number ⁽¹⁾ | Property Owner | Legal Description | Assessment | |
|-----|-------------------------------|--------------------|--|------------|-----------|
| | | | | Annual | Total |
| 31 | | Campeche Shores LP | Survey of Lot Thirty-One (31) of REPLAT OF CAMPECHE SHORES, a subdivision in Galveston County, Texas according to the map or plat thereof recorded in Volume 2004A, Page 75 and 76, of the Map Records in the Office of the County Clerk of Galveston County, Texas. | \$ 1,470 | \$ 29,400 |
| 32 | | Campeche Shores LP | Survey of Lot Thirty-Two (32) of REPLAT OF CAMPECHE SHORES, a subdivision in Galveston County, Texas according to the map or plat thereof recorded in Volume 2004A, Page 75 and 76, of the Map Records in the Office of the County Clerk of Galveston County, Texas. | \$ 1,470 | \$ 29,400 |
| 33 | | Campeche Shores LP | Survey of Lot Thirty-Three (33) of REPLAT OF CAMPECHE SHORES, a subdivision in Galveston County, Texas according to the map or plat thereof recorded in Volume 2004A, Page 75 and 76, of the Map Records in the Office of the County Clerk of Galveston County, Texas. | \$ 1,470 | \$ 29,400 |
| 34 | | Campeche Shores LP | Survey of Lot Thirty-Four (34) of REPLAT OF CAMPECHE SHORES, a subdivision in Galveston County, Texas according to the map or plat thereof recorded in Volume 2004A, Page 75 and 76, of the Map Records in the Office of the County Clerk of Galveston County, Texas. | \$ 1,470 | \$ 29,400 |
| 35 | | Campeche Shores LP | Survey of Lot Thirty-Five (35) of REPLAT OF CAMPECHE SHORES, a subdivision in Galveston County, Texas according to the map or plat thereof recorded in Volume 2004A, Page 75 and 76, of the Map Records in the Office of the County Clerk of Galveston County, Texas. | \$ 1,470 | \$ 29,400 |
| 36 | | Campeche Shores LP | Survey of Lot Thirty-Six (36) of REPLAT OF CAMPECHE SHORES, a subdivision in Galveston County, Texas according to the map or plat thereof recorded in Volume 2004A, Page 75 and 76, of the Map Records in the Office of the County Clerk of Galveston County, Texas. | \$ 1,470 | \$ 29,400 |
| 37 | | Ronald L. Kennon | Survey of Lot Thirty-Seven (37) of REPLAT OF CAMPECHE SHORES, a subdivision in Galveston County, Texas according to the map or plat thereof recorded in Volume 2004A, Page 75 and 76, of the Map Records in the Office of the County Clerk of Galveston County, Texas. | \$ 1,470 | \$ 29,400 |
| 38 | | Campeche Shores LP | Survey of Lot Thirty-Eight (38) of REPLAT OF CAMPECHE SHORES, a subdivision in Galveston County, Texas according to the map or plat thereof recorded in Volume 2004A, Page 75 and 76, of the Map Records in the Office of the County Clerk of Galveston County, Texas. | \$ 1,470 | \$ 29,400 |
| 39 | | Campeche Shores LP | Survey of Lot Thirty-Nine (39) of REPLAT OF CAMPECHE SHORES, a subdivision in Galveston County, Texas according to the map or plat thereof recorded in Volume 2004A, Page 75 and 76, of the Map Records in the Office of the County Clerk of Galveston County, Texas. | \$ 1,470 | \$ 29,400 |
| 40 | | Campeche Shores LP | Survey of Lot Forty (40) of REPLAT OF CAMPECHE SHORES, a subdivision in Galveston County, Texas according to the map or plat thereof recorded in Volume 2004A, Page 75 and 76, of the Map Records in the Office of the County Clerk of Galveston County, Texas. | \$ 1,470 | \$ 29,400 |

Campeche Shores
PID Assessment Role

| No. | Account Number (1) | Property Owner | Legal Description | Annual Assessment | Total Assessment |
|-----|--------------------|--------------------|---|-------------------|------------------|
| 41 | | Campeche Shores LP | Survey of Lot Forty-One (41) of REPLAT OF CAMPECHE SHORES, a subdivision in Galveston County, Texas according to the map or plat thereof recorded in Volume 2004A, Page 75 and 76, of the Map Records in the Office of the County Clerk of Galveston County, Texas. | \$ 1,470 | \$ 29,400 |
| 42 | | Campeche Shores LP | Survey of Lot Forty-Two (42) of REPLAT OF CAMPECHE SHORES, a subdivision in Galveston County, Texas according to the map or plat thereof recorded in Volume 2004A, Page 75 and 76, of the Map Records in the Office of the County Clerk of Galveston County, Texas. | \$ 1,470 | \$ 29,400 |
| 43 | | Campeche Shores LP | Survey of Lot Forty-Three (43) of REPLAT OF CAMPECHE SHORES, a subdivision in Galveston County, Texas according to the map or plat thereof recorded in Volume 2004A, Page 75 and 76, of the Map Records in the Office of the County Clerk of Galveston County, Texas. | \$ 1,470 | \$ 29,400 |
| 44 | | Campeche Shores LP | Survey of Lot Forty-Four (44) of REPLAT OF CAMPECHE SHORES, a subdivision in Galveston County, Texas according to the map or plat thereof recorded in Volume 2004A, Page 75 and 76, of the Map Records in the Office of the County Clerk of Galveston County, Texas. | \$ 1,470 | \$ 29,400 |
| 45 | | Jack G. Barry | Survey of Lot Forty-Five (45) of REPLAT OF CAMPECHE SHORES, a subdivision in Galveston County, Texas according to the map or plat thereof recorded in Volume 2004A, Page 75 and 76, of the Map Records in the Office of the County Clerk of Galveston County, Texas. | \$ 1,470 | \$ 29,400 |
| 46 | | Brad Wall | Survey of Lot Forty-Six (46) of REPLAT OF CAMPECHE SHORES, a subdivision in Galveston County, Texas according to the map or plat thereof recorded in Volume 2004A, Page 75 and 76, of the Map Records in the Office of the County Clerk of Galveston County, Texas. | \$ 1,470 | \$ 29,400 |
| 47 | | Campeche Shores LP | Survey of Lot Forty-Seven (47) of REPLAT OF CAMPECHE SHORES, a subdivision in Galveston County, Texas according to the map or plat thereof recorded in Volume 2004A, Page 75 and 76, of the Map Records in the Office of the County Clerk of Galveston County, Texas. | \$ 1,470 | \$ 29,400 |
| 48 | | Campeche Shores LP | Survey of Lot Forty-Eight (48) of REPLAT OF CAMPECHE SHORES, a subdivision in Galveston County, Texas according to the map or plat thereof recorded in Volume 2004A, Page 75 and 76, of the Map Records in the Office of the County Clerk of Galveston County, Texas. | \$ 1,470 | \$ 29,400 |
| 49 | | Campeche Shores LP | Survey of Lot Forty-Nine (49) of REPLAT OF CAMPECHE SHORES, a subdivision in Galveston County, Texas according to the map or plat thereof recorded in Volume 2004A, Page 75 and 76, of the Map Records in the Office of the County Clerk of Galveston County, Texas. | \$ 1,470 | \$ 29,400 |
| 50 | | Campeche Shores LP | Survey of Lot Fifty (50) of REPLAT OF CAMPECHE SHORES, a subdivision in Galveston County, Texas according to the map or plat thereof recorded in Volume 2004A, Page 75 and 76, of the Map Records in the Office of the County Clerk of Galveston County, Texas. | \$ 1,470 | \$ 29,400 |

Campeche Shores
PID Assessment Role

| No. | Account Number ⁽¹⁾ | Property Owner | Legal Description | Annual | | Total |
|-----|-------------------------------|--------------------|---|------------|------------|-----------|
| | | | | Assessment | Assessment | |
| 51 | | Campeche Shores LP | Survey of Lot Fifty-One (51) of REPLAT OF CAMPECHE SHORES, a subdivision in Galveston County, Texas according to the map or plat thereof recorded in Volume 2004A, Page 75 and 76, of the Map Records in the Office of the County Clerk of Galveston County, Texas. | \$ 1,470 | \$ | \$ 29,400 |
| 52 | | Campeche Shores LP | Survey of Lot Fifty-Two (52) of REPLAT OF CAMPECHE SHORES, a subdivision in Galveston County, Texas according to the map or plat thereof recorded in Volume 2004A, Page 75 and 76, of the Map Records in the Office of the County Clerk of Galveston County, Texas. | \$ 1,470 | \$ | \$ 29,400 |
| 53 | | Campeche Shores LP | Survey of Lot Fifty-Three (53) of REPLAT OF CAMPECHE SHORES, a subdivision in Galveston County, Texas according to the map or plat thereof recorded in Volume 2004A, Page 75 and 76, of the Map Records in the Office of the County Clerk of Galveston County, Texas. | \$ 1,470 | \$ | \$ 29,400 |
| 54 | | Campeche Shores LP | Survey of Lot Fifty-Four (54) of REPLAT OF CAMPECHE SHORES, a subdivision in Galveston County, Texas according to the map or plat thereof recorded in Volume 2004A, Page 75 and 76, of the Map Records in the Office of the County Clerk of Galveston County, Texas. | \$ 1,470 | \$ | \$ 29,400 |
| 55 | | Campeche Shores LP | Survey of Lot Fifty-Five (55) of REPLAT OF CAMPECHE SHORES, a subdivision in Galveston County, Texas according to the map or plat thereof recorded in Volume 2004A, Page 75 and 76, of the Map Records in the Office of the County Clerk of Galveston County, Texas. | \$ 1,470 | \$ | \$ 29,400 |
| 56 | | Campeche Shores LP | Survey of Lot Fifty-Six (56) of REPLAT OF CAMPECHE SHORES, a subdivision in Galveston County, Texas according to the map or plat thereof recorded in Volume 2004A, Page 75 and 76, of the Map Records in the Office of the County Clerk of Galveston County, Texas. | \$ 1,470 | \$ | \$ 29,400 |
| 57 | | Campeche Shores LP | Survey of Lot Fifty-Seven (57) of REPLAT OF CAMPECHE SHORES, a subdivision in Galveston County, Texas according to the map or plat thereof recorded in Volume 2004A, Page 75 and 76, of the Map Records in the Office of the County Clerk of Galveston County, Texas. | \$ 1,470 | \$ | \$ 29,400 |
| 58 | | Campeche Shores LP | Survey of Lot Fifty-Eight (58) of REPLAT OF CAMPECHE SHORES, a subdivision in Galveston County, Texas according to the map or plat thereof recorded in Volume 2004A, Page 75 and 76, of the Map Records in the Office of the County Clerk of Galveston County, Texas. | \$ 1,470 | \$ | \$ 29,400 |
| 59 | | Campeche Shores LP | Survey of Lot Fifty-Nine (59) of REPLAT OF CAMPECHE SHORES, a subdivision in Galveston County, Texas according to the map or plat thereof recorded in Volume 2004A, Page 75 and 76, of the Map Records in the Office of the County Clerk of Galveston County, Texas. | \$ 1,470 | \$ | \$ 29,400 |
| 60 | | Campeche Shores LP | Survey of Lot Sixty (60) of REPLAT OF CAMPECHE SHORES, a subdivision in Galveston County, Texas according to the map or plat thereof recorded in Volume 2004A, Page 75 and 76, of the Map Records in the Office of the County Clerk of Galveston County, Texas. | \$ 1,470 | \$ | \$ 29,400 |

Campeche Shores
PID Assessment Role

| No. | Account Number ⁽¹⁾ | Property Owner | Legal Description | Annual Assessment | Total Assessment |
|-----|-------------------------------|----------------|-------------------|-------------------|------------------|
| | | | | \$ 88,200 | \$ 1,764,000 |

¹⁾ Account numbers not available as of 4/27/2004 per GCAD.

EXHIBIT A

Campeche Shores
Boundary Description

A METES AND BOUNDS DESCRIPTION OF A TRACT OF LAND BEING LOT 313 AND LOT 324, SECTION ONE OF TRIMBLE AND LINDSEY SURVEY OF GALVESTON ISLAND, GALVESTON COUNTY, TEXAS, AND BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS WITH ALL BEARINGS BEING BASED ON THE CENTERLINE OF 103RD STREET.

BEGINNING at a 1/2 inch iron rod with cap stamped "Coastal Surveying" set for the Northwest corner of said Lot 324, being on the East R-O-W line of 99th Street (50 feet wide);

THENCE North 65° East along the North line of said Lot 324 and the North line of said Lot 313 a distance of 660 feet to a 1/2 inch iron rod with cap stamped "Coastal Surveying" set for the Northeast corner of said Lot 313;

THENCE South 25° East, along the East line of said Lot 313 a distance of 1320 feet to a 1/2 inch iron rod with cap stamped "Coastal Surveying" set for the Southeast corner of said Lot 313;

THENCE South 65° West, along the South line of said Lot 313 a distance of 330 feet to a 1/2 inch iron rod with cap stamped "Coastal Surveying" set for the Southeast corner of a tract of land described in deed to Sullivan Land and Cattle recorded under Film Code No. 019-99-0724 Galveston County Deed Records being Southwest corner of said Lot 313 and the Southeast corner of said Lot 324;

THENCE South 65° West, along the South line of said Lot 324 a distance of 330 feet to the Southwest corner of said Lot 324 being on the East R-O-W line of 99th Street;

THENCE North 25° West along the East R-O-W line of 99th Street and the West line of said Lot 324 a distance of 660 feet to a 1/2 inch iron rod with cap stamped "Coastal Surveying" set for the Northwest corner of said Sullivan Land and Cattle tract;

THENCE North 25° West along the East R-O-W line of 99th Street and the West line of said Lot 324 a distance of 660 feet to the POINT OF BEGINNING.

EXHIBIT B
ESTIMATED AMOUNT OF ANNUAL INDEBTEDNESS

20 YEAR REVENUE SCHEDULE, LOT METHOD OF ASSESSMENT. REIMBURSEMENT: 100%, NO INTEREST

| Year | Assessable Lots | Annual Revenue | Admin Fees | Funds for Developer Reimb. | End Revenue Balance | Developer Advance | Direct Pay Reimburse | Unreimbursed Advances & Interest |
|--------------|-----------------|------------------|----------------|----------------------------|---------------------|-------------------|----------------------|----------------------------------|
| 2004 | 0 | 0 | 20,000 | (20,000) | 0 | 1,496,414 | 0 | 1,496,414 |
| 2005 | 60 | 88,221 | 20,000 | 48,221 | 0 | 0 | (48,221) | 1,448,193 |
| 2006 | 60 | 88,221 | 12,000 | 76,221 | 0 | 0 | (76,221) | 1,371,972 |
| 2007 | 60 | 88,221 | 12,000 | 76,221 | 0 | 0 | (76,221) | 1,295,752 |
| 2008 | 60 | 88,221 | 12,000 | 76,221 | 0 | 0 | (76,221) | 1,219,531 |
| 2009 | 60 | 88,221 | 12,000 | 76,221 | 0 | 0 | (76,221) | 1,143,310 |
| 2010 | 60 | 88,221 | 12,000 | 76,221 | 0 | 0 | (76,221) | 1,067,090 |
| 2011 | 60 | 88,221 | 12,000 | 76,221 | 0 | 0 | (76,221) | 990,869 |
| 2012 | 60 | 88,221 | 12,000 | 76,221 | 0 | 0 | (76,221) | 914,648 |
| 2013 | 60 | 88,221 | 12,000 | 76,221 | 0 | 0 | (76,221) | 838,428 |
| 2014 | 60 | 88,221 | 12,000 | 76,221 | 0 | 0 | (76,221) | 762,207 |
| 2015 | 60 | 88,221 | 12,000 | 76,221 | 0 | 0 | (76,221) | 685,986 |
| 2016 | 60 | 88,221 | 12,000 | 76,221 | 0 | 0 | (76,221) | 609,766 |
| 2017 | 60 | 88,221 | 12,000 | 76,221 | 0 | 0 | (76,221) | 533,545 |
| 2018 | 60 | 88,221 | 12,000 | 76,221 | 0 | 0 | (76,221) | 457,324 |
| 2019 | 60 | 88,221 | 12,000 | 76,221 | 0 | 0 | (76,221) | 381,103 |
| 2020 | 60 | 88,221 | 12,000 | 76,221 | 0 | 0 | (76,221) | 304,883 |
| 2021 | 60 | 88,221 | 12,000 | 76,221 | 0 | 0 | (76,221) | 228,662 |
| 2022 | 60 | 88,221 | 12,000 | 76,221 | 0 | 0 | (76,221) | 152,441 |
| 2023 | 60 | 88,221 | 12,000 | 76,221 | 0 | 0 | (76,221) | 76,221 |
| 2024 | 60 | 88,221 | 12,000 | 76,221 | 0 | 0 | (76,221) | 0 |
| Total | | 1,764,414 | 268,000 | | | 1,496,414 | (1,496,414) | |



**CAMPECHE SHORES HOMEOWNERS' ASSOCIATION, INC.
DOCUMENT RETENTION POLICY**

STATE OF TEXAS §
 § KNOW ALL PERSONS BY THESE PRESENTS:
COUNTY OF GALVESTON §

WHEREAS, the CAMPECHE SHORES HOMEOWNERS' ASSOCIATION, INC. ("Association") is charged with administering and enforcing those certain covenants, conditions and restrictions contained in the recorded Declarations for the various sections of the community (referred to collectively as "Declarations"); and

WHEREAS, chapter 209 of the Texas Property Code was amended effective January 1, 2012, to add Section 209.005(m) ("Section 209.005") thereto regarding retention of Association documents and records ("Documents"); and

WHEREAS, the Board of Directors of the Association ("Board") desires to establish a policy for document retention consistent with Section 209.005 and to provide clear and definitive guidance to owners.

NOW, THEREFORE, the Board has duly adopted the following *Document Retention Policy*.

1. Association Documents may be maintained in paper format or in an electronic format this can be readily transferred to paper.
2. Association Documents shall be retained for the durations listed below:
 - a. certificate of formation or articles of incorporation, bylaws, restrictive covenants, other dedicatory instruments and any amendments to same shall be retained permanently; and
 - b. financial books and records, including annual budgets, reserve studies, monthly financial statements and bank statements, shall be retained for seven (7) years (for example the July 2011 financial statements shall be retained until July 31, 2018); and
 - c. account records of current owners shall be retained for five (5) years (for example, invoice, payment and adjustment records on an owner's account with a transaction date of 08/15/2011 will be retained until 08/15/2016 subject to section (d) below); and
 - d. account records of former owners shall be retained as a courtesy to that former owner for one (1) year after they no longer have an ownership interest in the property; and
 - e. contracts with a term of one year or more shall be retained for four (4) years after the expiration of the contract term (for example, a contract expiring on 06/30/2011 and not extended by amendment must be retained until 06/30/2015); and

CAMPECHE SHORES HOMEOWNERS' ASSOCIATION, INC.


Payment Plan Policy

Page 2 of 3

- f. minutes of meetings of the owners and the Board shall be retained for seven (7) years after the date of the meeting (for example, minutes from a 07/20/2011 board meeting must be retained until 07/20/2018); and
 - g. tax returns and CPA audit records shall be retained for seven (7) years after the last date of the return or audit year (for example, a tax return for the calendar year 2011 shall be retained until 12/31/2018); and
 - h. decisions of the Architectural Control Committee (ACC) or Board regarding applications, variances, waivers or related matters associated with individual properties shall be retained for seven (7) years from the decision date (for example, an application for a swimming pool approved on 10/31/2011 must be retained until 10/31/2018).
3. Any Documents not described above may be retained for the duration deemed to be useful to the purpose of the Association, in the discretion of the Board, its attorney or its managing agent.
 4. Upon expiration of the retention period listed above, the Documents shall no longer be considered Association records and may be destroyed, discarded, deleted, purged or otherwise eliminated.

This Policy is effective upon recordation in the Public Records of Galveston County, and supersedes any policy regarding document retention which may have previously been in effect. Except as affected by Section 209.005 and/or by this Policy, all other provisions contained in the Declarations or any other dedicatory instruments of the Association shall remain in full force and effect.

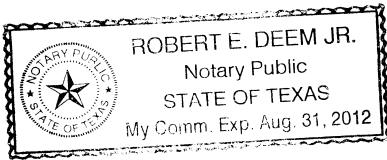
Approved and adopted by the Board on this 14 day of MAY 2012.


CHRISTOPHER J. SCHIRMER
President
CAMPECHE SHORES HOMEOWNERS'
ASSOCIATION, INC.


STATE OF TEXAS §
 §
COUNTY OF GALVESTON §

Before me, the undersigned authority, on this day personally appeared CHRISTOPHER J. SCHIRMER, President, CAMPECHE SHORES HOMEOWNERS' ASSOCIATION, INC., a Texas corporation, known to me to be the person and officer whose name is subscribed to the foregoing instrument and acknowledged to me that he/she had executed the same as the act of said corporation for the purpose and consideration therein expressed, and in the capacity therein stated.

Given under my hand and seal of office this 14 day of MAY, 2012.



[Notarial Seal]


Notary Public, State of Texas

Robert E Deem, JR
Printed Name

My commission expires: 8/31/12

FILED AND RECORDED



OFFICIAL PUBLIC RECORDS


2012024571

May 14, 2012 12:45:17

FEE: \$24.00

Dwight D. Sullivan, County Clerk
Galveston County, TEXAS



**CAMPECHE SHORES HOMEOWNERS' ASSOCIATION, INC.
PAYMENT PLAN POLICY**

STATE OF TEXAS §
 § KNOW ALL PERSONS BY THESE PRESENTS:
COUNTY OF GALVETON §

WHEREAS, the **CAMPECHE SHORES HOMEOWNERS' ASSOCIATION, INC.** ("Association") is charged with administering and enforcing those certain covenants, conditions and restrictions contained in the recorded Declarations for the various sections of the community (referred to collectively as "Declarations"); and

WHEREAS, chapter 209 of the Texas Property Code was amended effective January 1, 2012, to add Section 209.0062 ("Section 209.0062") thereto regarding alternative payment schedules for assessments ("Payment Plans"); and

WHEREAS, the Board of Directors of the Association ("Board") desires to establish a policy for Payment Plans consistent with Section 209.0062 and to provide clear and definitive guidance to owners.

NOW, THEREFORE, the Board has duly adopted the following *Payment Plan Policy*.

1. Subject to Section 12 below, owners are entitled to make partial payments for delinquent amounts owed to the Association under a Payment Plan in compliance with this Policy.
2. Late fees, penalties and delinquent collection related fees will be not be added to the owner's account while the Payment Plan is active. The Association may impose a fee for administering a Payment Plan. Such fee, if any, will be listed on the Payment Plan form and may change from time-to-time. Interest will continue to accrue during a Payment Plan as allowed under the Declarations. The Association can provide an estimate of the amount of interest that will accrue under any proposed plan.
3. All Payment Plans must be in writing on the form provided by the Association and signed by the owner.
4. The Payment Plan becomes effective and is designated as "active" upon:
 - a. receipt of a fully completed and signed Payment Plan form; and
 - b. receipt of the first payment under the plan; and
 - c. acceptance by the Association as compliant with this Policy.
5. A Payment Plan may be as short as three (3) months and as long as eighteen (18) months based on the guidelines below. The durations listed below are provided as guidelines to assist owners in submitting a Payment Plan.
 - a. Total balance up to 2 times annual assessment ... up to 6 months
 - b. Total balance up to 3 times annual assessment ... up to 12 months

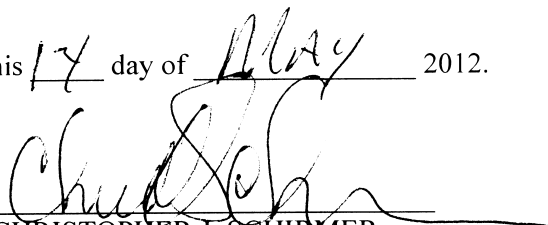
- c. Total balance greater than 3 times annual assessment ... up to 18 months
6. On a case-by-case basis and upon request of the owner, the Board may approve more than one Payment Plan to be executed in sequence to assist the owner in paying the amount owed. The individual Payment Plans may not exceed eighteen (18) months.
7. A Payment Plan must include sequential monthly payments. The total of all proposed payments must equal the current balance plus Payment Plan administrative fees, if any, plus the estimated accrued interest.
8. If an owner requests a Payment Plan that will extend into the next assessment cycle, the owner will be required to pay future assessments by the due date in addition to the payments specified in the Payment Plan.
9. If an owner defaults on the terms of the Payment Plan, the Payment Plan will be voided. The Association will provide written notice to the owner that the Payment Plan has been voided. It is considered a default of the Payment Plan, if the owner:
 - a. fails to return a signed Payment Plan form with the initial payment; or
 - b. misses a payment due in a calendar month; or
 - c. makes a payment for less than the agreed upon amount; or
 - d. fails to pay a future assessment by the due date in a Payment Plan which spans additional assessment cycles.

In the absolute discretion of the Association, the Association may waive default under item b, c or d above if the owner makes up the missed or short payment on the immediate next calendar month payment. The Association may, but has no obligation to, provide a courtesy notice to the owner of the missed or short payment.

10. On a case-by-case basis, the Association may agree, but has no obligation, to reinstate a voided Payment Plan once during the original duration of the Payment Plan if all missed payments are made up at the time the owner submits a written request for reinstatement.
11. If a Payment Plan is voided, the full amount due by the owner shall immediately become due. The Association will resume the process for collecting amounts owed using all remedies available under the Declarations and the law.
12. The Association has no obligation to accept a Payment Plan from any owner who has defaulted on the terms of a Payment Plan within the last two (2) years.

This Policy is effective upon recordation in the Public Records of GAL County, and supersedes any policy regarding alternative payment schedules which may have previously been in effect. Except as affected by Section 209.0062 and/or by this Policy, all other provisions contained in the Declarations or any other dedicatory instruments of the Association shall remain in full force and effect.

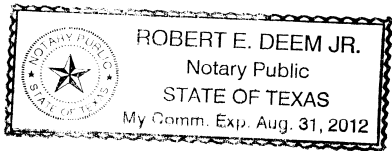
Approved and adopted by the Board on this 14 day of May 2012.


CHRISTOPHER J. SCHIRMER
President
CAMPECHE SHORES HOMEOWNERS'
ASSOCIATION, INC.

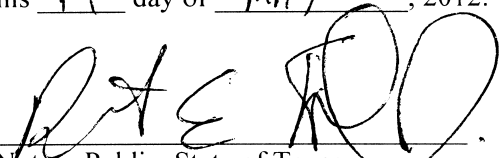
STATE OF TEXAS §
 §
COUNTY OF GALVESTON §

Before me, the undersigned authority, on this day personally appeared CHRISTOPHER J. SCHIRMER, President, CAMPECHE SHORES HOMEOWNERS' ASSOCIATION, INC., a Texas corporation, known to me to be the person and officer whose name is subscribed to the foregoing instrument and acknowledged to me that he/she had executed the same as the act of said corporation for the purpose and consideration therein expressed, and in the capacity therein stated.

Given under my hand and seal of office this 14 day of May, 2012.



[Notarial Seal]


Notary Public, State of Texas
Robert E Deem, Jr
Printed Name

My commission expires: 8/31/12

**CAMPECHE SHORES HOMEOWNERS' ASSOCIATION, INC.
RECORDS PRODUCTION AND COPYING POLICY**



2012024570

STATE OF TEXAS §
 § KNOW ALL PERSONS BY THESE PRESENTS:
COUNTY OF GALVESTON §

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WHEREAS, the **CAMPECHE SHORES HOMEOWNERS' ASSOCIATION, INC.** ("Association") is charged with administering and enforcing those certain covenants, conditions and restrictions contained in the recorded Declarations for the various sections of the community (referred to collectively as "Declarations"); and

WHEREAS, chapter 209 of the Texas Property Code was amended effective January 1, 2012, to amend Section 209.005 ("Section 209.005") thereto regarding owner access to Association documents and records ("Records"); and

WHEREAS, the Board of Directors of the Association ("Board") desires to establish a policy for records production consistent with Section 209.005 and to provide clear and definitive guidance to property owners.

NOW, THEREFORE, the Board has duly adopted the following *Records Production and Copying Policy*.

1. Association Records shall be reasonably available to every owner. An owner may also provide access to Records to any other person (such as an attorney, CPA or agent) they designate in writing as their proxy for this purpose. To ensure a written proxy is actually from the owner, the owner must include a copy of his/her photo ID or have the proxy notarized.
2. An owner, or their proxy as described in section 1, must submit a written request for access to or copies of Records. The letter must:
 - a. be sent by certified mail to the Association's address as reflected in its most recent Management Certificate filed in the County public records; and
 - b. contain sufficient detail to identify the specific Records being requested; and
 - c. indicate whether the owner or proxy would like to inspect the Records before possibly obtaining copies or if the specified Records should be forwarded. If forwarded, the letter must indicate the format, delivery method and address:
 - (1) format: electronic files, compact disk or paper copies
 - (2) delivery method: email, certified mail or pick-up
3. Within ten (10) business days of receipt of the request specified in section 2 above, the Association shall provide:

CAMPECHE SHORES HOMEOWNERS' ASSOCIATION, INC.

Records Production and Copying Policy

Page 2 of 4

- a. the requested Records, if copies were requested and any required advance payment had been made; or
 - b. a written notice that the Records are available and offer dates and times when the Records may be inspected by the owner or their proxy during normal business hours at the office of the Association; or
 - c. a written notice that the requested Records are available for delivery once a payment of the cost to produce the records is made and stating the cost thereof; or
 - d. a written notice that a request for delivery does not contain sufficient information to specify the Records desired, the format, the delivery method and the delivery address; or
 - e. a written notice that the requested Records cannot be produced within ten (10) business days but will be available within fifteen (15) additional business days from the date of the notice and payment of the cost to produce the records is made and stating the cost thereof.
4. The following Association Records are not available for inspection by owners or their proxies:
- a. the financial records associated with an individual owner; and
 - b. deed restriction violation details for an individual owner; and
 - c. personal information, including contact information other than an address for an individual owner; and
 - d. attorney files and records in the possession of the attorney; and
 - e. attorney-client privileged information in the possession of the Association.

The information in a, b and c above will be released if the Association receives express written approval from the owner whose records are the subject of the request for inspection.

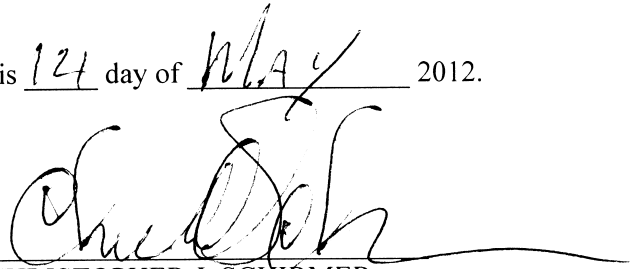
5. Association Records may be maintained in paper format or in an electronic format. If a request is made to inspect Records and certain Records are maintained in electronic format, the owner or their proxy will be given access to equipment to view the electronic records. Association shall not be required to transfer such electronic records to paper format unless the owner or their proxy agrees to pay the cost of producing such copies.
6. If an owner or their proxy inspecting Records requests copies of certain Records during the inspection, Association shall provide them promptly,

if possible, but no later than ten (10) business days after the inspection or payment of costs, whichever is later.

7. The owner is responsible for all costs associated with a request under this Policy, including but not limited to copies, postage, supplies, labor, overhead and third party fees (such as archive document retrieval fees from off-site storage locations) as listed below:
 - a. black and white 8½"x11" single sided copies ... \$0.10 each
 - b. black and white 8½"x11" double sided copies ... \$0.20 each
 - c. color 8½"x11" single sided copies ... \$0.50 each
 - d. color 8½"x11" double sided copies ... \$1.00 each
 - e. PDF images of documents ... \$0.10 per page
 - f. compact disk ... \$1.00 each
 - g. labor and overhead ... \$18.00 per hour
 - h. mailing supplies ... \$1.00 per mailing
 - i. postage ... at cost
 - j. other supplies ... at cost
 - k. third party fees ... at cost
8. Any costs associated with a Records request must be paid in advance of delivery by the owner or their proxy. An owner who makes a request for Records and subsequently declines to accept delivery will be liable for payment of all costs under this Policy.
9. On a case-by-case basis, in the absolute discretion of the Association, and with concurrence of the owner, the Association may agree to invoice the cost of the Records request to the owner's account. Owner agrees to pay the total amount invoiced within thirty (30) days after the date a statement is mailed to the Owner. Any unpaid balance will accrue interest as an assessment as allowed under the Declarations.
10. On a case-by-case basis where an owner request for Records is deemed to be minimal, the Association or its managing agent reserves the right to waive notice under section 2 and/or fees under section 4.
11. All costs associated with fulfilling the request under this Policy will be paid by the Association's Managing Agent. All fees paid to the Association under this Policy will be reimbursed to the Association's Managing Agent or paid directly to the Association's Managing Agent.

This Policy is effective upon recordation in the Public Records of Galveston County, and supersedes any policy regarding records production which may have previously been in effect. Except as affected by Section 209.005 and/or by this Policy, all other provisions contained in the Declarations or any other dedicatory instruments of the Association shall remain in full force and effect.

Approved and adopted by the Board on this 12 day of May 2012.

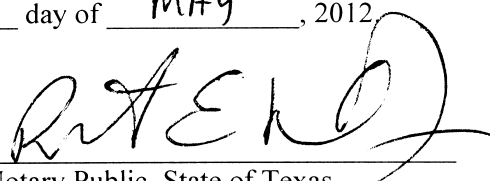


CHRISTOPHER J. SCHIRMER
President
CAMPECHE SHORES HOMEOWNERS'
ASSOCIATION, INC.

STATE OF TEXAS §
 §
COUNTY OF GALVESTON §

Before me, the undersigned authority, on this day personally appeared,
CHRISTOPHER J. SCHIRMER, President,
CAMPECHE SHORES HOMMEOWNERS' ASSOCIATION, INC, a Texas corporation,
known to me to be the person and officer whose name is subscribed to the foregoing instrument
and acknowledged to me that he/she had executed the same as the act of said corporation for the
purpose and consideration therein expressed, and in the capacity therein stated.

Given under my hand and seal of office this 14 day of MAY, 2012.



Notary Public, State of Texas

[Notarial Seal]

Robert E Deem, JR
Printed Name

My commission expires: 8/31/12

