

By Law

SEPT 8 1994

Padre Isles

PROPERTY OWNERS ASSOCIATION

INCORPORATED



Bylaws

AMENDED TO SEPTEMBER 8, 1994

BYLAWS

SECTION 1

MEMBERS

1.01 MEMBERSHIP. Padre Island Investment Corporation (hereinafter referred to as "PIIC") and each person (which term shall be construed to include partnerships, corporations and any other type of entity or organization) who shall have acquired or shall hereafter acquire the record legal title to all or any portion of the property owned by PIIC situated on Padre Island, Nueces County, Texas (hereinafter sometimes referred to as the "subject property") including, but not limited to, the lots or tracts into which the subject property presently has been subdivided as shown by the following listed recorded plats thereof, to-wit:

Barataria Bay Units 1 - 5
Cape Summer Units 1 & 2
Coquina Bay
Island Fairway Estates

Mariners Cay Unit 2A
Padre Island Number 1 & 2
Sea Pines Unit 1
Section 3 (Galleon Bay)
Section 4 (Tradewinds)
Sections A - E

*Cane Harbor Bay
Commodore's Cove Units 1 & 2
Mariner's Cay
Island Fairway Estates
Blocks: 3 & 21 - 36
Point Tesoro Units 1 - 5
Ports O'Call
Section 2 (Galleon Bay)
Section 3A (Galleon Bay)
Section 18 (Marina Site)

shall automatically for the duration of such ownership be a Voting Member of Padre Isles Property Owners Association, Inc., a membership corporation organized under the provisions of the Texas Non-Profit Corporation Act (the "corporation"). Each person who is a purchaser of any portion of the subject property under a contract for deed from PIIC, its successors and assigns, shall be an Associate Member of this corporation. Reference herein to "members" shall include both Voting and Associate Members.

*To be added following receipt of \$16,000 "Buy-in" payment; dedication of street to City of Corpus Christi and covenants approved by the Corporation.

Notwithstanding any other provision herein, the City of Corpus Christi, Nueces County, Texas, or any other political subdivision which may presently own or hereafter acquire a portion of or any interest in the subject property, and any lienholder or mortgagee, trustee under a deed of trust, and any holder or owner of any right-of-way easement or similar interest, shall not, as such, be deemed to be the owner of record of the legal title to a portion of the subject property and shall not by reason of any such interest owned or held or acquired by them be or become a member of this corporation.

A member of this corporation is not, as such, personally liable for the debts, liabilities, nor obligations of the corporation.

1.02 EXTENSION OF TERRITORIAL ELIGIBILITY FOR MEMBERSHIP. If, at any date subsequent to the adoption of these bylaws, additional land situated on Padre Island, Nueces County, Texas, is platted of record by PIIC for the purpose of being developed as an integral part of the subject property using the name Padre Island-Corpus Christi, such additional land shall automatically be included within the definition of the "subject property", and owners thereof shall be eligible to become members of this corporation in accord with the rules established herein.

1.03 VOTING RIGHTS.

a. Only Voting Members shall have voting rights and be counted in determining a quorum at any meeting; provided, however, notwithstanding any other provision in these Bylaws, no Voting Member shall have a right to vote nor be counted in determining a quorum so long as his/her lot is not being assessed or charged a maintenance fee by reason of Section 4.07 of the Bylaws. Only one (1) vote may be cast with respect to or by reason of the ownership of each Lot, and in the case of ownership of less than an entire Lot, or in the case of undivided fractional interest ownership of Lots, the vote attributable to a Lot shall be cast only by a representative of the owners of a majority in interest or a majority of the front footage of such Lot (determined by measurement of the linear foot dimension of the Lot facing the street upon which such Lot fronts according to the plat or map designating and identifying such Lot).

b. A Voting Member may vote in person or by proxy; however, no proxy shall be valid after eleven (11) months from the date of execution unless otherwise provided in the proxy. Each proxy shall be revocable unless expressly provided therein to be irrevocable, and in no event shall it remain irrevocable for more than eleven (11) months.

1.04 MEETINGS.

a. An Annual Meeting of the members of the corporation shall be held at ten o'clock a.m. on the second Saturday in March each year at such place in Nueces County, Texas as shall be designated for such purposes in a notice of the meeting; but if no notice be given, or if no other place be designated, then such meeting shall be held at the Padre Isles Country Club. With respect to proxy voting, the Association shall provide the members with the following minimum information: When voting for Directors, a resume provided by each candidate within the space requirements as determined by the Directors and information on issues and amendments as required in Section 6., Paragraph 6.02.

b. Special Meetings. Special meetings of the members may be called at any time by the President, the Vice President, the Secretary or Treasurer, or by two (2) or more members of the Board, or upon written request of the members who have a right to vote ten percent (10%) of the votes entitled to be cast at the time of such call. Any business which may properly be conducted at an annual or regular meeting of the members may also be conducted at any special meeting.

c. Informational Meetings. In addition to the Annual Meeting, there will be three (3) informational meetings annually to pass on and receive information on news/plans/projects/status on programs for the benefit of the members.

1.05 NOTICE. No notice of any annual or regular meeting of the members of the corporation shall be required, but such notice of any such meeting as the Board may deem advisable may be given.

Notice of special meetings shall be given to Voting Members (none being required to Associate Members) not less than ten (10) nor more than fifty (50) days prior to the date of any such meeting.

Any notice which shall be given to a member of the corporation with respect to any meeting or for any other purpose shall be deemed to have been properly given if addressed to "owner", in care of the street address of the Lot or tract located in the subject property with respect to the ownership of which the member is entitled to vote; or, when the number of Voting Members exceeds one thousand (1,000), notice may be given by publication in any newspaper of general circulation in Nueces County, Texas.

1.06 QUORUM. The owners of at least ten percent (10%) of the Lots located in the subject property, present in person or by proxy, shall be requisite for and shall constitute a quorum for the transaction of business at all meetings of the members of the corporation. Any meeting of members may be adjourned from time to time without notice other than announcement at the meeting, until a quorum shall be present or represented. When a quorum is present in person or by proxy shall decide any question brought before such meeting, except as noted in Section 2, Paragraph 2.03.

1.07 PROCEDURES. All Association meetings and Board of Directors meetings shall be conducted according to Robert's Rules of Order, newly revised, as long as such rules are not inconsistent or in conflict with these Bylaws, the Articles of Incorporation, or Texas or Federal Law.

SECTION 2

DIRECTORS

2.01 NUMBER. The number of directors of the corporation shall be seven, and those whose terms shall have expired shall be elected at the annual membership meeting. Directors shall serve for three years until his/her successor has been duly elected and qualified. Notwithstanding the foregoing, the directors may determine that in lieu of electing the new directors whose terms shall have expired at an annual membership meeting, such election shall be conducted by mail.

2.02 QUALIFICATIONS. Directors and Officers shall be natural persons of the age of eighteen (18) or over, and must be members of the Association.

2.03 VACANCIES AND REMOVAL. Any director may be removed with or without cause by the unanimous vote of the remaining members of the Board (excluding the director to be removed). Officers and Directors may also be removed, with cause, by a 55% vote of the members voting in an Annual or Special Meeting. Upon the death, removal, resignation, or incapacity of any member of the Board, a majority of the then remaining directors shall elect his successor.

2.04 MEETINGS.

a. An annual meeting of the Board of the corporation shall be held each year immediately following the adjournment of the annual meeting of the members, and at the

same place as the annual meeting of the members; and no notice of such annual meeting of the Board shall be required. Special meetings of the Board may be called by any director or by the President, and shall be held at such time and place as shall be specified in the notice of such meeting. No particular form of notice shall be required for the calling and holding of a special meeting of the Board, provided that actual notice thereof shall have been given to each director in advance of the time of such meeting. Proper notice shall be deemed to have been given of any special meeting of the Board if notice in writing, or by telephone or telegraph message, shall have been sent to either the usual business or residence address of the person entitled to receive notice not less than five (5) days preceding the time of the meeting.

b. A director may vote in person or by proxy. No such proxy shall be valid after three (3) months from the date of its execution; and each shall be revocable unless expressly provided therein to be irrevocable.

2.05 MANAGEMENT. The affairs and property of the corporation shall be managed and controlled by the Board. The Board shall have authority to cause the corporation to own, acquire, develop, construct, maintain, operate, repair and replace, on a non-profit basis, common areas for the protection, security, pleasure, recreation, or benefit of the subject property and the owners thereof, including but not limited to, greenways, recreation areas, canals, bulkheads, seawalls, sea gates, lighting, parks, roads, streets, curbs, gutters, drainage facilities, water access areas, including boat ramps, and such other facilities in the subject property for the use, enjoyment, protection and benefit if the members of the corporation, and other parties designated by the Board, as the Board may deem appropriate, and they are expressly given full powers not inconsistent with these bylaws, the Articles of Incorporation of this corporation, applicable provisions of law and the Protective Covenants and Landowners' Agreements covering the subject property to accomplish such purposes, including the power to acquire, purchase or lease any such facilities or transfer the management responsibilities for any such facilities to others in order to provide for the maximum enjoyment of such facilities by the members and such other designated persons.

It shall further be the duty of the Board to use their best efforts to attempt in every way to support the enforcement of the provisions of the deed restrictions and of the Protective Covenants and Landowners' Agreements covering any subject property, as well as any similar restrictions and covenants subsequently filed for record with respect to a portion of the subject property.

2.06 AUTHORITY; COMMITTEES. The Board shall have power to make rules for their own government and for the government of the corporation as it may deem necessary and to alter and amend the same; to prescribe and enforce penalties for violations of the rules and bylaws of the corporation; to access and fix charges to be levied against the members of the corporation subject to limitations and conditions contained in the Protective Covenants and Landowners' Agreements filed of record for the subject property; and to exercise such other powers as may be necessary or proper to attain the objects of the corporation. The Board shall have the authority to create committees by appropriate resolutions, and may delegate to any such committee so much of its authority as it shall deem advisable, and shall specify the duties of any committee so created. Not less than the majority of the members of any such committee having and exercising any of the authority of the Board of Directors in the management of the corporation shall be directors of the corporation. No required percentage of the membership of any committee not exercising such authority need be directors of the corporation.

The following standing committees shall be established: A. Architectural Control, B. Homeowner Advisory, C. Covenants and Compliance, D. Bulkheads and Canals, E. Governmental Affairs and F. Elections.

2.07 EMPLOYEES. The Board shall have responsibility and authority to employ such employees as the affairs of the corporation shall require and may delegate to any such employee so much of its authority as it shall deem advisable. The Board shall likewise have power for any cause they deem sufficient to discharge any or all employees of the corporation and may delegate their authority to do so to any officer of the corporation.

2.08 AUDIT. The financial records of the corporation shall be audited annually by an accountant designated by the Board of Directors who is licensed by the Texas State Board of Public Accounting as a Certified Public Accountant.

2.09 INDEMNIFICATION. Each director and officer of former director or officer of the corporation shall be indemnified by the corporation against expenses reasonably incurred by him in connection with any action, suit or proceeding to which he may be made a party by reason of his being or having been a director or officer of this corporation, except in relation to matters as to which he shall be finally judged in such action, suit or proceeding to be liable for negligence or misconduct in the performance of his duty as such director or officer. Such right of indemnification shall not be deemed exclusive of any other rights to which he may be entitled as a matter of law or under any provision of the Articles of Incorporation, Bylaw, Agreement, Vote of

Members or otherwise; and the corporation shall exercise the power to indemnify any such officer or director to the fullest extent to which such power of indemnification is permitted to be exercised under the laws of the State of Texas.

2.10 CONFLICT OF INTEREST. Officers, Directors, Committee Chairmen, Committee Members, Employees and Consultants, before serving the Association shall be personally sensitive to conflicts of interest, and in serving shall not participate in discussions nor decisions that are in conflict of interest.

SECTION 3

OFFICERS

3.01 COMPOSITION. The officers of the corporation shall consist of a President, a Vice-President, a Secretary and a Treasurer, plus such assistant officers as the Board may deem appropriate, each of whom shall be elected by the Board at its annual meeting. The Board shall have full authority to remove any officer of the corporation from office by the vote of a majority of the members of the entire Board at any time; and the election of each officer of the corporation shall be subject to such power of the Board. If any office shall become vacant, the Board shall select an individual to fill such office for the unexpired term thereof. Any two offices may be held by the same person except the office of President and Secretary.

3.02 DUTIES. The duties of the officers of the corporation shall be as follows:

a. The President shall be the chief executive officer of the corporation. He shall preside at all meetings of the members and directors and be responsible for the carrying out of their decisions in the administration of the affairs of the corporation. The President shall also execute contracts, conveyances and other documents on behalf of the corporation. The President or his designee shall be the only spokesman for the policy of the Association.

b. In the absence of the President, or when it is inconvenient for the President to act, the Vice President shall perform the duties and exercise the powers of the President. At any time when the Vice President is performing a duty or exercising a power of the President, any third party dealing with the corporation may presume conclusively that the President was absent and that the Vice President was authorized to act in his place.

c. The Secretary shall issue notices of directors' and members' meetings if so directed by the party calling the meeting, and shall be responsible for the corporate minutes and records. The Secretary shall determine the membership of the corporation as of the record date of any meeting. In doing so, he may use any method which he deems to be reasonably calculated to determine the ownership of Lots in the subject property. Notwithstanding the foregoing, he shall follow any instructions given to him by the Board of Directors to use a specific method in determining the membership of the corporation. The Board may, if it deems it advisable, from time to time, designate one or more persons as Assistant Secretaries, who may perform the duties and exercise the powers of the Secretary when the Secretary is absent or it is inconvenient for him to act. Any third person dealing with the corporation may presume conclusively that any Assistant Secretary acting in the capacity of the Secretary was duly authorized so to act.

d. The Treasurer shall be responsible for the custody of corporate funds and securities and the keeping of adequate books of account. The Board may, from time to time, if it deems it advisable, designate one or more persons as Assistant Treasurers who may perform the duties and exercise the powers of the Treasurer if the Treasurer is absent or if it is inconvenient for him to act. Any third person dealing with the corporation shall be entitled to presume conclusively that any Assistant Treasurer, acting in the capacity of the Treasurer, was duly authorized to do so.

The Treasurer shall prepare a roster of the members and the assessments applicable thereto, and a record of the payment of such assessments, and such records shall be kept at the principal offices of the corporation and shall be open to inspection by any member at any reasonable time during business hours.

SECTION 4

ASSESSMENTS

4.01 Pursuant and subject to the conditions and limitations of the Protective Covenants and Landowners' Agreements which have been or shall be filed of record for the various portions of the subject property, which provide for maintenance fees to be paid by all members hereof to a Maintenance Fund administered by this corporation or its designated agent, the Board is hereby authorized and given full power and authority to assess and collect from the members of the corporation such maintenance fees at any regular or special meeting in order to obtain funds required by the corporation for the performance of its objectives and purposes and to meet its obligations, subject to the

provisions of these bylaws, and the Protective Covenants and Landowners' Agreements which shall have been filed of record for any portion of the subject property authorizing or limiting the amount of such maintenance fees. Each assessment shall be due and payable by each member at the time and in the manner set forth in the respective Protective Covenants and Landowners' Agreements. Each assessment shall be payable in cash at a bank selected by the Board of Directors; but in no event shall such bank have an aggregate of certified surplus, capital and undivided profits of less than \$1,000,000. The corporation may designate PIIC as its agent to administer the Maintenance Fund including the payment of expenditures from such Maintenance Fund and the collection and enforcement of the maintenance fee assessments herein described and to carry out such other duties as shall have been specifically designated by the corporation and accepted by PIIC. This corporation, or PIIC, if so designated, shall not be liable for the failure of any member to pay any assessed maintenance charge.

4.02 No assessment shall be levied against any Lot owned by PIIC held by it for sale to others.

4.03 The corporation and its successors in interest shall have an express lien against each Lot into which the subject property may be subdivided as shown by the maps or plats thereof at any time recorded, to secure all obligations of the owner or owners of each such Lot to the corporation. The terms of such lien shall be as stated and provided in the deed restrictions and/or the Protective Covenants and Landowners' Agreements covering the specific subdivision units within the subject property.

4.04 The corporation may, by instrument executed by its President or Vice President and authorized by its Board, release or subordinate such lien of the corporation, or any other right of the corporation created under such deed restrictions and Protective Covenants and Landowners' Agreement in whole or in part with respect to any Lot in the subject property for any reason whatsoever and upon such terms as it shall deem advisable, but any such release or subordination shall not affect such lien or rights insofar as they may apply to any other Lot in the subject property.

4.05 Any sums paid to the corporation for the maintenance and repair of a seawall pursuant to the terms of applicable Protective Covenants and Landowners' Agreements shall be used exclusively for such purpose and for the purpose of reimbursing this corporation for funds spent for such purpose which were not specifically designated for such purpose. Amounts owing to the corporation for maintenance and repair of seawalls in subdivision units under the terms of applicable Protective Covenants and Landowners' Agreements shall bear interest at the rate of ten percent (10%) per annum as provided in such Protective Covenants and Landowners' Agreements.

4.06 No Voting Member who is delinquent in the payment of any assessment, charge, fee or other sum due from such member to the corporation, shall be entitled to vote upon any matter unless and until all such delinquent sums shall have been paid to the corporation in full.

4.07 Assessments shall be levied with respect to each lot only after PIIC or its successors shall have fulfilled its contractual obligations, if any to:

a. Grade, excavate, and/or fill the lot to bring it to the elevations approved by the City of Corpus Christi, Texas in accord with the specifications filed with the City;

b. Install paved streets abutting the lot;

c. Install bulkheading of canals abutting the lot, if applicable;

d. Install water main and sewage disposal facilities so that the lot owner is able to, at his expense, tap into such facilities and procure water service and sewer disposal service to his lot.

4.08 Any assessment not paid when due shall be deemed delinquent and shall bear interest from said due date at the rate of six percent (6%) per annum. In addition to liens as described in paragraph 4.04 above, the Association shall also have the right to foreclose on such liens and all other rights and remedies necessary to collect delinquent amounts; with all costs being added to the delinquent Owners' account.

SECTION 5

DISPOSITION OF ASSETS UPON DISSOLUTION

5.01 Upon dissolution of the corporation, the assets, both real and personal of the corporation, shall be dedicated to an appropriate public agency or utility to be devoted to purposes as nearly as practicable the same as those to which they were required to be devoted by the corporation. In the event that such dedication is refused acceptance, such assets shall be granted, conveyed and assigned to any non-profit

corporation, association, trust or other organization described in Section 501 (c)(4) of the Internal Revenue Code of 1954, as amended, to be devoted to purposes as nearly as practicable the same as those to which they were required to be devoted by the corporation. No such disposition of properties shall be effective to divest or diminish any right or title or any member vested in him under the covenants and deeds applicable to the subject property unless made in accordance with the provisions of such covenants and deeds.

SECTION 6

AMENDMENTS

6.01 These bylaws may be amended at any regular or special meeting of the members by a vote of a majority of the votes entitled to be cast by the Voting Members present at such meeting, in person or by proxy, provided that no amendment inconsistent with the provisions of the Articles of Incorporation, applicable law, the applicable deed restrictions and Protective Covenants and Landowners' Agreements, or any covenant or restriction applicable to the subject property, shall be valid. The Voting Members may delegate to the Board of Directors the power to amend the bylaws of the corporation. *w/iter!*

6.02 AMENDMENTS OF BYLAWS AND ARTICLES OF INCORPORATION: Each shall be treated individually, and accompanied by a statement of why it should be accepted or rejected and its positive and negative effects on the Association and its members.