

**BYLAWS OF
BISCAYNE OWNERS ASSOCIATION,
A TEXAS NON-PROFIT CORPORATION**

ARTICLE I

NAME AND LOCATION

Section 1. Name of Corporation. The name of the Corporation is BISCAYNE OWNERS ASSOCIATION, a Texas Non-Profit Corporation.

Section 2. Principal Office. Until changed by resolution of the Board of Directors of the Corporation, the principal office of the Corporation shall be at 76 Benton Woods Ct., The Woodlands, Texas 77382; but meetings of members and Directors may be held at such places within the State of Texas as may be designated, from time to time, by the Board of Directors.

ARTICLE II

DEFINITIONS

Section 1. "Association", as used in the hereinafter referenced Declaration and in these Bylaws, shall mean and refer to BISCAYNE OWNERS ASSOCIATION, a Texas Non-Profit Corporation, its successors and assigns.

Section 2. "Owner" shall mean and refer to the record Owner, whether one (1) or more persons or entities, of a fee simple title to any Lot which is part of the Addition, including contract sellers, but shall not include those holding title merely as security for the performance of an obligation.

Section 3. "Addition" shall mean and refer to the The Biscayne, Section One, an addition to the City of Galveston, Galveston County, Texas, according to the plat of said addition recorded under Clerk's File No. GAC200302431 of the Plat Records of Galveston County, Texas, consisting of eighty-three (83) lots, twenty (20) reserves, two (2) blocks, and 83.323 acres, situated in the A. Van Nordstrand Survey, Abstract No. 203, Galveston County, Texas, hereinafter sometimes called the "Plat."

Section 4. "Common Area" shall mean and refer to any real property (including all improvements now or hereafter placed, erected, constructed, installed or located thereon) owned by the Association for the common use and enjoyment of the Owners. The Common Area to be owned by the Association shall be all of the property in the Addition, excluding (a) Lots shown and reflected upon the Plat and the improvements thereon, and (b) The easements for all water, sanitary sewer, storm sewer, electric, telephone, cable television and other utility lines (and all appurtenances thereto) now or hereafter lying, installed and maintained within (i) any easements for "Private Streets," as that term is defined in the Declaration, (ii) any utility or drainage easements reflected on the recorded plat or plats of the Addition, or (iii) any utility or drainage easements herewith or hereafter granted, conveyed or dedicated on or across any Lots in the Addition or the Common Area, which lines and appurtenances are owned and maintained, or are

to be owned and maintained, by any public authority or franchised public utility company. Without limitation of the foregoing, the Common Area includes the easements for the Private Reserves "A" through "T" as designated on the Plat, together with: (a) The pond located along and adjacent to the northerly boundary of the Addition and designated on the Plat as "Pond"; (b) The sewage treatment plant located at the northwest corner of the Addition and designated on the Plat as "Sewage Treatment Plant"; (c) The Private Streets; (d) The one hundred thirty (130') foot wide dune protection area located on the southern boundary of the Addition running east and west, designated on the Plat as "130' Wide Dune Protection Area"; (e) The beach area located to the south of the 130' Wide Dune Protection Area running east and west, designated on the Plat as "Beach (Accreting)"; and (f) All other improvements now or hereafter constructed, placed, erected or installed within the easements for the Private Streets, exclusive, however, of any aerial easements, water, sanitary sewer, electric, telephone, cable television and other utility lines (and all appurtenances thereto) now or hereafter lying, installed and maintained within the easements for the Private Streets, which lines and appurtenances are owned and maintained, or are to be owned and maintained, by any public authority or franchised public utility company.

Section 5. "Lot" shall mean and refer to all of the platted lots shown and reflected upon the recorded Plat of the Addition.

Section 6. "Declarant" shall mean and refer to Coastal Flats, Ltd. and its successors and assigns. However, as used in this paragraph, the term "assigns" shall not be construed to mean, refer to or include any person or entity which shall acquire from Coastal Flats, Ltd., or its successor, one (1) or more of the Lots in the Addition, whether improved or unimproved, for occupancy or resale, unless Coastal Flats, Ltd., or its successor, expressly assigns to such assignee all of its rights and privileges as "Declarant" under the Declaration.

Section 7. "Declaration" shall mean and refer to the DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS OF THE BISCAYNE, SECTION ONE, an addition to the City of Galveston, Galveston County, Texas, according to the plat of said addition recorded under Clerk's File No. GAC200302431 of the Plat Records of Galveston County, Texas, consisting of eighty-three (83) lots, twenty (20) reserves, two (2) blocks, and 83.323 acres, situated in the A. Van Nordstrand Survey, Abstract No. 203, Galveston County, Texas.

Section 8. "Member" shall mean and refer to those persons or entities holding membership in the Association, as provided in the Declaration.

Section 9. "Mortgage", "deed of trust" or "trust deed" shall mean and refer to a pledge of a security interest in or the creation of a lien upon a Lot (or Lots), together with any improvements thereon, to secure repayment of a loan made to the Owner(s) of such Lot or Lots (or made to another, but secured by such Lot or Lots).

Section 10. "Mortgagee" shall mean and refer to the beneficiary of, or secured party in, a mortgage on a Lot or Lots.

Section 11. Any terms not otherwise defined herein shall have the same meaning as defined in the Declaration, unless the context indicates otherwise.

ARTICLE III

MEETINGS OF MEMBERS

Section 1. Annual Meetings. The first annual meeting of the members shall be held no later than twelve (12) months after the date of incorporation of the Association. Subsequent annual meetings shall be held at 7:00 o' clock p.m. on the third Monday of the same calendar month in which the first annual meeting is held. If the day scheduled for an annual meeting shall be a legal holiday, the meeting will be held at the same hour on the next succeeding day which is not a legal holiday.

Section 2. Special Meetings. Special meetings of the members may be called at any time by the President or by the Board of Directors of the Association. Special meetings shall be called by the President or Board of Directors upon the written request of members who are entitled to vote at least twenty-five percent (25%) of all votes of the Members.

Section 3. Notice of Meetings. Written notice of each meeting of the members shall be given by, or at the direction of, the Secretary or other person authorized to call such meeting, by mailing a copy of such notice, postage prepaid, to each member of the Association, addressed to the member' s mailing address last appearing upon the records of the Association or supplied by such member to the Association for the purpose of receiving notice. Such written notice shall be given not less than ten (10) nor more than fifty (50) days prior to the date of such meeting. The notice shall specify the day, hour, and place of the meeting, and, in the case of a special meeting, the notice shall state the purpose of the meeting. Notice properly addressed and with postage prepaid thereon shall be deemed given when deposited with the United States Postal Service.

Section 4. Quorum. Except where otherwise specifically provided to the contrary in the Declaration or these Bylaws, the presence at a meeting, in person or by proxy, of members entitled to cast at least fifty percent (50%) of the votes of the Members shall constitute a quorum for the transaction of any business which may be taken or conducted at such meeting. Except where otherwise specifically provided to the contrary in the Declaration or these Bylaws, if a quorum is not present at a meeting, the members present at the meeting, in person or by proxy, may adjourn the meeting from time to time, without notice other than an announcement at the meeting, until a quorum is present.

Section 5. Proxies. At all meetings, whether annual or special, members may be present and vote in person or by written proxy. Proxies, in order to be effective, must be filed with the Secretary of the Association at or prior to the meeting. Proxies shall be revocable, and the proxy of an Owner shall automatically terminate on the conveyance by such Owner of his Lot.

Section 6. Voting. Voting shall be in accordance with the provisions of the Declaration. Excepting those instances where voting by class is specifically required by the Declaration or these Bylaws, voting shall be by the members as a whole, and not by class.

Section 7. Method of Voting. Voting shall be via voice or by show of hands, unless by majority vote of the members present and entitled to vote at the meeting a determination is made to vote by secret written ballot.

Section 8. Majority Vote Controls. Except where a greater vote than a simple majority is specifically required by the Declaration or these Bylaws, all elections and other decisions of the members shall be determined by a simple majority of the votes cast at a meeting which is duly called and held and at which the required quorum is present.

Section 9. Record Date. The Board of Directors shall have the power to close the membership list (as to the persons entitled to notice of a meeting or to vote thereat) as of a date determined by the Board of Directors, which shall in no event be more than twenty (20) days prior to the date of the meeting.

Section 10. Membership Voting List. It shall be the duty of the Secretary or the Treasurer to have available at each membership meeting a list of all members entitled to vote at such meeting. Such list shall be made available for inspection at the meeting by any member upon request.

ARTICLE IV

BOARD OF DIRECTORS

Section 1. General Powers. The affairs of the Association shall be managed by the Board of Directors.

Section 2. Number and Qualifications. The number of Directors shall be three (3), provided, however, that the number of Directors may be increased and decreased by amendment of these Bylaws, but the number of Directors shall never be less than three (3). Directors may or may not be members of the Association.

Section 3. Initial Directors. The names of the initial Directors of the Association are THAD C. FELTON, SHELLY A. FELTON and MARK T. WHEAT, and they shall hold office until the first annual meeting of the members or until their successors are elected and qualified.

Section 4. Election of Directors. At the first annual meeting of the members, and at each subsequent annual meeting, the members shall elect as many Directors as there are seats on the Board. Nomination for election to the Board of Directors shall be made by a nominating committee appointed by the Board of Directors or by nominations made from the floor at the annual membership meeting. At the election, every member entitled to vote shall have the right to vote, in person or by proxy, for as many persons as there are Directors to be elected. Cumulative voting shall not be permitted. The nominees receiving the largest number of votes shall be elected.

Section 5. Tenure. Except for the initial Board of Directors (who shall serve for the period set forth above herein), each Director shall serve for a term of one (1) year or until his successor is elected. Directors shall be entitled to serve successive terms without limitation.

Section 6. Removal. Any Director may be removed from the Board, with or without cause, by a majority of the votes cast at any regular meeting of the members, or at a special meeting of the members called for that purpose, which meeting is duly called and held and at which meeting a quorum is present. If a Director shall be removed by vote of the members, then the vacancy resulting from such removal shall be filled by vote of the members at the same meeting at which such Director was removed; otherwise, such resulting vacancy shall be filled in the manner provided in Section 7 below.

Section 7. Vacancies. Any vacancy on the Board of Directors resulting from the death, resignation or removal of a Director, or any vacancies created by an increase in the number of Directors, shall be filled by the remaining Directors (even though less than a quorum). Any Director elected to fill a vacancy shall serve until the next annual meeting of the members or until his successor is elected.

Section 8. Compensation. No Director shall receive any compensation for services rendered in such capacity, but a Director may be reimbursed for expenses actually incurred by him in the performance of his duties in such capacity. Additionally, nothing herein contained shall preclude or prohibit the payment of compensation to a Director, in his capacity other than as a Director, for services rendered to the Association, such as for repair or maintenance services.

Section 9. Regular Meetings. Regular meetings of the Board of Directors shall be held at such intervals, on such dates and at such times and places as shall be fixed, from time to time, by resolution of the Board of Directors. When fixed by resolutions, no notice of regular meeting shall be required.

Section 10. Special Meetings. Special meetings of the Board of Directors shall be held when called by the President or by any two (2) members of the Board. Notice of a special meeting of the Board shall be given at least three (3) days prior to the date of the meeting by written notice personally delivered or transmitted by mail, postage prepaid, addressed to each Director at his address shown on the records of the Association. If such notice is personally delivered, it shall be effective upon delivery. If notice is mailed, properly addressed and with postage prepaid, such notice shall be deemed given when deposited with the United States Postal Service. Any Director may waive notice of any meeting. The attendance of a Director at a meeting shall constitute a waiver of notice of such meeting, except where a Director attends a meeting for the express purpose of objecting to the transaction of business because the meeting is not lawfully called or convened, which objection shall be made known to and noted by the Secretary in the minutes of the meeting. A Director attending for the purpose of objecting to the transaction of business, as set forth above, shall not be considered in determining the existence of a quorum. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the Board need be specified on the notice or waiver of notice of such meeting.

Section 11. Quorum. A majority of the Directors shall constitute a quorum for the transaction of business at any meeting of the Board. If less than a majority of the Directors are present at such meeting, a majority of the Directors in attendance may adjourn the meeting from time to time without further notice. Every act taken or decision made by a majority of the Directors in attendance at a meeting which is duly called and convened, and at which a quorum is present, shall constitute the act or decision of the Board of Directors.

Section 12. Action Without Meeting. Any action which may be taken by a vote of the Directors at any regular or special meeting of the Board may be taken by unanimous written consent of all the Directors without the necessity of a meeting.

ARTICLE V

POWERS AND DUTIES OF BOARD OF DIRECTORS

Section 1. Enumeration of Powers. Without limitation, the Board of Directors shall have the power and authority to:

- (a) Adopt and publish rules and regulations governing the use of the Common Area, including the personal conduct of the members, their families, guests and tenants thereon, and to establish and enforce penalties for infractions of such rules and regulations;
- (b) Suspend, for non-payment of assessments, the right of any member to vote or to use the recreational facilities located on or in the common area, and to suspend, for a period not to exceed sixty (60) days, for violation or infraction of the published rules and regulations, the right of a member to use the recreational facilities located on or in the common area;
- (c) Declare the office of a member of the Board of Directors to be vacant in the event that such Director is absent from three (3) or more meetings of the Board during any one (1) year term of office;
- (d) Employ a manager, independent contractors, accountants, attorneys and such other agents, employees or representatives as the Board shall deem necessary for carrying out the duties and obligations of the Association, and prescribing their duties and fixing their compensation. In this connection, it is expressly required (and the Board shall have no power to waive or vary such requirement) that any agreement for professional management of the Addition or of the affairs of the Association, in whole or in part, or any other contract with the Declarant (or with any affiliate of Declarant, whether affiliated by virtue of common stock ownership, interlocking directorships or otherwise) shall (i) have a term not exceeding three (3) years, and (ii) be subject to termination by either party, without cause and without the payment of any termination fee, on not more than ninety (90) days written notice;

- (e) Prosecute any action or legal proceeding which, pursuant to the Declaration, the Association is authorized to bring for the purpose of (i) collecting any assessment due and owing by any Owner, (ii) enforcing, by foreclosure proceedings, the assessment lien securing the payment of any assessment which is due and owing to the Association, (iii) enforcing the use restrictions contained in the Declaration, and (iv) enforcing compliance with any and all other terms, covenants and provisions of the Declaration; and
- (f) Exercise all rights, powers and discretions conferred upon the Association and/or the Board of Directors by these Bylaws, the Declaration, or the Texas Non-Profit Corporation Act, and any other statutes or laws except those which are specifically reserved to the members of the Association by the provisions of these Bylaws, or the Declaration or the Texas Non-Profit Corporation Act or any other statutes or laws.

Section 2. Enumeration of Duties. Without limitation, the Board of Directors shall have the duty to:

- (a) Cause to be kept a complete and accurate record of all financial affairs of the Association, including assessments, collections and disbursements. A written financial report shall be furnished to the members at each annual membership meeting or at any special meeting at which such financial report is requested in writing, at least five (5) days prior to the date of such special meeting, by Owners holding at least fifty percent (50%) of the votes of the Members;
- (b) Cause to be kept complete and accurate minutes of all meetings of the members and Board of Directors;
- (c) Supervise all officers, agents and employees of the Association and see that their respective duties are properly performed;
- (d) As more fully provided in the Declaration: (i) fix the amount of the regular annual assessment against each Lot and give notice thereof to each and every Owner subject thereto; (ii) fix the amount of any additional lot assessment and give notice thereof to each and every Owner subject thereto; (iii) upon the approval by the members of a special assessment for capital improvements, fix the amount of such assessment against each Lot and give notice thereto to each and every Owner subject thereto; (iv) issue or cause to be issued, upon request by any mortgagee or other person, a certificate setting forth whether or not any assessments on a specified Lot have been paid; and (v) collect the assessments when due and payable in any manner provided in the Declaration, including, without limitation, suit for collection or action for foreclosure of the assessment lien;
- (e) If deemed necessary by the Board of Directors in its sole discretion, procure and maintain fire and extended coverage upon the insurable improvements in or on the Common Area, and to

repair, rebuild, replace, or reconstruct any such improvements as shall be damaged or destroyed by fire or other casualty, all as provided in the Declaration;

- (f) If deemed necessary by the Board of Directors in its sole discretion, procure and maintain comprehensive general liability insurance, Worker' s Compensation Insurance and standard fidelity bonds, in such amounts or limits and for such purposes and with such coverage as provided in the Declaration;
- (g) Perform all maintenance, repairs and replacements, including, without limitation, maintenance and repair of the Common Area required of the Association under the Declaration; and, at the election of the Board of Directors, perform any maintenance, repairs and replacements which the Association, under the Declaration, has the option to perform for the account of any Lot Owner who fails or refuses to perform his own maintenance, repair and replacement obligations under the Declaration;
- (h) Perform or cause to be performed all other duties and obligations of the Association under the Declaration.

ARTICLE VI

OFFICERS AND THEIR DUTIES

Section 1. Enumeration of Officers. The officers of the Association shall be a President, a Vice President, a Secretary and a Treasurer. The President and Vice President shall at all times be members of the Board of Directors, and the Secretary and the Treasurer may or may not be members of the Board of Directors. Any two (2) or more offices may be combined or held by the same person, except the same person may not simultaneously hold the offices of President and Secretary.

Section 2. Election of Officers. The officers shall be elected annually by the Board of Directors at the first regular or special meeting by the Board of Directors following the annual meeting of the Board of Directors following the annual meeting of members. Each officer shall hold office for a term of one (1) year or until his successor is elected. Any office may be held by the same person for successive terms, as there is no prohibition against any officer holding successive terms.

Section 3. Assistant Officers. The Board of Directors may elect such assistant officers as the Board shall determine necessary for the conduct of the affairs of the Association. The authority, duties and terms of such assistant officers shall be fixed by the Board of Directors by resolutions from time to time adopted by the Board.

Section 4. Resignation or Removal. Any officer may be removed from office by the Board of Directors at any time, with or without cause, and any officer may resign from office at any time by written resignation tendered to the Board of Directors. Any resignation tendered by an officer shall be effective as of the date thereof or as of the date specified in the notice of resignation; and, unless

otherwise specified in the notice of resignation, acceptance of such resignation by the Board of Directors shall not be necessary to make same effective.

Section 5. Vacancies. Any vacancy in an office resulting from the death, resignation or removal of an officer, or resulting from the creation of a new office, shall be filled by election or appointment by the Board of Directors. Any officer elected to fill a vacancy resulting from the death, resignation or removal of an officer shall serve the unexpired term of his predecessor in such office. Any officer appointed to fill a vacancy resulting from the creation of a new office shall hold office until the next annual election of officers or until his successor is elected.

Section 6. Duties of President. The President shall preside over all meetings of the members and the Board of Directors; shall see that all orders and resolutions of the Board are carried out; shall sign all leases, mortgages, deeds, contracts, easements, notes and other instruments of the Association; and shall perform such other duties as are normally performed by the president of a corporation.

Section 7. Duties of Vice President. The Vice President shall act in the place of the President in the event of his absence, disability or refusal to act; shall exercise and discharge such other duties as may be assigned to him by the Board of Directors; and shall perform such other duties as are normally performed by the vice president of a corporation.

Section 8. Duties of Secretary. The Secretary shall record the votes and minutes of all meetings of the Board of Directors and of the membership ; shall serve notice of meetings of the Board and of the members; shall keep appropriate current records showing all members of the Association and their current mailing addresses; shall maintain a current record of the holders of all first mortgages on the Lots in the Addition (from information furnished to him by the Lot Owner); shall perform such other duties as may be assigned to him by the Board of Directors; and shall perform such other duties as are normally performed by the secretary of a corporation.

Section 9. Duties of Treasurer. The Treasurer shall be primarily responsible for the collection of assessments due the Association; shall receive and deposit, in appropriate accounts established by the Board of Directors, all funds of the Association and disburse such funds as directed by resolution of the Board of Directors; shall sign all checks or other orders for payment of funds of the Association, either alone or jointly with another officer, as determined from time to time by resolution of the Board of Directors; shall keep proper books and records of all financial matters of the Association and present financial reports to the members as required in these Bylaws; shall, with the assistance of the other officers, fix the annual budget and regular annual assessment on the Lots in the Addition and shall give notice thereof to the Owners of all Lots subject to such assessment, as required in the Declaration; shall cause the required Federal and State tax returns and reports to be prepared and filed; shall perform such other duties as shall be assigned to him by the Board of Directors; and shall generally perform the duties of the office of treasurer of a corporation.

ARTICLE VII

INDEMNIFICATION OF OFFICERS AND DIRECTORS

Section 1. Obligation to Indemnify. The Association shall indemnify any Director or officer, or former Director or officer, for all liability and reasonable expenses and costs (including, without limitation, attorneys' fees, judgments, penalties, including excise and similar taxes, fines and settlements) actually and necessarily incurred by him in connection with any claim asserted against him, by action in court or otherwise, by reason of his being or having been such Director or officer as provided in Art. 1396-2.22A of the Texas Non-Profit Corporation Act, as now existing and as hereafter amended.

Section 2. Directors' and Officers' Liability Insurance. In addition to all other insurance which the Board of Directors is required to maintain pursuant to the Declaration or these Bylaws, the Board of Directors may, at its election (and as a common expense of the Association), maintain a policy or policies of directors' and officers' liability insurance.

ARTICLE VIII

COMMITTEES

Section 1. Establishment of Committees. In addition to the nominating committee required by these Bylaws, the Board of Directors may create and establish such other committees as the Board shall deem appropriate or necessary; fix the duties and authorities of the committees; and appoint members to such committees. The Board may delegate to any such committee any power or authority which is conferred upon the Board of Directors by the Declaration, these Bylaws, or by the Texas Non-Profit Corporation Act, except for any authority that is specifically reserved in the Declaration, these Bylaws or said Non-Profit Corporation Act to (a) the Declarant, (b) the members, or (c) the Board of Directors.

ARTICLE IX

ASSESSMENTS

Section 1. General Provisions. As more fully provided in the Declaration, each member is obligated to pay to the Association regular annual assessments and special assessments for capital improvements and, in certain special cases, additional assessments, which assessments, together with interest, costs and reasonable attorneys' fees, are secured by a continuing assessment lien (with power of sale) upon the Lots (and the improvements thereon) against which the assessments are made. Any assessments which are not paid when due are considered delinquent. If an assessment is not paid within ten (10) days from the date upon which it became due, the Owner shall pay in addition to all other sums owing hereunder a late charge of Five Dollars (\$5.00) to the Association and such assessments shall bear interest from the date upon which it became due until paid at the lesser of eighteen percent (18%) per annum or the maximum rate allowed by applicable law. The Association

may bring an action at law against the Owner and any other person(s) personally obligated to pay the same or may foreclose the lien upon the property against which the assessment was made. Interest, costs and reasonable attorneys' fees shall be added to the amount of any delinquent assessment. No Owner may waive or otherwise escape liability for assessments by nonuse of the Common Area or abandonment of his Lot.

ARTICLE X

BOOKS AND RECORDS

Section 1. Inspection by Members. The books, records and papers of the Association shall be subject to inspection by any member during normal business hours. The Declaration, Articles of Incorporation and Bylaws shall be available for inspection at the principal office of the Association, and copies thereof shall be made available to members of the Association for a reasonable charge.

Section 2. Current Mortgage Register. It shall be the duty of each Owner to furnish to the Secretary of the Association, within ten (10) days after the acquisition of a Lot or Lots in the Addition, with the name and mailing address of any mortgagee holding a first mortgage upon such Owner' s Lot or Lots. Upon any substitution or changes in any such mortgagee, it shall be the duty of each Owner to notify the Secretary, within ten (10) days thereafter, of the name and mailing address of such substituted first mortgagee.

Section 3. Current Register of Owners. Among the duties of the Secretary is the maintenance of a current list of all members and their current mailing addresses. It shall be the duty of each Owner (including Declarant) to give written notice to the Secretary of any transfer or change of ownership of any Lot in the Addition, within ten (10) days after same is made, including the correct name and mailing address of the new Owner thereof. Further, it shall be the duty of each member to advise the Secretary in writing of any change in such member' s mailing address for receipt of notice from the Association.

ARTICLE XI

CORPORATE SEAL AND CERTIFICATE

Section 1. Corporate Seals. The Association may or may not have a corporate seal, as the Board of Directors shall determine. No corporate seal shall be required on any document, resolution or other instrument, whether or not the Board may adopt a corporate seal.

Section 2. Certificates. Inasmuch as the Association shall have no corporate stock, there shall be no stock certificates issued by the Association. However, the Association may at the discretion of the Board of Directors, issue certificates or membership cards evidencing membership in the Association, which shall be in such form and content as the Board of Directors shall determine.

ARTICLE XII

AMENDMENT OF BYLAWS

Section 1. Procedure for Amendment. These Bylaws may be amended at any regular or special meeting of the members by a majority vote (without regard to class) of the members present, in person or by proxy, and entitled to vote at any such meeting at which a quorum is present. Any proposed amendment shall be incorporated in the notice of the meeting sent to the members; and, upon the adoption of any amendment, written notice of such amendment shall be given to each of the members (whether in attendance at or absent from such meeting) within fifteen (15) days after the adoption thereof. No such amendment shall be enforceable against any member until such written notice shall have been given to such member in the manner provided above.

ARTICLE XIII

CONFLICTS

Section 1. Conflict with Articles of Incorporation or Declaration. In the event of any conflict between the Articles of Incorporation of the Association and these Bylaws, the Articles of Incorporation shall control over any conflicting provisions of these Bylaws. In the event of any conflict between the Declaration and these Bylaws, the Declaration shall control over conflicting provisions of these Bylaws.

ARTICLE XIV

NON-PROFIT ASSOCIATION

This Association is not organized for profit. No Owner or member of the Board of Directors shall receive or shall be lawfully entitled to receive any pecuniary profit from the operation thereof, and in no event shall any part of the funds or assets of the Association be distributed to, or inure to the

benefit of, any member or the Board of Directors; provided, however, always (1) that reasonable compensation may be paid to any member while acting as an agent or employee of the Association for services in effecting one or more of the purposes of the Association, and (2) that any member of the Board of Directors may from time to time, be reimbursed for his actual and reasonable expenses incurred in connection with the administration of the affairs of the Association.

ARTICLE XV

REGISTERED OFFICE

The registered office and the principal office for the transaction of business of the Association shall be, until changed in writing, 76 Benton Woods Ct., The Woodlands, Texas 77382, and the registered agent shall be Thad C. Felton at said same address.

ARTICLE XVI

EXECUTION OF DOCUMENTS

The persons who shall be authorized to execute any and all instruments of conveyance or encumbrance, including promissory notes, for and on behalf of the Association shall be the President or Vice President whose signature may be attested by the Secretary of the Association.

ARTICLE XVII

MISCELLANEOUS

Section 1. The invalidity of any provision or provisions of these Bylaws shall not be deemed to impair or affect in any manner the validity, enforceability or effect of the remainder of these Bylaws, and in such event, all of the other provisions of these Bylaws shall continue in full force and effect as if such invalid provisions had never been included herein.

Section 2. Whenever used herein, unless the context shall otherwise provide, the singular number shall include the plural, the plural shall include the singular, and the use of any gender shall include all genders.

ADOPTED BY THE BOARD OF DIRECTORS on the ____ day of _____, 2004.

THAD C. FELTON

SHELLY A. FELTON

MARK T. WHEAT

INITIAL BOARD OF DIRECTORS