

BY-LAWS

PIRATES LANDING TOWNHOUSE ASSOCIATION

ARTICLE ONE – OFFICES

Section 1.01. Principle Office. The principal office of the Association in the State of Texas shall be located in Galveston County. The Association may have such other offices, either within or without the State of Texas, as the Board of Directors may determine, or as the affairs of the Association may require from time to time.

Section 1.02. Registered Office and Registered Agent. The Association shall have and continuously maintain in the State of Texas a registered office and a registered agent whose office is identical with such registered office, as required by the Texas Non-Profit Corporation Act. The registered office may be, but need not be, identical with the principal office of the Association in the State of Texas, and the address of the registered office may be changed from time to time by the Board of Directors.

ARTICLE TWO – MEMBERSHIP

Section 2.01. Members. Every person or entity who is the record owner or owners or contract purchaser or purchasers of a Townhouse Lot in the Pirates Landing Townhouse development in Galveston County, Texas, is a Member of the Association.

Section 2.02. Voting Rights. Each Townhouse Lot in the Pirates Landing Townhouse development in Galveston County, Texas, represents, and is entitled to, one vote on all matters to be voted on by the Members. Each such vote shall be cast by the Member or Members who are the record owner or owners, or contract purchaser or purchasers, of a Townhouse Lot. When a Townhouse Lot is represented by more than one Member, the vote shall be cast by the Member or Members having a majority of the ownership interest in the Townhouse Lot. If the Member or Members having such a majority interest in a Townhouse Lot are not able to agree on any vote, then that vote shall be forfeited by the Member or Members involved, as fractional votes are expressly prohibited.

Section 2.03. Conveyance of Property. Termination of membership results only upon the conveyance of record ownership of a Townhouse Lot by a Member. Upon such conveyance, the membership status of the conveying Member shall cease and terminate.

Section 2.04. Resignation. A Member may resign by filing a written resignation with the Secretary of the Association. Such resignation shall not relieve the Member of the obligation to pay any past, present, or future dues, assessments or other charges associated with ownership of a Townhouse Lot. Resignation shall not in any way prejudice the membership status of a subsequent purchaser of a Townhouse Lot from a Member who resigns.

Section 2.05. Reinstatement. Upon written request signed by a former Member and filed with the Secretary, the Board of Directors may, by the affirmative vote of 50% plus 1 of the Board, reinstate such former Member on such terms as the Board of Directors may deem appropriate.

Section 2.06. Transfer of Membership. Membership in the Association is neither transferable nor assignable, other than by the conveyance of a Townhouse Lot.

ARTICLE THREE – MEETINGS OF MEMBERS

Section 3.01. Annual Meeting. An Annual Meeting of the Members shall be held on the Saturday nearest the middle of November in each year, at a time and place to be notified by the Board of Directors, for the purpose of electing Directors and for the transaction of other business as may come before the meeting. If the election of Directors shall not be held on the day designated herein for the Annual Meeting, or at any adjournment thereof, the Board of Directors shall cause the election to be held at a special meeting of the Members as soon thereafter as possible.

Section 3.02. Special Meetings. Special meetings of the Members may be called at any time for any purpose by the Board of Directors, by the President of the Association, or by Members representing at least ten percent (10%) of the total number of votes entitled to be cast by Members at the meeting. If all of the Members shall meet at any time and place, either within or without the State of Texas, and consent to the holding of a special meeting, such meeting shall be valid without call or notice, and at such meeting, any action may be taken.

Section 3.03. Place of Meeting. Both Annual and Special Meetings shall be held at the Galveston Country Club or at any other Galveston County location designated by the Board of Directors.

Section 3.04. Notice of Meeting. Written notice stating the place, day, and hour of a meeting of Members shall be delivered to each Member not less than thirty (30) nor more than sixty (60) days before the date of such meeting, by or at the direction of the Secretary of the Association, or the persons calling the meeting. In case of a special meeting, or when required by law or these By-

Laws, the purpose or purposes for which the meeting is called shall be stated in the notice. If mailed, the notice shall be deemed to be delivered when deposited in the United States mail addressed to the member at his address as it appears on the records of the Association, with postage prepaid.

Section 3.05. Action Without a Meeting. Any action required to be taken at a meeting of the Members, or any action which may be taken at a meeting of the Members, may be taken without a meeting, if a consent in writing, setting forth the action so taken, shall be signed by all of the Members representing all the votes entitled to be cast on the subject matter thereof.

Section 3.06. Quorum. Members who are entitled to cast a vote at a meeting and who, for any reason, cannot be present at such meeting may designate, in writing, any other Member to act as their proxy. A quorum will be constituted through: the actual presence of Members representing at least 25 percent of the votes entitled to be cast at any meeting; or a combination of Members being physically present and written proxies designating another Member to vote on behalf of a Member who cannot be present, totaling 25 percent of the membership entitled to cast votes at any meeting.

ARTICLE FOUR – BOARD OF DIRECTORS

Section 4.01. General Powers. The affairs of the Association shall be managed by its Board of Directors.

Section 4.02. Number, Tenure, and Qualifications. The number of Directors shall be seven (7). For the first Board election, three (3) of the Directors shall be elected and serve three (3) year terms; two (2) shall be elected and serve two (2) year terms, and two (2) shall be elected and serve one (1) year terms. After the respective terms of the initial seven (7) Directors, each Director shall hold office until the next Annual Meeting of Members three years after the Director's election or until a successor is duly elected and qualified. A Director shall be a Member of the Association. There shall be no other qualifications for Directors.

Section 4.03. Regular Meetings. An Annual Meeting of the Board of Directors shall be held without other notice than this by-law, immediately after, and at the same place as, the Annual Meeting of Members. The Board of Directors shall, in addition, meet once in each of the other three quarters of the year at the Galveston Country Club or other Galveston County location. The Board of Directors may designate the time and place for the holding of additional regular meetings without other notice than such designation.

Section 4.04. Special Meetings. Special meetings of the Board of Directors may be called by or at the request of the President or any two (2) Directors. The person or persons authorized to call special meetings of the Board of Directors may fix any time and place, either within or without the State of Texas, for holding any such special meetings called by them.

Section 4.05. Notice of Meeting. Written notice stating the place, day, and hour of a special meeting of the Board of Directors shall be delivered to each Director at least seven (7) days before the date of the meeting. If mailed, the notice shall be deemed to be delivered when deposited in the United States mail with postage prepaid. If notice is given by telegram, the notice shall be deemed to be delivered when the telegram is delivered to the telegraph company. Any Director may waive notice of any meeting. The attendance of a Director at any 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 any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the Board of Directors need be specified in the notice or waiver of notice of such meeting, unless specifically required by law or by these By-Laws.

Section 4.06. Quorum. A majority of the Board of Directors shall constitute a quorum for the transaction of business at any meeting. If less than a majority of the Directors are present at a meeting, a majority of the Directors present may adjourn the meeting from time to time without further notice.

Section 4.07. Manner of Acting. The act of a majority of the Directors present at a meeting at which a quorum is present shall be an act of the Board of Directors, unless the act of a greater number is required by law or by these By-Laws.

Section 4.08. Vacancies. Any vacancy occurring in the Board of Directors for any reason may be filled an act of the Board of Directors or by a special election by the Members in the manner set forth in Section 3.01 of these By-Laws. A Director elected to fill a vacancy shall be elected for the unexpired term of his predecessor in office.

Section 4.09. Compensation. Directors, as such, shall not receive any stated salaries for their services, but, by an act of the Board of Directors, a fixed sum and expenses of attendance, if any, may be allowed for attendance at each regular or special meeting. Nothing contained in this Section shall preclude any Director from serving the Association in any other capacity and receiving compensation therefor.

Section 4.10. Action by Without a Meeting. Any action required by law to be taken at a meeting of Directors, or any action which may be taken at a

meeting of Directors, may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the Directors.

ARTICLE FIVE – OFFICERS

Section 5.01. Officers Enumerated. The officers of the Association shall be the President, one vice president, the Secretary, the Treasurer, and such other officers as may be determined in accordance with the provisions of this Article. The Board of Directors may appoint such other officers, including, but not limited to, additional vice presidents, one or more assistant secretaries and one or more assistant treasurers. Such officers shall have the authority and perform the duties prescribed, from time to time, by the Board of Directors. Any one person may hold only one office. An officer shall be a Member of the Association.

Section 5.02. Selection and Term of Office. The officers of the Association shall be selected annually by an act of the Board of Directors at the Annual Meeting of the Board of Directors. If the selection of officers shall not be held at such meeting, the selection shall be held as soon thereafter as possible. New offices may be created and filled at any meeting of the Board of Directors. Each officer shall hold office until his successor shall have been duly elected and qualified.

Section 5.03. Removal. Any officer may be removed by an act of the Board of Directors whenever in its judgment the best interests of the Association would be served thereby. Such removal shall be without prejudice to the contract rights, if any, of the officer so removed.

Section 5.04. Vacancies. A vacancy in any office because of death, resignation, disqualification or otherwise, may be filled by an act of the Board of Directors for the unexpired portion of the term.

Section 5.05. President. The President shall be the principal executive officer of the Association and shall in general supervise and control all of the business and affairs of the Association. The President shall preside at all meetings of Members and the Board of Directors. The President may sign, with the Secretary or any other proper officer of the Association authorized by the Board of Directors, any deeds, mortgages, bonds, contracts, or other instruments which the Board of Directors authorizes to be executed, except where the signing and execution thereof shall be expressly delegated by the Board of Directors or by these By-Laws or by law to some other officer or agent of the Association. In general, the President shall perform all duties incident to the office of President and such other duties as may be prescribed by the Board of Directors from time to time.

Section 5.06. Vice President. In the absence of the President or in the event of the President's inability or refusal to act, the Vice President shall perform the duties of the President, and when so acting shall have all the powers of and be subject to all the restrictions upon the President. The Vice President shall perform such other duties as from time to time may be assigned by the President or Board of Directors.

Section 5.07. Treasurer. The Treasurer shall have charge and custody of, and be responsible for, all funds and securities of the Association; receive and give receipts for moneys due and payable to the Association from any source whatsoever; and deposit all such moneys in the name of the Association in such banks, trust companies, or other depositories as shall be selected in accordance with the provisions of Article Seven of these By-Laws. In general, the Treasurer shall perform all the duties incident to the office of Treasurer and such other duties as from time to time may be assigned to by the President or Board of Directors. If required by the Board of Directors, the Treasurer shall give a bond for the faithful discharge of duties in such sum and with such surety or sureties as the Board of Directors shall determine.

Section 5.08. Secretary. The Secretary shall keep the minutes of the meetings of the Members and of the Board of Directors in one or more books provided for that purpose; give all notices in accordance with the provisions of these By-Laws or as required by law; be custodian of the records and of the Seal of the Association, and affix the seal of the Association to all documents, the execution of which on behalf of the Association under its Seal is duly authorized in accordance with the provisions of these By-Laws; and keep a register of the mailing address of each Member which shall be furnished to the Secretary by each Member. In general, the Secretary shall perform all duties incident to the office of Secretary and such other duties as from time to time may be assigned to by the President or Board of Directors.

Section 5.09. Assistant Treasurers and Assistant Secretaries. The assistant treasurers and assistant secretaries, in general, shall perform such duties as shall be assigned by the Treasurer or the Secretary, or by the President or Board of Directors. If required by the Board of Directors, the assistant treasurers shall give bonds for the faithful discharge of their duties in such sums and with such sureties as the Board of Directors shall determine.

ARTICLE SIX – COMMITTEES

Section 6.01. Committees of Directors. By act of the Board of Directors there may be created committees consisting of two (2) or more Directors. Such committees may have and exercise any power of the Board of Directors in the management of the affairs of the Association, as limited by the act of the Board of Directors creating the committee or by law or these By-Laws. The President of

the Association shall appoint the Directors to serve on such committees. No such committee shall have the authority of the Board of Directors to amend, alter, or repeal these By-Laws; to elect, appoint, or remove any member of any committee or any Director or officer of the Association; to amend the Articles of Incorporation; to adopt a plan of merger or a plan of consolidation with another corporation; to authorize the sale, lease, exchange, or mortgage of all or substantially all of the property and assets of the Association; to authorize the voluntary dissolution of the Association or revoke proceedings therefor; to adopt a plan for the distribution of the assets of ~~(sic)~~ the Association; to alter, to amend, or repeal any act of the Board of Directors which by its terms provides that it shall not be amended, altered, or repealed by such committee. The designation and appointment of any such committee and the delegation thereto of authority shall not operate to relieve the Board of Directors, or any individual Director, of any responsibility imposed on it or a Director by law.

Section 6.02. Committees of Members. By act of the Board of Directors, there may be created committees consisting of three (3) or more Members of the Association. Such committees shall not have or exercise any power of the Board of Directors, but shall advise and consult with the Board of Directors on matters specified by the act of the Board of Directors creating the committee. The President shall appoint the Members to serve on such committees.

Section 6.03. Miscellaneous Provisions. Matters such as, but not limited to, the term of office of committee members, designation of chairman, filling of vacancies, a quorum for acting, and rules governing committee action shall be included in the act of the Board of Directors creating the committee.

ARTICLE SEVEN – CONTRACTS, CHECKS, DEPOSITS, AND FUNDS

Section 7.01. Contracts. The Board of Directors may authorize any officer or officers, agent or agents of the Association, in addition to the officers so authorized by these By-Laws, 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 7.02. Checks and Drafts. All checks, drafts, or other orders for the payment of money, notes, or other evidences or indebtedness issued in the name of the Association shall 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 the Board of Directors. In the absence of such determination, such instruments shall be signed by the Treasurer or an Assistant Treasurer and countersigned by the President or a vice president of the Association.

Section 7.03. Deposits. All funds of the Association shall be deposited from time to time to the credit of the Association in such banks, trust companies, or other depositories as the Board of Directors may select.

Section 7.04. Gifts. The Board of Directors 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 EIGHT – BOOKS AND RECORDS

Section 8.01. The Association shall keep correct and complete books and records of account and shall also keep minutes of the proceedings of its Members, Board of Directors and committees having any of the authority of the Board of Directors, and shall keep at the registered or principal office a record giving the names and addresses of the Members. All books and records of the Association may be inspected by any Member or his agent or attorney for any proper purpose at any reasonable time.

ARTICLE NINE – FISCAL YEAR

Section 9.01. Corporate Fiscal Year. The fiscal year of the Association, for all purposes except the levying and collecting of assessments, shall begin on the first day of January and end on the last day of December of each year.

Section 9.02. Assessments Fiscal Year. The fiscal year of the Association for the purpose of levying and collecting assessments shall begin on the first day of July and end on the last day of June of the following year.

ARTICLE TEN – DUES AND ASSESSMENTS

Section 10.1. Dues. There shall be no dues, fees, or other charges, as such, for membership in the Association.

Section 10.2. Assessments. The only charge made on Members shall be the assessments made and levied against the Townhouse Lots in accordance with the Declaration of Covenants, Conditions and Restrictions for Pirates Landing, Section 1, filed in Volume 2112 at Page 251 of the Condominium Record of Galveston County, Texas, as such Declaration may be amended or otherwise changed from time to time.

ARTICLE ELEVEN – WAIVER OF NOTICE

Section 11.01. Whenever any notice is required to be given under the provisions of the Texas Non-Profit Corporation Act or under the provisions of the Articles of Incorporation or the By-Laws of the Association, a waiver thereof in writing signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.

ARTICLE TWELVE – AMENDMENTS TO BY-LAWS

Section 12.01. These By-Laws may be altered, amended, or repealed and new by-laws may be adopted by an act of the Board of Directors at any regular meeting or at any special meeting, if at least seven days written notice is given of an intention to alter, amend, or repeal these By-Laws or to adopt new by-laws at such meeting.

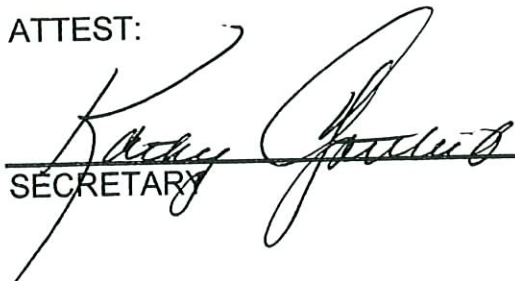
ARTICLE THIRTEEN – ASSOCIATION INSURANCE

Section 13.01. The Board of Directors shall enter into a contract for the Association for building insurance. The insurance shall cover special perils, general liability, windstorm, hurricane, hail and rising water.

Section 13.02. The Board shall assess each Member their pro rata share of the premium.

Section 13.03. All Interior Walls of each unit are the responsibility of the Association. Interior Walls include the wood stud walls, the sheetrock, covering, tape, float and texture, and paint finish (no vinyl wall covering) ("Interior Walls"). Association procured insurance also covers: kitchen and bathroom cabinets, including counter tops; range; dishwasher; garbage disposal; vent-a-hood; and an allowance of \$18.00 per square yard for floor covering. Anything built below the flood elevation (storerooms, etc.) is not covered in the flood or windstorm policies.

ATTEST:



SECRETARY

12.04.04

DATE