

BYLAWS
OF
B. H. C. OWNERS ASSOCIATION, INC.

These Bylaws (referred to as the "Bylaws") govern the affairs of B. H. C. OWNERS ASSOCIATION, INC., a non-profit corporation (referred to as the "Association") organized under the Texas Non-Profit Corporation Act, Tex. Rev. Civ. Stat. Ann. Art. 1396-1.01-11.01 (West 1991) (the "Act").

ARTICLE I
OFFICES

Section 1. Principal Office. The principal office of the Association in the State of Texas shall be located at 430 South Commercial Street, Aransas Pass, Texas 78336. The Association may have such other offices, either in Texas or elsewhere, as the Board of Directors may determine. The Board of Directors may change the location of any office of the Association.

Section 2. Registered Office and Registered Agent. The Association shall comply with the requirements of the Act and maintain a registered office and registered agent in Texas. The registered office may, but need not, be identical with the Association's principal office in Texas. The Board of Directors may change the registered office and the registered agent as provided in the Act.

ARTICLE II
DEFINITIONS

Section 1. "Properties" shall mean and refer to the real property described as Bay Harbor Unit No. 1 and Bay Harbor Unit Nos. 2 and 3, a recorded subdivision in the City of Aransas Pass, Nueces County, Texas, according to the plats thereof recorded in Volume 47, Pages 201-202, Volume 50, Page 136, and Volume 50, Pages 134-135 of the Deed and Plat Records of Nueces County, Texas, and such additions thereto as may hereafter be brought within the jurisdiction of the Association.

Section 2. "Common Area" shall mean all real property owned by the Association for the common use and enjoyment of the Owners, as set forth in the Declaration, and other Property that may be acquired by the Association.

Section 3. "Lot" shall mean and refer to each of the individual tracts of land (or resubdivision of same) into which the Properties, excepting the Common Area, shall be divided for individual ownership, as set forth in the Declaration.

Section 4. "Owner" shall mean and refer to the record owner, whether one or more persons or entities, of a fee simple title to any Lot, including without limitation sellers by contract for deed, but excluding those having an interest in a Lot merely as security for the performance of an obligation.

Section 5. "Declaration" shall mean and refer to that certain Declaration of Restrictive Covenants, Conditions, Dedication and Agreement on Channel Ownership and Maintenance, Bay Harbor Unit No. 1, recorded in Volume 1856 at Page 325 et seq. of the Deed Records of Nueces County, Texas, and that certain Declaration of Restrictive Covenants, Conditions, Dedication and Agreement on Channel Ownership and Maintenance, Bay Harbor Unit Nos. 2 and 3, recorded in Volume 1853 at Page 170 et seq. of the Deed Records of Nueces County, Texas.

Section 6. "Member" shall mean and refer to those persons entitled to membership in the Association as provided in the Declaration and the Articles of Incorporation of the Association (the "Articles of Incorporation").

ARTICLE III MEETINGS OF MEMBERS

Section 1. Annual Meetings The first annual meeting of the Members shall be held within one (1) year from the date of incorporation of the Association, and each subsequent annual meeting of the Members shall be held in the same month of each year thereafter, on a day selected by the Board of Directors each year, at the hour of 7:00 o'clock P.M. At the annual meeting, the Members shall elect directors in accordance with the Articles of Incorporation and transact any other business that may come before the meeting. If, in any year, the election of directors is not held on the day designated for the annual meeting, or at any adjournment of the annual meeting, the Board of Directors shall call a special meeting of the Members as soon thereafter as possible to conduct the election of directors.

Section 2. Special Meetings Special meetings of the Members may be called at any time by the President of the Association or the Board of Directors, or upon written request of the members who are entitled to vote one-eighth (1/8) of all the votes of the membership of the Association.

Section 3. List of Members At least ten (10) days before each meeting of members, a complete list of the members entitled to vote at such meeting, arranged in alphabetical order and setting forth the Lots owned by each Member and the number of voting shares held by each Member, shall be prepared by the officer or agent having charge of the membership books. Such

list, for a period of ten (10) days prior to such meeting, shall be kept on file at the principal office of the Association (as set forth in Section 1. of Article I. hereof) and shall be subject to inspection by any Member at any time during usual business hours.

Section 4. Notice of Meetings Written notice of each meeting of the Members shall be given by, or at the direction of, the secretary of the Association or such other person authorized to call the meeting, by mailing a copy of such notice, postage prepaid, at least fifteen (15) days before such meeting to each Member entitled to vote thereat, addressed to the Member's address last appearing on the books of the Association, or supplied by such Member for the purpose of notice. Such notice shall specify the place, day and hour of the meeting, and, in the case of a special meeting, the purpose of the meeting. Written notice of such meetings shall also be given to each institutional holder of a first mortgage lien on any of the Lots which is designated in the Association's list of mortgagees, and such mortgagee shall be permitted to attend, or to designate a representative to attend, such meetings.

Section 5. Quorum The presence at the meeting of Members entitled to cast, or proxies entitled to cast, one-tenth (1/10) of the votes of the membership shall constitute a quorum for any action except as otherwise provided in the Articles of Incorporation, the Declaration, or the Bylaws. If, however, such quorum shall not be present or represented at any meeting, the Members entitled to vote thereat shall have the power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum as aforesaid shall be present or be represented.

Section 6. Proxies At all meetings of Members, each Member may vote in person or by proxy. All proxies shall be in writing, executed by the Members, and filed with the Secretary of the Association. Every proxy shall be revocable and shall automatically cease (i) upon conveyance by the Member of the Lot (s) to which such membership is appurtenant, or (ii) eleven (11) months from the date such proxy is executed.

ARTICLE IV BOARD OF DIRECTORS

Section 1. Management The business and affairs of the Association shall be managed by its Board of Directors, who may exercise all such powers of the Association and do all such lawful acts and things as are not by statute or by the Articles of Incorporation or the Bylaws directed or required to be exercised or done by the Members.

Section 2. Directors The Board of Directors shall consist of five (5) directors, none of whom need be Members.

Section 3. Term of Office Directors shall serve for the terms specified in the Articles of Incorporation.

Section 4. Removal Any director, other than the members of the Initial Board (as defined in Article VI. of the Articles of Incorporation) who shall serve their full terms as set forth in Article VIII. of the Articles of Incorporation, may be removed from the Board of Directors, with or without cause, by a majority vote of the members. In the event of the death, resignation, or removal of a director elected to office by the Members, his or her successor shall be elected by the Members entitled to elect such director at a special meeting called for such purpose and such director so elected shall serve for the unexpired term of his or her predecessor.

Section 5. Compensation No director shall receive compensation for any service he or she may render to the Association. A director may, however, be reimbursed for his or her actual expenses incurred in the performance of his or her duties.

Section 6. Action Taken Without a Meeting The directors shall have the right to take any action in the absence of a meeting which they could take at a meeting by obtaining the written approval of all the directors. Any action so approved shall have the same effect as though taken at a meeting of the directors.

Section 7. Indemnity Each director, officer and agent, acting for and on behalf of the Association shall be indemnified by the Association to the fullest extent allowed by Tex. Rev. Civ. Stat. Ann. Art. 1396-2.22A (Vernon 1991), and the Association shall provide reasonable insurance consistent with said statute.

Section 8. Nomination Nomination for election to the board of directors shall be made by a Nominating committee. Nominations may also be made from the floor at the annual meeting of the Association. The Nominating committee shall consist of a Chairman, who shall be a member of the Board of Directors, and two (2) or more Members. The Nominating Committee shall be appointed by the Board of Directors prior to each annual meeting of the members, to serve from the close of such annual meeting until the close of the next annual meeting, and the Nominating Committee shall make as many nominations for election to the Board of Director as it shall, in its discretion, determine, but not less than the number of vacancies that are to be filled. Such nominations may be made from among members or non-members of the

Association.

Section 9. Election Subject to Article VIII. of the Articles of Incorporation with regard to the Initial Board, election to the Board of Directors shall be by secret, written ballot of the Members. At any such election, the Members or their proxies may cast, in respect to each vacancy, as many votes as they are entitled to exercise under the provisions of the Declaration and the Articles of Incorporation. The persons receiving the largest number of votes shall be elected. Cumulative voting is not permitted.

Section 10. Regular Meetings Regular meetings of the Board of Directors shall be held quarterly without notice, at such place and hour as may be fixed from time to time by resolution of the Board. Should said meeting fall upon a legal holiday, then that meeting shall be held at the same time on the next day which is not a legal holiday.

Section 11. Special Meetings Special meetings of the Board of Directors shall be held when called by the President of the Association, or by any two (2) directors, after not less than three (3) days notice to each director.

Section 12. Quorum A majority of the number of directors shall constitute a quorum for the transaction of business. Every act or decision done or made by a majority of the directors present at a duly-held meeting at which a quorum is present shall be regarded as the act of the Board.

Section 13. Powers The Board of Directors shall have the power to:

- (a) adopt and publish rules and regulations governing the use of the Common area and improvements thereto, and the personal conduct of the members and their guests while using such improvement, and to establish penalties for the infraction thereof;
- (b) suspend the voting rights of a Member and his or her right to use the recreational facilities comprising a portion of the Common area 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 a period not to exceed sixty (60) days, for infraction by a Member or its guests, of published rules and regulations of the Association;
- (c) exercise for the association all powers, duties and

authority of the Association not reserved to the members by the Bylaws, the Articles of Incorporation or the Declaration;

- (d) declare the office of a member of the board of Directors, other than a member of the Initial Board, to be vacant, in the event such member shall be absent from three (3) consecutive regular meetings of the Board of Directors; and
- (e) employ a manager, an independent contractor, or such other employees as it deems necessary, and to prescribe their duties; provided, any management agreement shall be terminable, with or without cause, upon 30 days written notice and the term thereof shall not exceed one (1) year. In the event the Board of Directors employs professional management of the Properties and thereafter elects to terminate such professional management and assume self-management of the Properties, the vote of at least two-thirds (2/3) of the Members shall concur in such decision.

Section 14. Duties It shall be the duty of the Board of Directors to do the following or cause the following to be done:

- (a) keep a complete record of all of its acts and corporate affairs and to present a statement thereof to the Members at the annual meeting of the Members, or at any special meeting when such statement is required in writing by one-fourth (1/4) of the members who are entitled to vote thereon;
- (b) supervise all officers, agents, and employees of the Association and see that their duties are properly performed;
- (c) as more fully provided in the Declaration, to:
 - (1) fix the amount of the annual assessment against each Lot;
 - (2) send written notice of any change in the annual assessment to every Owner subject thereto at least thirty (30) days prior to the effective date of such change; and
 - (3) take such action as is necessary to collect any assessment not paid within thirty (30) days after its due date;
- (d) issue, upon demand by any person, a certificate setting forth whether or not any assessment has been

paid; if a certificate states an assessment has been paid, such certificate shall be conclusive evidence of such payment;

- (e) procure and maintain liability and hazard insurance on the Properties as provided in Article VIII. of the Declaration;
- (f) cause all officers or employees of the Association having fiscal responsibilities to be bonded; and
- (g) cause the Common Area to be maintained as required by the Declaration.

ARTICLE V OFFICERS AND THEIR DUTIES

Section 1. Enumeration of Officers The officers of the Association shall be a President and Vice President, who shall at all times be members of the Board of Directors, a Secretary, and a Treasurer, and such other officers as the Board of Directors may from time to time by resolution create.

Section 2. Election of Officers The election of officers shall take place at the first meeting of the Board of Directors following each annual meeting of the Members.

Section 3. Term Each of the officers of the Association shall be elected annually by the Board of Directors and each shall hold office for one (1) year unless he or she shall sooner resign, or shall be removed, or be otherwise disqualified to serve.

Section 4. Resignation and Removal Any officer may be removed from office with or without cause by the Board of Directors. Any officer may resign at any time, giving written notice thereof to the Board of Directors, the President, or the Secretary. Such resignation shall take effect on the date of receipt of such notice or at any later time specified therein, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 5. Vacancies A vacancy in any office may be filled by appointment by the Board of Directors. The officer appointed to such vacancy shall serve for the remainder of the term of the officer he or she replaces.

Section 6. Multiple Offices Any two (2) or more offices may be held by the same person, except the offices of President and Secretary.

follows: Section 7. Duties The duties of the officers are as

PRESIDENT

(a) The President shall be the chief executive officer of the Association. The President shall supervise and control all of the business and affairs of the Association. The President shall preside at all meetings of the Board of Directors and the Members. The President shall see that all orders and resolutions of the Board of Directors are carried out. The President may execute any contracts, leases, mortgages, easements, deeds and other instruments that the Board of Directors has authorized to be executed. The President shall perform other duties that may be prescribed by the Board of Directors from time to time and all duties incident to the office of President.

VICE PRESIDENT

(b) The Vice President shall act in the place and stead of the President in the event of his absence, inability, or refusal to act, and shall exercise and discharge such other duties as may be required of him by the President or the Board of Directors.

SECRETARY

(c) The Secretary shall:

- (1) give all notices as provided in the Bylaws or as required by law;
- (2) take minutes of the meetings of the Members and of the Board of Directors and keep the minutes as part of the corporate records;
- (3) maintain custody of the corporate records;
- (4) keep a register of the mailing address of each Member, director, officer, and employee of the Association;
- (5) perform duties as assigned by the President or by the Board of Directors; and
- (6) perform all duties incident to the office of Secretary.

TREASURER

- (d) The Treasurer shall:
- (1) have charge and custody of and be responsible for all funds of the Association;
 - (2) receive and give receipts for moneys due and payable to the Association from any source;
 - (3) deposit all moneys in the name of the Association in banks, trust companies, or other depositories as provided in the Bylaws or as directed by the Board of Directors or the President;
 - (4) write checks and disburse funds to discharge obligations of the Association. Funds may not be drawn from the Association or its accounts for amounts greater than \$1,000.00 without the signature of the President or a Vice President in addition to the signature of the Treasurer;
 - (5) maintain the financial books and records of the Association;
 - (6) cause an annual audit of the association's books to be made by an independent public accountant at the completion of each fiscal year; a copy of each annual audited financial statement shall be furnished to each Member and each holder of a first mortgage lien against any of the Lots within ninety (90) days after the close of each fiscal year of the Association;
 - (7) prepare an annual budget and a statement of income and expenditures to be presented to the membership at its regular annual meeting, and deliver a copy of each to the Members;
 - (8) perform other duties as assigned by the President or by the Board of Directors; and
 - (9) perform all of the duties incident to the office of Treasurer.

ARTICLE VI
COMMITTEES

The Board of Directors of the Association shall appoint an Architectural Control committee, as provided in the Bylaws. In addition, the Board of Directors may appoint such other committees as it deems appropriate in carrying out the purposes of the Association.

ARTICLE VII
BOOKS AND RECORDS

The books, records, and papers of the Association shall at all times, during reasonable business hours, be subject to inspection by any member and the holders of first mortgage liens on any of the Lots. The Declaration, the Articles of Incorporation, and the Bylaws of the Association, and any and all modifications or amendments thereto, shall be available for inspection by any member and any such lien holder at the principal office of the association where copies may be purchased for the actual cost thereof.

ARTICLE VIII
ASSESSMENTS

As more fully provided in, and in accordance with, Article VI. of the Declaration, each Member is obligated to pay to the Association the annual and any special assessments which are secured by a continuing lien upon the property against which the assessment is made. Any assessments which are not paid when due shall be delinquent. If the assessment is not paid within thirty (30) days after the due date, the Association may bring an action at law against the Owner personally obligated to pay the same or foreclose the lien against the property and interest of the Owner, such action to also include costs and reasonable attorneys' fees of any such action. No Owner shall otherwise escape liability for the assessments provided for herein by non-use of the common Area or abandonment of his or her Lot.

ARTICLE IX
AMENDMENTS

The Bylaws may be amended at a regular or special meeting of the Members by the affirmative vote of at least three-fourths (3/4) of the members entitled to vote.

ARTICLE X
CONFLICTS

In the case of any conflict between the Articles of Incorporation and the Bylaws, the Articles of Incorporation shall

control; and in the case of any conflict between the Declaration and the bylaws, the Declaration shall control.

ARTICLE XI
OWNERSHIP OF ASSOCIATION

Each Owner of a Lot shall be entitled to an ownership in the Association equivalent to one share of stock for each Lot owned. There shall be no issuance of any certificate of any nature, but this ownership shall vest automatically on the purchase of any such Lot, and shall terminate (in the Seller) upon the sale of any such Lot.

ARTICLE XII
FISCAL YEAR

The fiscal year of the Association shall be January 1 through Decembr 31.

FIRST AMENDMENT TO BYLAWS OF
BAY HARBOR CHANNEL OWNERS ASSOCIATION, INC.

I, the undersigned, being the Secretary of the Bay Harbor Channel Owners Association, Inc., do by this writing consent that at the Annual Membership meeting held on June 3, 1995, amended Article V, 7, d, 6 of the By Laws to read as follows:

At the discretion of the Board of Directors, the Board can audit or cause an annual audit of the Association's books to be made by an independent public accountant at the completion of each fiscal year; a copy of each annual audited financial statement shall be furnished to each Member and each holder of a first mortgage lien against any of the Lots within ninety (90) days after the close of each fiscal year of the Association;.

Except as modified herein, the By Laws shall remain in full force and effect.

Signed this the 3 day of June 1995.


Diane Benbow, Secretary

(Corporate Seal)