

BYLAWS OF
CAPTAIN'S COVE RESORT ASSOCIATION
A TEXAS NON-PROFIT CORPORATION

Captain's Cove Resort Association is a Texas non-profit corporation having as its primary function the administration of the Condominium Regime of Captain's Cove Resort, a Condominium, in accordance with the "Declaration Establishing A Condominium Regime, Covenants, Conditions and Restrictions," ("the Declaration") recorded or to be recorded in the Condominium Records of Galveston County, Texas, which is located at 7600 Seawall Boulevard, Galveston, Texas; and in particular to serve all of the functions of the "Council of Co-Owners" provided for in the Texas Condominium Act (Article 1301a, Revised Civil Statutes of the State of Texas).

ARTICLE I
NAME AND OFFICES

1.01 Until the Board of Directors otherwise determine, the registered office of Captain's Cove Resort Association required by the Texas Non-Profit Corporation Act to be maintained in the State of Texas, shall be 7600 Seawall Boulevard, Galveston, Texas 77551, but such registered office may be changed from time to time by the Board of Directors in the manner provided by law and need not be identical to the principal office of the corporation. Meetings of members and directors may be held at such places within the State of Texas, County of Galveston, as may be designated by the Board of Directors.

ARTICLE II
DEFINITIONS

- 2.01 "Association" shall mean and refer to Captain's Cove Resort Association, a Texas non-profit corporation, its successors and assigns.
- 2.02 The "property" shall mean and refer to that certain real property situated in Galveston, Galveston County, Texas, for Captain's Cove Resort, and such additions thereto as

may hereafter be brought within the jurisdiction of the Association.

- 2.03 "Common Elements" means all portions of the Condominium Project, except the Units, and consists of the General Common Elements and the Limited Common Elements. Common Elements shall include the Association properties.
- 2.04 "Developer" means the person named hereinabove who undertakes to develop the Condominium Project referred to herein.
- 2.05 "Management Agreement" means and refers to that agreement between the Association and the Management Firm, a copy of which agreement is attached hereto (to the Declaration) as Exhibit "F".
- 2.06 "Management Firm" means and refers to the entity identified as the Manager in the Management Agreement.
- 2.07 "Member"" means the Unit Owner as a member of the Association.
- 2.08 "Unit Owner" or "Owner" means the same as 'co-owner' in the Condominium Act and is the person who owns a Unit and a Percentage Interest of the Common Elements within this Condominium Project, but does not include a person having an interest in a Unit solely as security for an obligation.
- 2.09 "Declaration" shall mean and refer to the Master Declaration for Captain's Cove Resort, as recorded in the Official Public Records of Real Property of Galveston County, Texas. The terms and provisions of the Declaration are deemed incorporated herein in their entirety, as if fully set forth herein, and made a part hereof for all purposes. If any provision of these Bylaws shall conflict or be inconsistent with the terms of the Declaration, the terms of the Declaration shall control.

ARTICLE III
MEMBERS

- 3.01 Members. The Members of this Association are the Unit Owners within this Condominium Project.

3.02 Membership. Membership shall be automatic with the acceptance of title of a Unit. If a Unit is owned by more than one person, then all such owners shall be Members eligible to hold office, and attend meetings, etc.

3.03 Transfer of Membership. Membership in this Association may be transferred only upon the transfer of ownership of a Unit.

3.04 Termination of Membership. Membership in this Association is automatically terminated upon transfer of ownership of a Unit. There is no other type of termination.

3.05 Resignation. No Member may resign his membership in this Association, the same being coupled with his ownership of a Unit.

3.06 Voting Rights. Each Unit shall be entitled to cast one vote.

If a Unit or Unit Week is owned by more than one person, the votes of that Unit shall be cast by the "voting member" designated by the owners of the Unit or Unit Week.

If the ownership of a Unit is vested in a corporation, the corporation may designate an individual officer or employee of the corporation as its "voting member."

The Association shall have no vote for any Unit conveyed to it.

3.07 Voting Members. If a Unit is owned by one person, his right to vote shall be established by the recorded deed to the Unit.

If a Unit is owned by more than one person, all record owners of the Unit shall sign and file with the Secretary of the Association a certificate designating the voting member entitled to cast the votes for the Unit.

If a certificate of multiple owners or a corporate owner is not filed with the Secretary of the Association, the votes of those Units or Unit Weeks shall not be considered in determining quorum requirements. Such certificates shall be void until revoked or replaced by such owner(s).

If a Unit is owned by husband and wife then (a) they may designate a voting member; (b) if no voting member is designated and if both are present at a meeting of the Members and are unable to agree on an issue under consideration, the votes allocated to their Unit or Unit Week shall not be counted on that Issue; and (c) where no voting member is designated, and one of them is absent from the meeting of the Members, then the one present shall be entitled to cast votes of their Unit.

ARTICLE IV
MEETINGS OF MEMBERS

- 4.01 Annual Meeting. An annual meeting of the Members shall be held in the month of April in each year, at a date, time, and place to be determined by the Board of Directors, for the purpose of electing officers and for the transaction of such other business as may come before the meeting. If the day fixed for the annual meeting shall be a legal holiday in the State of Texas, such meeting shall be held on the next succeeding business day. If the election of directors shall not be held on the day designated for any 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 conveniently may be.
- 4.02 Notice of Meetings. Written notice of each meeting of the Members shall be given by, or at the direction of, the secretary or person authorized to call the meeting, by mailing a copy of such notice, postage prepaid, at least ten (10) days but not more than fifty (50) 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 to the Association, 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 including the general nature of any proposed amendment to the Declaration or Bylaws. The business of the annual meeting shall include receiving annual reports of officers, directors, and committees, electing directors for those terms expiring, and any other business properly before the meeting.
- 4.03 Quorum. The presence at the meeting of Members entitled to cast, or of proxies entitled to cast, 10% of the votes of

each class of membership shall constitute a quorum for any action except as otherwise provided in the Articles of Incorporation, the Declaration, or these Bylaws. If, however, such quorum shall not be present or represented at any meeting, the Members entitled to vote thereat shall have 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.

- 4.04 Special Meetings. Special meetings may be called by the president or upon written request of a majority of the Board of Directors, or upon written request of the Members who are entitled to vote one-third (1/3) of all the votes of the Members, to transact and consider specific items of business. Notice for any special meeting shall be given in the same manner as for the annual meeting. No business other than specified in the notice shall be transacted at any special meeting of the Members.
- 4.05 Proxies. At all meetings of Members, each Member may vote in person or by proxy. A proxy shall be in writing and revocable at the pleasure of the Member executing it. The duration of any proxy shall be eleven (11) months from its execution, unless the proxy shall contain specific instructions to the contrary.
- 4.06 Decisions of Members. A majority of the votes cast at a meeting of the members shall be the decision of the Members, unless the Condominium Act, the Declaration, the Articles of Incorporation, or these Bylaws provide otherwise.
- 4.07 Management Firm. During the term of any Management Agreement, the Management Firm shall be entitled to notice of all meetings of the Members and be entitled to have representatives attend such meetings.
- 4.08 Nomination and Election of Directors. The nomination for election to the Board of Directors shall be made from the floor at the annual meeting. Election to the Board of Directors shall be by secret written ballot. At 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. The persons receiving the largest number of votes shall be elected. Cumulative voting is not permitted. Election shall

be by plurality vote.

ARTICLE V
BOARD OF DIRECTORS

5.01 General Powers. The affairs of the Association shall be managed by its Board of Directors in accordance with the duties and responsibilities imposed upon the Council of Co-owners under Article 1301a of the Revised Civil Statutes of Texas (the Condominium Act), the Declaration, the Articles of Incorporation of this Association, all of which are incorporated herein by reference for all purposes, and these Bylaws.

5.02 Powers and Duties. The Board of Directors shall have the powers and duties necessary for the administration of the affairs of the Association and may do all acts and things as are not by law or by the Condominium Act, the Declaration, the Articles of Incorporation, or these Bylaws, directed to be exercised and done by Unit Owners. Specifically, but not by way of limitation, the Board of Directors may:

- 1) Exercise all powers of the Association set forth in the Declaration, the Articles of Incorporation, these Bylaws, and the Condominium Act, and all powers incidental thereto.
- 2) Make, determine, and collect assessments and maintenance fees; use and expend the assessments and maintenance fees to carry out the purposes and powers of the Association.
- 3) Employ, direct, and control the personnel necessary for the maintenance and operation of the Condominium Regime, and the Common Elements and facilities, including the right and power to employ attorneys, accountants, contractors, and other professionals.
- 4) Make and amend regulations respecting the use and operation of the Common Elements and Association Property, and the Units.
- 5) Contract for the management of the Condominium Regime and the Common Elements.
- 6) Make improvements of the Association property, both real and personal; purchase items of furniture, furnishings, fixtures, and equipment.

5.03 Number, Tenure, and Qualifications. The Board of Directors shall consist of three (3) persons, but the number of directors may be increased from time to time by amendment to the Bylaws of

the corporation; provided, however, that the number of directors shall never be less than three. Until the election of directors at the first annual meeting of the Members, the initial Board of Directors shall so serve. Each director shall hold office until the next annual meeting of the Members and his successor shall have been elected and qualified. All directors, except those designated by the Developer, shall be Members. All officers of a corporate owner shall be deemed to be Members of the Association for the limited purpose of being qualified to serve as a director herein. No Member shall continue to serve as a director should the Member be more than thirty (30) days delinquent of the payment of any assessment or maintenance fee. Such a delinquency shall automatically constitute a resignation, effective upon acceptance by the Board of Directors.

5.04 Election and Term. The directors shall be elected by the Members at the annual meeting of the Members, or at a special meeting of the Members held in lieu of the annual meeting, if the same is not held when provided for by these Bylaws, and each such director shall hold office, unless removed in accordance with the provisions of these Bylaws or he resigns, for a term of one (1) year and until his successor shall have been elected and qualified. Each director shall qualify by accepting his election to office either expressly or by acting as a director.

5.05 Resignation. Any director or officer of the association may resign at any time by providing the secretary of the Association with written notice of his resignation.

5.06 Vacancy and Increase. Any vacancy or vacancies occurring in the Board of Directors may be filled by the affirmative vote of a majority of the remaining directors though less than a quorum of the Board of Directors. A director elected to fill a vacancy shall be elected for the unexpired term of his predecessor in office and until his successor shall have been elected and qualified. In case of any increase in the number of directors, the additional director or directors shall be elected at either an annual meeting or a special meeting of the Members called for that purpose.

5.07 Regular Meetings. A regular annual meeting of Board of Directors shall be held without notice other than this Bylaw, immediately after, and at the same place, as the annual meeting of Members. The Board of Directors may provide by resolution the time and place within Galveston County, Texas, for the holding of additional regular meetings of the Board of Directors.

5.08 Notice and Waiver. Notice of all regular (other than regular annual meetings) and special meetings of the Board of Directors shall be given at least three (3) days previously thereto by written notice delivered personally or sent by mail or telegram to each director at his address as shown by the records of the Association. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail in a sealed envelope so addressed, with postage thereon prepaid. If notice be given by telegram, such notice shall be deemed to be delivered when the telegram is delivered to 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. The business to be transacted at the meeting need not be specified in the notice of such meeting, unless specifically required by law or by these Bylaws.

5.09 Quorum. A majority of the Board of Directors shall constitute quorum for the transaction of business at any meeting of the Board of Directors; but if less than a majority of the directors are present at said meeting, a majority of the directors present may adjourn the meeting from time to time without further notice. The joinder of a director in the action of a meeting by signing a consent concurring in the minutes thereof shall constitute the presence of such director at such meeting.

5.10 Manner of Acting. The act of a majority of the directors present at a Board of Directors meeting, at which a quorum is present, shall be the act of the Board of Directors, unless the act of a greater number is required by law or these Bylaws.

5.11 Removal. At any time after the directors are elected by the Members, as distinguished from the appointment of directors by the Developer, any director may be removed from office, with or without cause, by the affirmative vote of two-thirds (2/3) of the Members at a duly called meeting of the Members, and a successor may then be elected by the Members to fill that vacancy. If the Members do not elect a successor director, then the Board of Directors may fill the vacancy as provided for in these Bylaws.

5.12 Compensation. No director shall receive compensation for any service he may render to the Association. However, any

director may be reimbursed for his actual expenses incurred in the performance of his duties.

5.13 Management Firm. In the event the Association enters into a contract with a Management Firm, then for as long as such contract is in effect, the Management Firm shall be provided notice of all meetings of the Board of Directors, shall be entitled to attend such meetings, and it may designate its representative(s) to attend such meetings on its behalf.

5.14 Special meetings. Special meetings may be called by the president or upon written request of a majority of the Board of Directors to transact and consider specific items of business. No business other than specified in the notice shall be transacted at any special meeting of directors unless all directors shall be present.

5.15 Action Taken Without a Meeting. The directors shall have the right to take any action in the absence of a meeting which they could have taken 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.

ARTICLE VI OFFICERS

6.01 Officers. The officers of the Association shall be a president, vice president, secretary, assistant secretary, and treasurer, and such other officers as the Board of Directors may from time to time by resolution create.

6.02 Election and Term of Office. At its annual meeting, the Board of Directors shall elect persons to fill all offices for a term of one (1) year or until the next meeting. Officers need not be directors or owner-members. The same person may hold two (2) or more offices simultaneously.

6.03 Duties of Officers. The duties and powers of the respective officers shall be as follows:

President. The president shall be the chief executive officer of the Association and shall be empowered to: (a) preside at all meetings of the Board of Directors, but shall not vote unless also elected as a director; (b) execute all documents on behalf of the Association, including amendments to the Declaration; (c)

review monthly reports by legal counsel, CPA or trust institution certifying conveyances to the Association by the Developer; (d) review reports of the Association and of any Management Firm engaged by the Board of Directors; (e) call meetings of Board of Directors at his discretion; and (f) supervise all affairs of the Association.

Vice President. The vice president shall perform the duties of the president in the event of the death, extended absence, or extended inability to act as the president. Extended absence or extended inability shall mean continuation of the condition for more than thirty (30) days.

Secretary. The secretary shall be empowered to: (a) give notice of meetings to the Board of Directors and Members as required by these Bylaws; (b) attend all meetings of Members and record minutes of all transactions; (c) maintain all Association records including a list of Members in good standing and review the performance of this function by management engaged by the Board of Directors; (d) attest to all documents; and (e) retain and apply the Association seal as appropriate.

Assistant Secretary. The assistant secretary shall be empowered to perform the duties of the secretary in the event of the death, extended absence, or extended inability of the secretary to act. The assistant secretary shall attest to documents executed by the president or treasurer at their convenience.

Treasurer. The treasurer shall be empowered to: (a) maintain all monies, accounts, and bookkeeping records or supervise the performance of this function by management engaged by the Board of Directors; (b) report on the financial condition of the Association at the annual meeting of Members; (c) review the Association expenses and recommend modifications to the annual use fee as required; (d) conduct the financial affairs of the Association under the direction and control of the Board of Directors; and (e) turn over all monies, property, and records to his successor promptly upon expiration of his term.

6.04 Bond of Officers. At the request of the Board of Directors, any officer shall provide at the Association expense a bond in a reasonable amount to insure the faithful discharge of his obligations as an officer.

6.05 Removal. Any officer elected or appointed by the Board of Directors may be removed by the vote of a majority in number of

the Board of Directors whenever in its judgment the best interest of the Association would be served thereby.

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

ARTICLE VII COMMITTEES

- 7.01 Committees. Committees not having and exercising authority of the Board of Directors in the management of the Association may be designated by a resolution adopted by the Board of Directors. Except as otherwise provided in such resolution, members of such committee shall be members of the Association, and the president shall appoint the members thereof. Any committee member may be removed by the Board of Directors whenever in its judgment the best interest of the Association shall be served thereby.
- 7.02 Term of Office. Each committee member shall continue as such until the next annual meeting of the Members of the Association and until his successor is appointed, unless the committee shall be sooner terminated by the Board of Directors, or unless such committee member be removed from such committee, or unless he shall cease to qualify.
- 7.03 Chairman. One member of each committee shall be appointed chairman by the president.
- 7.04 Vacancies. Vacancies in the membership of any committee may be filled by appointments made in the same manner as provided in the case of the original appointments.
- 7.05 Quorum. Unless otherwise provided in the resolution of the Board of Directors designating a committee, a majority of the whole committee shall constitute a quorum and the act of a majority of the committee members present at the meeting at which a quorum is present shall be the act of the committee.

ARTICLE VIII
CONTRACTS, CHECKS, DEPOSITS, AND FUNDS

- 8.01 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 Bylaws, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Association, and such authority may be general or confined to specific instances. However, the provisions of any Management Agreement may delegate contracting functions to the Management Firm.
- 8.02 Checks, Drafts, or Orders for Payment. All checks, drafts, or orders for the payment of money, notes, or other evidences of 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 resolution of the Board of Directors. Such instruments shall be signed by the treasurer or an assistant treasurer and countersigned by the president or a vice-president of the Association.
- 8.03 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.
- 8.04 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 IX
ASSESSMENTS

- 9.01 Assessments and Maintenance Fees. As provided for in and subject to the limitations set forth in the Declaration, the Board of Directors shall determine the annual assessments and maintenance fees and give timely notice thereof to the Members.
- 9.02 Special Assessments. As provided in the Declaration the Board of Directors shall approve proposed special assessments, from time to time; submit notices thereof to the Members; and

provided the Members do not reject the proposed special assessments, shall establish, and collect such special assessments.

9.03 Payment of Assessments and Maintenance Fees. The Board of Directors is specifically charged with the responsibility and authority to collect all assessments and maintenance fees on behalf of the Association. From time to time, the Board of Directors shall determine whether or not the assessments and/or maintenance fees shall be paid in installments as distinguished from a lump-sum amount.

9.04 Default in Payments. The Board of Directors may utilize all of the authority reserved to the Association in the Declaration and available to it under law or equity upon any default in payments.

9.05 Management Firm. Notwithstanding any provision herein to the contrary, the Board of Directors is authorized to delegate to a Management Firm such duties and authority of the Board of Directors in regard to determining and collecting assessments and/or maintenance fees as the Board of Directors may determine from time to time.

ARTICLE X GENERAL PROVISIONS

10.01 Books and Records. The Association shall keep correct and complete books and records of account and shall also keep minutes of the proceedings of its Members and its Board of Directors, and shall keep at the registered or principal office a record giving the names and addresses of the Members entitled to vote. All books and records of the Association may be inspected by any member, his agent, or attorney for any proper purpose at any reasonable time.

10.02 Fiscal Year. The fiscal year of the Association shall begin on the first day of January and end on the last day of December in each year. However, the Board of Directors may change the fiscal year from time to time.

10.03 Corporate Seal. The Board of Directors shall provide a corporate seal, which shall be in the form of a circle with the name of the Association contained therein.

10.04 Waiver of Notice. Whenever any notice is required to be given under the provisions of the Texas Non-profit Corporation Act, the Condominium Act, the Declaration, the Articles of Incorporation, or the Bylaws 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.

10.05 Laws and Statutes. Whenever used or appearing in these Bylaws, the word "law" or "laws" or "statute" or "statutes" respectively, shall mean and refer to laws and statutes, or a law or a statute, of the State of Texas, to the extent only such is or are expressly applicable, except where otherwise expressly stated or the context requires that such words not be so limited.

10.06 Headings. The headings of the articles and sections of these Bylaws are inserted for convenience of reference only and shall not be deemed to be a part thereof or used in the construction or interpretation thereof.

ARTICLE XI
AMENDMENTS

10.01 Amendments. These Bylaws may be amended, repealed, or added to, or new Bylaws may be adopted, at a regular or special meeting of the Members, by a vote of a majority of a quorum of Members present in person or by proxy.

IN WITNESS WHEREOF, we, the Board of Directors of Captain's Cove Resort Association, have adopted these Bylaws this 15th day of April, 1983.

CERTIFICATE OF SECRETARY

The undersigned, Secretary of the Texas Non-profit Corporation known as Captain's Cove Resort Association, does hereby certify

that the above and foregoing Bylaws were duly adopted by the Board of Directors of said Association on the 15th day of April, 1983, and that they now constitute said Bylaws.

Signed this 15th day of April, 1983.

Secretary