

BYLAWS OF
HARBOR EAST CONDOMINIUMS, INC.
A TEXAS NON-PROFIT CORPORATION

HARBOR EAST CONDOMINIUMS, INC. is a Texas non-profit corporation having as its primary function the administration of the Condominium Regime of HARBOR EAST, a Condominium, in accordance with the "Amended Declaration Establishing A Condominium Regime, Covenants, Conditions and Restrictions," ("the Declaration") recorded in the Official Public Records of Real Property of Galveston County, Texas, which is located at 500 Ferry Road, Galveston, Texas, and in particular to serve all of the functions of the "Council of Co-Owners" provided for in the Texas Condominium Law (Chapter 81, Texas Property Code).

ARTICLE I

NAME AND OFFICES

1.01 Until the Board of Directors otherwise determine, the registered office of HARBOR EAST CONDOMINIUMS, INC. required by the Texas Non-Profit Corporation Law to be maintained in the State of Texas, shall be 500 Ferry Road, Galveston, Texas 77550, 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 HARBOR EAST CONDOMINIUMS, INC., 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, described in the "Amended Declaration Establishing A Condominium Regime, Covenants, Conditions and Restrictions," for HARBOR EAST CONDOMINIUMS, 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 "Management Agreement" means and refers to any agreement between the Association and a Management Firm, to which the Association's Board of Directors has delegated any of its duties and responsibilities for management of the condominiums as set forth in the Declaration.

2.05 "Management Firm" means and refers to the person or entity identified as the Manager in any Management Agreement.

2.06 "Member" means the Unit Owner as a member of the Association.

2.07 "Unit Owner" or "Owner" means the same as 'co-owner' in the Condominium Law, 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.

2.08 "Declaration" shall mean and refer to the "Amended Declaration Establishing A Condominium Regime, Covenants, Conditions and Restrictions," for Harbor East Condominiums, 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 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. The Association shall have only one class of Members.

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 Member shall be entitled to cast one vote for each Unit he owns.

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

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 vote for the Unit.

If a Unit is owned by a corporation, the corporation shall file a certificate with the Secretary of the Association, signed by the corporation president, designating an officer or employee of the corporation as the voting member entitled to cast the votes for the Unit.

If a certificate of by multiple owners or a corporate owner designating a voting member is not filed with the Secretary of the Association, the votes of that Units shall not be considered in determining quorum requirements.

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 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 the votes of their Unit.

ARTICLE IV

MEETINGS OF MEMBERS

4.01 Annual Meeting. An annual meeting of the Members shall henceforth be held in the month of January in each year, beginning with the year 2007 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. 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. 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. Failure to hold the annual meeting at the designated time shall not work a dissolution of the Association. In the event the Board of Directors fail to hold the annual meeting as designated above, any member may make demand that such meeting be held within a reasonable time, such demand to be made in writing by registered mail directed to any officer of the Association. If the annual meeting of members is not called within sixty (60) days following such demand, any member may compel the holding of such annual meeting by legal action directed against the Board of Directors.

4.02 Notice of Meetings. Written, printed, or electronic notice stating the place, day, and hour of a meeting of the members and, in case of a special meeting, the purpose or purposes for which the meeting is called (including the general nature of any proposed amendment to the By-Laws or Amended Declarations), shall be given to each member (in the manner set forth in Paragraph 10.03 of these By-Laws) not less than ten (10) nor more than sixty (60) days before the date of the meeting.

4.03 Quorum. The presence, in person or by proxy, at a meeting of the Members, of the Members entitled to cast the votes representing 51% of the ownership of the General Common Elements 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. Once a quorum is present at a meeting of members, the members represented in person or by proxy at the meeting may conduct such business as may be properly brought before the meeting until it is adjourned, and the subsequent withdrawal from the meeting of any member or the refusal of any member represented in person or by proxy to vote shall not affect the presence of a quorum at the meeting.

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 cast the votes of Members representing not less than one-tenth (1/10) of the ownership of the General Common Elements, 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 or the executed waiver of notice shall be transacted at any special meeting of the Members. Any person or persons (other than the President) entitled hereunder to call a special meeting of members may do so only by written request sent by certified mail or delivered in person to the President or Secretary. The officer receiving the written request shall within ten (10) days from the date of its receipt cause notice of the meeting to be given in the manner provided by these By-Laws to all members entitled to vote at the meeting. If the officer does not give notice of the meeting within ten (10) days after the date of receipt of the written request, the person or persons calling the meeting may fix the place and time of meeting and give the notice in the manner provided in these By-Laws.

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.

4.06 Decisions of Members. The votes representing 51% of the ownership of the General Common Elements present in person or by proxy and 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 votes representing the largest percentage of ownership in the General Common Elements shall be elected. Cumulative voting is not permitted. Election shall be by plurality vote.

4.09 Vote on Fundamental Action. Any proposal to transfer or sell all or substantially all of the assets of the Association or a proposed plan of merger of the Association with another entity may not be voted-upon at a meeting of the members unless a written notice stating that such matters will be considered at the meeting is delivered to the members at least 10 days and not more than 60 days prior to the date of the meeting. Notice of any meeting to vote upon a plan of merger must contain a copy of the plan or a summary thereof. The contemplated transfer, sale, or plan of merger must be approved by votes representing at least two-thirds (2/3) of the ownership of the General Common Elements that are present in person or by proxy at the meeting.

4.10 Record Date. The record date for determining the members entitled to notice of a members' meeting and for determining the members entitled to vote at a members' meeting shall be the close of business on the business day preceding the date on which notice is given, or if notice is waived, at the close of business on the business day preceding the date of the meeting. A determination of members entitled to notice of or to vote at a members' meeting is effective for any adjournment of the meeting unless the Board of Directors fix a new date for determining the right to notice or the right to vote. The Board of Directors must fix a new date for determining the right to notice or the right to vote if the meeting is adjourned to a date more than ninety (90) days after the record date for determining members entitled to notice of the original meeting.

4.11. Voting Lists. After fixing a record date for the notice of a meeting, the Association shall prepare a list of the names of all the voting members who are entitled to notice of the meeting. The list must show the address of each voting member.

Not later than two (2) business days after the date notice is given of a meeting for which a list was prepared, as provided above, and continuing through the meeting, the list of voting members must be available for inspection by any member entitled to vote at the meeting for the purpose of communication with other members concerning the meeting, at the Association's principal office or at a reasonable place identified in the meeting notice in the city where the meeting will be held. A voting member or voting member's agent or attorney is entitled on written demand to inspect and to copy the list at a reasonable time and at the member's expense during the period it is available for inspection.

The Association shall make the list of voting members available at the meeting, and any voting member or voting member's agent or attorney is entitled to inspect the list at any time during the meeting or any adjournment.

4.12. Action of Members Without Meeting. Any action required by the Texas Business Organizations Code to be taken at a meeting of the members may be taken without a meeting, notice of meeting, or the taking of a vote of the members, if a consent in writing, setting forth the action to be taken, is signed by a sufficient number of members as would be necessary to take that action at a meeting at which all of members entitled to vote were present and voted.

Each written consent shall bear the date of signature of each member who signs the consent. A written consent signed by less than all of the members is not effective to take the action that is the subject of the consent unless, within sixty (60) days after the date of the earliest dated consent delivered to the Association in the manner required by this section, a consent or consents signed by the required number of members is delivered to the Association at its registered office, addressed to the President or principal executive officer of the Association.

Prompt notice of the taking of any action by members without a meeting by less than unanimous written consent shall be given to all members who did not consent in writing to the action.

If any action by members is taken by written consent signed by less than all of the members, any articles or documents filed with the Secretary of State as a result of the taking of the action shall state, in lieu of any statement required by this Act concerning any vote of the members, that written consent has been given in accordance with the provisions of section 6.202 of the Texas Business Organizations Code and that any written notice required by such section has been given.

A telegram, telex, cablegram, or similar transmission by a member or a photographic, photostatic, facsimile, or similar reproduction of a writing signed by a member shall be regarded as signed by the member for purposes of this section.

4.13 Committees of the Members. The members, by resolution adopted by a majority of the members, may designate one or more committees which, to the extent provided in such resolution, shall have and exercise such duties as may be set forth in the resolution. Each such

committee shall consist of two or more members. The designation of such committees and the delegation thereto of authority shall not operate to relieve the members of any responsibility imposed upon them by law.

Each member of a committee shall continue as such until the next annual meeting of the members of the Association and until a successor is appointed in the committee member's stead, unless the committee shall be sooner terminated, or unless such member be removed from such committee, or unless such member cease to qualify as a member thereof. One member of each committee shall be appointed chairman by the members thereof. Vacancies in the membership of any committee may be filled by appointments of the Board of Directors. Unless otherwise provided in the resolution designating a committee, a majority of the whole committee shall constitute a quorum and the act of a majority of the members present at a meeting at which a quorum is present shall be the act of the committee. Each committee may adopt rules for its own government not inconsistent with these By-Laws or with rules adopted by the members.

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 Chapter 81 of the Texas Property Code (the Condominium Law), 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 Law, 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 five (5) persons, but the number of directors may be decreased or 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. Each director shall hold office until the next annual meeting of the Members or until his successor shall have been elected and qualified. All directors 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 in* the payment of any assessment or maintenance fee or any installment thereof. 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 or 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. The resignation shall be effective upon receipt thereof by the secretary and formal acceptance shall not be required.

5.06 Vacancy and Increase. Except as provided in Paragraph 5.11, 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. Manner of Meeting. Meetings of the Board of Directors may be held by any method, including electronic or telephonic, by which each director may contemporaneously hear and be heard by every other director. If the meeting involves voting upon a fine, damage assessment, appeal from denial of architectural approval or the suspension of a right of a member before that

member has had an opportunity to present the member's position, the meeting may not be held by electronic or telephonic methods.

5.08 Regular Meetings. The annual meeting of the 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. Failure to hold the annual meeting at the designated time shall not work a dissolution of the Association. In the event the Board of Directors fails to meet at the designated time, any Director may make demand that such meeting be held within a reasonable time, such demand to be made in writing by registered mail directed to any officer of the Association. If the annual meeting of the Board of Directors is not called within sixty (60) days following such demand, any Director may compel the holding of such annual meeting by legal action directed against the Board of Directors.

5.09 Notice and Waiver. Notice of all regular (other than annual meetings) and special meetings of the Board of Directors shall be given at least three (3) days previously thereto in the manner set forth in Paragraph 10.03 of these By-laws. On request of any member, the Board shall inform that member of the time and place of the next regular meeting of the Board. 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 or waiver of notice of such meeting, unless specifically required by law or by these Bylaws.

5.10 Quorum. A majority of the Board of Directors present in person or by proxy shall constitute a 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.

5.11 Manner of Acting. A director may vote in person or by written proxy executed by the director. Each proxy shall be revocable at any time. The act of a majority of the directors present *in person or by proxy* 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.

5.12 Removal. At any time after the directors are elected by the Members, any director may be removed from office, with or without cause, by the affirmative vote of the Members representing two-thirds of the ownership interests in the General Common Elements present in person or by proxy 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.

5.13 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. A director shall not be precluded from serving the Association in any other capacity and receiving compensation for services in such capacity.

5.14 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.

5.15 Special Meetings. Special meetings may be called by the president or upon written request of any two or more directors to transact and consider specific items of business. No business other than specified in the notice thereof shall be transacted at any special meeting of directors unless all directors shall be present. Such special meeting shall be held at the date, time, and place specified in the notice thereof.

5.16 Action Taken Without a Meeting. Any action required by the Texas Business Organizations Code to be taken, at a meeting of the Board of Directors or any action that may be taken, at a meeting of the Board of Directors may be taken without a meeting, notice of meeting, or the taking of a vote, if a consent in writing, setting forth the action to be taken, is signed by all of the members of the Board of Directors; provided, however, that if the contemplated action involves a fine, damage assessment, or appeal from the denial of an architectural approval, or the suspension of a right of a member before that member has had an opportunity to present the member's position, the Board may not act by unanimous written consent.

Each written consent shall bear the date of signature of each Director who signs the consent. A written consent signed by less than all of the Board of Directors is not effective to take the action that is the subject of the consent unless, within sixty (60) days after the date of the earliest dated consent delivered to the Association in the manner required by this section, a consent or consents signed by the remaining members of the Board of Directors is delivered to the Association at its registered office by hand or certified or registered mail, return receipt requested.

A telegram, telex, cablegram, or similar transmission by a Director or a photographic, photostatic, facsimile, or similar reproduction of a writing signed by a Director shall be regarded as signed by the Director for purposes of this section.

5.17 Committees of the Board of Directors. The Board of Directors, by resolution adopted by a majority of the Directors in office, may designate and appoint one or more committees, each of which shall consist of two or more Directors, which committees, shall have and exercise the duties provided in said resolution. The designation and appointment of any such committee and the delegation of authority to such committee shall not operate to relieve the Board of Directors, or any individual Director, of any responsibility imposed by law upon the Board of Directors or upon any individual Director.

Any member of any committee thereof may be removed by the Board of Directors whenever in its judgment the best interests of the Association shall be served by such removal.

Each member of a committee shall continue as such until the next annual meeting Board of Directors and until a successor is appointed, unless the committee shall be sooner terminated, or unless such member be removed from such committee, or unless such member cease to qualify as a member thereof.

One member of each committee shall be appointed chairman by the members thereof.

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.

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 members present at a meeting at which a quorum is present shall be the act of the committee.

Each committee may adopt rules for its own government not inconsistent with these By-Laws or with rules adopted by the Board of Directors.

5.18 Open Meetings; Closed Sessions. Meetings of the Board shall be open to all members. However, the Board may, at any time, adjourn its meeting and reconvene in closed executive session, restricted to directors and counsel and the representatives of the Management Firm, to discuss and consider litigation, contract negotiations, personnel, enforcement actions, matters involving the invasion of privacy of individual unit owners, or matters that are to remain confidential by request of the affected parties and agreement of the Board. The general nature of any business to be considered in executive session must first be announced at the open meeting.

ARTICLE VI

OFFICERS

6.01 Officers. The officers of the Association shall be a president and secretary, and may also include one or more vice-presidents, assistant secretary, and treasurer, and such other officers as the Board of Directors may from time to time by resolution create. New offices may be created and filled, and offices (except those of president and secretary) may be eliminated at any meeting of the Board of Directors. Any two or more offices (except those of president and secretary) may be held by the same person.

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.

6.03 Duties and Powers of Officers. Each officer shall have, in addition to the duties and powers specifically set forth herein, such powers and duties as are commonly incident to that office and such duties and powers as the Board of Directors shall from time to time designate. All officers shall perform their duties subject to the directions and under the supervision of the Board of Directors. All officers and agents of the Association, as between themselves and the Association, shall have such authority and perform such duties in the management of the Association as may be provided in these By-Laws, or as may be determined by resolution of the Board of Directors not inconsistent with these By-Laws. In the discharge of a duty imposed or power conferred on an officer of a Association, the officer may in good faith and with ordinary care rely on information, opinions, reports, or statements, including financial statements and other financial data, concerning the Association or another person, that were prepared or presented by: (1) one or more other officers or employees of the Association, including members of the Board of Directors; or (2) legal counsel, public accountants, or other persons as to matters the officer reasonably believes are within the person's professional or expert competence. An officer is not relying in good faith within the meaning of this section if the officer has knowledge concerning the matter in question that makes reliance otherwise permitted by this subsection unwarranted. 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) see that all orders and resolutions of the Board are carried out, subject however, to the right of the Board of Directors to delegate specific powers, except such as may be by statute exclusively conferred on the President, to any other officers of the Association; (d) review reports of the Association and of any Management Firm engaged by the Board of Directors; (e) call meetings of the Board of Directors at his discretion; (f) submit a report of the operations of the Association for the year to the directors at their meeting next preceding the annual meeting of the Board of Directors; (g) serve as an ex-officio member of all committees of the members created under these by-laws; and (f h) generally 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 Board of Directors and record minutes thereof; (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; and (d) attest to all documents.

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) disburse funds of the Association as ordered by the Board of Directors; (c) deposit funds of the Association in an account in its name in such depositories as may be designated by the Board of Directors; (d) report on the financial condition of the Association at the annual meeting of Members; (e) review the Association expenses and recommend modifications to the annual use fee as required; (f) conduct the financial affairs of the Association under the direction and control of the Board of Directors; and (g) 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. The removal of an officer shall be without prejudice to the contract rights, if any, of the officer so removed. Election or appointment of an officer or agent shall not of itself create contract rights.

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

INDEMNIFICATION AND INSURANCE

7.01 Indemnification. As required by Section 8.051 of the Texas Business Organizations Code, the Association shall indemnify present or future Directors against reasonable expenses actually incurred in connection with a proceeding in which the Director is a respondent because of the Director's status as a Director, if the Director is wholly successful, on the merits or otherwise, in the defense of the proceeding. ~~The Association may indemnify a present or former director in the manner, to the extent, and under the circumstances set forth in Sections 8.101, 8.102, and 8.103 of the said Code, and may pay or reimburse expenses incurred by current directors in the manner and under the circumstances set forth in Section 8.104 of the said Code. The Association may indemnify and advance expenses to an officer or agent of the Association in the manner, to the extent, and under the circumstances set forth in Section 8.105 of the said Code.~~ The Association shall report in writing to the members any indemnification or advance of expense to a director with or before notice of the next meeting of members or before the next submission to the members of a request for consent to action without meeting, and, in any event, shall do so not later than one year after the indemnification or advance.

7.02 Insurance. The Association may purchase and maintain insurance or another arrangement on behalf of any person who is or was a member, director, officer, employee, or agent of the Association against any liability asserted against him or her and incurred by him or her in such a capacity or arising out of his or her status as such a person, whether or not the Association would have the power to indemnify him or her against that liability. If the insurance or other arrangement is with a person or entity that is not regularly engaged in the business of providing insurance coverage, the insurance or arrangement may provide for payment of a liability with respect to which the Association would not have the power to indemnify the person only if including coverage for the additional liability has been approved by the members of the Association. Without limiting the power of the Association to procure or maintain any kind of insurance or other arrangement, the Association may, for the benefit of persons indemnified by the Association, (1) create a trust fund; (2) establish any form of self-insurance; (3) secure its indemnity obligation by grant of a security interest or other lien on the assets of the Association; or (4) establish a letter of credit, guaranty, or surety arrangement. The insurance or other arrangement may be procured, maintained, or established within the Association or with any insurer or other person deemed appropriate by the Board of Directors regardless of whether all or part of the stock or other securities of the insurer or other person are owned in whole or part by the Association. In the absence of fraud, the judgment of the Board of Directors as to the terms and conditions of the insurance or other arrangement and the identity of the insurer or other person participating in an arrangement shall be conclusive and the insurance or arrangement shall not be voidable and shall not subject the directors approving the insurance or arrangement to liability, on any ground, regardless of whether directors participating in the approval are beneficiaries of the insurance or arrangement.

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. The Board of Directors, by resolution approving same, may delegate contracting functions to the Management Firm pursuant to the provisions of a written Management Agreement.

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.

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 Annual 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. In this regard, the Board may: impose interest and late charges for late payments of assessments, returned check charges, and (if notice and opportunity to be heard are given to the affected member) reasonable fines for violations of the Declaration, By-laws, and rules of the Association; adopt and amend rules regulating the collection of delinquent assessments and the application of payments; and suspend the voting rights of a member delinquent for more than 30 days in the payment of assessments.

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, late charges, other charges and fines, 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 the following, as required by law: minutes of the proceedings of its Members, and its Board of Directors; voting records, proxies, and correspondence relating to amendments to the Declaration; and, at the registered or principal office, a record giving the names and addresses of each Unit owner and 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 on normal business days upon reasonable notice to the Secretary of the Association.

10.02 Financial Records. The Association shall maintain current true and accurate financial records with full and correct entries made with respect to all financial transactions of the Association, including all income and expenditures, in accordance with generally accepted accounting practices. All records, books, and annual reports (if required by law) of the financial activity of the Association shall be kept at the registered office or principal office of the Association in this state for at least three years after the closing of each fiscal year and shall be available to the public for inspection and copying there during normal business hours. The Association may charge for the reasonable expense of preparing a copy of a record or report. The Association shall, as a common expense, annually obtain an independent audit of the financial records. Copies of the audit must be made available to any unit owner upon request.

10.03 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.

10.04 Notice. Any notice of a meeting of the members or directors required to be given under these By-Laws may be given by the Secretary of the Association or by the person authorized to call the meeting, and in any of the following manners: by personal delivery to the person entitled to notice; by mail, postage paid, to the person's address as shown on the Association's records; or by facsimile or electronic message to the facsimile or e-mail address shown on the Association's records. If a meeting for which notice is given is not held solely by means of telephone conference or other electronic communications system, the notice shall state the date, time, and location of the meeting; if the meeting is held solely or in part by means using a conference telephone or electronic communication system, the form of the communication system, means of accessing the system, date and time of the meeting shall be specified in the notice. If mailed, notice shall be deemed delivered when deposited in the U. S. Mail, postage prepaid, and addressed to the member or director at the address for same shown in the records of the Association. If transmitted by facsimile or e-mail, notice shall be deemed delivered on successful transmission of the notice.

10.05 Waiver of Notice. Whenever any notice is required to be given under the provisions of the Texas Non-Profit Corporation Law, the Condominium Law, the Declaration, the Articles of Incorporation, or these Bylaws, 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. The business to be transacted at a meeting need not be specified in the written waiver except when otherwise required by the Texas Non-Profit Corporation Law, the Condominium Law, the Declaration, the Articles of Incorporation, or these Bylaws.

10.06 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 the laws and statutes, or a law or a statute, of the State of Texas, to the extent only that such is or are expressly applicable, except where otherwise expressly stated or the context requires that such words not be so limited.

10.07 Pronouns and Headings. All personal pronouns used in these By-Laws shall include the other gender whether used in masculine or feminine or neuter gender, and the singular shall include the plural whenever and as often as may be appropriate. 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.

10.08 Invalid Provisions. If any one or more of the provisions of these By-Laws, or the applicability of any such provision to a specific situation, shall be held invalid or unenforceable, such provision shall be modified to the minimum extent necessary to make it or its application valid and enforceable, and the validity and enforceability of all other provisions of these By-Laws and all other applications of any such provision shall not be affected thereby.

ARTICLE XI

AMENDMENTS

11.01 Amendments. These Bylaws may be amended, repealed, or added to, or new By-Laws may be adopted, at a regular or special meeting of the Members, by a vote representing 51% of the ownership interests in the General Common Elements present in person or by proxy at a meeting at which a quorum is present.

ADOPTED, on the 27th day of January, 2007, by the vote of the Member of the Association representing an aggregate ownership interest of at least 67% of the Common Elements of Harbor East Condominiums at a duly called and noticed meeting of the Members.


Secretary
Harbor East Condominiums, Inc.

FILED AND RECORDED



OFFICIAL PUBLIC RECORDS

Mary Ann Daigle

2007059361

September 11, 2007 11:56:49 AM

FEE: \$204.00

Mary Ann Daigle, County Clerk
Galveston County, TEXAS

RECORDER'S MEMORANDUM

At the time of recordation, this instrument was found to be inadequate for the best photographic reproduction because of illegibility, carbon or photo copy, discolored paper, etc. All blackouts, additions and changes were present at the time the instrument was filed and recorded.