

BY-LAWS

OF

NASSAU BAY HOMES ASSOCIATION, INC.

April 2005

The By-Laws set forth on the following pages incorporate the 9 amendments and approved by a majority vote at the April 2, 2005 Trustee Election / By-law Referendum and now adopted by the Board of Trustees of the Nassau Bay Homes Association, Inc., at the Annual Meeting held on April 26, 2005.

Kay Redfield, President

Alfred Arteaga, Vice-President

Marianne Zaalberg van Zelst, Secretary/Treasurer

Stephen Weeks, Trustee

Chris Sickler, Trustee

BY-LAWS

OF

NASSAU BAY HOMES ASSOCIATION, INC

ARTICLE I

NAME AND TYPE OF CORPORATION

Section 1 - The name of the corporation is NASSAU BAY HOMES ASSOCIATION, INC., hereinafter referred to as the "association." As specified in the Articles of Incorporation, the association is a non—profit corporation and has no capital stock. The period of duration of the association is perpetual.

ARTICLE II

DEFINITIONS

Section 1 - The words "said property" as used in these By-Laws shall be deemed to mean the following described real property situated in the County of Harris, State of Texas, and more particularly described as follows:

Being that tract of land out of Houston Orchard Company's Webster Farms, commonly referred to as the Raymond Pearson 1776 Ranch, and being more particularly described as:

that certain tract or parcel of land lying and being situated in the Sarah Deel League (Abst. 13), Harris County, Texas, more particularly described as follows, to wit:

BEGINNING at a point where the South line of the Webster—Seabrook Road intersects Cow Bayou Gully (or Carlton Bayou);

THENCE down said Bayou to the point where said Bayou empties into a lagoon, sometimes called Canton Lagoon;

THENCE around the Northern Bank of said Lagoon in a Southeasterly direction to the place where the Northerly bank of said Lagoon intersects Clear Creek;

THENCE following Clear Creek downstream with its meanders to its junction with the Easterly shore of Swan Lagoon at the mouth of said Lagoon on the Easterly boundary of the Sarah Deel League;

THENCE from headland to headland across the mouth of said Lagoon following the Easterly boundary of said League from a point on the Northerly bank of Clear Creek at its juncture with said Lagoon to the Northerly shore of said Lagoon;

THENCE Westerly and Southerly along the Northerly and Westerly shore of Swan Lagoon to its point of inter-section with the East line of Lot 5, Block 86 of Houston Orchard Company's Webster Subdivision of the Robert Wilson and Sarah Deel Leagues in Harris County, Texas;

THENCE in a Northerly direction with the Eastern boundary of said Lot 5, Block 86 and thence with the Eastern boundary of Lot 4, Block 86, and thence with the Eastern boundary of Lot 5, Block 81, to the North-east corner of said Block, thence West with the North line of said Lot 5, Block 81, to the Northwest corner of said Lot 5, thence North with the East line of Lot 1 in Block 82 to the intersection of same with the South line of the Webster-Seabrook Road;

THENCE in a Westerly direction with the South line of the Webster-Seabrook Road to the point where said road intersects CowBayou Gully (or Canton Bayou), the place of beginning, and including also any and all other land in the Sarah Deel and Robert Wilson Leagues in Harris County, Texas, owned or claimed by Grantors by limitation or otherwise and which adjoins and is contiguous to the above described lands, whether the same be inside the specific description above.

Section 2 — The words "building site" wherever used in these By-Laws shall be deemed to mean a building site as defined in any declaration of conditions, covenants, restrictions, easements, reservations or changes affecting the portion of said property in which the building site is located.

ARTICLE III

PURPOSE AND FUNCTION OF THE ASSOCIATION

Section 1 — The association is a non-profit corporation and the purposes for which it is formed are civic and social, for the benefit and betterment of the members of the association. To properly carry out said purposes, the association may at the discretion of its Board of Trustees perform the following functions and the exercise of such functions shall be deemed to be within the scope of activities contemplated by the corporate charter.

(a) The association has the right to enforce covenants and restrictions upon and created for the benefit of said property over which this association has jurisdiction; the association may pay all expenses incidental thereto.

(b) The association may perform any and all lawful things and acts which this association at any time, and from time to time, shall, in its discretion, deem to be in the best interests of said property and the owners of the building sites thereon, and shall pay all costs and expenses in connection therewith.

(c) Any powers and duties exercised by said association relating to maintenance, operation, construction or reconstruction may be contracted for with any qualified contractor as agent. In the performance of the powers and duties, the association may engage the services of agents, independent contractors or employees to manage, operate, or perform all or any part of the affairs and business of the association.

(d) The association may acquire by gift, purchase, or otherwise own, hold, enjoy, lease, operate, maintain, and convey, sell, lease, transfer, mortgage, or otherwise encumber, dedicate for public use, or otherwise dispose of real or personal property in connection with the business of this association, except as specified in Article XII, Section 4, General Provisions.

(e) The association may assess and collect a maintenance fund on property submitted to the jurisdiction of this association and shall be restricted in such functions as provided in the agreement under which such property is submitted.

(f) The association may expend the moneys collected from assessments or charges and other sums received by this association for the payment and discharge of all proper costs, expenses and obligations incurred by this association in carrying out any or all of the purposes for which this association is formed.

(g) The association may borrow money for the purpose of carrying out its affairs if the Trustees deem advisable, subject to the limitations or restrictions specified in Article XIII, Section 4, Finance.

(h) The association may not perform any function which is within the scope, purview or jurisdiction or other governing bodies unless approved by majority vote of all of the members of the Board of Trustees.

(i) Further, the association shall have and exercise any and all powers, rights, and privileges which a corporation organized under the Texas Non—Profit Corporation Act by law may now or hereafter have and exercise.

Section 2 — The activities of the association shall be limited to the area known as Nassau Bay, a subdivision in Harris County, Texas, and to such other areas which may here-inafter through the operation of conditions, covenants, re-strictions, easements, reservations or changes pertaining to the same be placed under or submitted to the jurisdiction of this association be accepted as within the jurisdiction of this association by resolution of the Board of Trustees of this association.

ARTICLE IV

MEMBERSHIP

Section 1 — Every owner of a lot which is subject to assess-ment by the association shall be a member of the association. Membership shall be appurtenant to and may not be separated from ownership of any lot which is subject to assessment by the association.

Section 2 - When more than two persons have an interest in any lot, all such persons shall be members. The votes for such lots shall be exercised as the owners among themselves determine, but in no event shall more than two votes be cast with respect to any lot.

ARTICLE V

BOARD OF TRUSTEES

Section 1 — The affairs of the association shall be managed by a Board consisting of five (5) Trustees, each of whom must be a resident member of the association, current in payments to the Maintenance Fund.

Section 2 - The Trustees of the association are to be elected by the members of the association for two—year terms. Each Trustee shall occupy a position on the Board, such Positions being numbered One (1) through Five (5).

(a) Each odd-numbered year, three Trustees shall be elected to fill Positions One, Three and Five. Each even—numbered year, two Trustees shall be elected to fill Positions Two and Four.

(b) No person shall be elected to the position of Trustee more than three (3) consecutive times.

Section 3 - Any Trustee may resign at any time by giving written notice to the Board of Trustees.

Section 4 - The Trustees shall serve without salary, however, they may be entitled to reimbursement of expenses incurred in the performance of their duties and may receive a Trustee's fee at the discretion of a majority of the Trustees.

Section 5 — Vacancies created by death or resignation from the Board shall be filled for the remainder of the unexpired term at the next regular election. The Board by majority vote of all of its remaining members shall, within thirty (30) days, appoint a qualified person to fill the vacancy until the next

regular election. If the Board fails to make such an appointment within thirty (30) days following occurrence of the vacancy, a special election shall be called by the Trustees to fill the vacancy. Such special election must be held no earlier than sixty (60) days nor later than one-hundred twenty (120) days following the occurrence of the vacancy.

Section 6 - If at any time the membership of the Board is reduced to fewer than three (3) Trustees, additional qualified person(s) may be appointed by the remaining member(s) of the Board to raise the membership to three (3). The situation involving a Board with fewer than three (3) members shall be an exception to the rule of procedure specified in Article VII, Section 6,

Meetings of Trustees.

Section 7 - A Board comprising fewer than four (4) elected Trustees shall be immediate cause for the calling of a special or regular election not less than sixty (60) days non more than one—hundred twenty (120) days from the time of occurrence to fill all positions not held by elected Trustees. The Trustees elected at such an election shall serve the unexpired portions of the Positions to which elected.

ARTICLE VI

DUTIES OF THE TRUSTEES

Section 1 - It shall be the duty of the Board of Trustees:

(a) To perform the functions of the association.

(b) To cause to be kept a record of all of their Minutes, acts and proceedings, and to present a full statement at the Annual Meeting of the Board of Trustees, showing in detail the assets and liabilities of the association and generally the condition of its affairs. A similar statement shall be presented at any other meeting of the Trustees when requested by two or more Trustees.

(c) To supervise all officers, agents and employees of this association and to see that their duties are properly performed.

(d) To review and evaluate employee matters at least once per year.

ARTICLE VII

MEETINGS OF TRUSTEES

Section 1 - The Annual Meeting of the Board of Trustees shall be the first regular meeting following the election of Trustees as specified in Article XIV, Section 1, Elections.

Section 2 - The regularly scheduled monthly meeting of the Board of Trustees shall be conducted at a time and place so designated by the Trustees.

Section 3 - Notice of the date, time, place and agenda proposed for all meetings shall be posted one week in advance in a public place and, whenever possible, in a local newspaper.

Section 4 - Special meetings of the Board of Trustees shall be held when called by the President of the Board, or upon request of any two Trustees. Notice of such meetings shall be posted as for regular meetings, whenever possible.

Section 5 - All meetings shall be open to the members except for sessions held for the purpose of discussing contracts, employee matters, real estate transactions, and litigation. All or any part of the meetings of the Board of Trustees open to the members may be recorded by any person in attendance by any reasonable means.

Section 6 - No action or decision of the Board of Trustees shall be valid or binding unless adopted by a concordant vote of three (3) or more Trustees of the Board in attendance at a duly held meeting open to the members. A quorum is present provided that three (3) Trustees are in attendance.

ARTICLE VIII

OFFICERS

Section 1 - The officers of the association shall be a President, a Vice—President, and a Secretary—Treasurer, all of whom shall be elected from the Board of Trustees.

Section 2 - The officers of the association shall be elected by the Board of Trustees at the Annual Meeting and each shall hold his office for one year unless he shall sooner resign or be removed from office.

Section 3 — Any officer may be removed from office for cause by a vote of the majority of the Trustees at any time at any Annual regular or special meeting of the Board. Any officer may resign his office at any time by giving written notice to the Board of Trustees.

Section 4 - A vacancy in any office because of death, resignation, removal or other cause shall be filled in the manner prescribed in Article V, Section 5 of these By-Laws.

ARTICLE IX

PRESIDENT

Section 1 - The President shall preside at all meetings.

Section 2 - The President shall sign as President all deeds, contracts and other instruments in writing which have been first approved by the Board of Trustees and shall see that orders and resolutions of the Board of Trustees are performed on executed.

Section 3 - The President shall have, subject to the con-currence of the Board, general supervision, direction and control of the business affairs of the association, and generally shall discharge such other duties as may be required of him by the Board of Trustees.

ARTICLE X

VICE-PRESIDENT

Section 1 - The Vice-President shall perform all the duties and shall have all the powers of the President in the absence, inability or refusal of the President to act.

ARTICLE XI

SECRETARY-TREASURER

Section 1 — The Secretary—Treasurer shall:

(a) Keep, or cause to be kept, Minutes of all meetings and proceedings of the Board of Trustees.

(b) Keep the Seal of the association and affix it to all papers requiring the Seal of the association.

(c) Keep, or cause to be kept, proper books of account and cause an annual audit of the association books to be made by a Certified Public Accounting firm at the end of each fiscal year.

(d) Post, or cause to be posted, notices of meetings of the Board of Trustees as required by law or by the By—Laws of the association.

(e) Keep, on cause to be kept, appropriate records showing Trustees of the association together with their addresses as furnished by such Trustees.

(f) Receive and deposit, on cause to be deposited, in a bank or banks as the Board of Trustees may from time to time direct all of the funds of the association.

Section 2 - The Secretary-Treasurer shall have the responsibility for the disbursement of funds, and for the review and reconciliation of the bank statement each month.

ARTICLE XII

GENERAL PROVISIONS

Section 1 - If a Trustee or employee of the association shall have a financial interest, direct or indirect, in any contract with the association, or shall be financially interested, directly or indirectly, in the sale to the association of any land, materials, supplies or services except on behalf of the association as a Trustee or employee, that Trustee or employee shall not take part in any decision related to the matter and shall not be entitled to a vote on its approval or disapproval.

Section 2 - No person related to any Trustee of the association shall be hired or appointed to full-time service of the association; however, part-time seasonal activities connected with swimming pool and marina functions may be exempted from this provision.

Section 3 - All Trustees and employees of the association will be bonded at association expense.

Section 4 - The Marina and Swim Pool property of the association shall not be sold, leased, conveyed, transferred or dedicated without the vote of four out of the five Trustees, with such vote to be taken at each of two meetings held three months apart. Each such meeting shall be advertised in a newspaper of general circulation in Nassau Bay at least one week prior to the date of each meeting.

Section 5 - The Board of Trustees of the association may appoint qualified members to positions of responsibility for overseeing major activities of the association. Such appointments shall be for a term of two years and subject to termination at any time by the Board. Appointees may receive a reasonable monthly fee and, at the discretion of the Board, reimbursement of actual and reasonable expenses incurred as a direct result of their tasks.

Section 6 - The members may, at any regular meeting of the Board of Trustees, present issues for consideration and action. In the event that an issue is not settled to the satisfaction of the members, the members may petition to have the matter presented for referendum at a regular election, or at a referendum election called for the purpose. Any such petition must be signed by resident members numbering at least 15% of the resident members. When such a petition has been determined by the Board of Trustees to be sufficient, the Trustees shall include the issue on the ballot for the next regular election occurring not more than one hundred twenty (120) days following receipt of the petition by the Board. Should a regular election not be scheduled within the one-hundred—twenty—day period, a referendum election shall be called in accordance with the provisions of Article XIV, Sections 6 and 7. The provisions of this Section shall not extend to the adopted budget or to the capital program of the association for the current year.

Section 7 - No action of the association shall discriminate against any person on the basis of race, age, sex, national origin or religious affiliation.

ARTICLE XIII

FINANCE

Section 1 - The fiscal year of the association shall begin on the first day of November and end on the last day of October. Such fiscal year shall also constitute the budget and accounting year.

Section 2 - On or before the regular monthly meeting for August, the President shall submit or cause to have submitted to the other Trustees a draft of the budget for the ensuing fiscal year. The Trustees will present the proposed budget to the members at a public hearing to be held before the end of the first week of October.

Section 3 - The budget shall reflect a complete financial plan for all association funds and activities and shall be so arranged as to show comparative budget and actual figures for the current year-to-date and year-end projections, as well as estimated income and expenses for the ensuing fiscal year. The budget will be displayed by major activity of the association and shall also include a statement showing the estimated cash position as at the last day of October of the current year. A contingency fund may be included, not to exceed ten percent (10%) of the General and Administrative budget.

Section 4 - The association is limited to an aggregate of fifty thousand dollars (\$50,000) principal amount of indebtedness. This limit can only be exceeded by authorization from a referendum election at which the members authorize amounts to be borrowed for specific purposes. Each item and amount must be specified and approved separately on the referendum; however, more than one item can be approved at the same election. Funds borrowed to finance items approved by the referendum may only be used for the specific items approved. The results of a catastrophic occurrence may be an exception to this limitation.

ARTICLE XIV

ELECTIONS

Section 1 — The regular election of Trustees shall take place on the same day as the City of Nassau Bay each year. If the City does not have a regular election, then the regular election of Trustees shall be held on the first Saturday in May each year.

The Board of Trustees shall fix the time and place for such elections. Office Manager may participate in election in order to verify eligibility. Election Judges shall be selected from the membership by the Trustees; such Judges shall not have any direct affiliation with the Board of Trustees.

Section 2 — Regular, Special, and Referendum elections shall be advertised in a newspaper of general circulation in Nassau Bay sixty (60) days in advance of the scheduled date; such advertisements shall indicate the positions to be filled and/or the issues to be voted upon, and the date, time and place of the election. Notice of the date, time and place of the election shall be posted in a public place.

Section 3 - All members of the association shall be given the opportunity to vote in the elections, and any member who desires to become a candidate for election to a Trustee position may file an application with the association not earlier than sixty (60) days nor later than thirty (30) days prior to the scheduled election date.

Section 4 - All votes of members in all elections shall be by secret ballot. Section 5 – Candidates for the position of Trustee shall run at-large and the candidate receiving the most votes shall be elected to the highest numbered position for which the election was held. The candidate receiving the second highest number of votes shall be elected to the second highest numbered position for which the election was held and continually in that order until all positions are filled.

Section 6 - The Board of Trustees shall fix the date, time and place for referendum elections; judges for such elections shall be selected as provided in Section 1 of this Article.

Section 7 - Referendum elections shall require the vote of at least 15% of the resident members in an election called for the purpose. A majority vote shall determine the out-come of such an election.

ARTICLE XV

RECALL

Section 1 - The members of the association shall have the power to recall any Trustee of the association for non-compliance with these By-Laws. Such power shall be exercised by filing with the Board of Trustees a petition, signed by members of the association equaling 15% of the resident members in number. The recall petition must state the ground or grounds upon which such petition for recall is predicated to give the Trustee sought to be removed notice of the matters and things with which the Trustee is charged. That Trustee will be informed of the petition immediately and may, within ten (10) days after having been informed by the Board, request that the Board arrange a public hearing to permit the Trustee to present facts pertinent to the changes specified in the recall petition.

When so requested, the Board of Trustees will arrange for a public hearing to be held, not less than five (5) days nor more than fifteen (15) days after having received the request.

Section 2 - If a public hearing is not requested by the Trustee whose removal is sought, the remaining members of the Board of Trustees will by written notification remove the Trustee from office and fill the vacancy as prescribed by these By-Laws.

Section 3 - If necessary a recall election shall be arranged and scheduled by the Board of Trustees for a date not less than sixty (60) days nor more than one hundred twenty (120) days after receipt of the request for a public hearing.

ARTICLE XVI

BOOKS AND PAPERS

Section 1 - The books, records and papers of the association shall be available for reasonable inspection by any member of the association during business hours, except for any records the disclosure of which would tend to defeat the lawful purpose for which they are maintained.

ARTICLE XVII

SEAL OF THE ASSOCIATION

Section 1 — This association shall have a seal in circular form having within its circumference the words:

NASSAU BAY HOMES ASSOCIATION, INC.

Harris County, Texas

ARTICLE XVIII

AMENDMENTS TO BY-LAWS

AND

SEVERABILITY

Section 1 — These By—Laws may be amended only by referendum vote of the members of the association.

Section 2 — If any section or part of a section of these By-Laws shall be held to be invalid by a court of competent jurisdiction, such holding shall not affect the remainder of these By—Laws nor the context in which such section or part of a section so held invalid may appear, except to the extent that an entire section or part of a section may be inseparably connected in meaning and effect with the section or part of a section to which such holding shall directly apply.

TRANSITIONAL PROVISIONS

Section 1 - These By-Laws shall take effect on the first day following adoption.

Section 2 - Adoption of these By-Laws shall render null and void all By-Laws adopted prior to the effective date of these By-Laws.

April 2005