

MAY 14 1999

Articles of Incorporation of

The Lakes in Bay Colony Homeowners' Association, Inc.

Corporations Section

A Nonprofit Corporation

The incorporator adopts the following articles of incorporation for THE LAKES IN BAY COLONY HOMEOWNERS' ASSOCIATION, INC. (hereinafter the "Association") under the Texas Non-Profit Corporation Act (hereinafter the "Act").

1. Name. The name of the corporation is The Lakes in Bay Colony Homeowners' Association, Inc.
2. Non-Profit Corporation. The corporation is a non-profit corporation.
3. Duration. The period of its duration is perpetual.
4. Purposes. The purposes for which the Association is organized are:
 - a. To exercise, promote, and protect the privileges and interests of the property owners of The Lakes in Bay Colony Section One, as recorded in Plat Record 18, Maps 818 and 819, of the Map Records of Galveston County, Texas, and the property owners of all sections thereof which may henceforth be filed of record in the office of the County Clerk of Galveston County, Texas (hereinafter "Lakes in Bay Colony").
 - b. To provide for maintenance and preservation of the properties subject to the Declaration of Covenants, Conditions and Restrictions for The Lakes in Bay Colony, Section One, filed of record under Galveston County Clerk's File No. 9919024, and any and all amendments thereto (hereinafter the "Declaration"), to provide for maintenance and preservation of the properties subject to the Declaration of any future sections of Lakes in Bay Colony, and to promote the health, safety, welfare, civic pride and aesthetic values of the residents within Lakes in Bay Colony.
 - c. To exercise all of the powers and privileges and to perform all of the duties and obligations of the Association as set forth in the Declaration, and as may be amended from time to time.
 - d. To fix, levy, collect and enforce payment by any lawful means, all charges or assessments under the Declaration; to pay all office and other expenses incident to the conduct of the business of the Association.

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- e. To have and exercise any and all powers, rights and privileges which an Association organized under the Act may by law now or hereafter have or exercise, provided that none of the purposes set out shall be construed to authorize the Association to do any act in violation of the Act or Part Four of the Texas Miscellaneous Corporation Laws Act, and all such objects or purposes are subject to such Acts.
- f. The Association is prohibited from engaging in any activity which would constitute a regular business of a kind ordinarily carried on for profit.
- g. The Association is organized pursuant to the Act, does not contemplate pecuniary gain or profit to its members, and is organized for non-profit purposes.
5. Scope of Activity. The Association shall have the power, either directly or indirectly, either alone or in conjunction with others, to do any and all lawful acts which may be necessary, suitable, or desirable, for the accomplishment of any or all of the purposes for which the Association is organized.
6. Income and Distribution. No part of the income of the Association shall inure to the benefit of, or be distributable to, any member, trustee, officer, or director of the Association, or other private person, except that the reasonable compensation may be paid for services rendered to or for the Association affecting one or more of its purposes. No member, trustee, officer, or director of the Association, or other private person, shall be entitled to share in the distribution of any of the Association's assets upon dissolution of the Association. If the Association is dissolved, the assets shall be dedicated to a public body or conveyed to a nonprofit organization with similar purposes.
7. Distribution on Dissolution or Liquidation. In the event of dissolution or liquidation of the Association, whether voluntary or involuntary, the Board of Directors shall, after paying or making provision for the payment of all of the liabilities of the Association, dispose of all the assets of the Association exclusively for the purposes of the Association. However, pursuant to Article 1396-6.02 of the Act, assets of the Association may be distributed for purposes, or to organizations, that are not tax exempt.
8. Membership. Every person who is a lot owner in Lakes in Bay Colony shall be a member of the Corporation. Membership is appurtenant to and inseparable from ownership of each lot in Lakes in Bay Colony. The Corporation shall have two (2) classes of members as provided in the Declaration.
9. Limitation of Director Liability. A director of the Association shall not be personally liable to the Association or its members for monetary damages for any act or omission in his capacity as a director, except to the extent otherwise expressly provided by a statute of the State of Texas. Any repeal or modification of this statute shall be prospective only, and shall not adversely affect any limitation of the personal liability of a director of the Association existing at the time of the repeal or modification.

10. Indemnification of Officers and Directors. The Association shall indemnify, to the maximum extent permissible under law, including but not limited to Article 1396-2.22A of the Act, any officer or director, or former officer or director, of the Association against all costs and expenses, including but not limited to attorneys' fees actually and necessarily incurred by him in connection with the defense of any action, suit, or proceeding in which he is made a party by reason of being or having been an officer or director, except in relation to matters as to which he shall be adjudged in such action, suit, or proceeding to be liable for gross negligence or intentional misconduct, as defined and determined by the Association's Board of Directors, in performance of his duties. Such indemnification shall not be deemed exclusive of any other rights to which an officer or director may be entitled under any bylaw, agreement, corporate resolution, vote of directors or members, or otherwise.
11. Prudent Conduct. No person shall be liable to the Association for any loss or damage suffered by it resulting from any action or admitted to be taken by him as a director or officer of the Association in good faith and as if such person exercised or used the same degree of care and skill as a prudent man would have exercised or used in the same or similar circumstances in the conduct of his own affairs.
12. Interested Director - Quorum Voting. No contract or other transaction between the Association and any other Corporation, and no act of the Association in relation to any other Corporation shall (in the absence of fraud) be invalidated or otherwise affected by the fact that a director of the Association may be interested in or be a director or officer of the other Corporation. Any director of the Association may vote upon a contract or other transaction between the Association and any subsidiary, parent, or affiliated Corporation without regard to the fact that he may also be a director of the subsidiary, parent, or affiliated Corporation. Any director of the Association (or any firm or Corporation of which any director may be a member) may be a party to, or interested in, any contract or transaction of the Association, provided that the director shall disclose such fact at any meeting of the Board of Directors at which action upon such contract or transaction shall be taken. Any director may be counted to determine the existence of the quorum at any meeting of the Board of Directors which shall authorize any such contract or transaction.
13. Amendment. The amendment of these Articles of Incorporation requires the approval of not less than one-half (1/2) of each class of members.
14. Registered Agent. The name of the initial registered agent of the Association and the address of the initial registered office of the Association is:

R. Charles Stiles
Eikenburg & Stiles
1021 Main Street, Suite 1900
Houston, Texas 77002

15. Directors. The number of directors constituting the board of directors (except for the initial board of the directors) of the Association shall be fixed by the bylaws. The number of directors constituting the initial board of directors consists of three (3) directors and the name and address of such persons who are to serve as director until the first annual meeting of the members or until his or her successor is elected and qualified is:

Tyler D. Todd
1177 West Loop South, Suite 1675
Houston, Texas 77027


Myles G. Sherman
1177 West Loop South, Suite 1675
Houston, Texas 77027

W. Michael Schaffer
1177 West Loop South, Suite 1675
Houston, Texas 77027

16. Initial Bylaws. The initial bylaws shall be adopted by the board of directors. The power to amend, or repeal the bylaws or adopt new bylaws is vested in the board of directors, subject to repeal or change by action of the members.
17. Incorporator. The incorporator is at least 18 years of age and a resident of the State of Texas. The name and address of the incorporator is:

R. Charles Stiles
Eikenburg & Stiles
1021 Main Street, Suite 1900
Houston, Texas 77002

As incorporator, I execute these Articles of Incorporation on May 12, 1999.


R. Charles Stiles

THE STATE OF TEXAS §
THE COUNTY OF HARRIS §

014-20-1471

Affidavit

Before me, the undersigned authority, on this day personally appeared Myla S. Chandler, Secretary of The Lakes in Bay Colony Homeowners Association, Inc., (the "Association"), who, after being by me duly sworn, upon oath stated and said:

"My name is Myla S. Chandler. I am over eighteen (18) years of age; I have never been convicted of a crime, and I am fully competent to make this Affidavit, and have personal knowledge of the facts stated herein. I hereby further depose and say:

"Pursuant to Chapter 202.006 of the Texas Property Code, this Affidavit will formalize and record the following dedicatory documents for the Association previously not filed for record in the Public Records of Real Property of Galveston County, Texas. The property to which this Affidavit applies is described as follows:

"A SUBDIVISION KNOWN AS THE LAKES IN BAY COLONY, SECTION ONE, AS REFLECTED ON THE PLATS RECORDED IN PLAT RECORD 18, MAPS 818 AND 819 OF THE MAP RECORDS OF GALVESTON COUNTY, TEXAS."

"The dedicatory instruments being filed of record are as follows:

Articles of Incorporation of The Lakes of Bay Colony Homeowners' Association, Inc., dated May 12, 1999;

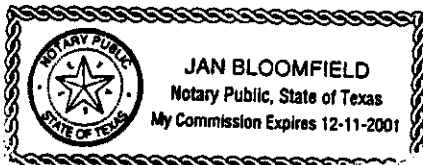
Bylaws of The Lakes in Bay Colony Homeowners' Association, Inc.

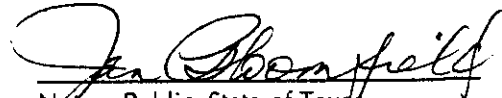
"The above described documents are, to the best of my knowledge and belief, true and correct copies of the dedicatory documents applicable to the operation of the Association, and I am authorized to make this Affidavit in the capacity stated."

Further, the Affiant sayeth not.


Name: Myla S. Chandler

SWORN TO AND SUBSCRIBED BEFORE ME, on December 29th, 1999.



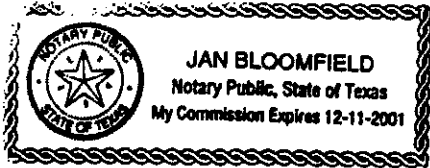

Notary Public, State of Texas

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 blockouts, additions and changes were present at the time the instrument was filed and recorded.

THE STATE OF TEXAS §
 §
THE COUNTY OF HARRIS §

This instrument was acknowledged before me on December 27th 1999, by Myla S. Chandler, Secretary of The Lakes in Bay Colony Homeowners' Association, Inc., on behalf of said corporation.



Jan Bloomfield
Notary Public, State of Texas

AFTER RECORDING, RETURN TO:

Eikenburg & Stiles
1900 One City Centre
1021 Main Street
Houston, Texas 77002-6603

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