

BYLAWS OF
INDIAN BEACH
PROPERTY OWNERS' ASSOCIATION, INC.

ARTICLE I

Members -- (Owners)

Section 1. Eligibility. Membership in Indian Beach Property Owners' Association, Inc. ("Association") shall be as set forth in the Articles of Incorporation of the Association ("Member(s)").

Section 2. Regular Meetings. The regular annual meeting of Members shall be held on such date and at such place and time as designated by the Board of Directors in written notice given to all Members at least ten (10) days, but no more than thirty (30) days, prior to the date of such meeting for the purpose of electing the Board of Directors of the Association in accordance with Article II, Section 1 hereinbelow and for the transaction of other business of the Association as may properly come before the meeting.

Section 3. Special Meetings. Special meetings of the Members may be called by the President, by a majority of the Board of Directors, or upon petition signed by a majority of Members and presented to the Secretary of the Association. Said special meetings shall be called by delivering written notice to all Members not less than ten (10) days prior to the date of said meeting stating the date, time and place of said special meeting and the matters to be considered. A meeting called by a majority of the Members shall be held within thirty (30) days of receipt of the petition by the Secretary.

Section 4. Delivery of Notice of Meetings. Notices of meetings may be delivered either personally or by mail to a Member at the address given to the Board of Directors for such purpose or at the last known address if no address was so given to the Board of Directors.

Section 5. Voting. Voting by the Members shall be as set forth in the Articles of Incorporation of the Association.

Section 6. Quorum. A quorum of Members for any meeting shall be constituted by Members represented in person or by proxy and holding at least five percent (5%) of the votes entitled to be cast at such meeting.

Section 7. Rules of Meetings. The Board may prescribe reasonable rules for the conduct of all meetings of the Board and Members and in the absence of such rules, Robert's Rules of Order shall be used.

Section 8. Proxies. Votes may be cast by the Members either in person or by proxy. All proxies shall be in writing and signed and dated by the person or persons entitled to vote. In no event shall any proxy be valid for a period longer than eleven (11) months from the date of its execution, unless otherwise provided therein. A proxy shall be revocable in writing at any time in the sole discretion of the Member who executed it. If a lot is owned by more than one (1) person, a proxy must be signed by all such owners for the proxy to be valid.

Section 9. Waiver and Consent. Whenever the vote of Members at an Association meeting is required or permitted by any provision of these Bylaws, the meeting and vote of Members may be dispensed with, and matter(s) in question may be voted upon by mail-in ballot if Members representing a majority of the total votes eligible to be voted by all of the Members consent in writing to dispense with the meeting and to vote upon the matter(s) in question by mail-in ballot. Mail-in ballots may accompany the required consent of Members, and may be completed and returned simultaneously therewith.

ARTICLE II

Board of Directors

Section 1. Number, Election and Term of Office. The Board of Directors of the Association ("Board of Directors" or "Board"), shall consist of five (5) members ("Director(s)") appointed by The Woodlands Corporation (the "Developer").

At the first regular annual meeting of the Members three (3) Directors shall be appointed by the Developer, and two (2) Directors shall be elected by the vote of Members. The elected Directors shall serve for a term of two (2) years; provided, however, one (1) of the first Directors so elected shall serve an initial term of one (1) year and one (1) of the first Director so elected shall serve an initial term of two (2) years. Those candidates for election as Director receiving the greatest percentage of the votes cast either in person or by proxy at the meeting shall be elected to serve until the next regular annual meeting.

At such time as Developer, in its sole discretion, elects to relinquish its right to appoint three (3) Directors, Developer shall give written notice to the Board of Directors and a special meeting of the Directors shall be called by the remaining Directors

for the purpose of filling the vacancies created by the resignation of the three (3) appointed Directors. At the next annual meeting of the Members, five (5) Directors shall be elected by the vote of the Members and shall serve for a term of three (3) years; provided however, two (2) of the first Directors so elected shall serve for an initial term of one (1) year, two (2) of the first Directors so elected shall serve for an initial term of two (2) years, and the remaining Director first elected shall serve for an initial term of three (3) years. Those candidates for election as Director receiving the greatest percentage of the votes either in person or by proxy shall be elected to serve until their term expires.

The number of Directors may be increased or decreased by amendment of these Bylaws; provided however, that the Board shall be composed of at least three (3) but no more than seven (7) persons; and provided, further, that the Board shall at all times be composed of an odd number of Directors. No decrease in the number of Directors shall have the effect of shortening the term of an incumbent Director.

Section 2. Qualifications. Each Director shall be a Member in good standing of the Association. If a Member is a trustee of a trust, a Director may be a beneficiary of such trust; or if Member is a corporation, a Director may be an officer, partner or employee of such Member. If an elected Director shall cease to meet such qualifications during his term, he shall thereupon cease to be a Director and his place on the Board shall be deemed vacant.

Section 3. Vacancies. Any vacancy occurring on the Board by reason of resignation, removal or incapacity of an elected Director shall be filled by majority vote of the remaining Directors thereof. Subject to the provisions of Section 1 hereinabove, any vacancy occurring on the Board by reason of resignation, removal or incapacity of an appointed Director shall be filled by appointment by the Developer; and any Director so elected or appointed to fill a vacancy shall hold office for a term equal to the unexpired term of the Director whom he succeeds.

Section 4. Meetings. The Board shall meet for the purpose of organization, the election of officers and the transaction of other business, at any time after receiving notice from the Secretary of State of the filing of the Articles of Incorporation. A regular annual meeting of the Board shall be held within ten (10) days following the regular annual meeting of Members. Special meetings of the Board shall be held upon a call by the President or by a majority of the Board on not less than forty-eight (48) hours notice in writing to each Director, delivered personally, by mail or by fax. Any Director may waive notice of a meeting, or consent to the holding of a meeting without notice, or consent to any action proposed to be taken by the Board without a meeting. A Director's attendance at a meeting shall constitute his waiver of notice of said meeting.

Section 5. Removal. Any elected Director may be removed from office for cause by a majority vote of Members entitled to vote at any annual or special meeting of the Association, duly called. Any appointed Director may be removed by the Developer for any reason.

Section 6. Meetings by Telephone Conference. Both annual and special Board meetings may be conducted by telephone conference. To the extent permitted by law, any Director who is not physically in attendance at any meeting of the Board of Directors, but who is in telephone contact with the other Directors during such meeting and is thereby able to participate in the discussions, reports, debates, votes and other matters conducted thereat, shall be deemed to be in attendance at said meeting for all purposes, including but not limited to the purpose of creating a quorum.

Section 7. Compensation. Directors shall receive no compensation for their services as Directors, unless expressly provided for in resolutions duly adopted by a majority of the Members. Nothing contained herein shall preclude any Director from serving the Association in any other capacity and receiving compensation therefor.

Section 8. Board of Directors' Quorum. At all meetings of the Board of Directors, a majority of the Directors shall constitute a quorum for the transaction of business, and the acts of the majority of the Directors present at a meeting at which a quorum is present shall be the acts of the Board of Directors. If at any meeting of the Board of Directors there be less than a quorum present, the majority of those present may adjourn the meeting, one or more times, to a subsequent time, date and place.

Section 9. Voting. The vote of a majority of those Directors present at a meeting at which a quorum is in attendance shall constitute the decision of the Board of Directors.

Section 10. Powers and Duties. The Board shall have the following powers and duties:

(a) to elect and remove the officers of the Association as hereinafter provided;

(b) to administer the affairs and attain the purposes of the Association;

(c) to formulate policies for the administration, management and operation of the property held for the use and benefit of all Members ("Common Elements");

(d) to adopt rules and regulations, with written notice thereof to all Members, governing the administration, management, operation and use of the Common Elements, and to amend such rules and regulations from time to time;

(e) to provide for the maintenance, repair and replacement of the Common Elements and payments therefor, and to approve payment vouchers or delegate such approval to the officers;

(f) to provide for the designation, hiring and removal of employees and other personnel, including accountants and attorneys, and to engage or contract for the services of others, and to make purchases for the maintenance, repair, replacement, administration, management and operation of the Common Elements and to delegate any such powers to a managing agent (and any such employees or other personnel who may be the employees of a managing agent);

(g) to appoint committees of the Board and to delegate to such committees the Board's authority to carry out certain duties of the Board;

(h) to determine the fiscal year of the Association and to change said fiscal year from time to time as the Board deems advisable;

(i) to collect all assessments and charges provided for in any covenants and restrictions imposed in Indian Beach subdivision at such time as Developer assigns said right to the Association pursuant to the restrictions, and to use the proceeds therefrom for the purposes set forth in such covenants and restrictions and in the Articles of Incorporation of the Association;

(j) to enforce all covenants and restrictions imposed in Indian Beach;

(k) to establish bank accounts which are interest bearing or non-interest bearing, as may be deemed advisable by the Board of Directors;

(l) to enter such contracts and agreements relating to the providing of maintenance, management and operational services as the Board may deem advisable;

(m) to enter such leases of portions of the Common Elements as the Board may deem advisable;

(n) to exercise all powers and duties of a Board of Directors referred to in these Bylaws;

(o) to obtain insurance coverage as may be deemed advisable by the Board of Directors;

(p) to establish budgets and long range plans as may be deemed advisable by the Board of Directors, and

(q) in general, to carry on the administration of the

Association and to do all of those things necessary and/or desirable in order to carry out the governing and operating of the Association.

Section 11. Non-Delegation. Nothing in this Article or elsewhere in these Bylaws shall be considered to grant to the Board, the Association or to the officers of the Association any powers or duties which, by law, have been delegated to the Members.

ARTICLE III

Officers

Section 1. Designation. At each regular annual meeting of the Board, the Directors present at said meeting shall elect the following officers of the Association by a majority vote:

(a) a President who shall be a Director and who shall preside over the meetings of the Board and of the Members, and who shall be the chief executive officer of the Association;

(b) a Secretary, who shall keep the minutes of all meetings of the Board and of the Members, and who shall, in general, perform all the duties incident to the office of Secretary;

(c) a Treasurer, who shall be responsible for financial records and books of account and the manner in which such records and books are kept and reported; and

(d) such additional officers as the Board shall see fit to elect.

Section 2. Powers. The respective officers shall have the general powers usually vested in such officers; provided that the Board may delegate any specific powers to any other officer or impose such limitations or restrictions upon the powers of any officer as the Board may see fit.

Section 3. Term of Office. Each officer shall hold office for the term of one (1) year or until such officer's successor shall have been appointed or elected and qualified.

Section 4. Vacancies. Vacancies in any office shall be filled by the Board by a majority vote of the Board at a special meeting of said Board. Any officer so elected to fill a vacancy shall hold office for a term equal to the unexpired term of the officer which was succeeded. Any officer may be removed for cause at any time by vote of a majority of the total membership of the Board at a special meeting thereof.

Section 5. Compensation. The officers shall receive no compensation for their services as officers, unless expressly provided for in a resolution duly adopted by a majority of the Members.

ARTICLE IV

Indemnification

Section 1. General. To the fullest extent permitted by law the Association shall indemnify and hold harmless each of its Directors, officers and each member of any committee appointed pursuant to the Bylaws of the Association against all contractual and other liabilities to others arising out of contracts made by or other acts of such Directors, officers, committee members, on behalf of the owners or arising out of their status as Directors, officers or committee members, unless any such contract or act shall have been made fraudulently or with gross negligence or criminal intent. It is intended that the foregoing indemnification shall include indemnification against all costs and expenses (including but not limited to, attorney's fees, amounts of judgments paid and amounts paid in settlement) reasonably incurred in connection with the defense of any claim, action, suit or proceeding, whether civil, criminal, administrative or other, in which any such Director, officer, or committee member may be involved by virtue of such persons being or having been such Director, officer or committee member; provided, however, that such indemnity shall not be operative with respect to (a) any matter as to which such person shall have been finally adjudged in such action, suit or proceeding to be liable for gross negligence or fraud in the performance of his duties as such Director, officer, or committee member, or (b) any matter settled or compromised, unless, in the opinion of independent counsel selected by or in a manner determined by the Board, there is not reasonable ground for such persons being adjudged liable for gross negligence or fraud in the performance of his duties as such Director, officer, or committee member.

Section 2. Advance Payment. Expenses incurred in defending a civil or criminal action, suit or proceeding may be paid by the Association in advance of the final disposition of such action, suit or proceeding as authorized by the Board of Directors in the specific case upon receipt of an undertaking by or on behalf of the person or entity seeking such indemnification or payment in advance to repay such amount unless, in the opinion of independent counsel selected by or in a manner determined by the Board, there is reasonable ground for such persons being adjudged liable for gross negligence or fraud in the performance of his duties as such Director, officer, or committee member.

Article V

Amendments

These Bylaws may be amended at a regular or special meeting of the Board by a vote of the majority of a quorum of the Board Members present in person; and the provisions of these Bylaws which are covered by the Articles of Incorporation of the Association may not be amended except as provided in the Articles of Incorporation or applicable law.

In case of any conflict between the Articles of Incorporation and these Bylaws, the Articles shall control. Should all or part of any Article of these Bylaws be in conflict with the provisions of the Texas Nonprofit Corporation Act or any other Texas law, such Act or law shall control.