

ARTICLES OF INCORPORATION

DEC 10 2004

OF

Corporations Section

SANDHILL SHORES PROPERTY OWNERS ASSOCIATION, INC.

A NONPROFIT CORPORATION

The undersigned natural person of legal age, a citizen of the United States of America and of the State of Texas, acting as incorporator of a corporation under the Texas Non-profit Corporation Act, does hereby adopt the following articles of incorporation for such corporation:

ARTICLE I:

The name of the corporation (hereinafter called the "Association") is **SANDHILL SHORES PROPERTY OWNERS ASSOCIATION, INC..**

ARTICLE II:

The association is a non-profit corporation.

ARTICLE III:

The period of its duration is perpetual.

ARTICLE IV:

The specific primary purposes for which the Association is formed are:

(a) to assume and to exercise any and all such rights, duties, powers, and responsibilities of the Developer and Architectural Control Committee provided for in the "Restrictions, Covenants, and Conditions" (hereinafter called the "Covenants") for "Sandhill Shores Subdivision" recorded under Document No. GAC 9946819 and Microfilm Code No. 013-91-0966 in the Official Records of Real Property of Galveston County, Texas, as may be assigned to the Corporation by the said Developer and/or Architectural Control Committee;

(b) in connection with the said Covenants, to provide for the maintenance, architectural control, and regulation of the lots, structures, and improvements within the subdivision known as "Sandhill Shores" in Galveston, Galveston County, Texas, a plat or map of which is recorded at Book 18, Maps 860 - 861 of the Plat Records in the Office of the County Clerk of Galveston County, Texas;

(c) to provide for the construction and maintenance by the Association of recreational facilities and other structures or improvements within the said subdivision which may be necessary or desirable to keep the Subdivision in neat and good order or which may be of general benefit to the Subdivision or the owners or occupants of lots in the Subdivision; and

(d) to promote the health, safety, and welfare of the residents within the above-described subdivision and such additions thereto as may hereafter be brought within the jurisdiction of the Association for such purpose.

In furtherance of such purposes, the Association shall have power to:

(a) perform any and all of the duties and obligations of the Developer and Architectural Control Committee as set forth in the Declaration;

(b) affix, levy, and collect all charges and assessments pursuant to the terms of the Covenants, and enforce payment thereof by any lawful means; and pay all expenses in connection therewith;

(c) pay all office and other expenses incident to the conduct of the business of the Association, including all licenses, taxes, or governmental charges levied or imposed on the property of the Association;

(d) acquire (by gift, purchase, or otherwise), own, hold, improve, use, build upon, operate, maintain, convey, sell, lease, transfer, dedicate to public use, or otherwise dispose of real

and personal property in connection with the affairs of the Association, including recreational facilities and reserves, if any, owned by the Developer;

(e) borrow money and, subject to the consent by vote or written instrument of two-thirds of the members, to mortgage, pledge, convey by deed of trust, or hypothecate any or all of its real or personal property as security for money borrowed or debts incurred;

(f) dedicate, sell, or transfer all or any part of the common areas to any municipality, public agency, authority, or utility, for such purposes and subject to such conditions as may be agreed upon by the members. No such dedication, sale, or transfer shall be effective unless approved by vote of two-thirds of the members of the Association;

(g) participate in mergers and consolidations with other nonprofit corporations organized for the same or similar purposes, or annex additional residential property and common areas, provided that any merger, consolidation, or annexation shall have been approved by vote of two-thirds of the members of the Association;

(h) have and exercise any and all powers, rights, and privileges that a corporation organized under the Texas Non-profit Corporation Act by law may now or hereafter have or exercise.

The Association is organized and shall be operated exclusively for the aforementioned purposes. The activities of the Association shall be financed by the maintenance charges as provided in the Covenants, and no part of any net earnings shall inure to the benefit of any member.

ARTICLE V:

The street address of the initial registered office of the Association is 2127 Broadway, Galveston, Texas 77550, and the name of its initial registered agent at such address is Robert E. Bastien.

ARTICLE VI:

The Association has members. Every person or entity who is a record owner of a lot within the Subdivision shall automatically be a member of the Association and, every person or entity who in future becomes the record owner of a lot which is subject to the Covenants shall become a member of the Association upon becoming an owner of such lot. Lot ownership shall be the sole qualification for membership. Membership shall be appurtenant to and may not be separated from lot ownership. Membership shall cease whenever any such person or entity ceases to be the record owner of a lot for any reason. All of the record owners of a lot shall be entitled to attend meetings of the members and to be heard upon all matters which come before the membership at such meetings. However, all of the record owners of a lot shall jointly be entitled to only one (1) vote upon any matter to be decided by a vote of the members of the Association. The By-Laws may provide for division of the vote to be cast on behalf of a lot into proportionate fractions.

ARTICLE VII:

Management of the affairs of the Association is to be vested in its board of directors. The number of directors constituting the initial board of directors of the Association is three (3), and the names and addresses of the persons who are to serve as the initial directors until the first annual meeting, or until their successors are elected and qualified, are:

Name: Paul G. White III
Address: 21011 W. Sandhill Drive
Galveston, Texas 77554

Name: Triston Mabry
Address: 3606 Pecan Bluff
Temple, Texas 76504

Name: Robert Nicholls
Address: 2821 Amherst
Houston, Texas 77005

ARTICLE VIII:

The Association shall make distributions at such time and in such manner as not to subject it to tax under Section 4942 of the Internal Revenue Code of 1986; the Association shall not engage in any act of self-dealing which would be subject to tax under Section 4941 of the Code; the Association shall not retain any excess business holdings which subject it to tax under Section 4943 of the Code; the Association shall not make any investments which would subject it to tax under Section 4944 of the Code; and the Association shall not make any taxable expenditures which would subject it to tax under Section 4945 of the Code.

ARTICLE IX:

No part of the net earnings of the Association shall inure to the benefit of, or be distributable to its members, directors, officers, or other private persons, except that the Association shall be authorized and empowered to pay reasonable compensation for services rendered and to make payments and distributions in furtherance of its purposes.

ARTICLE X:

Upon dissolution of the Association, all assets of the Association remaining after payment of all the debts and other liabilities of the Association shall be distributed to an appropriate agency of the federal, state, or local government, to be used for public purposes similar to those for which the Association was created. In the event such proposed distributee refuses acceptance of any such assets, such assets shall be granted, conveyed, and assigned to any nonprofit corporation, association, trust, or other organization organized and operated for purposes similar to those for which this Association is created and which is exempt from federal taxation within the meaning of Section

501(c)(3) of the Internal Revenue Code or the corresponding section of any future federal tax code. Any assets not so disposed of shall be disposed of by a court of competent jurisdiction of Galveston County, Texas, exclusively for one or more exempt purposes under said Section (or corresponding future section) or to such organization or organizations, as said Court shall determine, which are organized and operated exclusively for such exempt purposes.

ARTICLE XI:

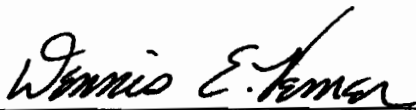
The name and address of the incorporator is:

Name: Dennis E. Verner
Address: P.O. Box 5317
Galveston, Texas 77554

ARTICLE XII:

This document will become effective when it is filed by the Secretary of State.

Executed at Galveston, Texas on November 7, 2004.

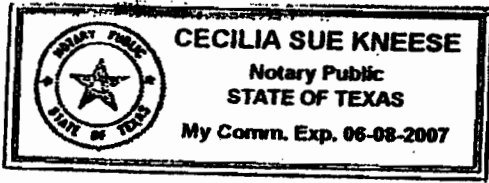


Dennis E. Verner, Incorporator

THE STATE OF TEXAS §
 §
COUNTY OF GALVESTON §

I, Cecilia Sue Lyness, a notary public, do hereby certify that on this 7th day of November, 2004, personally appeared before me, Dennis E. Verner, who being by me duly sworn, declared that he is the person who signed the foregoing document as incorporator, and that the statements therein contained are true.

In witness whereof, I have hereunto set my hand and seal the day and year above written.



Cecilia Sue Kneese
Notary Public, State of Texas