

BY-LAWS
OF
MOUNTAIN RIVER OWNERS' ASSOCIATION, INC.
(A Texas Non-Profit Corporation)

ARTICLE I
PROPERTY LOCATION

1.1 LOCATION. The Words "the Property" as used in these By-Laws shall be deemed to mean the following described real property situated in MOUNTAIN RIVER ESTATES, a platted and dedicated development in Parker and Palo Pinto Counties, Texas, according to the plat thereof recorded in Volume 360A, Page 70 and 71, Plat Records of Parker County, Texas, and in Volume 4, Page 42 Plat Records of Palo Pinto County, Texas.

ARTICLE II
NAME AND PRINCIPAL OFFICE

2.1 NAME AND ADDRESS. The name of this Corporation shall be MOUNTAIN RIVER OWNERS' ASSOCIATION, INC. (hereinafter called "Corporation" or "Association"). Its principal office shall be located at P.O. Box 864, Millsap, TX 76066. (Address as listed in the original document, for the record. - Route 1, Box 6270A, Millsap, Texas 76066)

ARTICLE III
PURPOSES, POWERS AND RIGHTS

3.1 PURPOSES. The purposes for which this Corporation is formed are the civic and social benefit and betterment of the residents and property owners of the Property, which purposes are more specifically described in the Articles of Incorporation.

ARTICLE IV
REGISTERED OFFICE AND AGENT

4.1 OFFICE AND AGENT. The Corporation shall have and continuously maintain in the State of Texas a registered office and a registered agent, whose office is identical with such registered office, as required by the Texas Non-Profit Corporation Act. The registered office may be, but need not be, identical with the principal office in the State of Texas, and the address of the registered office may be changed from time to time by the Board of Directors.

ARTICLE V
MEMBERSHIP, VOTING RIGHTS AND MEETINGS

5.1 MEMBERSHIP. Every person or entity who is a Record Owner of a fee or undivided fee interest in any Lot, which is subject, by covenants of record, to assessment by the Association, including contract sellers, shall be a member of the Association. The foregoing is not intended to include persons or entities who hold an interest merely as security for the performance of an obligation. Membership shall be appurtenant to and may be separated from any ownership of any Lot which is subject to assessment by the Association. Ownership of such Lot shall be the sole qualification for membership. Any mortgage or lien holder who acquires title to any Lot, which is a part of the Property, through judicial or non-judicial foreclosure or by a deed in lieu of foreclosure, shall be a Member of the Association.

5.2 VOTING RIGHTS. The Association shall have one class of voting membership. Each record Owner of a Lot shall be entitled to cast one vote per Lot. Voting shall not be split among more than one Lot owner. No member whose lot assessment is delinquent shall be eligible to vote or hold office.

5.3 ANNUAL MEETINGS. The Annual meeting of the owners shall be held on the second Sunday of April each year, commencing with the year 1984, for the purpose of electing Directors and for the transaction of any and all such other business which may be brought before or submitted to the meeting. All annual meetings of the Members shall be held at the office of the Association unless otherwise determined by the Board of Directors.

5.4 SPECIAL MEETINGS. The calling of special meetings of the Members, and the calling of an annual meeting shall be made in accordance with Article 1396-2.10 of the Texas Non-Profit Corporation Act.

5.5 NOTICE OF MEMBERS MEETINGS. Written or printed notice stating the place, day or hour of the meeting and, in case of a special meeting the purpose or purposes for which the meeting is called, shall be delivered not less than ten (10) nor more than (50) days before the date of the meeting, either personally or by mail, by or at the direction of the president, or the secretary, or the officers or persons calling the meeting, to each member entitled to vote at such meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail addressed to the member at his address as it appears on the records of the corporation, with postage thereon paid.

5.6 QUORUM OF MEMBERS. Members holding one-tenth of the votes entitled to be cast, represented in person or by proxy, shall constitute a quorum. The vote of the majority of the votes entitled to be cast by the Members present, or represented by proxy at a meeting at which a quorum is present shall be the act of the Members meeting. If the number of Members necessary to constitute a quorum at any annual or special meeting is not present in person or by

proxy, the Members may adjourn such meeting from time to time without notice, other than by announcement at the meeting, until the transaction of any and all business submitted or proposed to be submitted to such meeting or any adjournment of adjournments thereof shall have been completed. At any such adjourned meeting at which a quorum may be present, in person or by proxy, any business may be transacted which might have been transacted at the meeting as originally noticed or called.

5.7 PRESIDING OFFICER. The President of the Corporation, or in his absence, a Vice President of the Corporation shall call the Member meetings to order and, in addition, shall act as Chairman. In the absence of the President and a Vice President of the Corporation, the Members present may appoint a Chairman. The Secretary of the Corporation, or in his absence an Assistant Secretary, shall act as Secretary of all meetings of the Members, but in the absence of the Secretary and an Assistant Secretary, the presiding officer may appoint any person to act as Secretary of the meeting.

5.8 VOTING. At all meetings of Members, all questions, except those expressly governed by statute, the Charter of the Corporation, these By-Laws or the Declaration shall be decided by a simple majority of the votes of the Members present in person or by proxy at a meeting duly called with a quorum present. All voting shall be by voice, except that, upon the determination of the presiding officer of any meeting, or upon the demand of any Member or his proxy, voting may be by secret ballot. Each ballot shall be signed by the Member voting, or by his proxy. All voting shall be by Members in person or by proxy as allowed by statute.

5.9 INFORMAL ACTION. The Corporation may act, with or without a meeting, on any issue on which a vote of the Members is required, by obtaining the written consent of Members having the requisite majority of all outstanding votes of Members of the Corporation.

ARTICLE VI BOARD OF DIRECTORS

6.1 POWERS. The business and property of the Corporation shall be managed and controlled by the Board of Directors and shall be subject to the restrictions imposed by law, by the Articles of Incorporation of this Corporation, by these By-Laws, and by the Declaration. The Board of Directors may exercise all of the powers of the Corporation.

6.2 NUMBER AND TENURE. The number of Directors initially shall be seven. The initial Board of Directors as set forth in the Articles of Incorporation shall serve for the terms as set out in said Articles. Upon the expiration of a Director's term, a successor shall be elected for a term of two years at the annual meeting of the Members of the Corporation. Each Director shall

be elected to hold office and serve for two years or until his successor shall be elected, and shall duly qualify.

6.3 REMOVAL, DEATH, OR RESIGNATION. Any Director may be removed from the Board for cause, by a majority of the votes entitled to be cast by those Members present in person or represented by proxy at a meeting of the Members at which a quorum is present. In the event of death, resignation or removal of a Director, his successor shall be selected by the remaining Members of the Board and shall serve for the unexpired term of his predecessor. The Directors need not be Members of this Corporation.

6.4 PLACE OF MEETINGS. The Directors may hold their meetings and have offices and keep the books of the Corporation, except as otherwise provided by statute, at the office of the Corporation.

6.5 COMPENSATION. No Director shall receive compensation for any service he may render to the Corporation. However, any Director may be reimbursed for his actual reasonable expenses incurred in the performance of his duties.

6.6 FIRST MEETING. At the first meeting of the Board of Directors in each year at which a quorum is present, the Board of Directors shall proceed to the election of the officers of the Corporation. No notice or waiver of notice of any such first meeting shall be required or necessary if it is held immediately after either the annual meeting or the adjourned annual meeting of the Members, and any and all business of any nature or character may be transacted at such first meeting.

6.7 REGULAR MEETINGS. Regular meetings of the Board of Directors shall be held at such time and place as shall be designated, from time to time by resolution of the Board of Directors. Notice of such regular meetings shall not be required.

6.8 SPECIAL MEETINGS. Special meetings of the Board of Directors shall be held whenever called by the President, Vice President, Secretary or a majority of the Directors in office. Notice of each special meeting shall be given by any officer of the Corporation by telegraph, mail, telephone or personal delivery to each Director at his residence or usual place of business at least two (2) days prior to the meeting. Unless otherwise indicated in the notice thereof, any and all business may be transacted at a special meeting. At any meeting at which every Director shall be present, even though without any notice, any business may be transacted.

6.9 QUORUM. The majority of the Directors then in office shall constitute a quorum for the transaction of business but if at any meeting of the Board of Directors there is less than a quorum present, the majority of those present may adjourn the meeting from time to time without notice, other than by announcement at the meeting until a quorum is present or in

attendance thereat. The act of a majority of the Directors present at a meeting at which quorum is in attendance shall constitute the act of the Board of Directors, except as otherwise provided by law, the Charter of the Corporation, these By-Laws, or the Restrictions.

6.10 ORDER OF BUSINESS AND PRESIDING OFFICER. At the meetings of the Board of Directors, business shall be transacted in such order as from time to time the Board of Directors may determine. At all meetings of the Board of Directors the President shall preside, and in the absence of the President, a Chairman shall be chosen from the Directors present. The Secretary of the Corporation shall act as Secretary of all meetings of the Board of Directors, but in the absence of the Secretary, the presiding officer may appoint any person to act as Secretary of the meeting.

6.11 DIRECTOR CONFLICTS. No Director or Officer of the Corporation shall be required to devote his time or render services exclusively to the Corporation. Each Director and Officer of the Corporation shall be free to engage in any and all other businesses and activities either similar or dis-similar to the business of the Corporation without liability to this Corporation. Likewise, each and every Director and Officer of the Corporation may become a Director or Officer of any other corporation or corporations, entity or entities whether or not the purposes of the other corporation conflict with the business of activities of this Corporation, without breach of duty to this Corporation or its Members or without liability of any character or description to the Corporation or its Members. No contract or other transaction of this Corporation shall ever be affected by the fact that any Director or Officer of the Corporation is interested in, or connected with any party to such contract or transaction, or is a party to such contract or transaction, provided that such contract or transaction shall be approved by a majority of the disinterested Directors present at a meeting of the Board of Directors at which such contract or transaction shall be authorized or confirmed.

ARTICLE VII OFFICERS AND DUTIES

7.1 OFFICERS. The officers of the Corporation shall consist of a President (who shall be a Director), one (1) or more Vice Presidents, a Treasurer, A secretary and such other officers, including, but not limited to, one (1) or more Assistant Secretaries and one (1) or more Assistant Treasurers, as the Board of Directors may from time to time elect or appoint. Any two (2) or more offices may be held by the same person, except the office of President and Secretary. All officers shall be subject to removal, with or without cause, at any time, by a vote of a majority of the whole Board of Directors. A vacancy in the office of any officer shall be filled by a vote of a majority of the Directors then in office.

7.2 PRESIDENT. The President, subject to the control of the Board of Directors, shall be in general charge of the affairs of the Corporation in the ordinary course of its business. He shall preside at all meetings of the Members and of the Board of Directors. He may when

authorized to do so by the Board of Directors make, sign, and execute all deeds, conveyances, assignments, bonds, contracts and other obligations and any and all other instruments and papers of any kind or character in the name of the Corporation; and he shall do and perform such other duties as may from time to time be assigned to him by the Board of Directors.

7.3 VICE PRESIDENT. Each Vice President shall have the usual powers and duties pertaining to his office including the power to act as President in his absence and such other powers and duties as may be assigned to him by the Board of Directors. Any action taken by the Vice President in the performance of the duties of the President shall be conclusive evidence of the absence or inability to act of the President at the time such action was taken.

7.4 TREASURER. The Treasurer shall have custody of all the funds and securities of the Corporation. When necessary or proper, he may endorse on behalf of the Corporation for collection, checks, notes and other obligations and shall deposit the same to the credit of the Corporation in such bank or banks or depositories as shall be designated in the manner described by the Board of Directors. He may sign all receipts and vouchers for payments made to the Corporation either alone or jointly as designated by the Board of Directors. Whenever required by the Board of Directors, he shall render a statement of his cash account, and he shall enter or cause to be entered regularly on the books of the Corporation kept by him for that purpose a full and accurate account of all monies received and paid out on account of the Corporation. He shall at all reasonable times exhibit his books and accounts to any Director of the Corporation or any first lien-holder or its designee during business hours. He shall perform all acts incident to the position of Treasurer subject to the control of the Board of Directors and, if required by the Board of Directors give a bond for the faithful discharge of his duties in such form as the Board of Directors may require.

7.5 ASSISTANT TREASURER. Each Assistant Treasurer shall have the usual powers and duties pertaining to his office, together with such other powers and duties as may be assigned to him by the Board of Directors. The Assistant Treasurer shall exercise the powers of the Treasurer during that officer's absence or inability to act.

7.6 SECRETARY. The Secretary shall keep the minutes of all meetings of the Board of Directors and the minutes of all meetings of the Members in books provided for that purpose. He shall attend to the giving and serving of all notices and he may sign with the President or a Vice President in the name of the Corporation all contracts, conveyances, transfers, assignments, authorizations and other instruments of the Corporation and affix the seal of the Corporation thereto. However, his signature to any such document shall not be required, nor shall the Corporation seal be required on such document. He shall have charge of and maintain and keep such books and papers as the Board of Directors may direct. These books and papers shall be open to inspection by any Member of the Association during normal business hours. He shall, in general, perform all duties incident to the Office of Secretary subject to the control of the Board of Directors.

7.7 ASSISTANT SECRETARY. Each Assistant Secretary shall have the usual powers and duties pertaining to the office, together with such other powers and duties as may be assigned to such officer by the Board of Directors. The Assistant Secretaries shall exercise the powers of the Secretary during that officer's absence or inability to act.

ARTICLE VIII BOARD RESPONSIBILITIES

8.1 AUTHORIZED AGENTS. The Board of Directors, except as otherwise provided herein, may authorize any one or more officers, or agents to act in the name of and on behalf of the Corporation, to enter into any contract or execute and deliver any instrument, or do such other things as the Board may from time to time direct and such authority may be general or confined to specific instances. However, unless so authorized by the Board of Directors or expressly authorized by the By-Laws, no officer or agent or employee shall have any power or authority to bind the Corporation by any contract or engagement of to pledge its credit or to render it liable in any manner.

8.2 LOANS. No loan shall be contracted on behalf of the Corporation, and no negotiable paper shall be issued in its name unless authorized by the Board of Directors.

8.3 PAYMENTS. All checks, drafts and other orders for the payment of money out of the funds of the Corporation, and all notes and other evidences of indebtedness of the Corporation shall be signed on behalf of the Corporation and in such manner as shall from time to time be determined by resolution of the Board of Directors.

8.4 CORPORATE FUNDS. All funds of the Corporation not otherwise employed shall be deposited from time to time to the credit of the Corporation in such banks or other depositories as the Board of Directors may select. For the purpose of such deposits, any officer, agent or employee delegated by the Board of Directors shall have the power to endorse, assign, and deliver for deposit, checks, drafts and other orders for the payment of money which are payable to the order of the Corporation.

ARTICLE IX CORPORATE MATTERS

9.1 FISCAL YEAR. The fiscal year of the Corporation shall end at midnight on December 31st of each calendar year.

9.2 CORPORATE SEAL. The seal of the Corporation shall be circular in form and have inscribed thereon the name of the Corporation.

9.3 NOTICE. Whenever any notice whatsoever is required to be given under the provisions of these By-Laws, said notice shall be deemed to be sufficient if given by depositing the same in a post office box in a sealed, post-paid wrapper addressed to the person entitled thereto, at his post office address, as it appears on the books of the Corporation and such notice whether before or after the time stated therein shall be deemed equivalent to notice.

9.4 DIRECTOR AND OFFICER RESIGNATIONS. Any Director or officer may resign at any time. Such resignation shall be made in writing and shall take effect at the time specified therein or, if no time is specified, at the time of its receipt by the President or Secretary. The acceptance of the resignation shall not be necessary to make it effective unless expressly so provided in the resignation.

9.5 COMMITTEES. The Board of Directors, by resolution adopted by a majority of the Directors in office, may designate one or more committees, which, to the extent provided in such resolution, shall have and exercise the authority of the Board of Directors in the management of the Corporation. Each such committee shall consist of two or more persons, a majority of whom are Directors. The designation of such committees and the delegation thereto of authority shall not operate to relieve the Board of Directors, or any individual Director of any responsibility imposed upon it or him by law. Any non-director who becomes a member of any such committee shall have the same responsibility with respect to such committee as a Director who is a member thereof.

Other committees not having and exercising the authority of the Board of Directors in the management of the Corporation may be designated and appointed by a resolution adopted by a majority of the Directors at a meeting at which a quorum is present, or by the President thereunto authorized by a like resolution of the Board of Directors. Membership on such committees may, but need not be, limited to Directors.

ARTICLE X INDEMNIFICATION

10.1 INDEMNIFICATION OF OFFICERS AND PERSONNEL. Except to the extent that such liability or damage or injury is covered by insurance proceeds, the Board of Directors may authorize the Association to pay expenses incurred by, or to satisfy a judgment or fine rendered or levied against, a present or former Director, officer, committee member or an employee of the Association in an action brought by a third party against such person, whether or not the Association is joined as a party defendant, to impose a liability or penalty on such person while a Director, officer, committee member or employee; provided, the Board of Directors determines in good faith that such Director, officer, or employee was acting in good faith within what he reasonably believed to be the scope of his employment or authority and for a purpose which he reasonably believed to be in the best interests of the Association or its

Members. Payments authorized hereunder include amounts paid and expenses incurred in settling any such action or threatened action. The provisions of this Paragraph shall apply to the estate, executor, administrator, heirs, legatees or devisees of a Director, officer, committee member or employee, and the terms "person" where used in the foregoing Paragraph shall include the estate, executor, administrator, heirs, legatees or devisees of such person.

10.2 LIMITATIONS. Notwithstanding the provisions of the preceding Paragraph, no person shall be entitled to indemnification pursuant thereto in relation to any matter in which indemnification is not permitted by law.

ARTICLE XI AMENDMENTS

11.1 REQUIREMENTS. These By-Laws may be amended by a vote of two-thirds (2/3) of the votes entitled to be cast by the Members of the Corporation at any annual or special meeting of the Members.

The By-Laws adopted by the Board of Directors of the Corporation at the first meeting of the Board of Directors held on the 8th day of January, 1984.

Original signatures are:

Ruth Stanford-Secretary

C.W. (Chuck) Stanford-President