

BY-LAWS\*

OF

CARMEL HILLS ESTATES PROPERTY OWNERS ASSOCIATION, INC.

A NON-PROFIT ORGANIZATION

ARTICLE 1

OFFICES

1.01. The principal office of the Corporation shall be located at HCR #1, Box 2508, Sandia, Live Oak County, Texas.

1.02. The Corporation shall have and continuously maintain at the address given above 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 address of the registered office may be changed by the Board of Directors, if they deem such change to be desirable.

ARTICLE 2

MEMBERS

2.01. The Corporation shall have members, being each of the owners of a lot or lots in Carmel Hills Estates, Live Oak County, Texas.

2.02. Each member shall be entitled to one vote on each matter submitted to a vote of the members.

2.03. The Board of Directors, by affirmative vote of two-thirds (2/3) of all of the members of the Board, may suspend or expel a member for cause after an appropriate hearing and may, by a majority vote of those present at any regularly constituted meeting, terminate the membership of any member who becomes ineligible for membership, or suspend or expel any member who shall be in default in the payment of dues for the period fixed in Article 11 of these bylaws.

2.04. Any member may resign by filing a written resignation with the Secretary, but such resignation shall not relieve the member so resigning of the obligation to pay any dues, assessments, or other charges theretofore accrued and unpaid.

2.05. Upon written request signed by a former member and filed with the Secretary, the Board of Directors may, by the affirmative vote of two-thirds of the members of the Board, reinstate such former member to membership on such terms as the Board of Directors may deem appropriate.

\* As adopted at the Annual Property Owners meeting held on June 12, 1993.

2.06. Membership in this Corporation is not transferable or assignable.

### ARTICLE 3

#### MEETINGS OF MEMBERS

3.01. An annual meeting of the members shall be held, unless notice is given otherwise, on the second Saturday in June in each year, at the hour of 2 o'clock, p.m., for the purpose of electing Directors and for the transaction of other business as may come before the meeting. If the election of Directors shall not be held on the day designated herein for any annual meeting, or at any adjournment thereof, the Board of Directors shall cause the election to be held at a special meeting of the members as soon thereafter as possible.

3.02. Special meetings of the members may be called by the President, the Board of Directors, or not less than one-tenth of the members having voting rights.

3.03. The Board of Directors may designate any place within the State of Texas as the place of meeting for any annual meeting or for any special meeting called by the Board of Directors. If no designation is made or if a special meeting be otherwise called, the place of meeting shall be the registered office of the corporation in the State of Texas; but if all of the members shall meet at any time and place, either within or without the State, and consent to the holding of a meeting, such meeting shall be valid without call or notice, and at such meeting, any corporate action may be taken.

3.04. Written or printed notice stating the place, day, and hour of any meeting of members shall be delivered, either personally or by mail, to each member entitled to vote at such meeting, not less than ten (10) nor more than fifty (50) days before the date of such meeting, by or at the direction of the President, or the Secretary, or the officers or persons calling the meeting. In case of a special meeting or when required by statute or these bylaws, the purpose or purposes for which the meeting is called shall be stated in the notice. If mailed, the notice of a meeting 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 prepaid.

3.05. Any action required by law to be taken at a meeting of the members or any action which may be taken at a meeting of the members may be taken without a meeting, if a consent in writing, setting forth the action so taken, shall be signed by all of the members entitled to vote with respect to the subject matter thereof.

3.06. The members holding one-tenth (1/10) of the votes which may be cast at any meeting shall constitute a quorum at such meeting. If a quorum is not present at any meeting of members, a majority of the members present may adjourn the meeting from time to time without further notice.

3.07. At any meeting of members, a member entitled to vote may vote by proxy executed in writing by the member or by his duly authorized attorney-in-fact. No proxy shall be valid after eleven (11) months from the date of its execution, unless otherwise provided in the proxy.

#### ARTICLE 4

##### BOARD OF DIRECTORS

4.01. The business and affairs of the Corporation shall be managed by its Board of Directors. Directors need not be residents of Texas but must be members of the Corporation.

4.02. The Board of Directors shall consist of nine (9) directors. Three (3) directors shall be elected at each annual meeting of the members, for a term of three (3) years. Each director elected shall hold office until his successor shall have been duly elected and qualified.

4.03. A regular annual meeting of the Board of Directors shall be held without other notice than these bylaws, immediately after, and at the same place as, the annual meeting of members. The Board of Directors may provide by resolution the time and place, either within or without the State of Texas, for the holding of additional regular meetings of the Board without other notice than such resolution.

4.04. Special meetings of the Board of Directors may be called by or at the request of the President or any two directors. The person or persons calling such a special meeting of the Board shall fix any place within the State of Texas as the place for holding such special meeting of the Board.

4.05. Notice of any meeting of the Board of Directors shall state the time and place of the meeting and be given at least five (5) days previous thereto by written notice delivered personally or sent by mail to each director at his address as shown by the records of the Corporation. Such notice shall be deemed to be delivered when deposited in the United States mail in a sealed envelope so addressed, with postage thereon prepaid. Any director may waive notice of any meeting. The attendance of the director at a meeting shall constitute a waiver of notice of such meeting, except when a director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be

transacted at, nor the purpose of, any annual or special meeting of the Board need be specified in the notice or waiver of notice of such meeting, unless specifically required by law or by these by-laws. Action by the Board of Directors may be conducted without a meeting by written consent of all of the members of the Board of Directors.

4.06. A majority of the Board of Directors shall constitute a quorum for the transaction of business at any meeting of the Board; but if less than a majority of the directors are present at said meeting, a majority of the directors present may adjourn the meeting from time to time without further notice.

4.07. The act of a majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors, unless the act of a greater number is required by law or by these by-laws.

4.08. Any vacancy occurring in the Board of Directors shall be filled by the Board of Directors. A Director elected to fill a vacancy shall be elected to serve the remaining term of the Director whose vacancy was filled.

4.09. Directors shall not receive any monetary compensation for their services as directors or officers.

## ARTICLE 5

### OFFICERS

5.01. The officers of the Corporation shall be a president, a vice-president, a secretary, a treasurer and such other officers as may be elected in accordance with the provisions of this Article. The Board of Directors may elect or appoint such officers, including one or more assistant secretaries and one or more assistant treasurers, as it shall deem desirable, such officers to have the authority and perform the duties prescribed from time to time by the Board of Directors. Any two or more offices may be held by the same person except the offices of the president and secretary.

5.02. The officers of the Corporation shall be elected annually by the Board of Directors at the regular annual meeting of the Board of Directors. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as conveniently may be. New offices may be created and filled at any meeting of the Board of Directors. Each officer shall hold office until his successor shall have been duly elected and shall have qualified.

5.03. Any officer elected or appointed by the Board of Directors may be removed by a 2/3 vote of the full Board of

Directors whenever in its judgment the best interest of the Corporation would be served thereby.

5.04. A vacancy in any office because of the death, resignation, removal, disqualification or otherwise, may be filled by the Board of Directors for the unexpired portion of the term.

5.05. The President shall be the principal executive officer of the Corporation and shall in general supervise and control all of the business and affairs of the Corporation. He shall preside at all meetings of the members and of the Board of Directors. He may sign, with the secretary or any other proper officer of the Corporation authorized by the Board, any deeds, mortgages, bonds, contracts, or other instruments which the Board of Directors have authorized to be executed, except in cases where the signing and execution thereof shall be expressly delegated by the Board of the Corporation or by statute to some other officer or agent of the Corporation; and in general he shall perform all duties incident to the office of president and such other duties as may be prescribed by the Board from time to time.

5.06. In the absence of the President or in the event of his inability or refusal to act, the vice president, shall perform the duties of the president and when so acting shall have all the powers of and be subject to all the restrictions upon the President. Any vice-president shall perform such other duties as from time to time may be assigned to him by the President or by the Board.

5.07. The Treasurer shall have charge and custody and be responsible for all funds and securities of the Corporation; receive and give receipts for monies due and payable to the Corporation from any source whatsoever, and deposit all such monies in the name of the Corporation in such banks, trust companies or other depositories as shall be selected in accordance with the provisions of Article 7 of these bylaws; and in general perform all the duties incident to the office of treasurer and such other duties as from time to time may be assigned to him by the President or by the Board.

5.08. The Secretary shall keep the minutes of the meetings of the members and of the Board in one or more books provided for that purpose; give all notices in accordance with the provisions of these bylaws or as required by law; be custodian of the corporate records and of the seal of the Corporation, if any; see that the seal of the Corporation, if necessary, is affixed to all documents; and in general perform all duties incident to the office of the secretary and such other duties as from time to time may be assigned to him by the President or the Board.

## ARTICLE 6

### COMMITTEES

6.01. The Board of Directors, by resolution adopted by a majority of the Directors in office, may designate and appoint one or more committees, each of which shall consist of two or more Directors, which committees, to the extent provided in said resolution shall have and exercise the authority of the Board of Directors in the management of the corporation. However, no such committee shall have the authority of the Board of Directors in reference to amending, altering, or repealing the bylaws; electing, appointing or removing any member of any such committee or any Director or officer of the Corporation; amending the articles of incorporation; adopting a plan of merger or adopting a plan of consolidation with another Corporation; authorizing the sale, lease, exchange, or mortgage of all or substantially all of the property and assets of the Corporation; authorizing the voluntary dissolution of the Corporation or revoking proceedings therefor; adopting a plan for the distribution of the assets of the Corporation; or amending, altering, or repealing any resolution of the Board of Directors which by its terms provides that it shall not be amended, altered, or repealed by such committee. The designation and appointment of any such committee and the delegation thereto of authority shall not operate to relieve the Board of Directors, or any individual Director, of any responsibility imposed on it or him by law.

6.02. Other committees not having and exercising the authority of the Board of Directors in the management of the Corporation may be designated by a resolution adopted by a majority of the Directors present at a meeting at which a quorum is present. Except as otherwise provided in such resolution, members of each such committee shall be members of the Corporation, and the President of the Corporation shall appoint the members thereof. Any members thereof may be removed by the person or persons authorized to appoint such member whenever in their judgment the best interests of the Corporation shall be served by such removal.

6.03. Each member of a committee shall continue as such until the next annual meeting of the members of the Corporation and until his successor is appointed, unless the committee shall be sooner terminated, or unless such member be removed from such committee, or unless such member shall cease to qualify as a member thereof.

6.04. One member of each committee shall be appointed chairman by the person or persons authorized to appoint the members thereof.

6.05. Vacancies in the membership of any committee may be filled by appointments made in the same manner as provided in the case of the original appointments.

6.06. Unless otherwise provided in the resolution of the Board of Directors designating a committee, a majority of the whole committee shall constitute a quorum and the act of a majority of the members present at a meeting at which a quorum is present shall be the act of the committee.

6.07. Each committee may adopt rules for its own government not inconsistent with these bylaws or with rules adopted by the Board of Directors.

## ARTICLE 7

### CONTRACTS, CHECKS, DEPOSITS AND FUNDS

7.01. The Board of Directors may authorize any officer or officers, agent or agents of the Corporation, in addition to the officers so authorized by these bylaws, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Corporation. Such authority may be general or confirmed to specific instances.

7.02. All checks, drafts or orders for the payment of money, notes, or other evidences of indebtedness issued in the name of the Corporation, shall be signed by such officer or officers, agent or agents, of the Corporation and in such manner as shall from time to time be determined by resolution of the Board of Directors. In the absence of such determination by the Board of Directors such instruments shall be signed by the Treasurer, an Assistant Treasurer, the President or a Vice-President of the Corporation.

7.03. All funds of the Corporation shall be deposited from time to time to the credit of the Corporation in such banks, trust companies or other depositories as the Board of Directors may select.

7.04. The Board of Directors may accept on behalf of the Corporation any contribution, devise or gift for the general purpose or for any special purpose of the Corporation.

## ARTICLE 8

### CERTIFICATE OF MEMBERSHIP

8.01. The Board of Directors may provide for the issuance of certificates evidencing membership in the Corporation, which shall be in such form as may be determined by the Board. Such certificates shall be signed by the President or the Vice-President and by the Secretary or an Assistant Secretary. All certificates evidencing membership of any class shall be consecutively numbered. The name and address of each member and the date of issuance of the certificate shall be entered on the records of the Corporation. If any certificate shall become lost, mutilated, or destroyed, a new

certificate may be issued therefor on such terms and conditions as the Board of Directors may determine.

8.02. When a member has been certified as such and has paid any dues that may then be required, a certificate of membership shall be issued in his name and delivered to him by the Secretary, if the Board of Directors shall have provided for the issuance of certificates of membership under the provisions of Paragraph 8.01 of this Article 8.

## ARTICLE 9

### BOOKS AND RECORDS

9.01. The Corporation shall keep correct and complete books and records of account and shall also keep minutes of the proceedings of its members, Board of Directors, and committees having any of the authority of the Board of Directors, and shall keep at the registered or principal office a record giving the names and addresses of the members entitled to vote. All books and records of the Corporation may be inspected by any member or his agent or attorney for any proper purpose at any reasonable time.

## ARTICLE 10

### FISCAL YEAR

10.01. The fiscal year of the Corporation shall begin on the first day of January and end on the last day in December in each year.

## ARTICLE 11

### DUES

11.01. The Members may determine from time to time the amount of the annual dues payable to the Corporation by members at any annual meeting.

11.02. Dues shall be payable in advance on the first day of January in each fiscal year. Dues of a new member shall be prorated for the year in which such new member becomes a member for the remainder of the fiscal year of the Corporation.

11.03. When any member shall be in default in the payment of dues for a period of 3 months from the beginning of the fiscal year or period for which such dues become payable, his membership may thereupon be terminated by the Board of Directors in the manner provided in Article 3 of these bylaws.



## ARTICLE 12

### INDEMNIFICATION

12.01. (a) The Corporation shall indemnify a director, officer, committee member, employee, or agent of the Corporation who was, is, or may be named defendant or respondent in any way proceeding as a result of his or her actions or omissions within the scope of his or her official capacity in the Corporation. For the purposes in this article, an agent includes one who is or was serving at the request of the Corporation as a director, officer, partner, venturer, proprietor, trustee, partnership, joint venture, sole proprietorship, trust, employee benefit plan, or other enterprise. However, the Corporation shall indemnify a person only if he or she acted in good faith and reasonably believed that the conduct was in the Corporation's best interests. In a case of a criminal proceeding, the person may be indemnified only if he or she had no reasonable cause to believe that the conduct was unlawful. The Corporation shall not indemnify a person who is found liable to the Corporation or is found liable to another on the basis of improperly receiving a personal benefit. A person is conclusively considered to have been found liable in relation to any claim, issue, or matter if the person has been adjudged liable by a court of competent jurisdiction and all appeals have been exhausted.

(b) The termination of a proceeding by judgment, order, settlement, conviction, or on a plea of nolo contendere or its equivalent does not necessarily preclude indemnification by the Corporation.

(c) The Corporation may pay or reimburse reasonably necessary expenses incurred by a director, officer, committee member, employee, or agent of the Corporation in connection with the person's appearance as a witness or other participation in a proceeding involving or affecting the Corporation when the person is not a named defendant or respondent in the proceeding.

(d) In addition to the situations otherwise described in this paragraph, the Corporation may indemnify a director, officer, committee member, employee, or agent of the Corporation to the extent permitted by law. However, the Corporation shall not indemnify any person in any situation in which indemnification is prohibited by the terms of paragraph 12.01 (a) above.

(e) Before the final disposition of a proceeding, the Corporation may pay indemnification expenses permitted by the bylaws and authorized by the Corporation. However, the Corporation shall not pay indemnification expenses to a person before the final disposition of a proceeding if the person is a named defendant or respondent in a proceeding brought by the Corporation, or the person is alleged to have improperly received a personal benefit or

committed other willful or intentional misconduct.

(f) If the Corporation may indemnify a person under the bylaws, the person may be indemnified against judgments, penalties, including excise and similar taxes, fines, settlements, and reasonable expenses (including attorney's fees) actually incurred in connection with the proceeding. However, if the proceeding was brought by or on behalf of the Corporation, the indemnification is limited to reasonable expenses actually incurred by the person in connection with the proceeding.

#### ARTICLE 13

##### SEAL

13.01. The Board of Directors shall not be obligated to provide a corporate seal. If it shall at some time adopt a resolution to require a seal, it shall be in the form of a circle and shall have inscribed thereon the name of the Corporation.

#### ARTICLE 14

##### WAIVER OF NOTICE

14.01. Whenever any notice is required to be given under the provisions of the Texas Non-Profit Corporation Act or under the provisions of the articles of incorporation or the bylaws of the corporation, a waiver thereof in writing signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.

#### ARTICLE 15

##### AMENDMENTS TO BYLAWS

15.01. These bylaws may be altered, amended, or repealed and new bylaws may be adopted by a majority of the Members present at any annual meeting, if at least fifteen days' written notice is given of an intention to alter, amend, or repeal these bylaws or to adopt new bylaws at such meeting.

1993 JUL 23 10 17 00  
FILED  
In the Office of the  
Secretary of State of Texas

ARTICLES OF AMENDMENT  
TO THE  
ARTICLES OF INCORPORATION

JUL 23 1993  
Corporations Section

Pursuant to the provisions of Article 4.03 of the Texas Non-Profit Corporation Act, the undersigned Corporation adopts the following Articles of Amendment to its Articles of Incorporation which clarify the purpose of the Corporation, its permitted activities and disposition of its assets upon dissolution and change the name of the Corporation and its registered agent and office.

ARTICLE ONE

The name of the Corporation is CARMEL HILLS OWNERS ASSOCIATION, INC.

ARTICLE TWO

The following amendments to the Articles of Incorporation were adopted by the Corporation on June 12, 1993:

Article 1. of the Articles of Incorporation is amended to read as follows:

1. The name of the Corporation is Carmel Hills Estates Property Owners Association, Inc.

Article 4. of the Articles of Incorporation is hereby amended to read as follows:

4. The purposes for which the Corporation is organized are to act as agents for the property owners of Carmel Hills Estates, a development in Live Oak County, Texas, and for any and all other property which is accepted by the Corporation for similar purposes, these purposes being as follows:
  4. (a) To exercise all of the power and privileges and perform all of the duties and obligations of the Corporation as set forth in the Articles of Incorporation and the bylaws;
  - (b) To affix, levy and collect all charges or assessments pursuant to the terms of the By-Laws; and, as agent, pay all expenses in connection therewith and all office and other expenses incident to the conduct of the business of this Corporation including all licenses, taxes or governmental charges levied or imposed against the property

of this Corporation and to make disbursements, expenditures and payments on behalf of the said property owners pursuant to the By-Laws of the Corporation; and to hold as agent for said property owners reserves for periodic repairs and capital improvements to be made as directed by the property owners acting through the Board of Directors of the Corporation;

(c) To acquire by gift, purchase or otherwise, to own, hold, improve, build upon, operate, maintain, convey, sell, lease, transfer, dedicate for public use or to otherwise dispose of real or personal property in connection with the affairs of this Corporation subject to the limitations set forth in the Articles of Incorporation and By-Laws;

(d) To provide general sanitation upkeep, maintenance and cleanliness of common areas;

(e) To promote an atmosphere of a pride of ownership and to seek policies which enhance the owners' value and enjoyment of their properties;

(f) To enter into and perform any contract and to exercise all powers which may be necessary or convenient to the operation, management, maintenance and administration of the affairs of Carmel Hills Estates in accordance with the Articles of Incorporation and By-Laws;

(g) To have and to exercise any and all powers, rights and privileges a corporation organized under the Non-Profit Corporation Law of the State of Texas, may now or hereafter exercise.

Article 5. is amended to read as follows:

5. The street address of the registered office of the Corporation is HCR #1, Box 2508, Sandia, Live Oak County, Texas, 78383 and the name of the registered agent at such address is George E. Houmes.

The Articles of Incorporation are amended to add new Articles 8, 9, 10 & 11 to read as follows:

#### ARTICLE 8

No substantial part of the activities of the Corporation shall consist of carrying on of propaganda, or otherwise attempting to influence legislation, and the Corporation shall not participate in, or intervene in (including the publishing or distribution of statements) any political campaign on behalf of or in opposition to any candidate for public office.

Notwithstanding any other provision of these Articles of Incorporation, the Corporation shall not carry on any activity not permitted to be carried on (a) by a corporation exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, (the "Code") or corresponding section of any future United States internal revenue law, or (b) by a corporation, contributions to which are deductible under Section 170(c)(2) of the Code, or corresponding section of any future United States internal revenue law.

#### ARTICLE 9

The Corporation may indemnify a person who was, is, or is threatened to be made a named defendant or respondent in litigation or other proceedings because the person is or was a director, officer, or employee of the Corporation to the fullest extent permitted by the Texas Non-Profit Corporation Act and the Bylaws.

#### ARTICLE 10

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

#### ARTICLE 11

Upon the dissolution of the Corporation, all of the remaining assets of the Corporation shall be distributed only to one or more organizations created and operated for one or more exempt purposes within the meaning of Article Four hereof, other than for religious purposes, all of the foregoing within the meaning of Section 501(c)(3) of the code, or the corresponding section of any future United States internal revenue law. Any such assets not so disposed of shall be disposed of by a court of competent jurisdiction of the county in which the principal of the Corporation is then located, exclusively for such purposes or to such organization or organizations, as said court shall determine, which are organized and operated exclusively for such purposes.

#### ARTICLE THREE

The amendments were adopted in the following manner:

The amendments were adopted at a meeting of members held on

June 12, 1993, at which a quorum was present, and the amendments received at least two-thirds of the votes which members present at such meeting were entitled to cast.

Dated June 12, 1993.

CARMEL HILLS OWNERS ASSOCIATION, INC.

BY: Geoff Hughes

Its President

ARTICLE 10

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ARTICLE 11

Upon the dissolution of the Corporation, all of the remaining assets of the Corporation shall be distributed only to one or more organizations created and operated for one or more exempt purposes within the meaning of Article Four hereof, other than religious purposes. All of the foregoing within the meaning of Section 501(c)(3) of the code, or the corresponding section of any future United States internal revenue law. Any such assets not so disposed of shall be disposed of by a court of competent jurisdiction of the county in which the principal office of the Corporation is then located, exclusively for such purposes or to such organization or organizations, as said court shall determine, which are organized and operated exclusively for such purposes.

ARTICLE THREE

The amendments were adopted in the following manner:  
The amendments were adopted at a meeting of members held on