

BY-LAWS
OF
RIVER HILLS OWNERS ASSOCIATION, INC.

ARTICLE I

Offices

The initial principal office of the Corporation in the State of Texas shall be located at 14 River Hills Drive, Denison, Texas 75020. The Corporation may have such other offices as the Board of Directors may determine from time to time.

As required by law 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.

ARTICLE II

Members

Section 1: Classes of Members

The Corporation shall have only one (1) class of members. Members shall be property owners of real property located in RIVER HILLS ADDITION to the City of Denison, Grayson County, Texas, according to the plat thereof recorded in Volume 6, at Page 7, Plat Records of Grayson County, Texas, and such other property owners of adjoining property to River Hills Addition as may be elected to membership as set forth herein. Each residential unit shall be entitled to one vote on matters requiring votes of the membership.

Section 2: Transfer of Membership

Membership may be transferred only by transfer of ownership of the property consisting of the residential unit within the River Hills Subdivision and those areas adjoining such subdivision that have been granted membership status. The term residential unit mean a single family home whether on one lot or more.

ARTICLE III

Meetings of Members

Section 1: Annual Meeting

An annual meeting of the members shall be held on or before August 1, 1997 each year at 6:00 p.m., or otherwise at the direction of the Board of Directors for the purpose of electing

Directors and for the transaction of such other business as may come before the meeting. If the day fixed for the annual meeting shall be a legal holiday in the State of Texas, such meeting shall be held on the next succeeding business day. 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 conveniently may be.

Section 2: Special Meetings

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.

Section 3: Place of Meeting

The Board of Directors may designate any place, either within or without 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 of Texas, 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.

Section 4: Notice of Meetings

Written 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 nor more than fifty 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 by these by-laws, the purpose 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 and addressed to the member at his address as it appears on the records of the corporation, which postage thereon prepaid.

Section 5: Informal Action by Members

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 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.

Section 6: Quorum

The members holding one-half (½) 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.

Section 7: Proxies

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 months from the date of execution, unless otherwise provided in the proxy.

Section 8: Manner of Acting

A majority of the votes entitled to be cast on a matter to be voted upon by the members present or represented by proxy at a meeting at which a quorum is present shall be necessary for the adoption thereof unless a greater proportion is required by law or by these by-laws.

Section 9: Voting by Mail

Where Directors or officers are to be elected by members or any class or classes of members, such election may be conducted by mail in such manner as the Board of Directors shall determine.

ARTICLE IV

Board of Directors

Section 1: General Powers

The affairs of the corporation shall be managed by its Board of Directors. Directors need not be residents of the State of Texas or members of the corporation.

Section 2: Number, Tenure and Qualifications

The number of Directors shall be five (5), and the directors shall have staggered terms of three years each with the initial directors being elected for two positions with an initial term of three years, two positions with an initial term of two years, and one position with an initial term of one year; all directors elected after the original directors shall have terms of three years. Each Director shall hold office until his term expires and thereafter until his successor shall have been elected and qualified.

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Section 3: Regular Meetings

A regular annual meeting of the Board of Directors shall be held without other notice than this by-law, 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.

Section 4: Special Meetings

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 authorized to call special meetings of the Board may fix any place, either within or without the State of Texas, as the place for holding any special meeting of the Board called by them.

Section 5: Notice

Notice of any special meeting of the Board of Directors shall be given at least two days previously thereto by written notice delivered personally or sent by mail or telegram to each Director at his address as shown by the records of the corporation. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail in a sealed envelope so addressed, the postage thereon prepaid. If notice is given by telegram, such notice shall be deemed to be delivered when the telegram is delivered to the telegraph company. Any Director may waive notice of any meeting. The attendance of a Director at any meeting shall constitute a waiver of notice of such meeting, except where 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 transaction at, nor the purpose of, any regular 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.

Section 6: Quorum

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.

Section 7: Manner of Acting

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.

Section 8: Vacancies

Any vacancy occurring in the Board of Directors and any directorship to be filled by reason of an increase in the number of Directors may be filled by the affirmative vote of a majority of the remaining directors, though less than a quorum of the Board of Directors. A Director elected to fill a vacancy shall be elected for the unexpired term of his predecessor in office.

Section 9: Compensation

Directors as such shall not receive any stated salaries for their services, but by resolution of the Board of Directors a fixed sum and expenses of attendance, if any, may be allowed for attendance at each regular or special meeting of the Board; but nothing herein contained shall be construed to preclude any Director from serving the corporation in any other capacity and receiving compensation therefor.

Section 10: Informal Action by Directors

Any action required by law to be taken at a meeting of Directors, or any action which may be taken at a meeting of Directors, may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the Directors.

ARTICLE V

Officers

Section 1: Officers

The officers of the corporation shall be a President, one or more Vice Presidents (the number thereof to be determined by the Board of Directors), a Secretary/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 other 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.

Section 2: Election and Term of Office

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 done. 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.

Section 3: Removal

Any officer elected or appointed by the Board of Directors may be removed by the Board of Directors whenever in its judgment the best interests of the corporation would be served thereby.

Section 4: Vacancies

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

Section 4: President

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 or she shall preside at all meetings of the members and of the Board of Directors. He or she may sign, with the Secretary or any other proper officer of the corporation authorized by the Board of Directors, any deeds, mortgages, bonds, contracts, or other instruments which the Board of Directors has authorized to be executed, except in cases where the signing and execution thereof shall be expressly delegated by the Board of Directors or by these by-laws or by statute to some other officer or agent of the corporation; and in general he or she shall perform all duties incident to the office of President and such other duties as may be prescribed by the Board of Directors from time to time.

Section 6: Vice President

In the absence of the President or in the event of his or her inability or refusal to act, the Vice President (or in the event there be more than one Vice President, the Vice Presidents in the order of their election) 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 or her by the President or by the Board of Directors.

Section 7: Treasurer

The Treasurer shall have charge and custody of and be responsible for all funds and securities of the corporation; receive and give receipts for moneys due and payable to the corporation from any source whatsoever, and deposit all such moneys in the name of the corporation in such banks, trust companies or other depositaries as shall be selected in accordance with the provisions of Article VII of these by-laws; and in general perform all the duties as from time to time may be assigned to him or her by the President or by the Board of Directors.

Section 8: Secretary

The Secretary shall keep the minutes of the meetings of the members and of the Board of Directors in one or more books provided for that purpose; see that all notices are duly given in accordance with the provisions of these by-laws or as required by law; be custodian of the corporate records; keep a register of the post office address of each member which shall be furnished to the Secretary by such member; and in general perform all duties incident to the office of Secretary and such other duties as from time to time may be assigned to him or her by the President or by the Board of Directors.

Section 9: Assistant Treasurers and Assistant Secretaries

Any Assistant Treasurers and Assistant Secretaries, in general, shall perform such duties as shall be assigned to them by the Board of Directors.

ARTICLE VI

Contracts, Checks, Deposits, and Funds

Section 1: Contracts

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 by-laws, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the corporation in furtherance of the purpose of the corporation and for the repair and replacement of corporation property, and such authority may be general or confined to specific instances.

Section 3: Deposits

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 depositaries as the Board of Directors may select from time to time.

ARTICLE VII

Books and Records

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 its 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 any agent of any member any reasonable time upon at least 24 hours notice.

ARTICLE VIII

Fiscal Year

The fiscal year of the Corporation shall begin on January 1 and end on December 31 in each year.

ARTICLE IX

Waiver of Notice

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 by-laws 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 X

Dues and Assessments

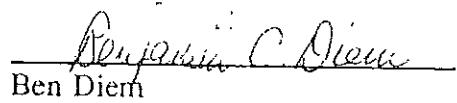
The Board of Directors of the corporation may set and assess dues and assessments to members from time to time for the purpose of operation of the water supply and sewer treatment system maintained by the corporation for the benefit of the members. Such dues and assessments shall not exceed the reasonable amount anticipated to pay for delivery of water, treatment of sewage and runoff, maintenance of the water and sewer systems, repairs, and a reasonable reserve for continued operation of the water and sewer systems for the benefit of the members, including any and all incidental expenses for licenses, fees, accounting, and related organizational and maintenance expenses for the corporation.

These by-laws may be altered, amended or repealed and new by-laws may be adopted by a majority of the Directors present at any regular meeting or at any special meeting, if at least two days' written notice is given of intention to alter, amend or repeal or to adopt new by-laws at such meeting.

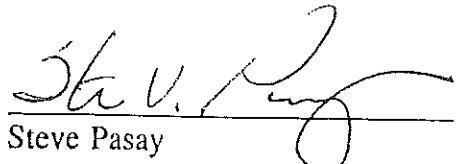
The foregoing Initial By-laws of this Corporation are hereby adopted by the undersigned members of the initial board of Directors of the corporation on August 1, 1997.



James Dean



Ben Diem



Steve Pasay