

BYLAWS OF
ROYAL OAK MAINTENANCE ASSOCIATION

ARTICLE I
NAME AND LOCATION

The name of the corporation is ROYAL OAK MAINTENANCE ASSOCIATION, hereinafter referred to as the "Corporation." The principal office of the Corporation shall be located at P.O. Box 689, Emory, Texas 75440, but meetings of Members and Directors may be held at such places within the State of Texas as may be designated by the board of directors.

ARTICLE II
DEFINITIONS

The followings words when used in these Bylaws, unless a different meaning or intent clearly appears from the context, shall have the following meanings:

Section 1. "Declaration" shall mean the Declaration of Covenants, Conditions, Restrictions and Easements for ROYAL OAK MAINTENANCE ASSOCIATION, recorded in Volume 1766, Page 155, Real Property Records, Wood County, Texas, and any amendments, modifications or supplements thereto.

Section 2. "Developer" shall mean SPENCE & SPENCE DEVELOPER, INC., a Texas corporation.

Section 3. Other words and phrases used herein shall have the same meaning and definition as used and provided in the Declaration.

ARTICLE III
MEMBERSHIP

Section 1. Every person who is now or hereafter becomes an Owner shall automatically be a Member of the Corporation.

Section 2. The Association shall have two classes of voting membership with the voting rights hereinafter indicated:

Class A Members. Class A Members shall be all Owners with the exception of the Developer and each such Member shall be entitled to one (1) vote for each Lot owned. When more than one person holds an interest in a Lot, all such persons shall constitute one Member, and the one (1) vote for such Lot shall be exercised as they among themselves shall determine, but in no event shall more than one vote be cast with respect to any such Lot.

Class B Members. The Developer shall be a Class B Member and shall be entitled to two (2) votes for each Lot owned. The Class B membership shall cease and be converted to a Class A membership on the happening of either of the following events, whichever occurs earlier:

(1) When the total votes outstanding in the Class A membership equals the total votes outstanding in Class B membership; or

(2) When the Developer notifies in writing the Association of the Developer's election to convert from a Class B Member to a Class A Member;

and (unless the next annual meeting of the Association shall come within ninety (90) days after such conversion) a special meeting of the Members shall be called by the Board of Directors within not more than ninety (90) days after such conversion for the purpose of electing a new Board of Directors. In all cases, the Developer shall be treated as a Member for purposes of this Declaration.

Section 3. The voting rights of any Member shall be automatically suspended during any period in which such Member shall be delinquent in the payment of assessments due the Association, and during any such period in which the ACC or the Board has initiated an action to correct a violation of the Declaration, the Articles, these Bylaws or Association Rules and such violation has not been corrected.

Section 4. The rights of membership are subject to the payment of assessments as provided in these Bylaws or in the Declaration, which assessments are imposed against the Owner of and become a lien upon each Lot against which such assessments are made as provided in the Declaration.

Section 4. The membership rights of any person whose interest in a Lot is subject to the Assessments referred to hereinabove in Article III, Section 4, whether or not he be personally obligated to pay such assessments, may be suspended by action of the directors during the period when such assessments remain unpaid, but upon payment of such assessments, his rights and privileges shall be automatically restored.

ARTICLE IV

PROPERTY RIGHTS AND RIGHTS OF ENJOYMENT OF THE COMMON AREAS

Section 1. Each Member shall be entitled to the use and enjoyment of the Common Areas in accordance with and subject to the terms and conditions set forth in the Declaration, these Bylaws, and the tariffs, rules and regulations adopted pursuant thereto.

Section 2. Any Member may delegate his rights of enjoyment in the Common Areas to the members of his family or his guests, subject to any applicable tariffs, rules and regulations that may be adopted from time to time by the board of directors of the Corporation. Such Member shall notify the Secretary of the Corporation in writing of the name of any such person and of the relationship of the Member to such person. The rights and privileges of such person are subject to suspension under Article III, Section 4 hereof, to the same extent as those of the Member.

ARTICLE V

DIRECTORS

Section 1. The Board of Directors of the Association shall be not less than three (3) nor more than five (5) in number. The initial Board of Directors pursuant to the Articles shall have three (3) members composed of the following:

Roy Spence, Delois Spence, and Steve Spence

who shall commence to serve at the time of recordation of the Declaration and shall serve until the Developer either removes any such initial Director or becomes a Class A Member and thereafter until their successors are elected pursuant to provisions of these Bylaws. Such original Directors shall serve at the pleasure of the Developer until such time that the Developer becomes a Class A Member of the Association and may be removed from office at any time by the Developer. During such period, the Developer shall have authority, in its sole discretion, to fill any vacancies created or existing on the Board of Directors. The number of the Board of Directors shall be increased to five (5) members at the first meeting of the Members after the Developer becomes a Class A Member. All directors thereafter shall be elected at the annual meeting of the Members, except as provided in Section 2 of this Article. Each director elected shall hold office until his successor is elected and qualified. Directors need not be residents of the State of Texas or Members of the Corporation.

Section 2. Any vacancy occurring in the board of directors after the Developer becomes a Class A Member 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. Any directorship to be filled by reason of an increase in the number of directors shall be filled at an annual meeting of the Members or at a special meeting of the Members entitled to vote called for that purpose. Any director may be removed from the board of directors, with or without cause, by a majority of the vote of those who are voting in person or by proxy at an annual meeting of the Members or at a special meeting of the Members entitled to vote called for that purpose.

Section 3. The business and affairs of the Corporation shall be managed by its board of directors which may exercise all such powers of the Corporation and do all such lawful acts and things as are not by statute or by the Articles or by these Bylaws or by Declaration directed or required to be exercised and done by the Members. The power and authority of the board of directors shall include, but shall not be limited to, the power and authority:

- a. to establish, levy and assess and collect the assessments referred to in these Bylaws or in the Declaration;
- b. to adopt and publish or cause to be published tariffs, rules and regulations governing the use of the Common Areas and the personal conduct of the Members, their families and their guests thereon;
- c. to declare the office of a member of the board of directors to be vacant in the event such member shall be absent from three (3) consecutive regular meetings of the board of directors;
- d. to employ such managers, employees or independent contractors of the Corporation as it may deem necessary and to prescribe their duties; and

e. to do and perform such other acts on behalf of the Corporation as are set forth in these Bylaws or the Declaration.

Section 4. It shall be the duty of the board of directors:

- a. To cause to be kept a complete record of all its acts and corporate affairs.
- b. To supervise all officers, agents and employees of this Corporation and to see that their duties are properly performed.
- c. As more fully provided herein and in the Declaration:
 - (1) to fix the amount of regular assessments against each Lot at least thirty (30) days in advance of each affected assessment; and
 - (2) to cause written notice of each non-recurring assessment and of each increase in the amount of the regular assessment to be sent to every Owner subject thereto at least thirty (30) days in advance of the effective date of such assessment or increase.
- d. To issue or to cause an appropriate officer to issue, upon demand by any person, a certificate setting forth whether any assessment has been paid. A reasonable charge may be made by the board for the issuance of these certificates. Such certificate shall be conclusive evidence of the payment of any assessment therein stated to have been paid.
- e. To procure and maintain adequate liability and hazard insurance on property owned by the Corporation.
- f. To cause the assessment proceeds to be expended for maintenance of the Common Areas and related activities consistent with the purposes of the assessments as described in the Declaration.
- g. To cause all officers or employees of the Corporation having fiscal responsibilities to be bonded as it may deem appropriate.
- h. To cause the Common Areas to be maintained.
- i. To collect all fees and assessments from Owners.
- j. To fulfill the duties of the Association as are set forth in the Declaration.

ARTICLE VI

MEETINGS OF THE BOARD OF DIRECTORS

Section 1. Meetings of the board of directors, regular or special, may be held either within or without the State of Texas.

Section 2. Regular meetings of the board of directors shall be held annually without notice immediately following each annual meeting of the Members.

Section 3. Special meetings of the board of directors shall be held when called by the

president or by any two (2) directors. Written notice of special meetings of the board of directors shall be given to each director at least three (3) days before the date of the meeting. Neither the business to be transacted at nor the purpose of any regular or special meeting of the board of directors need be specified in the notice or waiver of notice of such meeting.

Section 4. A majority of the directors shall constitute a quorum for the transaction of business and the act of the majority of the directors present at a meeting at which a quorum is present shall be the act of the board of directors unless a greater number is required by the Articles. If a quorum shall not be present at any meeting of the board of directors, the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting until a quorum shall be present.

Section 5. Any action required by the Bylaws or the Declaration to be taken at a meeting of the board of directors of the Corporation or any action which may be taken at a meeting of the directors or of any committee appointed by the directors may be taken without a meeting if a consent in writing, setting forth the action to be taken, shall be signed by all of the directors or all of the members of the committee, as the case may be. Such consent shall have the same force and effect as a unanimous vote by the board of directors or the members of the committee, as the case may be.

ARTICLE VII

NOMINATION AND ELECTION OF DIRECTORS

Section 1. Nomination for election to the board of directors shall be made from the floor at the annual meeting.

Section 2. Election to the board of directors shall be by secret written ballot. At such election, the Members or their proxies may cast in respect to each vacancy as many votes as they are entitled to exercise under the provisions of the Declaration. The persons receiving the largest number of votes shall be elected. Cumulative voting is not permitted.

ARTICLE VIII

COMMITTEES

Section 1. The board of directors may appoint committees whose members need not be directors as deemed appropriate in carrying out its purposes, such as a maintenance committee which shall advise the board of directors on all matters pertaining to the maintenance or repair of Common Areas and perform such other functions as the board in its discretion determines.

Section 2. Vacancies in the membership of any committee appointed by the board of directors shall be filled by the board of directors at a regular or special meeting of the board of directors. Each committee shall keep regular minutes of its proceedings and report the same to the board when required. The designation of an executive committee, if any, and the delegation thereto of authority shall not operate to relieve the board of directors or any member thereof of any responsibility imposed upon it or him by law.

Section 3. Members of committees shall hold office until their successors are chosen and qualify. Any officer or agent or member of any committee elected or appointed by the board of directors may be removed by the board of directors with or without notice, whenever in its judgment the best interest of the Corporation will be served thereby, but such removal shall be

without prejudice to the contract rights, if any, of the person removed.

ARTICLE IX

COMPENSATION OF DIRECTORS

Section 1. The directors of the Corporation and committee members shall serve without compensation. However, any director may be reimbursed for actual expenses incurred in the performance of his duties.

ARTICLE X

NOTICES

Section 1. Notices to directors and Members shall be in writing and delivered personally or mailed to the directors or Members at their addresses appearing on the books of the Corporation. Notice by mail shall be deemed to be given at the time when deposited in the United States mail addressed to the Member or director at his address as it appears on the books of the Corporation with postage prepaid thereon. Notice to directors may also be given by telegram and shall be deemed to be given when given to the telegram company.

Section 2. Whenever any notice is required to be given to any Member or director or other person under the provisions of the Declaration, any statute or the Articles or these Bylaws, 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 equivalent to the giving of such notice.

Section 3. Attendance of any Member or director at a 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 on the ground that the meeting is not lawfully called or convened.

ARTICLE XI

OFFICERS

Section 1. The officers of the Corporation shall consist of a president who shall at all times be a member of the board of directors, a vice president and a secretary-treasurer, all of whom shall be elected by the board of directors.

Section 2. The board of directors at its first meeting after each annual meeting of Members shall elect the officers of the Corporation.

Section 3. Such other officers and assistant officers and agents as may be deemed necessary may be elected or appointed by the board of directors.

Section 4. All officers of the Corporation shall serve without compensation.

Section 5. The officers of the Corporation shall hold office until their respective successors are elected and qualified unless they shall sooner resign or shall be removed or otherwise disqualified to serve. Any officer elected or appointed by the board of directors may be removed by the board of directors without notice or cause whenever in its judgment the best

interest of the Corporation will be served thereby. Any vacancy occurring in any office of the Corporation by death, resignation, removal or otherwise shall be filled by the board of directors.

THE PRESIDENT

Section 6. The president shall be the chief executive officer of the Corporation, shall preside at all meetings of the Members and the board of directors, shall have general and active management of the business of the Corporation, and shall see that all orders and resolutions of the board of directors are carried into effect.

Section 7. The President shall execute all leases, bonds, mortgages, deeds and other written instruments and shall co-sign all promissory notes, except where required by law to be otherwise signed and executed.

THE SECRETARY

Section 8. The secretary shall attend all meetings of the board of directors and all meetings of the Members and record all the votes and proceedings of the meetings of the Members of the Corporation and of the board of directors in a book to be kept for that purpose and shall perform like duties for the standing committees when required. He shall give or cause to be given notice of all meetings of the Members and special meetings of the board of directors, and shall perform such other duties as may be prescribed by the board of directors or president under whose supervision he shall be.

THE VICE PRESIDENT

Section 9. The vice president shall, in the absence or disability of the president, perform the duties and exercise the powers of the president. He or she shall perform such other duties and have such other powers as the board of directors shall prescribe.

THE TREASURER

Section 10. The treasurer shall have the custody of the corporate funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Corporation and shall receive and deposit all monies and other valuable effects in the name and to the credit of the Corporation in such depositories as may be designated by the board of directors.

Section 11. The Treasurer shall disburse the funds of the Corporation as may be authorized by the board of directors, making proper vouchers for such disbursements, and shall render to the president and the board of directors at its regular meetings or when the board of directors so requires an account of all his transactions as treasurer and of the financial condition of the Corporation.

Section 12. The Treasurer shall sign all checks and promissory notes of the Corporation and shall prepare an annual budget and a statement of income and expenditures to be presented to the membership at its regular annual meeting and deliver a copy of each to the Members.

Section 13. If required by the board of directors, the Treasurer shall, at the expense of the Corporation, give the Corporation a bond in such sum and with such surety or sureties as shall be satisfactory to the board of directors for the faithful performance of the duties of his office and for the restoration to the Corporation, in case of his death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in his possession or under his control belonging to the Corporation.

DELEGATION OF DUTIES

Section 14. If in carrying out the duties of the Corporation hereunder and under the Declaration, the directors contract for the services of a professional person or management firm to manage the Corporation, the officers shall have the power to delegate to such person or firm, or an employee thereof, the authority to sign and endorse checks on behalf of the Corporation, subject to such reasonable limitations as the officers may in their discretion deem necessary or appropriate.

ARTICLE XII

MEETINGS OF MEMBERS

Section 1. Meetings of the Members for the election of directors shall be held at the offices of the Corporation in the County of Wood, State of Texas, or at such other location within the State of Texas, as shall be stated in the notice thereof. Meetings of Members for any other purpose may be held at such place within or without the State of Texas and at such time as shall be stated in the notice of the meeting or in a duly executed waiver of notice thereof.

Section 2. Annual meetings of Members commencing with the year following the calendar year in which these Bylaws are adopted shall be held at 7:30 o'clock P.M., on the 7 day of February, if not a legal holiday, and if a legal holiday, then on the next secular day following at 7:30 o'clock P.M., at which they shall elect by a plurality vote, which shall be by secret written ballot, a board of directors, and transact such other business as may properly be brought before the meeting.

Section 3. Special meetings of the Members may be called by the president or the board of directors and shall be called by the secretary upon written request of Members entitled to cast one-fourth (1/4) of all of the votes of the entire membership or who are entitled to cast one-fourth (1/4) of the votes of the Class A membership.

Section 4. Written or printed notice stating the place, day and hour of the meeting, and in the case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered not less than thirty (30) nor more than sixty (60) days before the day of meeting, either personally or by mail, by or at the direction of the president, the secretary or the officer or person calling the meeting, to each Member entitled to vote at such meeting.

Section 5. Business transacted at any special meeting shall be confined to the purposes stated in the notice thereof.

Section 6. The presence at any meeting of Members entitled to cast thirty percent (30%) of the votes of each class of membership, represented in person or by proxy, shall constitute a quorum at meetings of Members except as otherwise provided in the Declaration, the Articles or these Bylaws. If, however, a quorum shall not be present or represented at any meeting of the Members, the Members present in person or represented by proxy shall have power to adjourn the meeting and immediately after such adjournment (without necessity for additional notices to Members) to reconvene a meeting of Members, at which a quorum shall consist of fifty percent (50%) of the quorum required at the prior meeting, and if a quorum is present, any business may be transacted which might have been transacted at the meeting as originally notified; provided that, no such second meeting shall be held more than sixty (60) days following the first meeting.

Section 7. Other than for the election of directors, the vote of Members entitled to cast a majority of the votes thus represented at a meeting at which a quorum is present shall be the act of the Members meeting, unless the vote of a greater number is required by law, the Declaration, the Articles or other provisions of these Bylaws.

Section 8. Each Member may cast as many votes as he is entitled to exercise under the terms and provisions of the Articles or the Declaration on each matter submitted to a vote at a meeting of Members except to the extent that the voting rights of any Member have been suspended in accordance with these Bylaws or the Declaration. At each election for directors, every Member entitled to vote at such election shall have the right to cast as many votes as he is entitled to exercise under the terms and provisions of the Articles or the Declaration, in person or by proxy, for as many persons as there are directors to be elected and for whose election he has a right to vote. Members of the Corporation are expressly prohibited from cumulating their votes in any election for directors of the Corporation.

Section 9. A Member may vote in person or 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. Each proxy shall be revocable unless expressly provided therein to be irrevocable, and in no event shall it remain irrevocable for a period of more than eleven (11) months from the date of its execution.

Section 10. The officer or agent having charge of the corporate books shall make at least ten (10) days before each meeting of Members a complete list of the Members entitled to vote at such meeting or any adjournment thereof, arranged in alphabetical order, with the address of each, which list, for a period of ten (10) days prior to such meeting, shall be kept on file at the principal office of the Corporation and shall be subject to inspection by any Member at any time during the usual business hours. Such list shall also be produced and kept open at the time and place of the meeting and shall be subject to the inspection of any Member during the whole time of the meeting.

Section 11. The board of directors may fix in advance a date not exceeding fifty (50) days preceding the date of any meeting of Members as a record date for the determination of the Members entitled to notice of and to vote at any such meeting and any adjournment thereof, and in such case, such Members and only such Members as shall be Members of record on the date so fixed shall be entitled to such notice of and to vote at such meeting and any adjournment thereof, notwithstanding any change of membership on the books of the Corporation after any such record date fixed as aforesaid.

Section 12. 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 required to vote affirmatively with respect to the subject matter thereof, and such consent shall have the same force and effect as the required affirmative vote of Members.

ARTICLE XIII

GENERAL PROVISIONS

CONFLICTS OF PROVISIONS

Section 1. Any conflict between one or more provisions of these Bylaws and one or more provisions of the Articles shall be resolved in favor of the provision(s) set forth in the Articles. Any conflict between one or more provisions of these Bylaws and one or more provisions of the

Declaration shall be resolved in favor of the provision(s) set forth in the Declaration.

FISCAL YEAR

Section 2. The fiscal year of the Corporation shall end on December 31, unless changed by resolution of the board of directors.

ARTICLE XIV

BOOKS AND RECORDS

Section 1. The Declaration, Articles, these Bylaws, and other books, records and papers of the Corporation shall at all times during reasonable business hours be subject to inspection by any Member. The Declaration, Articles and Bylaws of the Corporation shall be available for inspection by any Member at the principal office of the Corporation where copies may be purchased at reasonable cost.

ARTICLE XV

INDEMNIFICATION

Section 1. The Corporation shall have the power to indemnify any director or officer or former director or officer of the Corporation for expenses and costs (including attorneys' fees) actually and necessarily incurred by him in connection with any claim asserted against him, by action in court or otherwise, by reason of his being or having been such director or officer, except in relation to matters as to which he shall have been guilty of gross negligence or misconduct in respect of the matter in which indemnity is sought.

Section 2. If the Corporation has not fully indemnified him, the court in the proceeding in which any claim against such director or officer has been asserted or any court having the requisite jurisdiction of an action instituted by such director or officer on his claim for indemnity may assess indemnity against the Corporation, its receiver or trustee for the amount paid by such director or officer in satisfaction of any judgment or in compromise of any such claim (exclusive in either case of any amount paid to the Corporation) and any expenses and costs (including attorneys' fees) actually and necessarily incurred by him in connection therewith to the extent that the court shall deem reasonable and equitable; provided, nevertheless, that indemnity may be assessed under this section only if the court finds that the person indemnified was not guilty of gross negligence or misconduct in respect of the matter in which indemnity is sought.

ARTICLE XVI

AMENDMENTS

Section 1. These Bylaws may be altered, amended or repealed at any regular meeting of the Members or at any special meeting of the Members if notice of such proposed action be contained in the notice of such special meeting.