

NOCONA HILLS OWNERS ASSOCIATION, INC.
A Texas Nonprofit Corporation
Adopted December 2012

The following bylaws are subject to the Amended Restrictive Covenants running with title to the lots and property situated in Nocona Hills Subdivision recorded in Volume 241 beginning on Page 671 of the Official Public Records of Montague County, Texas.

ARTICLE I
NAME, PRINCIPAL, OFFICE AND REGISTERED OFFICE

1.01 Name. This corporation shall be known as Nocona Hills Owners Association, Inc. hereinafter referred to as “the Association.”

1.02 Principal Office. The principal office of the Association shall be located at Nocona Hills, Montague County, Texas.

1.03 Registered Office. The Association 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 Nonprofit Corporation Act.

ARTICLE II
DEFINITIONS

The following words or phrases, when used in these Bylaws (unless the context shall otherwise indicate), shall have the following meanings:

2.01. “Association” shall mean and refer to the Nocona Hills Owners Association, Inc.

2.02. “Property” shall mean and refer to Nocona Hills Subdivision in Montague County, Texas, as delineated and depicted in the various plats or maps of said subdivision or parts thereof placed of record by the developer, Lake Nocona Acres, Inc., a Texas Corporation, and/or Nocona Hills Property Owners Association, Inc.

2.03. “Association Facilities” shall mean and refer to all real and personal property owned by the Association, including, but not limited to, the streets, roads and other public ways, fences, gates, security equipment, parking and beach areas, boat launching ramps, camping areas, structures used to house and maintain such facilities and other real and personal property used for the acquisition, ownership, construction, management and care of “Association Facilities”.

2.04. “Lot” shall mean and refer to each lot shown on the recorded Association Records excluding Association Facilities. The term shall include the land and all improvements thereon and appurtenances thereto.

2.05. “Owner” shall mean and refer to the holder(s) of record title to the fee simple interest in a lot.

2.06. “Member” shall mean and refer to the owner(s) of a lot in the Nocona Hills Subdivision. The owner(s)-shall be considered one member. In the event the owner(s) are not individuals the owner(s) shall designate annually one individual as the member.

2.07. “Covenants” shall mean and refer to the Amended Restrictive Covenants running with title to the lots and Property situated in Nocona Hills Subdivision recorded in Volume 241 beginning on Page 671 of the Official Public Records of Montague County, Texas.

2.08. “Family” shall mean a spouse and all children 18 and under living with their parents(s) or children who are full time college students and under the age of 25. Individuals living together and acting as a family unit, subject to the approval of the Nocona Hills Property Owners Association Board of Directors or their designee, may be extended the same rights and privileges. No rule or procedure can be created that violates this definition.

2.09. “Guest” shall mean and refer to individuals invited by a member or lessee to enter the properties.

2.10. “Good Standing” shall mean that the member has complied with the provisions of Article XIII and XIV of these Bylaws and is not delinquent in payments to the association.

2.11. “Board” shall mean and refer to the Board of Directors of the Association.

2.12. “Constituted Lot” shall mean and refer to multiple lots combined into one lot for all purposes under these Bylaws. See 14.07 of these Bylaws for detailed requirements.

2.13. “Contractor” shall mean and refer to any and all construction companies, service companies, trades, independent contractors, landscapers, repairmen, mechanics, material suppliers, domestic help, caregivers and other business invitees entering the property at the request of one or more owners, members, residents or the Association.

2.14. “Maintenance” shall mean and refer to making necessary repairs, additions, alterations and minor improvements to permit safe use of Association Facilities and to prolong the useful life of the Facilities consistent with managing the Association in the best interests of the members and these Bylaws.

2.15. “Lessee” shall mean and refer to the individual(s) who have entered into a bonafide written lease agreement with an owner and who have fully and in a timely manner complied with all requirements of the Association.

2.16. “Residence” shall mean and refer to any lot with a structure that could be used as a residence having water, electric, and septic services attached to it and configured in such a way as to be construed to be or could be used for a personal residence.

2.17. “Billable Lot” shall mean and refer to any lot on which annual assessments apply under 14.01

ARTICLE III RESPONSIBILITIES OF ASSOCIATION AND MEMBERS

3.01 Covenants Binding on Association and Members. The Covenants and all additional and further restrictions, covenants, easements and liens which may be filed of record on any part of the Property, are acknowledged to be valid and binding upon the Association and its members. Further, all present and future owners of lots, lessees or any other person who might use, in any manner, Association Facilities, are subject to the provisions set forth in these Bylaws and Rules and Procedures promulgated by the Board pursuant to authority granted herein. The acquisition, lease or rental of any lot or the occupancy of any dwelling thereon, will signify that the Covenants, Bylaws and Rules and Procedures are accepted, approved and ratified and shall be observed.

3.02 Functions of the Association in General. This Association shall have, exercise and enjoy all of the rights, privileges and remedies, and shall perform all of the functions and duties assigned to, delegated to, granted to and required of it by the terms and provisions of the Covenants and such further rights and powers as may be appropriate under the Article of Incorporation and applicable law.

3.03 Security Arrangements. The Association maintains a 24/7 manned entry gate at the only entrance access to Nocona Hills. It is also open to Sheriff Patrol within the properties along with a neighborhood watch program. Although the Association reasonably believes that the existence and visibility of the manned gate and such patrol does discourage the commission of criminal acts within the properties, nevertheless the Association does neither warrant nor guarantee that these arrangements are sufficient and adequate to diminish or eliminate the commission of crimes against persons or property, or that such will not be attempted or occur within the properties. These local arrangements are neither designed nor intended to replace the conventional sheriff, police, fire protection and paramedical services available from area governmental authorities.

3.04 Insurance. The Association shall carry liability insurance general covering bodily injury and property damage arising out of the Association. The Association will not carry any insurance pertaining to, nor assume any liability or responsibility for the real or personal property of owners, lessees, residents and their respective family members and guests. Each owner, lessee, resident and member expressly understands the covenants and agrees that the Association does not have any responsibility or liability of any kind for real or personal property of each owner, lessee, resident, member or their guests.

3.05 Violation of the Covenants or Bylaws. Any member who violates the Covenants or Bylaws of the Association will be notified in writing and given an allotted time to rectify the violation. Failure to correct the violation within the given allotted time will result in a minimum assessment as determined by the Board but not less than one hundred dollars (\$100.00) per month affective on the first (1st) day after the allotted time expires and each month thereafter until the violation is corrected. If the violation continues beyond six (6) months, the member will lose all membership privileges effective on the one hundred eighty first (181) day in addition to the above monthly assessment.

3.06 Mediation. No lot owner, homeowner, or resident, shall instigate litigation against the Association without first seeking a resolution of the matter through Mediation. Said persons shall attempt to resolve any dispute amicably without the necessity of litigation. Accordingly, they agree if any dispute arises between them and the Association, that prior to the

commencement of any legal action they will first use the procedures specified herein by giving written notice to the Association describing in general terms the nature of the Dispute, the Initiating Party's claim for relief, and identifying one or more individuals with authority to settle the Dispute on the Initiating Party's behalf. The Association shall have thirty (30) business days within which to designate by written notice to the Initiating Party one or more individuals with authority to settle the Dispute on the Responding party's behalf. The individuals so designated shall be known as the "Authorized Individuals." If the Dispute has not been resolved within ninety (90) days from the date of their initial meeting, the parties shall cease direct negotiations and shall submit the Dispute to mediation in accordance with the procedure set out in the Association's Procedures and Rules.

ARTICLE IV USE, ENJOYMENT, MANAGEMENT AND OWNERSHIP OF ASSOCIATION FACILITIES

4.01 Use of Association Facilities. The use and enjoyment of Association facilities is limited to property owners and lessees and their respective families and guests. Use and enjoyment of the facilities shall be pursuant to Rules and Procedures established by the Board. The Board has the authority to make specific exceptions to the Rules and Procedures regarding the use of Association facilities.

4.02 Rules and Procedures for use of Association Facilities. The Board shall establish such rules and procedures as may be necessary for the management as well as the safe, orderly use and enjoyment of Associating Facilities. The rules and procedures will include but not be limited to the rights and privileges of owners, lessees and their families and guest.

4.03 Management of Association Facilities. The Association, by and through its Board, has the sole responsibility and liability for the ownership, maintenance, improvement, management, administration and regulation of Association Facilities, and funds for such purposes, including all fees and other charges as hereinafter provided, or such other funds as may be available to the Association. The Association may provide for additional charges, other than maintenance fees, for services provided to members.

4.04 Lease of Lot. As an incident of ownership of a lot in the Subdivision, the owners thereof may lease such lot, together with the appurtenant right to use the commonly owned facilities. During the term of the lease the owner retains all voting rights. Lessee shall complete and file an Information Form with the Association. A lessee of a lot in the subdivision shall not become a member of the Association. The owner of the premises continues to be a member of the Association, and fully obligated for the assessment as provided for herein.

4.05 Termination of Use Privileges. Use privileges shall automatically terminate when the applicable requirements as to ownership or tenancy cease.

4.06 Guest Cards. Directors may authorize the issuance, upon such terms and conditions as it shall determine, of temporary Guest Cards for guests to enter the property without being accompanied by a member.

4.07 Entrance Pass. Entrance passes may be issued to persons such as domestic workers contractors or other temporary visitors whose use of the common facilities is limited.

ARTICLE V MEMBERS AND VOTING RIGHTS

5.01 Limitation on Number of Memberships per lot. Membership shall be limited to one (1) member per lot.

5.02 Voting Rights of Members. Each member of the Association, as defined in 2.06 shall have one vote for each lot owned.

ARTICLE VI VOTING, MEETINGS OF MEMBERS AND ELECTION OF DIRECTORS

6.01 Voting. All matters to be voted upon by members of the Association shall be ballots mailed, hand-carried, or electronically transmitted to the Association office. Unless specifically provided for elsewhere in these Bylaws, ballots, together with necessary information, shall be mailed, or electronically transmitted to all members, not earlier than sixty (60) days or later than twenty (20) days prior to the closing date for acceptance of ballots.

[a] Elections. The election of Directors shall be held every three (3) years during the last quarter of the fiscal year. Also, if the Board proposes a revision in the Bylaws, or the Board receives a request(s) for a revision in the Bylaws, signed by at least one hundred (100) separate members, the requested change(s) shall be voted on at this time. This period may also be used for voting on other matters as determined necessary by the Board.

[b] Special Elections. Special elections may be called at any time by the Board for other matters, such as revising Bylaws, requesting budget approval or requesting approval of an Improvement Assessment. The Board is required to call a special election for the removal of one or more Directors, or for other matters, if it receives a petition stating the reason(s) therefore and the petition is signed by at least twenty (20) percent of the members of the Association. The Board shall, within ninety (90) days of the receipt of such a petition, submit the matter(s) to the members for a vote.

[c] Vote Verification and Tabulation. The election Committee shall verify that each vote has been cast and signed by a member, shall count and/or supervise the counting of ballots, tabulate the votes and certify in writing to the Secretary of the Association the results of the election. How an individual owner voted is strictly confidential. No person involved in the tabulation of votes may be related to a candidate within the 3rd degree of consanguinity of affinity.

[d] Validity of Vote. In order for a vote on any matter to be valid, ballots for at least twenty percent (20%) of all eligible votes must be cast.

[e] Recount. Any request for a recount will be handled in accordance with the Texas Property Code

6.02 Meetings of Members.

[a] Annual Meeting. An annual meeting of the members of the Association shall be held on the second Saturday of December to review the accomplishments of the previous year and discuss other matters of importance, and in election years, to announce the results of the election of Directors or the results of any other election held at the same time. No voting shall be conducted during the meeting.

[b] Special Meetings. Special meetings of the members may be called by the President, the Board or upon petition signed by members holding voting rights to not less than twenty percent (20%) of the total votes outstanding as determined in accordance with Section 5.02. Any such petition must state the intended purpose(s) of the special meeting and the Board shall call the meeting within thirty (30) days of receipt of the request.

[c] Notice of the Meeting. Members shall be notified of the date, hour and place of the annual meeting on the Association Web Site. Members shall be notified of other meetings not less than ten (10) days or more than sixty (60) days before the date of such meeting. To the extent possible such notices shall be put on the Association web site or included with the member's statement, thus avoiding a special mailing. The notice shall state the place, date and hour of the meeting and the reason or reasons for the meeting. 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 in the records of the Association, with postage thereon paid.

[d] Place of Meeting. The Board shall designate the place for all meetings.

[e] Open Meetings. Regular and special Board meetings shall be open to the property owners. The Board shall keep minutes of the Board's actions and discussions and make these minutes available to the membership.

[f] Board Meetings. Board meetings will be announced by mail, electronically transmitted, or by posting in a conspicuous location(s), 10 days prior if by mail, or 72 hours prior if by electronically or posting. The announcement shall include the date, time, location and the general subjects of the meeting (agenda). Conspicuous location may include posting in the entry gate, on the web site, and/or by email. It is the owner's responsibility to keep an updated email on file with the association. Board members will be constrained to the announced agenda for deliberations and votes. However, the Board (and management) may answer questions for members in the audience and take recommendations for future agenda items after the meeting is adjourned. Any emergency action taken that was not on the agenda shall be handled as described in the following section.

[g] Executive Sessions (Closed Meetings). The Board of Directors may adjourn from an open board meeting and reconvene in a closed Executive Session to consider actions involving personnel, pending or threatened litigation, contract negotiations, enforcement actions, communications with Association attorney, matters involving invasion of privacy of owner/members, and confidential matters wherein the effected parties request privacy and the Board agrees. Following an Executive session, any decisions must be summarized orally and placed in the minutes, in general terms, without breaching privacy and privileged information. Any expenditures approved in Executive Session must be explained.

[h] Emergency Board Action. The Board may meet by any method of communication, including electronic, telephonic, without prior notice to owners if each board member can hear and be heard by every other board member, or the Board may take action by unanimous written consent to consider routine and administrative matters or a reasonably unforeseen emergency or urgent necessity that requires immediate Board action. Any action taken in such unannounced meeting will be articulated and included in the next open meeting minutes. In an unannounced meeting, the Board will not address: fines, damage assessments, foreclosure action, levying special assessments, increase in assessments, appeals from Architectural Control Committee action, suspension of an owner's rights, nor shall they initiate enforcement action (except temporary restraining orders or violations that are a threat to health or safety).

6.03 Procedures for Electing Directors.

[a] Nominations. Nominations for the Board of Directors must be submitted to the Nominating Committee no later than September 1st of each election year. The committee will select the best qualified applicants and publish their names on the Association Web site, and post them on the posting board at the association's office, or include them with member's statement.

[b] Thereafter, nominations may be made by the membership at large by submitting the names and qualifications of such nominees to the Election Committee, accompanied by: (1) a statement signed by the nominee that he or she will accept the nomination and serve if elected, and (2) the written endorsement of at least fifty (50) different members, and the Election Committee must receive documents no later than October 1st, in order to qualify, have information published and be placed on the ballot.

[c] The names and qualifications of all nominees will be placed on the Association website.

[d] Ballots shall be mailed, or electronically transmitted to all members no later than twenty (20) days prior to the closing date for acceptance of ballots.

[e] All voting shall cease on November 20th and all ballots post-marked or received in the Association office on or before said date, shall be acted upon by the Election Committee in accordance with 6.01[c]. The nominees receiving the largest number of votes shall be deemed elected. In the event of a tie, the affected nominees will draw for position in the presence of the Election Committee.

[f] No owner may be a candidate or member of the Board if the owner has been convicted of a felony or a crime of moral turpitude. Removal from the Board is automatic.

6.04 Special Elections. Special Election to Replace One or More Directors Removed by a Vote of the Members.

[a] The Nominating Committee shall have no more than forty-five (45) days from the date of removal of one or more Directors to submit their nominees (not more than two (2) per vacancy) to the Election Committee.

[b] Additional nominations may be made by the membership at large by submitting the names and qualifications of such nominees to the Election Committee, accompanied by: (1) a statement signed by the nominees that he or she will accept the nomination and serve if elected, and (2) the written endorsement of at least fifty (50) different members. Such additional nominees also

must have all documents and must be received by the Election Committee no later than twenty (20) days from the date of removal of the Director(s) in order to qualify and be placed on the ballot.

[c] The election Committee shall, within fifteen (15) days thereafter submit a ballot to all members for a vote to fill the vacancies for the unexpired terms of those removed. The members shall be given thirty (30) days to cast their ballots. The Election Committee shall certify the results of the election not more than seven (7) days after the closing date for the acceptance of ballots. The nominees receiving the largest number of votes shall be deemed elected. In the event of a tie, the affected nominees will draw for position in the presence of the Election Committee.

ARTICLE VII BOARD OF DIRECTORS

7.01 Number and Qualification. The affairs of this Association shall be governed by a Board of Directors consisting of five (5) persons who shall serve effective upon certification of their election for a term of three (3) years and until their successors have been duly elected.

7.02 Powers and Duties. The Board acting as a unit with quorum present as prescribed by these Bylaws shall have all powers and duties necessary for the administration of the affairs of the Association and for the operation and maintenance of Association facilities. The Board may do all such acts and things except as by law or by these Bylaws that may not be delegated to the Board.

7.03 Other Powers and Duties. Such powers and duties of the Board shall include, but shall not be limited to the following, all of which shall be done for and on behalf of the members of the Association:

[a] To administer and enforce the Articles, Covenants, and the Bylaws of the Association and supplements and amendments thereto.

[b] To establish, make and enforce compliance with, such reasonable rules and procedures as may be necessary for the operation, use and occupancy of Association Facilities, with the right to amend same from time to time. A copy of such rules and procedures shall be delivered, mailed, or electronically transmitted to each member promptly upon the adoption thereof.

[c] To keep in good order, condition and repair the Association Facilities and all items of personal property owned by the Association and used by the members in the enjoyment of the Association Facilities.

[d] To obtain and maintain at all times, insurance issued by responsible insurance companies authorized to do business in the State of Texas, covering Association Facilities (or such portion thereof as are insurable) insuring loss or damage against fire, other standard hazards, sprinkler leakage, debris removal, cost of demolition, vandalism, malicious mischief, windstorm and water damage. The Association shall not be responsible for procurement or maintenance of any insurance covering the liability of any member not caused by or connected with the Association's operation or maintenance of Association facilities. Insurance coverage for items of personal property belonging to a member though situated from time to time in or upon Association Facilities, is the responsibility of each member.

[e] To prepare budget(s) for the Association at least annually, and to levy and collect all assessments in accordance with the provisions of Article XIV of these Bylaws.

[f] To make necessary repairs, additions, alterations and minor improvements to permit safe use of Association Facilities and to prolong the useful life of the Facilities consistent with managing the Association in the best interest of the members and these Bylaws.

[g] To collect delinquent maintenance fees and other charges by suit or otherwise and enjoin or seek damages from a member who may be in default as is provided in these Bylaws. To enforce a late charge (or such other amount as the Board may determine and publish) against such delinquent members, and to collect interest at the maximum rate permitted by law, in connection with maintenance fees or other charges remaining unpaid more than twenty-five (25) days from billing date for payment thereof, together with all expenses, including attorney's fees incurred in the collection thereof.

[h] To enter into contracts within the scope of its duties and powers. However, no individual board member may enter into any agreement or contract, verbal or written, without the approval of the majority of the Board. When contracting for ongoing member services from outside vendors (outsourcing), the Board will prepare a Request for Proposal (**RFP**) specifying the terms, conditions, guidelines, bonding and other conditions expected of the vendor and seek bids from reliable providers. If the initial outsourcing contract is over \$250,000.00, excluding contracts for road maintenance, it must be ratified by an affirmative vote of a majority of the members of the Association voting. The requirements of this section 7.03 [h] are in addition to any budgeting action taken under Article XIV. These requirements for outsourcing are not satisfied by budgetary actions under Article XIV.

[i] To establish a bank account or accounts for the Association which are required or may be deemed advisable by the Board.

[j] To insure that the books and accounts of the Association shall be kept in accordance with income tax basis of accounting. The books and accounts shall have an annual compilation and complete financial statements prepared by a Certified Public Accountant. The Board can request an inspection based on agreed upon procedures. A copy of the report, kept in the Association office, shall be made available for review upon request of any member as soon as it is received and approved by the Board. The report of summary thereof will be published on the Association web site.

[k] To carry on the administration of the Association and to do all those things necessary and reasonable in order to carry out the government and the operation of the Association.

[l] To borrow money for the purpose of funding projects included in the approved Regular Annual Maintenance Budget; when, (1) such proposed borrowing calls for repayment terms as reflected in the Association's budget, (2) the Board has determined such borrowing is necessary, and (3) the borrowing has the approval of at least four (4) Board members. At no time shall the total indebtedness to be repaid by the Regular Annual Maintenance Assessment exceed fifty (50) percent of that Budget.

[m] To borrow the funds needed to undertake emergency repairs, restoration and similar protective measures, when deemed necessary and having the approval of at least four (4) board members. All funds borrowed shall be repaid from the Improvement Assessments.

[n] To borrow funds, up to but not in excess of, the total cost of the approved improvement(s) when deemed necessary and having the affirmative approval of at least four (4) board members. All funds borrowed shall be repaid from the Improvement Assessments.

[o] To prepare a long range forecast (at least a five (5) year projection) listing the anticipated or probable needs and priorities for those needs for the future well-being of Nocona Hills. The forecast should be updated annually and a summary published on the Association web site.

[p] To establish, for members and non-members, fees and additional charges (other than maintenance fees) for services provided to members, and publish such in the Rules and Procedures.

7.04 No Waiver of Rights. The omission or failure of the Association or any member to enforce the Covenants, Bylaws or Rules and Procedures adopted pursuant thereto, shall not constitute or be deemed a waiver, modification or release thereof, and the Board of directors shall have the right to enforce the same thereafter.

7.05 Vacancies. Vacancies created by the removal of a Director(s) by a vote of the membership shall be filled by a special election to be held in accordance with the provisions of Section 6.04. Vacancies in the Board, caused by any other reason, occurring one hundred twenty (120) or more days before the next regular election of Directors shall be filled within thirty (30) days by a vote of the majority of the Nominating committee. However, if the vacancies occur less than ninety (90) days before the next regular election of Directors, the Board may fill the vacancies if desired. Each Director appointed by the Nominating Committee or the Board shall serve until a successor is elected at the next regular election of Directors held by the Membership.

7.06 Removal of Directors. Conviction for a felony or crime of moral turpitude of any board member will terminate his term of office on the date of the conviction. Any board member who becomes delinquent in payments due the Association and remains delinquent for sixty (60) days shall forfeit his seat on the Board effective close of business on that 60th delinquent day. In conjunction with any special election duly called, any one or more directors may be removed by a majority vote of the members conducted in accordance with Article VI. Any Director whose removal has been proposed shall be given an opportunity (a) to be heard at a special meeting called for that specific purpose and (b) to express his views in the Association publication.

7.07 Organizational Meeting. The first meeting of a newly elected Board must be held within ten (10) days following the announcement of the election results at such place as shall be fixed by the Directors, providing a majority of the whole Board shall be present.

7.08 Regular Meetings. Regular meetings of the Board may be held at such time and place as shall be determined by a majority of the Directors but at least one such meeting shall be held every ninety (90) days. Notice of regular meetings of the Board shall be given to each Director prior to the day named for such meeting.

7.09 Special Meetings. A special meeting of the Board of Directors shall be held when called by written notice signed by the President, or the Vice President, or the Secretary, or by any three (3) Directors of the Association. A three (3) day notice shall be given to the Directors and shall specify the time, date and place of the meeting and the nature of the special business to be considered.

7.10 Waiver of Notice. Before or at any meeting of the Board any Director may, in writing, or by electronic or phone waive notice of such meeting and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a Director at any meeting of the Board shall be a

waiver of notice by him of the time and place thereof. If all Directors are present at any meeting of the Board, no notice shall be required and any business may be transacted at such meeting.

7.11 Board of Directors' Quorum. At all meetings of the Board, three (3) Directors must be physically present to constitute a quorum for the transaction of any business, and the acts of the majority of the Directors present at a meeting at which a quorum is present shall be acts of the Board, except borrowing funds, which requires the affirmative vote as provided in 7.03 [l], [m] and [n]. The President may vote on all matters coming before the Board,. If at any meeting of the Board there is less than quorum present, those present shall note for the record that no meeting was held for lack of a quorum.

When an emergency situation occurs regarding Association assets e.g. the Dam, a majority of the Directors available may take action to resolve the emergency conditions, with ratification as soon as a quorum can be obtained.

7.12 Fidelity Bonds. The Board shall require that the Association maintain adequate fidelity coverage to protect against dishonest acts by its officers, directors, trustees and employees and all others who are responsible for handling funds of the Association. Such fidelity bonds shall meet the following requirements: all shall name the Association as an obligee; all shall be written for an amount at least equal to the estimated maximum of funds, including reserves, in the custody of the Association; all shall contain waivers of any defense based upon the exclusion of persons who serve without compensation from any definition of "employee" or similar expression; all shall provide that they may not be canceled or substantially modified (including cancellation for nonpayment of premium) without at least thirty (30) days written notice to the Association. The premiums on such bonds shall be paid by the Association.

ARTICLE VIII OFFICERS

8.01 Designation. The officers of the Association shall be a President, Vice President/Secretary, and a Treasurer, all of whom shall be elected by the Board, and such assistant officers as the Board shall elect. All officers shall hold office for one (1) year, and until their successors are elected and qualified, and shall be members of the Board.

8.02 Election of Officers. The officers of the Board shall be elected annually by the Board at the first meeting, which shall be held not later than ten (10) days following the Annual Meeting of the membership.

8.03 Removal of Officers. Upon affirmative vote of a majority of the members of the Board, any officer may be removed, either with or without cause, and his successor elected at any regular meeting of the Board, or at any special meeting of the Board called for that purpose.

8.04 President. The President shall be the chief executive officer of the Association. He shall preside at all meetings of the Association and of the Board. He shall have all of the general powers and duties which are usually vested in the office of president of an association, including, but not limited to, the power to appoint committees from among the members as he may in his discretion decide are appropriate and to assist in the conduct of the affairs of the Association as may be established by the Board. All committee appointments are subject to approval by the Board.

8.05 Vice President. The Vice President shall have all of the powers and authority and perform all the functions and duties of the President, in the absence of the President, or his inability for any reason to exercise such powers and functions or perform such duties, and also perform any duties he is directed to perform by the President.

8.06 Secretary. The Secretary shall keep all minutes of the meetings of the members and of the Board in one or more books provided for that purpose; see that notices are duly given in accordance with the provisions of these Bylaws or as required by law; be custodian of the records and of the seal of the Association and see that the seal of the Association is affixed to all documents, the execution of which on behalf of the Association under its seal is dully authorized in accordance with the provisions of these Bylaws; and in general perform all duties incident to the office of Secretary and such other duties as may be assigned by the President or the Board.

8.07 Treasurer. The Treasurer shall have overall responsibility for all funds and securities and the integrity of all financial and accounting records of the Association. The Treasurer shall see that no non-budgeted expenditures of One Thousand Dollars (\$1000.00) or more are made without being submitted in writing, and have specific approval of the Board. The Treasurer shall perform such other duties as are incident to the office or are properly required by the President or the Board. Except as provided in Section 9.03, all checks, drafts, notes or other orders for payment of money shall be signed by the Treasurer and countersigned.

8.08 Vacancies. A vacancy in any office for any reason shall be filled by a majority vote of the Board for the unexpired term of office.

ARTICLE IX COMMUNITY MANAGER (General Manager)

9.01 The Board acting as a unit with a quorum present as prescribed by these Bylaws shall have the exclusive authority to hire, suspend or terminate an individual to be the Community Manager of the Association. The Board shall satisfy itself the individual has the necessary education and experience to effectively manage the affairs of the association in accordance with the Covenants, Bylaws, rules and Board policy.

9.02 The Community Manager is the highest-ranking employee of the Association and is responsible for the supervision and direction of all other employees. The Manager or his or her designee is solely responsible for hiring, suspension and/or termination of all other association employees and to ensure compliance with all applicable Federal & State employment laws and employment policies established by the Board. He/she is accountable only to the Board through the President of the Board for all matters.

9.03 The Community Manager shall be designated as an Assistant to the Treasurer.

ARTICLE X COMMITTEES

10.01 Appointment of Committee Members. The President shall appoint members to all committees and may designate the chair of each, with both actions subject to approval by the Board and specific requirements in the Article. All committee members shall be Association members in good standing. Any committee, in which the chair has not been designated, shall select a chair as its first order of business. All committees are accountable to the Board. the responsibility of the Board shall not be delegated to any committee.

10.02 Architectural Controls Committee. An Architectural Control Committee of at least three (3) members shall be elected. This committee shall insure the integrity of the architectural control specifications as outlined in the Covenants, as it may deem necessary or proper for the performance of its duties. Architectural Committee rules must be approved by the Board before they become effective. The committee is to further assure, when a building permit is issued, the improvements planned will not result in a condition that violates the Association's Covenants, Bylaws, Rules or Architectural Control Handbook. This committee shall be elected by the same rules as in 6.03.

10.03 Election Committee. The President shall appoint an Election Committee comprised of at least three (3) members, one of whom shall be designated the Election Judge. None of those appointed shall have been on the Nominating Committee. In every Association member vote or election, the committee shall: certify that each ballot to be counted has been cast by a member, counting of ballots, tabulate the votes and certify in writing to the Secretary the results of any and all member votes and election.

10.04 Nominating Committee. A Nominating Committee comprised of at least three (3) members shall be elected. The Committee shall take suggestions from members and search for persons qualified for Board and committees membership. The committee shall endeavor to locate among the membership persons with interests, special talent, qualifications and the time who may properly serve as Board and committee members. This committee shall be elected by the same rules as in 6.03.

10.06 Rules Enforcement Committee. The President shall appoint a Rules Enforcement Committee of a least five (5) members, none of whom shall be a Board member. The duties, responsibilities and powers of this committee are set forth in the Rules and Procedures.

10.08 Other Committees. The President may designate the name, task, size, mission and duties of one or more other committees and appoint the members subject to approve of the board.

10.09 Term of Office. Each member of a committee shall continue as such until his successor is appointed or, unless the committee shall sooner be terminated or useless member shall cease to qualify as a member thereof.

10.10 Vacancies. Vacancies in the membership of required committee i.e., Architectural Control, and Nominating, shall be filled as soon as practicable by appointments made by the Nominating Committee. Vacancies in the membership of other committees may be filled at the discretion of the Board.

10.11 Rules. Each committee may adopt rules for its own government not inconsistent with these Bylaws or rules adopted by the Board or the Covenants, subject to approval by the Board.

ARTICLE XI COMPENSATION

11.01 This Association is not organized for profit. No member, member of the Board of Directors, officer or person from whom the Association may receive any property of funds shall receive or shall be lawfully entitled to receive any pecuniary profit from operation thereof, and in no event shall any part of the funds or assets of the Association be paid as salary or compensation to, or distribution to, or inure to the benefit of any member, member of the Board, or officers; provided, however, always (1) that reasonable compensation may be paid to any in effecting one or more of the purposes of the Association, and (2) that any member, manager or officer may, from time to time, be reimbursed for his actual and reasonable expenses incurred in connection with the administration of the affairs of the Association.

ARTICLE XII INDEMNIFICATION OF OFFICERS AND DIRECTORS

12.01 This Association shall have the power to indemnify any Officer or Director of Nocona Hills Owners Association and its wholly owned subsidiaries thereof, who was, or is a party, or is threatened to be a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative, or investigative (whether or not by or in the right of the Association) by reason of the fact that such person is or was an officer or Director of the Association, against expenses (including, but not limited to, attorney's fees and cost of the proceeding), judgments, fines and amounts paid in settlement actually and reasonable incurred by him in connection with or in defense of such action, suit or proceeding if such person acted in good faith and in a good manner which such person reasonably believed to be in or not opposed to the best interests of the Association; provided, that with respect to: (1) criminal action or proceeding, such person had no reasonable cause to believe that his conduct was unlawful; or (2) any civil claim, issue or matter, such person shall not be guilty of gross negligence or willful misconduct in the performance of his duties to the Association. Termination of any action, suit or proceeding by judgment, order, settlement, or upon a plea of nolo contendere or its equivalent, conduct was unlawful, or that such person did not act in good faith or in a manner which he reasonably believed to be in or not opposed to the best interest of the Association, all such matters being determined solely and exclusively for the purpose of indemnification as herein provided.

12.02 Indemnification under the preceding paragraph shall be made by the Association only as authorized in each specific case upon the determination that indemnification of such person is proper in the circumstances because he has met the applicable standards of conduct as set forth herein. Such determination shall be made (1) by the Board by a majority vote of a quorum consisting of Director who were not parties to such action, suit or proceeding; or (2) if such a quorum is not obtainable, by (a) independent legal counsel in a written opinion, or (b) a majority vote of members casting ballots in a Special Election. No member shall be disqualified from voting because he is or was a party to any such action, suit or proceeding. Indemnification

so determined may be paid, in part, before the termination of such action, suit or proceeding upon the receipt by the Association of an undertaking by or on behalf of the person claiming such indemnification to repay all sums so advanced if it is subsequently determined that he is not entitled thereto as provided in this Article.

12.03 To the extent that an Officer or Director has been successful on the merits or otherwise in the defense of any action, suit or proceeding, whether civil or criminal, such person shall be indemnified against such expenses (including costs and attorney's fees) actually and reasonably incurred by him in connection therewith.

12.04 Indemnification provided herein shall be exclusive of any and all other rights and claims to which those indemnified may be entitled as against the Association, and every Director or Officer thereof under any Bylaw, resolution, agreement or law and any request for payment hereunder shall be deemed a waiver of all such other rights, claims or demands as against the Association and each Director, Officer and employee thereof. The indemnification provided herein shall insure to benefit of the heirs, executors, administrators and successors of any person entitled thereto under the provisions of this Article.

12.05 The Association shall have the power to purchase and maintain insurance on behalf of any person who is or was a Director, Officer, employee or agent of the Association against any liability asserted against him and incurred by him in any capacity, or arising out of his status as such, whether or not the association would have the power to indemnify him against such liability under the provisions of this Article.

12.06 All liability, loss, damage, cost and expense incurred or suffered by the Association by reason or arising out of or in connection with the foregoing indemnification provisions shall be treated and handled by the Association as an expense of the Association; however, that nothing contained in this Article shall be deemed to obligate the Association to indemnify any member who is or has been a Director or Officer of the Association with respect to any duties or obligations assumed or liability incurred outside of his conduct specifically related to the fulfillment of his duties as an Officer or Director of the Association.

ARTICLE XIII

EVIDENCE OF OWNERSHIP, REGISTRATION OF MAILING ADDRESS

13.01 Proof of Ownership. Each and every person, on becoming an Owner of a Lot, shall furnish to the Association a true and correct copy of the original or a certified copy of the recorded instrument vesting that person with an interest or ownership in the Lot, which copy shall remain in the files of the Association. If legal title to a Lot is held by other than an individual, such firm, corporation, partnership, or association or other legal entity shall furnish to the Board, not later than thirty (30) days from the date of adoption of these Bylaws, the name and address of one individual who shall be designated the person entitled to membership in the Association and to receive all communications from the Association.

13.02 Registered Mailing Address. Members shall have one and the same mailing address to be used by the Association of mailing of statements, notices, demands and all other communications, and such registered address shall be the only mailing address of a person or persons, firm, corporation, partnership, association or other legal entity, or any combination thereof, to be used by the Association. Such registered address of a member shall be furnished by such member to the Association within fifteen (15) days after transfer of title, or after a change of address, and such registration shall be in written form and signed by all of the Owners of the Lot or by such persons as are authorized by law to represent the interest of (of all) Owner(s) thereof. All notices or demands intended to be served upon the Association or the Board thereof shall be sent certified mail, postage prepaid, to 212 Nocona Dr Nocona Hills, Texas, 76255 or such other address as the Board may establish by notice to all owners.

13.03 Owner in Good Standing. The requirements herein contained in this Article shall be met before an Owner of a Lot shall be deemed in good standing.

ARTICLE XIV MAINTENANCE FEES AND ASSESSMENTS

14.01 Obligation. Each owner of a lot, by acceptance of a deed therefor, whether or not it shall be so expressed in any such deed, shall be deemed to covenant and agree to pay the assessments described in the following paragraphs to the Association.

[a] Each owner shall be jointly and severally liable for and there shall be imposed against the owner of each lot in subdivision a (Regular Annual Maintenance Assessment) an annual maintenance fee or an annual residence maintenance fee (when applicable as defined in section 2.16), Special Assessment (if levied by the Board), and an Improvement Assessment (if approved by the members), levied monthly, in advance for such proportion of the total costs anticipated as reasonable and necessary as the billable lot(s) in which he owns an interest bears to the total number of privately owned billable lots in the Subdivision. In addition, each owner shall be jointly and severally liable for Individual Assessment levied, except as set out below.

THE EXCEPTIONS TO THE FOREGOING ARE:

(I) For lots owned by one owner on or before May 30, 1992, such owner shall pay one annual maintenance fee for each residence they own and only one annual maintenance fee for all undeveloped lots they own, regardless of the number of such undeveloped lots. This exception applies only to the owner who owns such lots on or before May 30, 1992, and his or her heirs or devisees. It does not extend to the purchasers of such lots.

(II) For lots owned by one owner where such lots are Constituted Lot (multiple lots combined as one lot) if they have been deeded subject to section 14.07.

(III) For lots owned by one owner where a minimum of ten (10) annual maintenance fees are due for undeveloped lots, no additional maintenance fees will be due.

(IV) For lots zoned commercial for specific use as stated in the covenants.

[b] Each annual maintenance fee and maintenance residence fee shall be due January 1 of each year.

[c] Annual Water Availability and Monthly-Usage Fee: All property owners shall be assessed an Annual Water Availability Fee for availability of water to their lot(s). Such Annual Water Availability Fee shall be assessed in accordance with the Deed Restrictions of Nocona Hills Subdivision of Montague County, Texas. Assessment for the first year shall be due on the first of

the month after said property is acquired. There shall be an additional fee for connection of a water tap to the water main. Said fee is payable once only and is due at the time of the connection. Charges for water usage may be assessed on any lot(s), which have a water tap connection to the main line, by Nocona Hills Water Supply Corp. The availability fee will cease when a tap and water usage is affective.

[d] The obligation to pay Annual Maintenance, Residence, and Water Availability Fees shall be a covenant running with the land and shall be binding upon each owner of a lot in Nocona Hills and that owner's heirs, successors and assign.

[e] Annual Maintenance Fee for undeveloped lot is Three hundred dollars \$ 300.00 and will be adjusted each budget year by the Board up to \$50.00.

[f] Annual Residence Maintenance Fee is Six hundred dollars \$ 600.00 and will be adjusted each budget year by the Board up to \$50.00.

[g] Annual Water Availability Fee will be adjusted each budget year as needed by NHWSC.

14.02 Annual Budget Procedure for the Regular Annual Maintenance Assessment.

The Regular Annual Maintenance Assessment covers the annual operating budget of the Association which includes all known and anticipate costs for the operation of the Association and the maintenance, repair and upkeep of Association facilities, including minor improvements and the replacement of depreciable assets.

[a] At least sixty (60) days prior to the beginning of each fiscal year on January 1, the Community Manager shall submit to the Board a preliminary budget which will set forth anticipated needs for maintenance, operation and upkeep of the commonly owned facilities and further providing for sufficient reserves for the ordinary and regular replacement of depreciable capital assets. For the purpose of preparing this budget, the Manager shall secure estimates of anticipated expenditures of each office and department. In preparing the budget, the Manager shall review and may revise estimates as he may deem necessary.

[b] A final budget for the next fiscal year with such modifications, if any, as the Board deems appropriate, shall be approved by a majority vote of the board not later than the last day of November and presented to the membership at the annual meeting.

14.03 Special Assessments.

[a] The Board may levy and collect special assessments for the operation and maintenance of Association facilities when in its judgment the current budget provides insufficient funds and it determines that the work must be completed or at least started during the current fiscal year. Generally, these assessments would cover cost that were not known and not limited to cost involved in legal actions and settlement; emergency repairs to facilities damaged by accident, vandalism or the forces of nature; and actions taken be County, State and/or Federal authorities and/or governments.

[b] Prior to levying any Special Assessment the Board must (a) notify all members that such an assessment is needed along with an explanation/justification for the assessment; and (b) provide at least ten (10) days notice of the date, time and place of a special meeting of the Board

to obtain comments from interested members. The Board shall have a final vote on the special assessment at that meeting.

[c] When an assessment is levied under this Section, a budget shall be prepared annually for the duration of the program to show the source(s) of funds to be used and anticipated expenditures including the repayment of debt, if any. A summary of this budget shall be published in the Association publication along with those required in Section 14.02 and 14.05.

4.04 Improvement assessments. Any affirmative action taken under this section must be approved by a majority of members voting. If more than one matter is to be voted upon at the same time, nothing shall be combined with the Improvement Assessment. It and the other matter(s), such as the Regular Annual Maintenance Assessment, must be voted on as separate, independent line items on the ballot.

[a] The Board may consider the desirability of (1) acquiring additional real estate for purposes other than additional residential lots and/or (2) making one or more major improvements in Association facilities, including new construction. Also the acquisition of real estate and/or the consideration of major improvements may be proposed by petition containing the signatures of at least twenty (20) percent of the membership. The petition shall include a description of the project, a statement of need/justification and an estimate of the cost.

[b] Whether the proposal originates with the Board or the membership, the Board shall: (1) appoint a special review committee consisting of at least five (5) members, to study the proposal; (2) call a special meeting of members to hear reports from the originating group and from the review committee; (3) publish the originating group and review committee reports on the Association website; and (4) within 180 days of the receipt of the proposal, call for a vote of the membership in accordance with Article VI. This last provision need not be followed if the proposal originates with the Board and the Board decides not to pursue the action further.

[c] When an assessment is authorized under this Section, a budget shall be prepared annually for the duration of the program to show the source(s) of funds to be used and anticipated expenditures including the repayment of debt, if any. A summary of this budget shall be published in the Association publication along with those required in Section 15.02 and 15.03.

14.05 Individual Assessments. Individual Assessments are levied against individual owners to reimburse the Association for extra or unusual costs incurred for items such as, but not limited to, maintenance and repairs to portions of the Association Facilities necessitated by the accidental, willful or negligent acts of the individual owner, member, lessee, resident or guest; to remedy, cure or minimize the problems caused by, or the result of, violations of the Covenants by an owner, member, lessee or resident; and assessments and fines levied against an individual owner, member, lessee or resident for violations of Rules and Procedures pertaining to the Association and/or Association facilities.

14.06 Donations and Bequests. Donations and bequests are authorized to be received by the Association from any person or entity for any purpose that is approved by the Board. The donations and bequests may be monetary funds, capital assets, or any other form of asset. Such assets, when approved and accepted by the Board, become the Association's common assets and are not subject to budgetary inclusion.

14.07 Constituted Lot (Multiple Lots combined as One Lot).

[a] In accordance with Section II of the Covenants, when a residence is to be constructed so as to be actually situated on more than one lot or when a residence is constructed on one or more lots with an On Site Sewage Facility connected thereto actually being used for the necessary disposal of sewage and waste from said residence to and on an adjoining lot, such lots shall be therefore be considered as one lot for all purposes under the Covenants, including maintenance assessments, and for lots owned by one owner where such lots are contiguous or interconnected by property line even those divided only by right of ways, regardless of the number of such lots. In order to have these combinations of lots recognized, the owner or owners shall be required to file an affidavit in the Deed Records of Montague County, Texas, to evidence such action and shall describe the means of combination and the Association provided a copy of the recorded affidavit. Maintenance assessments will be reduced prospectively to reflect the combination on all billings following receipt of the affidavit. When lots have been combined under 14.07 and thereafter are divided off and by deed, contract, or lease, and/or held by a different owner/occupant, the lot or lots are immediately subject to maintenance fees for the previous five (5) years.

14.08 Lien and Power of Sale. All amounts due the Association under Sections 14.01 through 14.06 of this Article, as well amounts which may be due and owing the Association under Section VI and IX of the Covenants, shall be secured by a lien against the property of a member, upon default in payment thereof, said property may be sold on behalf of the Association in any manner authorized by law and the proceeds of such sale applied first to expenses of sale, next to payment of amounts due the Association, and the balance to the Owner of said property. The Board will provide for a sixty (60) day notice to the mortgagee of the Association's intent to pursue foreclosure of the Association's first and superior lien for default in payment of amounts due the Association under Sections 14.01 through 14.06 of this Article, as well as amounts which may be due the Association under Sections VI and IX of the Covenants.

**ARTICLE XV
RULES AND PROCEDURES FOR MEMBERS**

15.01 Right to Use Facilities. Only a designated property owner, lessee, or their designee, their family, and guests shall use the Association Facilities. The owner or lessee is responsible for their invitees compliance with, and any violations of, Association Rules and Procedures. The owner or lessees shall pay, in advance, fees in an amount established by the Board, for Guests' Nonmember use of facilities. Any person other than an owner, a lessee or member of the family of an owner or lessee not in possession of a Guest Card, shall be considered a trespasser and may be evicted unless accompanied by an owner or lessee or a member of the family of an owner or lessee.

**ARTICLE XVI
EXECUTION OF DOCUMENTS**

16.01 The persons who shall be authorized to execute any and all contracts, documents, instruments, conveyances, or encumbrances, including promissory notes shall be two (2), one of each of the President or Vice President and the Treasurer or Secretary of the Association.

**ARTICLE XVII
BOOKS AND RECORDS**

17.01 The Association shall keep correct and complete books and records of accounts and shall also keep minutes of the proceedings of meetings of its Board and members and shall keep at its principal office a record of the names and addresses of all members. All books and records of the Association may be inspected by any member, or his agent or attorney. A request to inspect books or records will be in writing, for a stated purpose, and delivered by certified mail. The day and time for the inspection will be agreed upon by the member and the administration will be during normal office hours and any expense for copies or work time of employees beyond 15 minutes will be charged and paid for by the member at that time.

**ARTICLE XVIII
FISCAL YEAR**

18.01 The Fiscal Year of the Association shall begin on the first day of January and end on the last day of December in each year.

**ARTICLE XIX
AMMENDMENTS TO BYLAWS**

19.01 These Bylaws may be altered, amended, or repealed and new Bylaws may be adopted by the vote of sixty percent (60%) of the members of the Association voting.

19.02 Written notice of proposals to alter, amend or repeal or enact new Bylaws shall be given to the members at least twenty (20) days prior to any meetings scheduled to discuss the proposed changes with interested members. Such notice shall state the substance of the proposed change, alteration or amendment (or state same verbatim) and shall state the proponent's reason therefore. The notice shall be placed in the Association publication and may, at the discretion of the Board be the subject of a special notice mailed to each member.

19.03 Any such proposal by an individual member shall be submitted in writing and must be supported by the Board to be submitted to the membership for a vote within ninety (90) to 120 days of receipt by the Board. If the Board does not support the proposed change(s) the proposal must be endorsed by written petition of at least seventy-five (75) different individual members in order to be presented to the membership for a vote during the next annual election. See 6.01 [a] and [b].

19.04 No provisions of these Bylaws may condition, diminish or alter the vested property and contract rights and obligations of any owner, without his express consent in writing, or otherwise as may be provided by the laws of the State of Texas.

19.05 The Board shall have the authority to make typographical corrections to the Bylaws and to assure continuity. All substantive changes shall be approved by the membership.

ARTICLE XX PARLIAMENTARY PROCEDURE

20.01 The standard Code of Parliamentary Procedure by Sturgis Newly Revised shall be used as a reference for all matters of procedure not specifically covered by these Bylaws, Standing Rules or any special rules of order adopted by the Association.

ARTICLE XXII CONFLICTING OR INVALID PROVISIONS

21.01 Notwithstanding anything contained herein to the contrary, should all or part of any Article of these Bylaws be in conflict with the Covenants or provisions of the laws of the State of Texas, including specifically the Texas Nonprofit Corporation Act, the Covenants and such laws shall control; and should any part of these Bylaws be invalid for any reason, the reason, the remaining parts, so far as is possible and is reasonable, shall be valid and operative.

