

BYLAWS
OF
MONTGOMERY TRACE PROPERTY OWNERS ASSOCIATION

The name of the corporation shall be MONTGOMERY TRACE PROPERTY OWNERS ASSOCIATION, a Texas nonprofit corporation (hereinafter referred to as the "Corporation").

ARTICLE I
Purpose

1. Property. The purpose for which this nonprofit corporation is formed is to govern certain property situated in Montgomery County, Texas, which property is described as follows:

All of Montgomery Trace Subdivision Sections I - VII, a subdivision in Montgomery County, Texas, according to the map or plat thereof, recorded in plat records of Montgomery County, Texas

and which property (hereinafter referred to as the "Property"), together with all buildings, improvements and structures thereon, and all rights, easements and appurtenances belonging thereto were made subject to these certain Declarations of Covenants, Conditions and Restrictions of Montgomery Trace Subdivision dated and duly filed of record in the Official Public Records of Real Property of Montgomery County, Texas (hereinafter called the "Declarations"), the terms and conditions of which are incorporated herein by reference for all purposes.

2. Owners. All present or future owners (hereinafter referred to as the "Owner" or "Owners") of fee simple title to any tract which is part of the Property, and shall include purchases under contract for deed, but shall not include those holding title merely as security for performance of an obligation, are subject to these Bylaws. The mere acquisition of any of the lots (hereinafter referred to as "Lot" or "Lots") within the Property shall signify that these Bylaws and the Declarations are accepted and ratified and shall be complied with.

ARTICLE II
Membership: Voting: Quorum: Proxies

1. Membership. On becoming an Owner of a Lot, any person shall automatically become a member of this Corporation and be subject to these Bylaws and the Declarations. Such membership will terminate without any formal action by the Corporation whenever such person ceases to own a Lot, but such termination shall not relieve or release any such former Owner from liability or obligation incurred under or in any way connection with the Property during the period of such ownership and membership in the Corporation; nor shall such termination impair any right or remedies which the Board of Directors of the Corporation (hereinafter referred to as the "Board of Directors") or others may have against such former Owner arising out of or in any way connected with such ownership and membership in the Corporation. No certificates of stock shall be issued by the Corporation, but the Board of Directors may, if it so elects, issue a membership card to the

Owners of Lots. Such membership card shall be surrendered to the Secretary of the Corporation whenever ownership of the Lot designated thereon shall terminate.

2. Voting - Member. Except as otherwise provided in Article VII, Section 1 of these Bylaws, Members of the Corporation shall be entitled to one (1) vote for each one (1) acre Lot owned, and a fractional vote for a fraction of a one (1) acre Lot owned. When more than one person holds an interest in a given Lot, all such persons shall be Members and the vote for each Lot shall be exercised as they may determine among themselves. In no event shall more than one (1) vote be cast with respect to any one (1) acre Lot owned by any Member.

3. Voting - Developer. For purposes of voting, the developer Ebco Land Development, Ltd. will be considered an Owner and Member with the same privileges of one (1) vote per one (1) acre Lot owned or sold, and a fractional vote for a fractional ownership of the same, for such period of time as Ebco Land Development, Ltd. has a financial interest or any ownership interest in the Property.

4. Quorum. Except as otherwise provided in these Bylaws or in the Declarations, the presence in person or by proxy, or ballot vote, of the Owners representing more than fifty percent (50%) of the votes entitled to be cast shall constitute a quorum.

5. Proxies. Votes may be cast in person, by proxy or by ballot. Proxies may be filed with the Secretary of the Corporation before the appointed time of each meeting.

6. Ballots. Except as otherwise provided in these Bylaws or in the Declaration, all votes will be by ballots mailed to the last known address of each Member. The ballots must be mailed back by the Member to a certified public accountant designated by the Board of Directors. The public accountant will tally all votes and certify the results to be true. Each vote will be identified by a lot, block and section number, stating the acreage owned and the number of votes represented thereby. Any ballot vote must allow no less than a 30 day period between the mailing out of the ballots and the return of mailed ballots.

ARTICLE III Responsibilities and Meetings

1. Responsibilities Generally. The Owners of the Lots will constitute the Corporation and will have the responsibility of administering the Property through a Board of Directors.

2. Place of Meetings. Meetings of the Corporation shall be held at such places as the Board of Directors may determine.

3. Annual Meeting. Annual meetings of the Corporation shall be held on the fourth (4th) Tuesday in April of each year such reasonable time and place (not more than fifteen (15) days before or after such date) as shall be specified in the notice thereof. At such meetings, there shall be elected a Board of Directors by ballot of the Owners in accordance with the requirements of Paragraph 4 of Article IV of these Bylaws. Mailed ballots will be provided to all Members at least

thirty (30) days before the Annual Meeting and the Members may return the ballots within the prescribed time and manner or bring the completed ballot to the Annual Meeting. The Owners may also transact such other business of the Corporation as may properly come before them.

4. Special Meetings. It shall be the duty of the President of the Corporation to call a special meeting of the Owners as directed by resolution of the Board of Directors or upon a petition delivered to the Secretary of the Corporation signed by the Owners owning a majority of the Lots. The notice of any special meeting shall state the time and place of such meeting and the purpose thereof. No business shall be transacted at a special meeting except as stated in the notice.

5. Notice of Meetings. It shall be the duty of the Secretary of the Corporation to mail or personally deliver a notice of each annual or special meeting, stating the purpose thereof as well as the time and place where it is to be held, and a voting ballot, to each Owner of record at least thirty (30) days but no more than fifty (50) days prior to such meeting, unless otherwise provided in the Declarations. The mailing of a notice and ballot in the manner provided in this paragraph shall be considered notice served.

6. Adjourned Meeting. If any meeting of Owners cannot be organized because a quorum has not attended or returned ballot, then the Owners who are present, either in person or by proxy, may adjourn the meeting to a time not less than twenty (20) days nor more than fifty (50) days following the meeting or adjournment thereof.

7. Order of Business. The order of business at all annual meetings of the Owners of Lots shall be as follows:

- (a) roll call;
- (b) proof of notice of meeting or waiver of notice;
- (c) reading of minutes of preceding meeting;
- (d) reports of officers;
- (e) reports of committees;
- (f) election of Directors;
- (g) unfinished business; and
- (h) new business.

8. Action without Meeting. Any action required or permitted to be taken by the Members may be taken without a meeting and, to the extent allowed by law, written consent of the appropriate number of Owners to any action which requires the vote of the Owners at a meeting shall have the same force and effect of a vote taken at any such meeting.

ARTICLE IV Board of Directors

1. Number Qualifications. Subject to the provisions hereof, the affairs of this Corporation shall be governed by a Board of Directors composed of five (5) persons.

2. Powers and Duties. The Board of Directors shall have the powers and duties necessary for the administration of the affairs of the Corporation. The Board of Directors may do all such acts as are not prohibited by these Bylaws or by the Declarations and as are directed to be exercised and done by the Owners.

3. Other Powers and Duties. The Board of Directors shall be empowered and shall have the duties as follows:

(a) to administer and enforce the covenants, conditions, restrictions, uses, limitations, obligations and all other provisions set forth in the Declarations;

(b) to establish, make and enforce compliance with such reasonable house rules as may be necessary for the operation, use and occupancy of the Property with the right to amend same from time to time; a copy of such rules and regulations shall be delivered or mailed to each member promptly upon the adoption thereof;

(c) to keep in good order, condition and repair all of the Commons and all items of personal property used in the enjoyment of the entire premises;

(d) to fix, determine, levy and collect the Annual Assessment (as defined in the Declarations) to be paid by each of the Owners and by majority vote of the Board of Directors to adjust, decrease or increase the amount of the common assessments; to levy and collect Special Assessments (as provided for in the Declarations) whenever in the opinion of a majority of the Members it is necessary to do so in order to meet increased operating and maintenance or additional expenses or costs;

(e) to collect delinquent Assessments by suit or otherwise, and to enjoin or seek damages from an Owner as is provided in the Declarations and these Bylaws;

(f) to protect and defend the entire premises from loss and damage by suit or otherwise;

(g) to enter into contracts within the scope of its duties and powers;

(h) to establish a bank account for the common treasury and for all separate funds which are required or may be deemed advisable by the Board of Directors;

(i) to keep and maintain full and accurate books and records showing all of the receipts, expenses or disbursements of the Corporation; to permit examination thereof at any reasonable time by each of the Owners; and to cause such books and records to be audited annually by such certified public accountant as the Board of Directors may direct;

(j) to prepare and deliver annually to each Owner a notice of the Annual or Special Assessment;

- (k) to meet at least once each quarter;
- (l) to designate the personnel necessary for the maintenance and operation of the Commons; and
- (m) in general, to carry on the administration of this Corporation and to do all of those things necessary and reasonable in order to carry out the purposes of the Corporation.

4. Election and Term of Office. The developer, Ebco Land Development, Ltd., shall appoint the initial Board of Directors. The terms of the initial Board of Directors shall run from one to five years, with term designations being made by the developer for each respective Director. New Directors will be elected for terms of one year after the expiration of the initial term of each respective Director of the initial Board of Directors, at the Annual Meeting by a majority vote of the Owners, voting as provided in Paragraph 3 of Article III of these Bylaws. A Director shall hold office until their respective successors are elected or until their death, resignation or removal.

5. Vacancies. Vacancies on the Board of Directors caused by any reason other than the removal of a Director by a vote of the Corporation shall be filled by a vote of the majority of the remaining Directors, even though they may constitute less than a quorum; and each person so elected shall be a Director until a successor is elected at the expiration of the term.

6. Meeting of New Directors. The first meeting of a newly-elected Board of Directors shall be held immediately after the election at such place as shall be fixed by the Directors at the meeting at which such Directors were elected; and no notice shall be necessary to the newly-elected Directors in order to legally constitute such meeting, provided a majority of the entire Board of Directors shall be present.

7. Regular Meetings. Regular meetings of the Board of Directors may be held at such time and place as shall be determined, from time to time, by a majority of the Directors; but at least four (4) such meetings shall be held during each fiscal year. Notice of regular meetings of the Board of Directors shall be given to each Director, personally or by mail, telephone, telegraph or facsimile, at least three (3) days prior to the day named for such meeting.

8. Special Meetings. Special meetings of the Board of Directors may be called by the President of the Corporation on three (3) days' notice to each Director, given personally or by mail, telephone, telegraph or facsimile, which notice shall state the time, place and purpose of the meeting.

9. Waiver of Notice. Before or at any meeting of the Board of Directors, any Director may, in writing, 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 of Directors shall be a waiver of notice by him of the time and place thereof. If all the Directors are present at any meeting of the Board of Directors, no notice shall be required and any business may be transacted at such meeting.

10. Board of Directors' Quorum. At all meetings of the Board of Directors, a majority of the Directors shall constitute a quorum for the transaction of business; and the acts of the majority of the Directors present at a meeting at which a quorum is present shall be the acts of the Board of Directors. If there be less than a quorum present at any meeting of the Board of Directors, the majority of those present may adjourn the meeting from time to time. At any such adjourned meeting, any business which might have been transacted at the meeting as originally called may be transacted without further notice.

11. Board of Directors' Action without Meeting. Any action required or permitted to be taken by the Board of Directors may be taken without a meeting and will have the same force and effect as a unanimous vote of Directors if all members of the Board of Directors shall individually and collectively consent in writing to such action.

ARTICLE V Officers

1. Designation. The officers of the Corporation shall be a President, Vice President, Secretary and Treasurer, all of whom shall be elected by the Board of Directors.

2. Election of Officers. The officers of the Corporation shall be elected annually by the Board of Directors at the first meeting of each newly-elected Board of Directors and shall hold office at the pleasure of the Board of Directors.

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

4. President. The President shall be the chief executive officer of the Corporation and the Board of Directors, shall preside at all meetings of the Corporation and the Board of Directors, and shall have all the general powers and duties which are usually vested in the office of president of a corporation, including but not limited to the powers to appoint committees from among the Owners from time to time as he may in his discretion decide are appropriate to assist in the conduct of the affairs of the Corporation.

5. Vice President. The Vice President shall have and exercise all powers of the President in the absence of the President.

6. Secretary. The Secretary shall keep all the minutes of all meetings of the Board of Directors and the minutes of all meetings of the Corporation, shall be in charge of such books and papers as the Board of Directors may direct, and shall in general perform all the duties incident to the office of Secretary.

The Secretary shall compile and keep up to date at the principal office of the Corporation a complete list of Owners (hereinafter referred to as the "Owners Register") and their

last known addresses as shown on the records of the Corporation. Such list shall also show opposite each Owner's name the number or other appropriate designation of the Lot owned by such Owner. Such list shall be open to inspection by Owners and other persons lawfully entitled to inspect the same at reasonable times during regular business hours.

7. Treasurer. The Treasurer shall have responsibility for the funds of the Corporation, shall be responsible for keeping full and accurate accounts of all receipts and disbursements in books belonging to the Corporation and shall be responsible for causing the books and records of the Corporation to be audited annually by such certified public accountant as the Board of Directors may direct. He or she shall be responsible for the deposit of all monies and other valuable effects in the name and to the credit of the Corporation in such depositories as may from time to time be designated by the Board of Directors.

ARTICLE VI Indemnification of Officers and Directors

The Corporation shall indemnify every Director or officer, his heirs, executors and administrators against all losses, costs and expenses, including counsel fees, reasonably incurred by him in connection with any action, suit or proceeding, except any action, suit or proceeding seeking to hold the Director or officer liable for gross negligence or willful misconduct. In the event of a settlement, indemnification shall be provided only in connection with such matters covered by the settlement as to which the Corporation is advised by counsel that the person to be indemnified has not been guilty of gross negligence or willful misconduct in the performance of his duty as such Director or officer in relation to the matter involved. The foregoing rights shall not be exclusive of other rights to which such Director or officer may be entitled. All liability, losses, damage, costs and expenses incurred or suffered by the Corporation by reason or arising out of or in connection with the foregoing indemnification provisions shall be treated and handled by the Corporation; provided, however, that nothing in this Article VI shall be deemed to obligate the Corporation to indemnify any Owner of a Lot who is or has been a Director or officer of the Corporation with respect to any duties or obligations assumed or liabilities incurred by him under and by virtue of the Declarations as an Owner of a Lot covered thereby.

ARTICLE VII Obligations of Owners

1. Assessments. All Owners shall be obligated to pay the Annual and/or Special Assessments imposed by the Corporation as provided in the Declarations. An Owner shall be deemed to be a member in good standing and entitled to vote at any annual or special meeting of the Corporation within the meaning of these Bylaws if and only if such Owner shall have fully paid all Assessments made or levied against such Owner and such Owner's Lot.

2. Maintenance and Repair. It shall be the duty of each Owner, at his sole cost and expense, to maintain, repair, replace and restore areas subject to his exclusive control in a neat, sanitary and attractive condition in compliance with the Declarations.

3. General.

(a) Each Owner shall comply strictly with the provisions of the Declarations, including all obligations imposed upon such Owner concerning maintenance of properties described in the Declarations.

(b) Each Owner shall always endeavor to observe and promote the cooperative purposes for the accomplishment of which the Corporation was established.

4. Rules and Regulations.

(a) All Owners shall promptly and completely comply with each of the rules and regulations contained in the Declarations and herein contained and hereafter properly adopted, and particularly pertaining to the use of the Commons, in order that all Owners and their guests shall achieve maximum utilization of such facilities consummate with the rights of each of the other Owners thereto.

(b) Nothing shall be done in or to any Lot or improvements thereon, nor shall same be occupied or used for any purpose, nor shall any commodity, product or personal property be kept therein or thereon, which shall cause such Lot or improvements thereon to be uninsurable against loss by fire or the perils included in an extended coverage endorsement under the rules of the Texas Department of Insurance or which might cause or warrant any policy or policies covering said premises to be canceled or suspended by the issuing company.

ARTICLE VIII
Amendments to Bylaws

1. Voting to Amend or Repeal. New Bylaws may be adopted or these Bylaws may be repealed or amended at an annual meeting of the members of the Corporation, or at another meeting called for that purpose, by a vote of two-thirds (2/3rds) of votes entitled to be cast.

2. Amendments. Whenever an amendment to or new provision of these Bylaws is adopted, it shall be copied and placed in the minute book of the Corporation with these original Bylaws. If any provision of these Bylaws is repealed, the fact of repeal with the date of the meeting at which the repeal was enacted or written assent was filed shall be stated in the minute book of the Corporation.

ARTICLE IX
Nonprofit

The corporation is not organized for profit. No Owner, member of the Board of Directors or person from whom the Corporation may receive any property or funds shall receive or shall be lawfully entitled to receive any pecuniary profit from the operation thereof, and in no event shall any part of the funds or assets of the Corporation be paid as salary or compensation to, be distributed to

or inure to the benefit of any Owner or member of the Board of Directors; provided, however, always: (i) that reasonable compensation may be paid to any member while acting as an agent or employee of the Corporation for services rendered in effecting one or more of the purposes of the Corporation, and (ii) that any member of the Board of Directors may, from time to time, be reimbursed for his actual and reasonable expenses incurred in connection with the administration of the affairs of the Corporation.

ARTICLE X
Executive and Other Committees

The Board of Directors shall appoint an Architectural Control Committee as provided in the Declarations, and such other committees as may be necessary from time to time consisting of such number of its members and with such powers as it may designate, consistent with the Bylaws and the laws of the State of Texas. Such committees shall hold office at the pleasure of the Board of Directors.

ARTICLE XI
Corporate Records and Reports: Inspection

1. Location of Records. Pursuant to the provisions of Article IV, the Corporation shall maintain adequate and correct books and records of account at its principal place of business in the State of Texas as fixed by the Board of Directors from time to time.

2. Inspection by Owner. The Owner Register, the books of account and minutes of proceedings of the Corporation, the Board of Directors and any committees thereof shall be open to inspection upon the written demand of any Owner or his mortgagee at a reasonable time for a purpose reasonably related to his interest as an Owner or his mortgagee. Demand of inspection shall be made in writing upon the President or Secretary of the Corporation.

3. Inspection of Bylaws. The original Bylaws, or a copy certified by the Secretary of the Corporation, as amended or otherwise altered to date, shall be open to inspection at the Corporation's principal office at reasonable times during office hours.

4. Endorsement of Checks, Etc. All checks, drafts or other orders for payment of money, notes or other evidences of indebtedness issued in the name of or payable to the Corporation shall be signed or endorsed by such person or persons and in such manner as shall be determined from time to time by resolution of the Board of Directors.

5. Authority of Officers or Agents. The Board of Directors, except as otherwise provided herein, may authorize any officers or agents to enter into any contract or execute any instrument in the name of and on behalf of the Corporation. Such authority may be general or confined to specific instances. Unless so authorized by the Board of Directors, no officer, agent or employee shall have any power or authority to bind the Corporation by any contract or engagement, to pledge its credit or to render it liable for any purpose or to any amount.

6. Quarterly Report. The Board of Directors shall cause a copy of the Quarterly Report, as provided in the Declaration, itemizing all receipts and disbursements, to be sent to the Owners not later than thirty (30) days after the end of each calendar quarter.

ARTICLE XII
Terms Used in Declarations

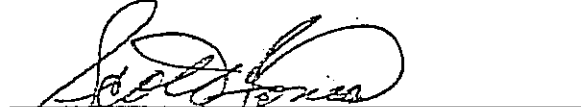
All capitalized terms used herein, unless otherwise defined herein, shall have the same meaning as set forth in the Declarations. These Bylaws are intended to amplify and provide for the administration of the terms and conditions of the Declarations. In the event that there exists or arises a conflict between these Bylaws and the Declarations, the Declarations shall control.

IN WITNESS WHEREOF, the undersigned members of the Board of Directors of the Corporation have hereunto set their hands this 10 day of JUNE, 1999.




JOE GANNON

KURT GRANHOLD



SCOTT JONES



PATRICIA LITTLE



CLAY WATTERS