

FIRST AMENDED BYLAWS
OF
TRAILS HOME OWNERS ASSOCIATION I

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FIRST AMENDED BYLAWS
OF
TRAILS HOME OWNERS ASSOCIATION I

WHEREAS, the Bylaws of Trails Home Owners Association I were adopted as the Bylaws of the Association; and

WHEREAS, pursuant to Article XVI of the Bylaws, the Bylaws may be amended at a regular or special meeting of the Members by a vote of the Members holding a majority of a quorum of Members present at such meeting in person or by proxy; and

WHEREAS, these First Amended Bylaws have been approved at a meeting of the membership by Members holding at least a majority of a quorum of members present at a meeting in person or by proxy.

NOW, THEREFORE, the Bylaws of Trails Home Owners Association I are hereby amended to read as follows:

ARTICLE I

Name, Principal Office, Purposes and Definitions

Section 1. Name. The name of the Association shall be Trails Home Owners Association I (hereinafter sometimes referred to as the "Association").

Section 2. Principal Office. The principal office of the Association in the State of Texas shall be located in the City of Garland, Dallas County, Texas, or at such other address as may be identified by resolution of the Board of Directors from time to time. The Association may have such other offices as the Board of Directors may determine or as the affairs of the Association may require.

Section 3. Definitions. The capitalized terms used in these Bylaws shall have the same definitions as set forth in the Declaration (which definitions are specifically incorporated herein by this reference) and all other terms used herein shall have their normal, commonly understood meanings, unless the context indicates otherwise.

ARTICLE II

Association: Membership, Meetings and Voting

Section 1. Membership. The qualifications, privileges and obligations of membership in the Association shall be as set forth in the Declaration, the terms of which pertaining to membership are specifically incorporated herein by this reference.

Section 2. Place of Meetings. Meetings of the Association shall be held at the principal office of the Association or at such other suitable place convenient to the Members as may be designated by the Board of Directors either within the Property or as convenient thereto as possible and practical.

Section 3. Annual Meetings. Regular annual meetings of the Association shall be held on the first Monday in June, if not a legal holiday, then on the next secular day following.

Section 4. Special Meetings. Special meetings of the Association may be called by the President or by a majority of the members of the Board of Directors. In addition, it shall be the duty of the President to call a special meeting of the Association if so directed by petition signed by Members representing at least ten percent (10%) of the Total Association Vote.

Section 5. Notice of Meetings. Written or printed notice stating the place, day and hour of any meeting of the Members shall be delivered, either personally or by mail, to each Member entitled to vote at such meeting, not less than ten (10) nor more than sixty (60) days before the date of such meeting, by or at the direction of the President or the Secretary or the officers or persons calling the meeting.

In the case of a special meeting or when required by statute or these Bylaws, the purpose or purposes for which the meeting is called shall be stated in the notice. No business shall be transacted at a special meeting except as stated in the notice.

If mailed, the notice of a meeting shall be deemed to be delivered when deposited in the United States mail addressed to the Member at its address as it appears on the records of the Association, with postage thereon prepaid.

Section 6. Waiver of Notice. If any meeting of the Association cannot be held because a quorum is not present, a majority of the Members who are represented at such meeting, either in person or by proxy, may adjourn and reconvene the meeting without further notice to the Members not more than sixty (60) days from the time the original meeting was called. At the reconvened

meeting, if a quorum is present, any business which might have been transacted at the meeting originally called may be transacted.

Section 7. Voting. The voting rights of the Members shall be as set forth in the Declaration, and such voting rights provisions are specifically incorporated herein.

Section 8. Proxies. At all meetings of the Members, Members may vote in person or by proxy and, in the case of a Member which is a corporation, partnership or other legal entity, such Member shall vote by proxy. Every proxy shall be in writing, dated, signed and filed with the Secretary prior to the meeting for which it is to be effective. Except as otherwise specifically provided in the proxy, a proxy shall be presumed to cover all votes which the Member giving such proxy is entitled to cast, and in the event of any conflict between two or more proxies purporting to cover the same voting rights, the later dated proxy shall prevail, or if dated as of the same date, both shall be deemed invalid. No proxy shall be valid more than eleven (11) months after its execution unless otherwise provided in the proxy. Every proxy shall be revocable and shall automatically cease upon conveyance of the Member's Lot, or upon receipt by the Secretary of the Association of notice of the death or judicially declared incompetence of such Member.

Section 9. Majority. As used in these Bylaws, the term "majority" shall mean those votes, owners or other group as the context may indicate totaling more than fifty percent (50%) of the total eligible number.

Section 10. Quorum. Except as otherwise provided in these Bylaws or in the Declaration, the presence in person or by proxy of Members representing at least one-tenth (1/10) of the total eligible votes of the membership shall constitute a quorum at all meetings of the Association.

Section 11. Conduct of Meeting. The President shall preside over all meetings of the Association, and the Secretary shall keep the minutes of the meeting and record in a minute book all resolutions adopted at the meeting, as well as a record of all transactions occurring at the meeting.

Section 12. Action Without a Meeting. Any action required by law or by the Declaration or Bylaws to be taken at a meeting of the Members, or any action which may be taken at a meeting may be taken without a meeting if a consent in writing, setting forth the action to be taken, is signed by a sufficient number of members as would be necessary to take that action at a meeting at which all of the members were present and voted. If an action is taken without a meeting, the Board shall distribute a written ballot to every

Member entitled to vote on the matter. The ballot shall set forth the proposed action, provide any opportunity to specify approval or disapproval of any proposal and provide reasonable time, not to exceed sixty (60) days, within which to return the ballot to the Association. Approval by written ballot shall be valid only when the number of votes cast by ballot within the time period specified equals or exceeds the quorum required to be present at a meeting authorizing the action, and the number of approvals equals or exceeds the number of votes that would be required to approve at a meeting at which the total number of votes cast was the same as the number of votes cast by ballot.

ARTICLE III

Board of Directors: Number, Powers, Meetings

A. Composition and Selection.

Section 1. Governing Body; Composition. The affairs of the Association shall be governed by a Board of Directors, with each director thereof having one vote. Directors shall be Members or spouses of such Members of the Association or, in the case of a Member which is not a natural person, the representative of the Member designated as such by the Member in writing to the Association prior to the election for which he or she is to be a candidate.

Section 2. Number of Directors. The Board of Directors shall consist of not less than five (5) members nor more than seven (7) members. The number of directors may be increased or decreased, from time to time, by amendment to these Bylaws, but no decrease shall have the effect of shortening the term of any incumbent director. Any directorship to be filled by reason or an increase in the number of directors shall be filled by an election at an annual meeting or at a special meeting of the Members called for that purpose.

Section 3. Nomination of Directors. Nominations for election to the Board of Directors shall be made from the floor and may also be nominated by a Nominating Committee, if such Committee is established by the Board. All candidates shall have a reasonable opportunity to communicate their qualifications to the Members and to solicit votes.

Section 4. Election and Term of Office. At each annual meeting the members shall elect director(s). All eligible members of the Association shall vote on all directors to be elected, and the candidate(s) receiving the most votes shall be elected. At the

first annual meeting following the adoption of these Bylaws, directors shall be elected for the following terms: Four (4) directors shall be elected for two (2) year terms, and three (3) directors shall be elected for one (1) year terms. At the expiration of the initial term of office of each member of the Board and at each annual meeting thereafter, a successor shall be elected to serve for a term of two (2) years. There shall be no cumulative voting. Directors may be elected to serve any number of consecutive terms.

Section 5. Removal of Directors and Vacancies. Any director elected by the Members may be removed, with or without cause, by the vote of such Members holding at least a majority of the votes entitled to be cast for the election of such director. Any director whose removal is sought shall be given notice prior to any meeting called for that purpose. Upon removal of a director, a successor shall then and there be elected by the Members to fill the vacancy for the remainder of the term of such director.

Any director who has three (3) consecutive unexcused absences from Board meetings may be removed by a majority vote of the other directors, and a successor may be appointed by such directors to fill the vacancy until the next annual meeting. In the event of the death, disability or resignation of a director, a vacancy may be declared by the Board, and it may appoint a successor to serve until the next annual meeting. In each case, a successor shall be elected by the membership at the first annual meeting following the creation of the vacancy to serve the remaining portion, if any, of the term of the director whose removal, death, disability or resignation created the vacancy.

B. Meetings.

Section 6. 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 with at least one (1) per quarter. Notice of the time and place of the meeting shall be communicated to directors not less than four (4) days prior to the meeting; provided, however, notice of a meeting need not be given to any director who has signed a waiver of notice or a written consent to holding of the meeting.

Section 7. Special Meetings. Special meetings of the Board of Directors shall be held when called by written notice signed by the President of the Association or by any two (2) directors. The notice shall specify the time and place of the meeting and the nature of any special business to be considered. The notice shall be given to each director by: (a) personal delivery; (b) written

notice by first class mail, postage prepaid; (c) telephone communication, either directly to the director or to a person at the director's office or home who would reasonably be expected to communicate such notice promptly to the director; or (d) telegram, charges prepaid. All such notices shall be given at the director's telephone number or sent to the director's address as shown on the records of the Association. Notices sent by first class mail shall be deposited into a United States mailbox at least four (4) business days before the time set for the meeting. Notices given by personal delivery, telephone or telegraph shall be delivered, telephoned or given to the telegraph company at least seventy-two (72) hours before the time set for the meeting.

Section 8. Waiver of Notice. The transactions of any meeting of the Board of Directors, however called and noticed or wherever held, shall be as valid as though taken at a meeting duly held after regular call and notice if (a) a quorum is present, and (b) either before or after the meeting each of the directors not present signs a written waiver of notice, a consent to holding the meeting, or an approval of the minutes. The waiver of notice or consent need not specify the purpose of the meeting. Notice of a meeting shall also be deemed given to any director who attends the meeting without protesting before or at its commencement about the lack of adequate notice.

Section 9. Quorum of Board of Directors. At all meetings of the Board of Directors, a majority of the directors shall constitute a quorum for the transaction of business, and the votes of a majority of the directors present at a meeting at which a quorum is present shall constitute the decision of the Board of Directors. If any meeting of the Board cannot be held because a quorum is not present, a majority of the directors who are present at such meeting may adjourn the meeting to a time not less than five (5) nor more than thirty (30) days from the date the original meeting was called. At the reconvened meeting, if a quorum is present, any business which might have been transacted at the meeting originally called may be transacted without further notice.

Section 10. Conduct of Meetings. The President shall preside over all meetings of the Board of Directors, and the Secretary shall keep accurate minutes of meetings of the Board of Directors, recording therein all resolutions adopted by the Board of Directors and all transactions and proceedings occurring at such meetings.

Section 11. Open Meetings. All meetings of the Board shall be open to all Members, but Members other than directors may not participate in any discussion or deliberation unless permission to speak is requested on his or her behalf by a director. In such case, the President may limit the time any Member may speak. Notwithstanding the above, the President may adjourn any meeting of

the Board of Directors and reconvene in executive session, excluding Members, to discuss matters of a sensitive nature, such as pending or threatened litigation, personnel matters, etc.

Section 12. Action Without a Formal Meeting. Any action to be taken at a meeting of the directors or any action that may be taken at a meeting of the directors may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by a sufficient number of directors as would be necessary to take that action at a meeting of which all of the directors were present and voted, and such consent shall have the same force and effect as a vote of the directors.

In addition to the powers granted and duties imposed by the Declaration, the Articles of Incorporation or elsewhere in these Bylaws, or by any resolution of the Association that may hereafter be adopted, the Board of Directors shall have the power to establish policies relating to, and shall be responsible for, performing or causing to be performed, the following, in way of explanation, but not limitation:

a. Preparation and adoption, in accordance with the Declaration, of annual budgets in which there shall be established the contribution of each Owner to the common expenses of the Association;

b. Making assessments to defray the Association's expenses, establishing the means and methods of collecting such assessments, and establishing the payment schedule for annual assessments, if other than monthly;

c. Providing for the operation, care, upkeep and maintenance of all of the Common Area and such other property as set forth in Article VI of the Declaration;

d. Designating, hiring and dismissing the personnel necessary for the operation of the Association and the maintenance, operation, repair and replacement of its property and any other property for which it has responsibility and, where appropriate, providing for the compensation of such personnel and for the purchase of equipment, supplies and materials to be used by such personnel in the performance of their duties;

e. Collecting the assessments, depositing the proceeds thereof in a bank depository which it shall approve, and using the proceeds to operate the Association; provided, any reserve fund may be deposited, in the directors' best business judgment, in depositories other than banks;

f. Opening of bank accounts on behalf of the Association and

party, without cause and without penalty, upon ninety (90) days written notice.

Section 14. Compensation. A director shall not receive compensation for serving as a board member. A director may, however, be reimbursed for expenses incurred on behalf of the Association upon approval of a majority of the other directors. Nothing herein shall prohibit the Association from compensating a director, or any entity with which a director is affiliated, for services or supplies furnished to the Association in a capacity other than as a director pursuant to a contract or agreement with the Association, provided that such director's interest was made known to the Board prior to entering into such contract and such contract was approved by a majority of the Board of Directors, excluding the interested director.

Section 15. Rights of the Association. The Association shall have the right to contract with any person or entity for the performance of various duties and functions. Without limiting the foregoing, this right shall entitle the Association to enter into common management, operational or other property owners agreements with trusts, condominiums, cooperatives or other property owners or similar associations, both within and outside the Property. Such agreements shall require the consent of a majority of the total number of directors of the Association.

Section 16. Enforcement. In addition to such other rights as are specifically granted under the Declaration, the Board shall have the power to impose reasonable fines, which shall constitute a lien upon the Lot of the violator, and to suspend a Member's right to vote for violation of any duty imposed under the Declaration, these Bylaws or any rules and regulations duly adopted hereunder. In addition, the Association shall be entitled to suspend any services provided by the Association to the Owner or the Owner's Lot in the event that the Owner is more than thirty (30) days delinquent in paying any assessment or other charges owned to the Association. In the event that any occupant, guest or invitee of a Lot violates the Declaration, Bylaws or a rule or regulation and a fine is imposed, the fine shall first be assessed against the occupant; provided, however, if the fine is not paid by the occupant within the time period set by the Board, the fine shall be assessed against the Lot and Owner thereof upon notice from the Association. The failure of the Board to enforce any provision of the Declaration, Bylaws or any rule or regulation shall not be deemed a waiver of the right of the Board to do so thereafter.

a. Notice. Except as provided in Subsection d. below, prior to imposition of any fine hereunder or under the Declaration, the Board or its delegate shall serve the alleged violator with written

notice describing (i) the nature of the alleged violation, (ii) the proposed fine to be imposed, (iii) a period of not less than ten (10) days within which the alleged violator or its representative may present a written request to the Board of Directors for a hearing; and (iv) a statement that the proposed fine shall be imposed as contained in the notice unless a challenge is begun within ten (10) days of the notice. If a timely challenge is not made, the fine stated in the notice shall be imposed; provided, the Board of Directors may, but shall not be obligated to, suspend any proposed fine if the violation is cured within the ten (10) day period. Such suspension shall not constitute a waiver of the right to sanction future violations of the same or other provisions and rules by any person.

b. Hearing. If a hearing is requested within the allotted ten (10) day period, the hearing shall be held before the Covenants Committee, if any, appointed pursuant to Article V, Section 2 hereof, or if none, then before the Board of Directors in executive session. The hearing shall be conducted in good faith and in a fair and reasonable manner, and the alleged violator shall be afforded a reasonable opportunity to be heard. Prior to the effectiveness of any fine hereunder, proof of proper notice shall be placed in the minutes of the meeting. Such proof shall be deemed adequate if a copy of the notice, together with a statement of the date and manner of delivery, is entered by the officer, director or agent who delivered such notice. The notice requirement shall be deemed satisfied if the alleged violator or its representative appears at the meeting. The minutes of the meeting shall contain a written statement of the results of the hearing and the sanction, if any, imposed.

c. Appeal. Following a hearing before the Covenants Committee, the violator shall have the right to appeal the decision of the Committee to the Board of Directors. To perfect this right, a written notice of appeal must be received by the manager, President or Secretary of the Association within ten (10) days after the hearing.

d. Additional Enforcement Rights. Notwithstanding anything to the contrary herein contained, the Association, acting through the Board of Directors, may elect to enforce any provision of the Declaration, these Bylaws or the rules and regulations of the Association by self-help (specifically including, but not limited to, the towing of vehicles that are in violation of parking rules and regulations and the removal of personal property deemed to be in violation of the Declaration, Bylaws or rules and regulations), or by suit at law or in equity to enjoin any violation or to recover monetary damages or both, without the necessity of compliance with the procedure set forth above. In any such action, to the maximum extent permissible, the Owner or occupant

responsible for the violation of which abatement is sought shall pay all costs, including reasonable attorney's fees actually incurred. Such costs may be levied against the violating Owner's Lot as a special individual assessment as provided in Article V, Section 5 of the Declaration.

ARTICLE IV

Officers

Section 1. Officers. The officers of the Association shall be a President, a Secretary and a Treasurer, all of whom shall be elected from among the members of the Board.

Section 2. Election, Term of Office and Vacancies. The officers of the Association shall be elected annually by the Board of Directors at the first meeting of the Board of Directors following each annual meeting of the Members, to serve a term of one year. A vacancy in any office arising because of death, resignation, removal or otherwise may be filled by the Board of Directors for the unexpired portion of the term.

Section 3. Removal. Any officer may be removed by the Board of Directors whenever in its judgment the best interests of the Association will be served thereby.

Section 4. Powers and Duties. The officers of the Association shall each have such powers and duties as generally pertain to their respective offices, as well as such powers and duties as may from time to time specifically be conferred or imposed by the Board of Directors. The President shall be the chief executive officer of the Association. The Treasurer shall have primary responsibility for the preparation of the budget as provided for in the Declaration and may delegate all or part of the preparation and notification duties to a finance committee, management agent, or both.

Section 5. Resignation. Any officer may resign at any time by giving written notice to the Board of Directors, the President or the Secretary. Such resignation shall take effect on the date of the receipt of such notice or at any later time specified therein, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 6. Agreements, Contracts, Deeds, Leases, Checks, Etc. All agreements, contracts, deeds, leases, checks and other instruments of the Association shall be executed by at least two officers or by such other person or persons as may be designated by resolution of the Board of Directors.

ARTICLE V

Committees

Section 1. General. Committees are hereby authorized to perform such tasks and to serve for such periods as may be designated by resolutions adopted by the Board of Directors from time to time. Each committee shall operate in accordance with the terms of the resolution of the Board of Directors designating the committee or in accordance with such other rules as may be adopted by the Board of Directors.

Section 2. Covenants Committee. In addition to any other committees which may be established by the Board pursuant to Section 1 of this Article, the Board of Directors may appoint a Covenants Committee consisting of at least three (3) and no more than five (5) members. Acting in accordance with the provisions of the Declaration, these Bylaws and resolutions the Board may adopt, the Covenants Committee, if established, shall be the hearing tribunal of the Association and shall conduct all hearings held pursuant to Article III, Section 17 of these Bylaws.

ARTICLE VI

Miscellaneous

Section 1. Fiscal Year. The fiscal year of the Association shall be set by resolution of the Board of Directors. In the absence of a resolution, the fiscal year shall be the calendar year.

Section 2. Parliamentary Rules. Except as may be modified by Board resolution, Robert's Rules of Order (current edition) shall govern the conduct of Association proceedings when not in conflict with Texas law, the Articles of Incorporation, the Declaration or these Bylaws.

Section 3. Conflicts. If there are conflicts between the provisions of Texas law, the Articles of Incorporation, the Declaration and these Bylaws, the provisions of Texas law, the Declaration, the Articles of Incorporation and the Bylaws (in that order) shall prevail.

Section 4. Books and Records.

a. Inspection by Members and Mortgagees. The Declaration and Bylaws, membership register, books of account and minutes of meetings of the Members, the Board and committees shall be made

available for inspection and copying by any Member of the Association or by the duly appointed representative of any Member upon written request, at any reasonable time, for a purpose reasonably related to his or her interest in a Lot, and at such Member's expense, at the office of the Association or at such other place within the Property as the Board shall prescribe.

b. Inspection by Directors. Every director shall have the absolute right at any reasonable time to inspect all books, records and documents of the Association and the physical properties owned or controlled by the Association. The right of inspection by a director shall include the right to make extracts and a copy of relevant documents at the expense of the Association.

Section 5. Notices. Unless otherwise provided in these Bylaws, all notices, demands, bills, statements or other communications under these Bylaws shall be in writing and shall be deemed to have been duly given if delivered personally or if sent by United States mail, first class postage prepaid:

a. if to a Member, at the address which the Member has designated in writing and filed with the Secretary or, if no such address has been designated, at the address of the Lot of such Member; or

b. if to the Association, the Board of Directors or the managing agent, at the principal office of the Association or the managing agent, if any, or at such other address as shall be designated by notice in writing to the Members pursuant to this Section.

Section 6. Amendments.

a. By Owners. Except as otherwise specifically provided herein, these Bylaws may be amended only by the affirmative vote or written consent, or any combination thereof, of Members representing a majority of the Total Association Vote. If an Owner consents to any amendment to these Bylaws or the Declaration, it will be conclusively presumed that such Owner has the authority so to consent and no contrary provision in any mortgage or contract between the Owner and a third party will affect the validity of such amendment.

b. By Board. Notwithstanding the foregoing, the Board may execute and record amendments to these Bylaws without the consent or approval of the Owners if the amendment is (i) for the purpose of correcting technical errors or for clarification only, or (ii) necessary to bring any provision into compliance with any applicable governmental statutes, rules, regulations or judicial determinations. In addition to the foregoing, the Board may

unilaterally amend these Bylaws if such amendment does not adversely affect the other Owners and is (i) necessary to enable any reputable title insurance company to issue title insurance coverage with respect to any portion of the Property, (ii) required by an institutional or governmental lender or purchaser of mortgage loans, including, for example, the Federal National Mortgage Association or Federal Home Loan Mortgage Corporation, to enable such lender or purchaser to make or purchase mortgage loans on any portion of the Property, or (iii) necessary to enable any governmental agency or reputable private insurance company to insure mortgage loans on any portion of the Property.

CERTIFICATION

I, the undersigned, do hereby certify:

That I am the duly elected and acting Secretary of Trails Home Owners Association I, a Texas non-profit corporation;

That the foregoing First Amended Bylaws constitute the official Bylaws of said Association, as duly adopted by the membership on the 7th day of February, 1996.

IN WITNESS WHEREOF, I have hereunto subscribed my hand and affixed the seal of said Association this 6th day of Feb, 1996.

Mark D. L.
Secretary

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