

**BYLAWS
OF
THE HILLS AT FIREWHEEL ESTATES HOMEOWNERS ASSOCIATION, INC.**

ARTICLE I

NAME AND LOCATION

The name of the corporation is The Hills at Firewheel Estates Homeowners Association, Inc. hereinafter referred to as the "Association". The principal office of the Association shall be initially located at 5495 Beltline Road, Suite 225, Dallas, Texas 75240 but meetings of members and directors may be held at such places within the State of Texas, County of Dallas, as may be designated by the Board of Directors. Lumbermen's Investment Corporation at 5495 Beltline Road, Suite 225, Dallas, Texas 75240, constitutes the initial registered agent and office, respectively, of the Association.

ARTICLE II

DEFINITIONS

Section 1. "Association" shall mean and refer to The Hills at Firewheel Estates Homeowners Association, Inc., a Texas Non-Profit Corporation, its successors and assigns.

Section 2. "Properties" shall mean and refer to that certain real property described in the Declaration of Covenants, Conditions and Restrictions for The Hills at Firewheel Estates recorded at Volume 99030, Page 03535, et seq. of the Real Property Records of Dallas County, Texas, and also recorded at Volume 4354, Page 0844, et seq. of the Real Property Records of Collin County, Texas, and such additions thereto as may be brought within the jurisdiction of the Association under the provisions of said Declaration or the Charter of the Association.

Section 3. "Common Area" shall mean all real property conveyed by the Declarant to, and owned by, the Association for the common use and enjoyment of the Owners as more particularly set forth in the Declaration.

Section 4. "Lot" shall mean and refer to that portion of any of the plots of land shown upon any recorded subdivision map of the Properties of any part thereof creating single-family homesites on which there is or will be built a single-family dwelling. There is excepted herefrom the Common Area along with other reserves as may be noted on said subdivision maps.

Section 5. "Owner" shall mean and refer to the record owner, whether one or more persons or entities, of a fee simple title to any Lot which is a part of the Properties, including contract sellers, but excluding those having such interest merely as security for the performance of an obligation.

Section 6. "Declarant" shall mean and refer to Lumbermen's Investment Corporation, a Delaware corporation, and its successors and assigns who are designated as such in writing by Declarant, who accept such designation in writing.

Section 7. "Declaration" shall mean and refer to the Declaration of Covenants, Conditions and Restrictions for The Hills at Firewheel Estates applicable to the Properties recorded at Volume 99030, Page

03535, et seq. of the Real Property Records of Dallas County, Texas, and also recorded at Volume 4354, Page 0844, et seq. of the Real Property Records of Collin County, Texas.

ARTICLE III

MEMBERSHIP

Section 1. Membership. Every person or entity who is a record owner of a fee or undivided fee interest in any Lot which is subject by covenants of record to assessment by the Association, including contract sellers, shall be a member of the Association. The foregoing is not intended to include persons or entities who hold interest merely as security for the performance of an obligation. No owner shall have more than one membership. Membership shall be appurtenant to and may not be separate from ownership of any Lot which is subject to assessment by the Association. Ownership of such Lot shall be the sole qualification for membership.

Section 2. Suspension of Membership. During any period in which a member shall be in default in the payment of any annual or special assessment levied by the Association, the voting rights and right to use of the recreational facilities of such member may be suspended by the Board of Directors until such assessment has been paid. Such rights of a member may also be suspended after notice and hearing, for a period not to exceed 60 days, for violation of any rules and regulations established by the Board of Directors governing the use of the Common Area and facilities.

ARTICLE IV

PROPERTY RIGHTS: RIGHTS OF ENJOYMENT

Section 1. Each member shall be entitled to the use and enjoyment of the Common Areas as provided in the Declaration. Any member may delegate his rights of enjoyment of the Common Area and facilities to the members of his family, his tenants or contract purchasers, who reside on the property. Such member shall notify the Secretary of the Association in writing of the name of any such delegee. The rights and privileges of such delegee are subject to the same extent as those of the member.

ARTICLE V

BOARD OF DIRECTORS; SELECTION; TERM OF OFFICE

Section 1. Number. The affairs of the Association shall be managed by a Board of three (3) Directors, who need not be members of the Association.

Section 2. Election. At the first annual meeting the members shall elect one (1) director for a term of one (1) year, one (1) director for a term of two (2) years, and one (1) director for a term of three (3) years; and at each annual meeting thereafter the members shall elect the director(s) for a term of three (3) years to fill each expiring term. Any vacancy in the initial Board of Directors which occurs prior to the first annual meeting of the members shall be filled by election by the remaining Directors. The initial three (3) members of the Board of Directors shall be designated in the Articles of Incorporation of the Association.

Section 3. Removal. Any director may be removed from the Board, with or without cause, by a majority vote of the entire Class A membership and the entire Class B membership of the Association. In the event of death, resignation or removal of a director, his successors shall be selected by the remaining members of the Board and shall serve for the unexpired term of his predecessor.

Section 4. Compensation. No director shall receive compensation for any service he may render to the Association. However, any director may be reimbursed for his actual expenses incurred in the performance of his duties.

Section 5. Action Taken Without a Meeting. The directors shall have the right to take action in the absence of a meeting which they could take at a meeting by obtaining the written approval of all the directors. Any action so approved shall have the same effect as though taken at a meeting of the directors.

ARTICLE VI

MEETING OF DIRECTORS

Section 1. Regular Meetings. Regular meetings of the Board of Directors shall be held quarterly without notice, at such place (or by telephonic conference) and hour as may be fixed from time to time by resolution of the Board. Should said meeting fall upon a legal holiday, that meeting shall be held at the same time on the next day which is not a legal holiday.

Section 2. Special Meetings. Special meetings of the Board of Directors shall be held when called by the president of the Association, or by any two (2) directors, after not less than three (3) days notice to each director.

Section 3. Quorum. A majority of the number of directors shall constitute a quorum for the transaction of business. Every act or decision done or made by a majority of the directors present at a duly held meeting at which a quorum is present shall be regarded as the act of the Board.

ARTICLE VII

NOMINATION AND ELECTION OF DIRECTORS

Section 1. Nomination. Nomination for election to the Board of Directors shall be made by a Nominating Committee. Nominations may also be made from the floor at the annual meeting. The Nominating Committee shall consist of a Chairman, who shall be a member of the Board of Directors, and two or more members of the Association. The Nominating Committee shall be appointed by the Board of Directors prior to each annual meeting of the members, to serve from the close of such annual meeting until the next annual meeting and such appointment shall be announced at each annual meeting. The Nominating Committee shall make as many nominations for election to the Board of Directors as it shall in its discretion determine, but not less than the number of vacancies that are to be filled. Such nominations may be made from among members and non-members.

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

ARTICLE VIII

POWERS AND DUTIES OF THE BOARD OF DIRECTORS

Section 1. Powers. The Board of Directors shall have the power, for and on behalf of the Association;

(a) To adopt and publish rules and regulations governing the use of the Common Area and facilities, and the personal conduct of the members and their guests thereon, and to establish penalties for the infraction thereof;

(b) To exercise for the Association all power, duties and authority vested in or delegated to this Association and are not reserved to the membership by other provisions of these ByLaws, the Articles of Incorporation or the Declaration;

(c) To declare the office of a member of the Board of Directors to be vacant in the event such member shall be absent from three (3) consecutive regular meetings of the Board of Directors without just cause having been furnished to and accepted by the Board;

(d) To establish, and disburse and maintain such petty cash fund as necessary for efficiently carrying on the business of the Association;

(e) To engage the services of a manager, an independent contractor, or such employees as it deems necessary, and to prescribe the conditions, compensation and duties of their work. Such power shall include authority to enter into management agreements with other parties to manage, operate or perform all or any part of the affairs and business of the Association;

(f) To establish and maintain a working capital and/or contingency fund for capital repairs to and replacement of the Common Area, or any part thereof;

(g) To sue and/or defend in any court of law on behalf of the Association;

(h) To establish and collect penalties and fines for defaults by Owners under these Bylaws or the Declaration;

(i) To acquire and maintain the Common Area and to grant easements, licenses or other rights in, on, over and/or across such properties;

(j) To enter into contracts for legal, accounting and other professional services;

(k) To establish and maintain one or more bank accounts;

(l) To delegate any of its rights, powers or duties to committees, managers or contractors who are competent to exercise the rights and powers and/or perform the duties so delegated; and

(m) To generally provide for maintenance and preservation of the Properties and promote the health, safety and welfare of the Owners and to take such acts in connection therewith as the Board deems necessary.

Section 2. Duties. It shall be the duty of the Board of Directors:

(a) To cause to be kept a complete record of all its acts and corporate affairs and to present a statement thereof to the members at the annual meeting of the members or at any special meeting, when such statement is requested in writing by one-fourth (1/4) of the Class A Members who are entitled to vote;

(b) As more fully provided herein, and in the Declaration:

(1) In the event the amount of the annual assessment against each Lot shall change, to fix the amount of such annual assessment (30) days in advance of the applicable annual assessment period, as hereinafter provided in Article XII, and

(2) To send written notice of each such assessment to every Owner subject thereto at least thirty (30) days in advance of the applicable annual assessment period;

(c) To issue, or to cause an appropriate officer to issue, upon demand by any person, a certificate setting forth whether any assessment has been paid. A reasonable charge may be made by the Board of Directors for the issuance of these certificates. Such certificates shall be conclusive evidence of any assessment therein stated to have been paid;

(d) To procure and maintain adequate liability and hazard insurance on property owned by the Association:

(e) To cause all officers, employees or agents, having fiscal responsibility to be bonded, as it may deem appropriate; and

(f) To cause the Common Area to be maintained.

ARTICLE IX

COMMITTEES

Section 1. The Association shall appoint a Nominating Committee, as provided in these Bylaws. In addition, the Board of Directors may appoint other committees as deemed appropriate in carrying out its purposes, which may include for example, but not by way of limitation, the following:

(a) **A Recreation Committee** to advise the Board of Directors on all matters pertaining to the recreational program and activities of the Association and to perform other such functions as the Board in its discretion determines;

(b) **A Maintenance Committee** to advise the Board on all matters pertaining to the maintenance, repair or improvement of the Properties, and to perform such other functions as the Board in its discretion determines;

(c) A Publicity Committee to inform the members of all activities and functions of the Association and after consulting with the Board, to make such public releases and announcements as are in the best interest of the Association, and

(d) An Audit Committee to supervise the annual audit of the Association's books and approve the annual budget and statement of income and expenditures to be presented to the membership at its annual meeting, as provided in Article XI, Section 8(d). The Treasurer shall be an ex-officio member of this committee when formed.

Section 2. It shall be a function of each committee to receive complaints from members on any matter involving Association duties and activities within its field of responsibility. It shall dispose of such complaints as it deems appropriate or refer them to such other committee, director or officer of the Association as is further concerned with the matter presented.

ARTICLE X

MEETINGS OF MEMBERS

Section 1. Annual Meetings. The first annual meeting of the members shall be held within one year from the date of incorporation of the Association, and each subsequent regular annual meeting of the members shall be held in the same month of each year thereafter, on the day and at the hour reasonably designated in the notice of such meeting given pursuant to Section 3 of this Article X.

Section 2. Special Meetings. Special meetings of the members may be called at any time by the president or by the Board of Directors, or upon written request of the members who are entitled to vote one-fourth (1/4) of all of the votes of the entire membership or who are entitled to vote one-fourth (1/4) of the votes of the Class A membership.

Section 3. Notice of Meetings. Except as otherwise provided in the Articles of Incorporation, the Declaration, or these Bylaws, written notice of each meeting of the members shall be given by, or at the direction of, the secretary or person authorized to call the meeting, by mailing a copy of such notice, postage paid, at least 15 days before such meeting to each member entitled to vote thereat, addressed to the member's address last appearing on the books of the Association, supplied by such member to the Association for the purpose of notice. Such notice shall specify the place, day and hour of the meeting and, in the case of a special meeting, the purpose of the meeting.

Section 4. Quorum. The presence at the meeting of the members entitled to cast, or of proxies entitled to cast, one-tenth (1/10) of the votes of each class of membership shall constitute a quorum for any action except as otherwise provided in the Articles of Incorporation, the Declaration, or these Bylaws. If, however, such quorum shall not be present or represented at any meeting, the members entitled to vote thereat shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum as aforesaid, shall be present to be represented.

Section 5. Proxies. At all meetings of members, each member may vote in person or by proxy. All proxies shall be in writing and filed with the secretary. Every proxy shall be revocable and shall automatically cease upon conveyance by the member of his Lot.

ARTICLE XI

OFFICERS AND THEIR DUTIES

Section 1. Enumeration of Officers. The officers of this Association shall be a president and vice-president, who shall at all times be members of the Board of Directors, a secretary, and a treasurer, and such other officers as the Board may from time to time by resolution create.

Section 2. Election of Officers. The election of officers shall take place at the first annual meeting of the Board following each annual meeting of members.

Section 3. Term. The officers of this Association shall be elected annually by the Board and shall hold office for one (1) year unless he shall sooner resign, or shall be removed, or otherwise disqualified to serve.

Section 4. Special Appointments. The Board may elect such other officers as the affairs of the Association may require, each of whom shall hold office for such period, have such authority, and perform such duties as the Board may, from time to time, determine.

Section 5. Resignation and Removal. Any officer may be removed from office with or without cause by the Board. Any officer may resign at any time by giving notice to the Board, the president or the secretary. Such resignation shall take effect on the date of receipt of such notice or at any later time specified therein; the acceptance of such resignation shall not be necessary to make it effective.

Section 6. Vacancies. A vacancy in any office may be filled in the manner prescribed for regular election. The officer elected to such vacancy shall serve for the remainder of the term of the officer he replaces.

Section 7. Multiple Offices. The offices of secretary and treasurer may be held by the same person. No person shall simultaneously hold more than one of any the other offices except in case of special offices created pursuant to Section 4 of this Article.

Section 8. Duties. The duties of the officers are as follows:

President

(a) The President shall preside at all meetings of the Board; shall see that orders and resolutions of the Board are carried out, shall sign all leases, mortgages, deeds, and other written instruments and shall co-sign all checks and promissory notes.

Vice-President

(b) The Vice-President shall act in the place and stead of the President in the event of his absence, inability or refusal to act, and shall exercise and discharge such other duties as may be required of him by the Board.

Secretary

(c) The Secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board and of the members; keep the corporate seal of the Association and affix it on all papers requiring said seal; serve notice of meetings of the

Board and of the members; keep appropriate current records showing the members of the Association together with their addresses, and shall perform such other duties as required by the Board.

Treasurer

(d) The Treasurer shall receive and deposit in appropriate bank accounts all monies of the Association and shall disburse such funds as directed by resolution of the Board; shall sign all checks and promissory notes of the Association; keep proper books of account; cause an annual audit of the Association books to be made by a public accountant at the completion of each fiscal year; and shall prepare an annual budget and a statement of income and expenditures to be presented to the membership at its regular annual meeting and deliver a copy to the members.

ARTICLE XII

ASSESSMENTS

Section 1. Creation of the Lien and Personal Obligation of Assessments. By the Declaration each member is deemed to covenant and agree to pay to the Association: (1) annual assessment charges, and (2) special assessments for capital improvements. The annual and special assessments, together with such interest thereon and costs of collection thereof, as hereinafter provided, shall be a charge on the land and shall run with the land and be a continuing lien upon the property against which each such assessment is made. Each such assessment, together with such interest, costs and reasonable attorneys' fees shall also be the personal obligation of the person who was the Owner of such property at the time assessment fell due and shall not pass to his successors in title unless expressly assumed by them.

Section 2. Purpose of Assessments. The assessments levied by the Association shall be used exclusively for the purpose of promoting the recreation, health, safety and welfare of the residents in the Properties and for the improvement and maintenance of the Common Area owned by the Association and areas affecting the houses situated upon the Properties.

Section 3. Basis and Maximum of Annual Assessments. Until January 1st of the year immediately following the conveyance of the first Lot to an Owner, the maximum annual assessment shall be \$100.00 per Lot; however, Lots owned by Declarant or any other Class B Member shall not be subjected to any assessments (special or annual) unless or until Declarant or such other Class B Member(s) complete construction of a single-family residence on such Lot(s), or unless this provision is prohibited by FHA or VA regulations for FHA or VA mortgage financing in which event those Lots owned by Declarant or any other Class B Member shall be subjected to the lesser of the maximum annual assessments as set forth above or the minimum amount assessment required by FHA or VA regulations.

(a) From and after January 1st of the year immediately following the conveyance of the first Lot to an Owner, the maximum annual assessment may be increased each year not more than 10% above the maximum assessment for the previous year without a vote of the membership.

(b) From and after January 1st of the year immediately following the conveyance of the first Lot to an Owner, the maximum annual assessment may be increased above 10% by a vote of two-thirds (2/3) of each class of members who are voting in person or by proxy at a meeting called for this purpose. Written notice of such meeting shall be sent to all members not less than 30 days nor more than 50 days in

advance of the meeting setting forth the purpose of the meeting. The limitations hereof shall not apply to any change in the maximum and basis of the assessments undertaken as an incident to a merger or consolidation in which the Association is authorized to participate under its Articles of Incorporation.

(c) After consideration of current maintenance costs and future needs of the Association, the Board may levy the annual assessment at an amount not in excess of the then applicable maximum.

Section 4. Special Assessments for Capital Improvements. In addition to the annual assessments authorized above, the Association may, by a vote of two-thirds (2/3) of members, in the aggregate, who are voting in person or by proxy at a meeting called for this purpose, levy in any assessment year, special assessments as provided by the Declaration.

Section 5. Exempt Property. All properties dedicated to and accepted by a local public authority; and all property designated as Common Area; and all properties owned by a charitable or nonprofit organization are exempt from the assessment created herein. However, no land or improvements devoted to dwelling use shall be exempt from said assessments.

Section 6. Miscellaneous.

(a) The proceeds of the regular annual assessments shall not be used to reimburse Declarant for any capital expenditures incurred in construction or other improvements of common facility, nor for the operation or maintenance of such facilities incurred prior to conveyance unencumbered to the Association.

(b) Attendant to the rights of the members is the right to inspect the books upon proper notice of fifteen (15) days to the Secretary of the Association.

ARTICLE XIII

BOOKS AND RECORDS

The books, records and papers of the Association shall at all times, during reasonable business hours, be subject to inspection by any member. The Declaration, the Articles of Incorporation and the Bylaws of the Association shall be available for inspection by any members at the principal office of the Association, where copies may be purchased at reasonable cost.

ARTICLE XIV

CORPORATE SEAL

The Association shall have a seal in circular form having within its circumference the words: The Hills at Firewheel Estates Homeowners Association, Inc.

ARTICLE XV

FISCAL YEAR

The Fiscal Year of the Association shall begin on the first day of January and end on the 31st day of December of every year, except that the first fiscal year shall begin on the date of incorporation.

ARTICLE XVI

AMENDMENTS

Section 1. These Bylaws may be amended, at a regular or special meeting of the members, by a vote of a majority, in the aggregate, of a quorum of members present or by proxy, except that the Federal Housing Administration or the Veterans Administration shall have the right to veto amendments while there is a Class B membership.

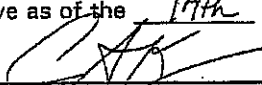
Section 2. In the case of any conflict between the Articles of Incorporation and these Bylaws, the Articles shall control; and in the case of any conflict between the Declaration and these Bylaws, the Declaration shall control.

ARTICLE XVII


GENDER AND GRAMMAR

The singular, wherever used herein, shall be construed to mean the plural when applicable, and necessary grammatical changes required to make the provision hereof apply either to corporations or individuals, men or women, shall in all cases be assumed as though in case fully expressed.

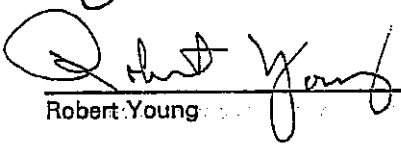
IN WITNESS WHEREOF, we being all the Directors of The Hills at Firewheel Estates Homeowners Association, Inc. have hereunto set our hands effective as of the 17th day of ~~November, 1998.~~ February, 1999.



Craig A. Knight



John K. Pierret



Robert Young