

AMENDED AND RESTATED

BYLAWS

OF

THE COSTA BELLA WATERFRONT COMMUNITY, INC.

These Amended and Restated Bylaws include all amendments approved by the Members of the Association by written consent received by February 15, 2007, in accordance with Section 13.1 of the original Bylaws dated March 26, 1998 and Article XIII of the Articles of Incorporation. The original Bylaws dated March 26, 1998, including any amendments thereto, are hereby superseded by the terms and provisions set forth below.

ARTICLE I NAME AND LOCATION

The name of the corporation is The Costa Bella Waterfront Community, Inc., hereinafter referred to as the "Association". The principal office of the Association shall be located at 205 Bella Vista Cove, Austin, Texas 78734, but meetings of Members and Directors may be held at such places within the State of Texas, County of Travis, as may designated by the Board of Directors.

ARTICLE II DEFINITIONS

Unless the context otherwise specifies or requires, the following words and phrases when used in these Bylaws shall have the meanings hereinafter specified:

Section 2.1. Articles. "Articles" shall mean the Articles of Incorporation of the Costa Bella Waterfront Community, Inc., which will be filed in the office of the Secretary of State of the State of Texas as the same may from time to time be amended.

Section 2.2. Assessment. "Assessment" or "Assessments" shall mean assessment(s) levied by the Association under the terms and provisions of the Declaration.

Section 2.3. Association. "Association" shall mean and refer to The Costa Bella Waterfront Community, Inc.

Section 2.4. Association Property. "Association Property" shall mean all real or personal property now or hereafter owned by the Association, including without limitation, all easement estates, licenses, leasehold estates or other interests of any kind in and to real or personal property which are now or hereafter owned or held by the Association.

Section 2.5. Association Restrictions. "Association Restrictions" shall mean the Declaration as the same may be amended from time to time, together with the Articles, Bylaws, Committee Rules, and Association Rules from time to time in effect.

Section 2.6. Association Rules. "Association Rules" shall mean the rules and regulations adopted by the Board pursuant to the Declaration, as the same may be amended from time to time.

Section 2.7. Board. "Board" shall mean the Board of Directors of the Association.

Section 2.8. Bylaws. "Bylaws" shall mean the Bylaws of the Association which may be adopted by the Board and as from time to time amended.

Section 2.9. Declarant. "Declarant" shall mean Falcon of Lake Travis, Inc., and its duly authorized representatives or its successors or assigns; provided that any assignment of the rights of Declarant must be expressly set forth in writing and the mere conveyance of a portion of the Property without written assignment of the rights of Declarant shall not be sufficient to constitute an assignment of the rights of Declarant hereunder.

Section 2.10. Declaration. "Declaration" shall mean the "Declaration of Covenants, Conditions and Restrictions for Costa Bella," recorded in Volume 13143, Page 0832 of the Real Property of Travis County, Texas as the same may be amended from time to time.

Section 2.11. Lot. "Lot" or "Lots" shall mean any parcel or parcels of land within the Property together with all improvements located thereon.

Section 2.12. Manager. "Manager" shall mean the person, firm, or corporation, if any, employed by the Association pursuant to the Declaration and delegated the duties, powers, or functions of the Association.

Section 2.13. Member. "Member" or "Members" shall mean any person(s), entity or entities holding membership privileges in the Association as provided in the Declaration.

Section 2.14. Mortgage. "Mortgage" or "Mortgages" shall mean any mortgage(s) or deed(s) of trust covering any portion of the Property given to secure the payment of debt.

Section 2.15. Mortgagee. "Mortgagee" or "Mortgagees" shall mean the holder or holders of any lien or liens upon any portion of the Property.

Section 2.16. Owner. "Owner" or "Owners" shall mean the person(s), entity or entities, including Declarant, holding a fee simple interest in any Lot, but shall not include the Mortgagee of a Mortgage.

Section 2.17. Property. "Property" shall mean and refer to that tract or parcel of land situated in Travis County, Texas which is more fully described in the Declaration.

ARTICLE III MEETING OF MEMBERS

Section 3.1. Annual Meetings. The first annual meeting of the Members shall be held within one (1) year from the date of incorporation of the Association, and each subsequent regular annual meeting of the Members shall be held within sixty (60) days of the beginning of each calendar year, as selected by the Board of Directors. If the day for the annual meeting of the Members is a legal holiday, the meeting will be held on the first day following which is not a legal holiday.

Section 3.2. Special Meetings. Special meetings of the Members may be called at any time by the President or the Board of Directors, or upon written request of the Members who are entitled to vote fifty-one percent (51%) or more of the votes of the Association.

Section 3.3. Notice of Meetings. 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 prepaid, at least ten (10) and no more than fifty (50) days before such meeting to each Member entitled to vote at the meeting, addressed to the Member's address last appearing on the books of the Association, or 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 3.4. Quorum. The presence at the meeting of Members entitled to cast, or of proxies entitled to cast, twenty-five percent (25%) of the total votes of the membership shall constitute a quorum for any action, except as otherwise provided in the Articles, the Declaration, or these Bylaws. If, however, such quorum is not present or represented at any meeting, the Members entitled to vote at the meeting shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented.

Section 3.5. Proxies. At all meetings of the 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 be valid only for one meeting. General proxies, not naming a specific individual as proxy, shall include a provision to designate, by default, the Secretary, or in his or her absence, the President, who in either case shall vote as instructed by a majority of the Members of the Board of Directors who are present at the meeting of the Members. The form of proxy shall also include a special proxy directive, providing optional specific voting instructions for election of directors or any other issue deemed appropriate by the Board.

Section 3.6. Voting Rights. The right to cast votes, and the number of votes which may be cast, for election of Members to the Board of Directors of the Association and on all other matters to be voted upon by the Members, shall be in accordance with Article III, Section 3.03 of the Declaration.

ARTICLE IV BOARD OF DIRECTORS; SELECTION; TERM OF OFFICE

Section 4.1. Number, Tenure, and Qualifications. The affairs of the Association shall be managed by a Board of not less than three (3) and not more than seven (7) Directors. Each Director, at the time of election or appointment, shall be a Member in good standing and not have his or her home in the subdivision for sale. At the first Annual Member Meeting following the adoption of this revised section, the Members shall elect seven (7) Directors to replace the current Board of Directors in its entirety. Two of the newly elected Directors shall serve a one (1) year term and the remaining other newly elected Directors shall each serve a two (2) year term. The newly elected Directors at such meeting shall agree, or draw straws to determine, which two shall serve a one (1) year term and the other Directors shall each serve a two (2) year term. At each subsequent Annual Member Meeting, the Members shall elect the number of Directors whose terms expire at that meeting to serve for a term of two (2) years. At the end of his or her term, a Director may stand for reelection provided he or she still meets the qualifications set forth above. The Board of Directors may by resolution of the Directors, change the number of Directors; however, in no event shall the number of Directors be less than three (3) nor more than seven (7). Any vacant Director position created by an expansion of the Board shall be filled by appointment by the Board of Directors until the next Member Meeting at which time the Members will elect a successor for each such new position. Any reduction in the number of Directors shall not serve to shorten the term of any incumbent Director. The Board of Directors shall have no authority to amend this section without the affirmative vote of a majority vote of the Members.

Section 4.2. Removal. Any Director may be removed from the Board, with or without cause, by a majority vote of the Members of the Association entitled to cast votes pursuant to Section 3.6 of these Bylaws. In the event of death, resignation, or removal of a Director, his successor shall be selected by the remaining Members of the Board and shall serve until the next annual meeting of the Members, at which time the Members will elect a successor. The person appointed by the Board to fill such vacancy until the next annual meeting of the Members may be nominated for a place on the ballot for election by a majority vote of the Members of the Association, provided he or she at that time still meets the qualification for directors set for in Section 4.1 above.

Section 4.3. 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 4.4. Action Taken Without a Meeting. The Directors shall have the right to take any 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 V NOMINATION AND ELECTION OF DIRECTORS

Section 5.1. Nomination. Nominations of Directors for election to the Board shall be made by a Nominating Committee. Nominations may also be made from the floor at the Annual Member Meeting. The Nominating Committee shall consist of a chairperson, who shall be a Director, and two (2) Members of the Association. The Nominating Committee shall be appointed by a majority of the Directors prior to each annual meeting of Members. The Nominating Committee shall make as many nominations of individuals to serve as it shall in its discretion determine, but not less than the number of vacancies that are to be filled. Such nominations must be made from among qualified Members, and a list of individuals nominated shall be included in each notice of annual member meeting; provided, however, nominations may be made subsequent to the date the annual meeting notice is provided to Members, in which case no further notice to Members need be given prior to the annual member meeting.

Section 5.2. Election. Election to the Board shall be by secret written ballot. At such election the Members or their proxies may cast, in respect to each vacancy, as many votes as they are entitled to exercise under the provisions of the Declaration. The persons receiving the largest number of votes shall be elected. Cumulative voting is not permitted.

ARTICLE VI MEETING OF DIRECTORS

Section 6.1. Regular Meetings. Regular meetings of the Board shall be held annually or such other frequency as determined by the Board, with at least three (3) days notice to be publicized in the website of the Association, at such place and hour as may be fixed from time to time by resolution of the Board. Should the meeting fall upon a legal holiday, then the meeting shall be held at the same time on the next day which is not a legal holiday.

Section 6.2. Special Meetings. Special meetings of the Board shall be held when called by the President of the Association, or by any two Directors, after not less than three (3) days' notice to each Director.

Section 6.3. 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 of Directors.

Section 6.4. Open Meetings. Meetings of the Board of Directors shall be open to all Members with the following exclusions; (i) meetings of the Board with respect to proposed or pending litigation; (ii) meetings of the Board involving personnel or homeowner specific sensitive matters. 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 and granted by the President. In such case, the President may limit the time any Member may speak.

Section 6.5. Minutes of Meetings. Draft minutes of each Board meeting shall be posted on the Association website within thirty (30) days after the meeting. The draft minutes shall include a summary of all the topics discussed, whether action is taken or not, and the results of all votes, including a list of how each Director voted.

ARTICLE VII POWERS AND DUTIES OF THE BOARD

Section 7.1. Powers. The Board shall have the power to undertake any of the following actions to the extent and only to the extent that such actions are undertaken in furtherance of the sole purposes of the Association as set forth in the Articles of the Declaration:

(a) adopt and publish the Association Rules, including regulations governing the use of the Association Property and facilities, and the personal conduct of the Members and their guests thereon, and to establish penalties for the infraction thereof;

(b) suspend the voting rights and right to use of the Association Property during any period in which such Member shall be in default in the payment of any Assessment levied by the Association, or after notice and hearing, for any period during which an infraction of the Association Rules exists;

(c) exercise for the Association all powers, duties and authority vested in or related to this Association and not reserved to the membership by other provisions of the Association Restrictions;

(d) declare the office of a member of the Board to be vacant in the event such member shall be absent from three (3) consecutive regular meetings of the Board;

(e) employ such employees as they deem necessary, and to prescribe their duties;

(f) as more fully provided in the Declaration, to:

(1) fix the amount of the Assessments against each Lot in advance of each annual assessment period and any other assessments provided by the Declaration; and

(2) foreclose the lien against any property for which Assessments are not paid within thirty (30) days after due date or to bring an action at law against the Owner personally

obligated to pay the same;

(g) issue, or to cause an appropriate officer to issue, upon demand by any person, a certificate setting forth whether or not any Assessment has been paid and to levy a reasonable charge for the issuance of these certificates (it being understood that if a certificate states that an Assessment has been paid, such certificate shall be conclusive evidence of such payment);

(h) procure and maintain adequate liability and hazard insurance on property owned by the Association;

(i) cause all officers or employees having fiscal responsibilities to be bonded, as it may deem appropriate; and

(j) exercise such other and further powers as provided in the Declaration.

Section 7.2. Duties. It shall be the duty of the Board to:

(a) cause to be kept a complete record of all its acts and corporate affairs and to a 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 the Members who are entitled to cast fifty-one percent (51%) of all outstanding votes; and

(b) supervise all officers, agents and employees of the Association, and to see that their duties are properly performed; and

(c) conduct periodic reviews of the performance and costs associated with each employee, contractor, or service provider and shall include the results of such review in the minutes of the meeting at which the review is finalized. Contracts for employees, contractors, or service providers may be month-to-month or for an initial term not to exceed two (2) years.

Section 7.3. Managing Agent and Manager. The Board of Directors may employ for the Association a managing agent and/or manager/financial manager at a compensation established by the Board of Directors to perform such duties and services, as the Board of Directors shall authorize. Any contract entered into with a managing agent or manager shall provide that: (i) the managing agent shall carry his own liability insurance in such amounts as the Board of Directors shall deem adequate and which shall include the Association as an additional insured; (ii) the managing agent shall provide fidelity bonding in an amount required by the Board of Directors; and (iii) such contract may be terminated by the Association without penalty, with or without cause, after the initial term of the agreement, upon not more than thirty (30) days notice. No such management agreement shall be for an initial term of more than two (2) years.

Section 7.4. Limitations of Authority. Unless otherwise approved by a 51% vote of the Membership, the Board's authority is limited with regard to:

- (a) incurring indebtedness;
- (b) utilizing Association reserve funds for non-budgeted expenditures other than long-term, non-recurring maintenance, repair, restoration, and replacement items for which the reserve is established. Reserve funds shall not be utilized for operating expenses or budgetary shortfalls. The Board may, however, utilize reserve funds for emergency or other unanticipated expenditures, not to exceed \$15,000 in any budget year.

ARTICLE VIII OFFICERS AND THEIR DUTIES

Section 8.1. Enumeration of Offices. The officers of this Association shall be a President and one Vice-President, who shall at all times be members of the Board, a Secretary and a Treasurer, and such other officers as the Board may from time to time create by resolution.

Section 8.2. Election of Officers. The election of officers shall take place at the first meeting of the Board following each annual meeting of the Member.

Section 8.3. Term. The officers of this Association shall be elected annually by the Board and each shall hold office for two (2) years unless he resigns sooner, or shall be removed, or otherwise disqualified to serve.

Section 8.4. 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 8.5. Resignation and Removal. Any officer may be removed from office with or without cause by the Board. Any officer may resign at any time giving written 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, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 8.6. Vacancies. A vacancy in any office may be filled through appointment by the Board. The officer appointed to such vacancy shall serve for the remainder of the term of the officer he replaces.

Section 8.7. 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 of the other offices except in the case of special offices created pursuant to Section 8.4.

Section 8.8. Duties. The duties of the officers are as follows:

(a) President. 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 promissory notes, leases, mortgages, deeds and other written instruments of the Association, and shall sign all documents establishing bank accounts and investment accounts on behalf of the Association.

(b) Vice President. The Vice President shall generally assist the President and shall have such powers and perform such duties and services as shall from time to time be prescribed or delegated to him by the President of the Board.

(c) Secretary. The Secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board and the Members; 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.

(d) Assistant Secretaries. Each Assistant Secretary, if any, shall generally assist the Secretary and shall have such powers and perform such duties and services as shall from time to time be prescribed or delegated to him or her by the Secretary, the President, the Board or any committee established by the Board.

(e) Treasurer. The Treasurer, if any, shall (i) receive and deposit, or cause to be received and deposited, in appropriate bank or investment accounts, all monies of the Association, and shall disburse, or cause to be disbursed, such funds as directed by the resolution of the Board; (ii) co-sign all promissory notes, leases, mortgages, and deeds of the Association, and shall co-sign all documents establishing bank accounts and investment accounts on behalf of the Association; (iii) keep, or cause to be kept, proper books of account in appropriate form such that they could be audited by a certified public accountant whenever ordered by the Board or the Membership; (iv) establish and monitor cash controls and review bank reconciliations on all Association bank accounts; (v) establish and maintain adequate separate reserve account(s) in the books and records of the Association for long-term, non-recurring maintenance/repair/restoration/replacement items; (vi) prepare, or cause to be prepared, periodic interim financial statements to be made available to the community on the Association's website; and (vii) prepare an annual budget and statement of income and expenditures to be posted to the Association's website and presented to the Membership at its regular Annual meeting.

In the event no Treasurer is then serving, the President shall be empowered with the Treasurer's duties.

**ARTICLE IX
OTHER COMMITTEES OF THE BOARD OF DIRECTORS**

The Board may, by resolution adopted by affirmative vote of a majority of the number of Directors fixed by these Bylaws, designate two or more Directors (with such alternatives, if any,

as may be deemed desirable) to constitute another committee or committees for any purpose; provided, that any such other committee or committees shall have and may exercise only the power of recommending action to the Board of Directors and of carrying out and implementing any instructions or any policies, plans, programs and rules theretofore approved, authorized and adopted by the Board.

ARTICLE X BOOKS AND RECORDS

Section 10.1. Availability of Association 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 Association Restrictions, including Bylaws, CC&R's, all rules and regulations, minutes of the Board and budgets shall be available to all Members on the Association's website.

Section 10.2. Reserve. The Association shall establish and maintain adequate reserves to fund non-recurring maintenance, repair, restoration and/or replacement of improvements in the common areas or other portions of the property which the Association is obligated to maintain. Reserve funds shall be segregated from the Association's operating funds in the accounting records. Reserve fund expenditures over \$15,000 in a budget year for non budgeted items will require approval by a majority vote of the Members.

Section 10.3. Audits. If required by a 51% vote by the Membership at the Annual or Special Meeting of the Members, the Association shall provide an audit of the Association's financial records by an independent certified public accountant, and make such audit available pursuant to Article X, Section 10.1. Otherwise the Board may provide an audit at its discretion. Any Member may request an audit by an independent certified public accountant at his own expense, provided that said audit is conducted during normal business hours without unreasonable interference with the operations of the Association or its managing agent.

ARTICLE XI ASSESSMENTS

As more fully provided in the Declaration, each Member is obligated to pay to the Association Assessments which are secured by a continuing lien upon the property against which the Assessments are made. Assessments shall be due and payable in accordance with the Declaration. If any Assessment is not paid before becoming delinquent, the Owner responsible for the payment thereof may be required by the Board to pay a late charge at such rate as the Board may designate from time to time and the Association may bring an action at law against the Owner personally obligated to pay the same or foreclose the lien against the Lot or Lots owned by such Owner, and all costs and reasonable attorney's fees of any such action shall be added to the amount of such Assessment. No Owner may waive or otherwise escape liability for the Assessments provided herein by nonuse of the Association Property or abandonment of his Lot or Lots. Notwithstanding any provision herein to the contrary, the Association may only levy Assessments (regular or special) to defray costs which are incurred in furtherance of the duties of

the Association as set forth in the prescribed law, or set forth in the Articles of these Bylaws or the Declaration.

ARTICLE XII CORPORATE SEAL

The Association may, but shall have no obligation to, have a seal in a form adopted by the Board.

ARTICLE XIII AMENDMENTS

Section 13.1. These Bylaws may be amended, at a regular or special meeting of the Members, by a vote of all the Members of the Association provided that such amendment has been approved by Members of the Association entitled under Article III, Section 3.03 of the Declaration, to cast at least sixty percent (60%) of the total number of votes of the Association.

Section 13.2. In the case of any conflict between the Articles 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 XIV INDEMNIFICATION OF DIRECTORS AND OFFICERS

Section 14.1. Definitions. In this Article XIV:

(a) *"Indemnatee"* means (i) any present or former director, advisory director or officer of the Association; (ii) any person who, while serving in any of the capacities referred to in clause (i) hereof, served at the Association's request as a director, officer, partner, venturer, proprietor, trustee, employee, agent or similar functionary of another foreign or domestic corporation, partnership, joint venture, trust, employee benefit plan or other enterprise; and (iii) any person nominated to or designated by (or pursuant to authority granted by) the Board of Directors or any committee thereof to serve in any of the capacities referred to in clause (i) or (ii) hereof.

(b) *"Official Capacity"* means (i) when used with respect to a director, the office of director of the Association, and (ii) when used with respect to a person other than a director, the elective or appointive office of the Association held by such person or the employment agency relationship undertaken by such person on behalf of the Association, but in each case does not include service for any other foreign or domestic corporation or any partnership, joint venture, sole proprietorship, trust, employee benefit plan or other enterprise.

(c) *"Proceeding"* means any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative, arbitral or investigative, any appeal in

such an action, suit or proceeding, and any inquiry or investigation that could lead to such an action, suit or proceeding.

Section 14.2. Indemnification. The Association shall indemnify every Indemnitee against all judgments, penalties (including excise and similar taxes), fines, amounts paid in settlement, and reasonable expenses actually incurred by the Indemnitee in connection with any Proceeding in which he was, is or is threatened to be named a defendant or respondent, or in which he was or is a witness without being named a defendant or respondent, by reason, in whole or in part, of his serving or having served, or having been nominated or designated to serve, in any of the capacities referred to in Section 14.1(a), if it is determined in accordance with Section 14.4 that the Indemnitee (i) conducted himself in good faith, (ii) reasonably believed, in the case of conduct of his Official Capacity, that his conduct was in the Association's best interests and, in all other cases, that his conduct was at least not opposed to the Association's best interests, and (iii) in the case of any criminal Proceeding, had not reasonable cause to believe that his conduct was unlawful; *provided however*, that in the event that an Indemnitee is found liable to the Association or is found liable on the basis the personal benefit was improperly received by the Indemnitee, the indemnification (i) is limited to reasonable expenses actually incurred by the Indemnitee in connection with the Proceeding and (ii) shall not be made in respect of any Proceeding in which the Indemnitee shall have been found liable for willful or intentional misconduct in the performance of his duty to the Association. Except as provided in the immediately preceding proviso to the first sentence of this Section 14.2, no indemnification shall be made under this Section 14.2 in respect if any Proceeding in which such Indemnitee shall have been (i) found liable on the basis that personal benefit was improperly received by him, whether or not the benefit resulted from an action taken in the Indemnitee's Official Capacity, or (ii) found liable to the Association. The termination of any Proceeding by judgment, order, settlement or conviction, or on a plea of nolo contendere or its equivalent, is not of itself determinative that the Indemnitee did not meet the requirements set forth in clauses (i), (ii) or (iii) in the first sentence of this Section 14.2. An Indemnitee shall have been so adjudged by a court of competent jurisdiction after exhaustion of all appeals there from. Reasonable expenses shall include, without limitation, all court costs and all fees and disbursements of attorneys for the Indemnitee.

Section 14.3. Successful Defense. Without limitation of Section 14.2 and in addition to the indemnification provided for in Section 14.2, the Association shall indemnify every Indemnitees against reasonable expenses incurred by such person in connection with any Proceeding in which he is a witness or a named defendant or respondent because he served in any of the capacities referred to in Section 14.1(a), if such person has been wholly successful, on the merits or otherwise, in defense of the Proceeding.

Section 14.4. Determinations. Any indemnification under Section 14.2 (unless ordered by a court of competent jurisdiction) shall be made by the Association only upon a determination that indemnification of the Indemnitee is proper in the circumstances because he has met the applicable standard of conduct. Such determination shall be made (i) by the Board by a majority vote of a quorum consisting of directors who are named at the time of such vote, are not named

defendants or respondents in the Proceeding; (ii) if such a quorum cannot be obtained, then by a majority vote of all directors (in which designation directors who are named defendants or respondents in the Proceeding may participate), such committee to consists solely of two (2) or more directors who, at the time of the committee vote, are not named defendants or respondents in the Proceeding; (iii) by special legal counsel selected by the Board or a committee thereof by vote as set forth in clauses (i) or (ii) of this Section 14.4 or, if the requisite quorum of all the directors cannot be obtained therefore and such committee cannot be established, by a majority vote of all the directors (in which directors who are named defendants or respondents in the Proceeding may participate); or (iv) by the Members in a vote that excludes the directors who are named defendants or respondents in the Proceeding. Determination as to reasonableness of expenses shall be made in the same manner as the determination that indemnification is permissible, except that if the determination that indemnification is permissible is made by a special legal counsel, determination as to reasonableness of expenses must be made in the manner specified in clause (iii) of the preceding sentence for the selection of special legal counsel. In the event a determination is made under this Section 14.4 that the Indemnitee has met the applicable standard of conduct as to some matters but not as to others, amounts to be indemnified may be reasonably prorated.

Section 14.5. Advancement of Expenses. Reasonable expenses (including court costs and attorney's fees) incurred by an Indemnitee who was or is threatened to be made a named defendant or respondent in a Proceeding shall be paid by the Association at reasonable intervals in advance of the final disposition of such Proceeding, and without making any of the determination specified in Section 14.4, after receipt by the Association of (i) a written affirmation by such Indemnitee of his good faith belief that he has met the standard of conduct necessary for indemnification by the Association under this Article XIV and (ii) a written undertaking by or on behalf of such Indemnitee to repay the amount paid or reimbursed by the Association if it shall ultimately be determined that he is not entitled to be indemnified by the Association as authorized in this Article XIV. Such written undertaking shall be an unlimited obligation of the Indemnitee but need not be secured and it may be accepted without any reference to financial ability to make repayment. Notwithstanding any other provision of this Article XIV, the Association may pay or reimburse expenses incurred by an Indemnitee in connection with his appearance as a witness or other participation in a Proceeding at a time when he is not named a defendant or respondent in the Proceeding.

Section 14.6. Employee Benefit Plans. For purposes of this Article XIV, the Association shall be deemed to have requested an Indemnitee to serve an employee benefit plan whenever the performance by him of his duties to the Association also imposes duties on or otherwise involves services by him to the plan or participants or beneficiaries of the plan. Excise taxes assessed on an Indemnitee with respect to an employee benefit plan pursuant to applicable law shall be deemed fines. Action taken or omitted by an Indemnitee with respect to an employee benefit plan in the performance of his duties for a purpose reasonably believed by him to be in the interest of the participants and beneficiaries of the plan shall be deemed to be for a purpose which is not opposed to the best interests of the Association.

Section 14.7. Other Indemnification and Insurance. The indemnification provided by this Article XIV shall (i) not be deemed exclusive of, or to preclude, any other rights to which those seeking indemnification may at any time be entitled under the Articles, any law, agreement or vote of Members or disinterested directors, or otherwise, or under any policy or policies of insurance purchased and maintained by the Association on behalf of any Indemnitee, both as to action in his Official Capacity and as to action in any other capacity, (ii) continue as to a person who has ceased to be in the capacity by reason of which he was an Indemnitee with respect to matters arising during the period he was in such capacity, and (iii) inure to the benefit of the heirs, executors, and administrators of such a person.

Section 14.8. Notice. Any Indemnification of or advance of expenses to an Indemnitee in accordance with this Article shall be reported in writing to the Members with or before the notice or waiver of notice of the next meeting of the Members or with or before the next submission to the Members of a consent to action without a meeting and, in any case, within the twelve-month period immediately following the date of the indemnification or advance.

Section 14.9. Construction. The Indemnification provided by this Article XIV shall be subject to all valid and applicable laws, including, without limitation, Article 2.02-1 of the Texas Business Association Act, and, in the event this Article XIV or any of the provision hereof or the indemnification contemplated hereby are found to be inconsistent with or contrary to any such valid laws, the latter shall be deemed to control and this Article XIV shall be regarded as modified accordingly, and, as so modified, to continue in full force and effect.

Section 14.10. Continuing Offer, Reliance, etc. The provisions of this Article XIV(i) are for the benefit of, and may be enforced by, each Indemnitee of the Association the same as if set forth in their entirety in a written statement duly executed and delivered by the Association and such Indemnitee, and (ii) constitute a continuing offer to all present and future Indemnities. The Association, by its adoption of these Bylaws, (i) acknowledges and agrees that each Indemnitee of the Association has relied upon and will continue to rely upon the provisions of this Article XIV in becoming, and serving in any of the capacities referred to in Section 14.1(a) hereof, (ii) waives reliance upon, and all notices of acceptance of, such provisions by such Indemnities, and (iii) acknowledges and agrees that no present or future Indemnities shall be prejudiced in his right to enforce the provisions of this Article XIV in accordance with their terms by any act or failure to act on the part of the Association.

Section 14.11. Effect of Amendment. No amendment, modification or repeal of this Article XIV or any provision hereof shall in any manner terminate, reduce or impair the right of any past, present or future Indemnities to be indemnified by the Association, nor the obligation of the Association to indemnify any such Indemnities, under and in accordance with the provisions of this Article XIV as in effect immediately prior to such amendment, modification or repeal with respect to claims arising from or relating to matters occurring, in whole or in part, prior to such amendment, modification or repeal, regardless of when such claims may arise or be asserted.

ARTICLE XV
MISCELLANEOUS

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.

[Remainder of this page left intentionally blank.]

SECRETARY'S CERTIFICATE

I, the undersigned, do hereby certify:

THAT, I am the duly elected Secretary of The Costa Bella Waterfront Community, Inc., a Texas non-profit corporation; and

THAT, the foregoing Amended and Restated Bylaws constitute the current Bylaws of said Association and include all amendments duly approved by the Members of the Association by written consent in accordance with Section 13.1 of the Bylaws and Article XIII of the Articles of Incorporation as of February 15, 2007.

IN WITNESS WHEREOF, I have hereunto subscribed my name in my official capacity of Secretary of said Association this 23 day of March, 2007.

By: _____


Jim Guthrie, Secretary

ACKNOWLEDGMENT

STATE OF TEXAS §
 §
COUNTY OF TRAVIS §

This instrument was acknowledged before me on March 23, 2007, by Jim Guthrie, Secretary of the Board of Directors of The Costa Bella Waterfront Community, Inc., a Texas non-profit corporation, on behalf of said corporation.


Notary Public, State of Texas

[SEAL]



My Commission Expires: NOV 6, 2010