

BY-LAWS

OF

WOLT PROPERTY OWNERS' Association II,

A Non-Profit Corporation

ARTICLE 1.

Members

Section 1.1 Membership. Every owner of a Lot in Waterford on Lake Travis shall be a member of the Association. Lot ownership is the sole requirement for membership. Membership shall be appurtenant to and may not be separated from ownership of the Lot and shall automatically pass with title to the Lot. No person shall be a member by reason of ownership of lands used for public school or governmental or quasi-governmental purposes, or by reason of ownership of any park, public land, road, easement, right-of-way, mineral interest, mortgage, security interest or deed of trust.

Section 1.2 Annual Meeting. The annual meeting of members will be held on the First Saturday in December of each year for the purpose of electing directors. Any business may be transacted at an annual meeting, except as otherwise provided by law or by these By-laws. The members shall be given notice of any change in the date, time or place in the manner provided for notice of special meetings in Section 1.3 below.

Section 1.3 Special Meeting. A special meeting of members may be called at any time by the holders of at least one-fifth (1/5) of the total votes outstanding entitled to be voted at such meeting, as calculated below in Section 1.8, by the board of directors or by the chairman of the board. Only such business will be transacted at a special meeting as may be stated or indicated in the notice of such meeting.

Section 1.4 Place. The annual meeting of members may be held at any place within or without the State of Texas designated by the board of directors. Special meetings of members may be held at any place within or without the State of Texas designated by the chairman of the board, if he will call the meeting; by the president, if he will call the meeting; or the board of directors, if they will call the meeting. Any meeting may be held at any place within or without the State of Texas designated in a waiver of notice of such meeting signed by members. Meetings of members will be held at the principal office of the Association unless another place is designated for meetings in the manner provided herein.

Section 1.5 Notice. Written or printed notice stating the place, day, and hour of each meeting of members and, in the case of a special meeting, the purpose or purposes for which the meeting is called, will be delivered not less than ten (10) nor mailed not less than fifteen (15) nor more than sixty (60) days before the date of the meeting, either personally, by facsimile transmission or by mail, to each member of record entitled to vote at such meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail addressed to the member at his address as it appears on the records of Association, with postage prepaid. If transmitted by facsimile, notice is deemed to be delivered on successful transmission of the facsimile.

Section 1.6 Quorum. The presence at any meeting, in person or by proxy, of members entitled

to vote at least a majority of the total votes then outstanding shall constitute a quorum. In the event a quorum is not present, the meeting shall be adjourned to a time not less than forty-eight (48) hours nor more than thirty (30) days from the date of the time set for the original meeting and there reconvened and at which adjourned meeting the quorum requirement shall be waived. Action may be taken by a vote of a majority of the votes present at such adjourned meeting. When a quorum is once present to organize a meeting, it cannot be broken by the subsequent withdrawal of a member in question.

Section 1.7 Proxies, No Cumulative Voting. At any meeting of members, the member entitled to vote may vote by proxy executed in writing by the member or by his duly authorized attorney-in-fact. No proxy shall be valid after eleven (11) months from the date of its execution unless otherwise provided in the proxy. No cumulative voting will be allowed.

Section 1.8 Voting. Except as provided below or in Art. 2.29.A. of the Texas Business Association Act, each member by reason of its ownership, is entitled to vote upon a matter submitted to a vote at a meeting of members and will be entitled to one vote on such matter for each lot owned.

Any lot in Waterford on Lake Travis which is owned jointly or in common by more than one person shall require that the members who own the lot designate, in writing, the individual member who shall be entitled to cast votes on behalf of the lot and no other person shall be authorized to vote on behalf of such lot. A copy of such written designation shall be filed with the Board before any such votes may be cast, and upon the failure of the members who own the lot to file such designation, such votes shall neither be cast nor counted for any purpose whatsoever. Any lot owned by any entity, as opposed to individuals, shall designate its representative in the same manner.

Section 1.9 Order of Business. The order of business at all meetings of the members shall be as follows:

- (a) Roll call.
- (b) Proof of notice of meetings or waiver of notice.
- (c) Reading of minutes of preceding meeting.
- (d) Reports of officers.
- (e) Reports of committees.
- (f) Election of directors.
- (g) Unfinished business.
- (h) New business.

Section 1.10 Officers. The chairman of the board will preside at and the Secretary will keep the records of each meeting of members, and in the absence of either such officer, such duties will be performed by some person appointed by the meeting.

Section 1.11 List of Members. Not later than two (2) business days after the date notice is given of a member meeting, a complete list of members entitled to vote at each members' meeting, arranged in alphabetical order, with the address of each, will be prepared by the Secretary and filed at the registered office of the Association and subject to inspection by any member during usual business hours for a period of ten (10) days prior to such meeting and will be produced at such meeting and at all times during such meeting be subject to inspection by any member.

Section 1.12 Action Without Meeting. Any action required by law to be taken at a meeting of members of the Association, or any action which may be taken at a meeting of the members thereof,

may be taken without a meeting if a consent in writing, setting forth, the action so taken, is signed by all of the members entitled to vote with respect to the subject matter thereof. Such consent will have the same force and effect as a unanimous vote of members, and may be stated as such in any articles or documents filed with the Secretary of State, or any regulatory agency.

Section 1.13 Voting by Mail The Board of Directors may authorize members to vote by mail on the election of directors or on any other matter that may be voted on by the members.

ARTICLE 2. Board of Directors

Section 2.1 Number and Term of Office. The business and property of the Association will be managed and controlled by the board of directors and, subject to the restrictions imposed by law, by the articles of incorporation, or by these By-laws, they may exercise all the powers of the Association.

The board of directors will initially consist of three (3) directors, but the number of directors may be increased or decreased (provided such decrease does not shorten the term of any incumbent director) from time to time by amendment to the By-laws, however there shall never be less than three (3) directors.

Each initial director shall hold office until an election of directors is held at the first annual meeting of the members, which shall be called pursuant to Section 1.2 herein. Each director will hold office for two years and until his successor will have been elected and qualified. New directors will be elected thereafter at the annual meeting of the members. Board Positions 1 & 2 will be elected in odd-numbered years. Positions 3, 4 & 5 will be elected in even-numbered years. Directors may serve repeat terms. Directors need not be members nor residents of Texas. Any director may be removed from office, with cause, by a majority vote of the votes entitled to be voted at any meeting at which a quorum is present.

Any vacancy occurring in the board of directors may be filled by the affirmative vote of a majority of the remaining directors though less than a quorum of the board of directors. A director elected to fill a vacancy will be elected for the unexpired term of his predecessor in office. In case of any increase in the number of directors the additional directors will be elected at an annual meeting or at a special meeting of members called for that purpose.

Section 2.2 Nomination of Directors. At any meeting at which the election of a director occurs, a member or director may nominate a person with the second of any other member or director.

Section 2.3 Meeting of Directors. The directors may hold their meetings and may have an office and keep the books of the Association, except as otherwise provided by statute, in such place or places in the State of Texas or outside the State of Texas, as the board of directors may from time to time determine.

Section 2.4 First Meeting. Each newly-elected board of directors may hold its first meeting for the purpose of organization and the transaction of business, if a quorum is present, immediately after and at the same place as the annual meeting of the members, and no notice of such meeting will be necessary.

Section 2.5 Election of Officers. At the first meeting of the board of directors in each year at

which a quorum will be present, held next after the annual meeting of members, the board of directors will proceed to the election of the officers of the Association.

Section 2.6 Regular Meetings. Regular meetings of the board of directors will be held at such times and places as will be designated from time to time by resolution of the board of directors. Notice of such regular meetings will not be required.

Section 2.7 Special Meetings. Special meetings of the board of directors will be held whenever called by the chairman of the board, the president, or by a majority of the directors for the time being in office.

Section 2.8 Notice. The Secretary will give notice of each special meeting in person, by telephone, by facsimile or by mail or telegraph at least two (2) days before the meeting to each director. The attendance of a director at any meeting will constitute a waiver of notice of such meeting, except where a director attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the board of directors need be specified in the notice or waiver of notice at such meeting.

At any meeting at which every director will be present, even though without any notice, any business may be transacted.

Section 2.9 Quorum. A majority of the directors fixed by these By-laws will constitute a quorum for the transaction of business, but if at any meeting of the board of directors there is less than a quorum present, a majority of those present or any director solely present may adjourn the meeting from time to time without further notice. The act of a majority of the directors present at a meeting at which a quorum is in attendance will be the act of the board of directors, unless the act of a greater number is required by the articles of incorporation or by these By-laws. No director may vote by proxy.

Section 2.10 Order of Business. At meetings of the board of directors, business will be transacted in such order as from time to time the board may determine.

At all meetings of the board of directors, the chairman of the board will preside, and in the absence of the chairman, a chairman will be chosen by the board from among the directors present.

The secretary of the Association will act as secretary of the meetings of the board of directors, but in the absence of the secretary, the presiding officer may appoint any person to act as secretary of the meeting.

Section 2.11 Compensation. Directors as such will not receive any stated salary for their service, but by resolution of the board a fixed sum and the payment of expenses of attendance, if any, may be allowed for attendance at regular or special meetings of the board, provided, that nothing contained herein will be construed to preclude any director from serving the Association in any other capacity or receiving compensation therefor.

Section 2.12 Presumption of Assent. A director of the Association who is present at a meeting of the board of directors at which action on any Association matter is taken will be presumed to have assented to the action unless his dissent will be entered in the minutes of the meeting or unless he will file his written dissent to such action with the person acting as secretary of the meeting before the adjournment thereof or will forward such dissent by registered mail to the Secretary of the Association immediately after the adjournment of the meeting. Such right to dissent will not apply to a director who voted in favor of such action.

Section 2.13 Executive Committee. The board of directors may, by resolution adopted by a majority of the number of directors fixed by these By-laws, designate two or more directors to constitute an executive committee, which committee, to the extent provided in such resolution, will have and may exercise all of the authority of the board of directors in the business and affairs of the Association, except that no such committee will have the authority of the board of directors in reference to amending the Articles of Incorporation, approving a plan of merger or consolidation, recommending to the members the sale, lease, or exchange of all or substantially all of the property and assets of the Association otherwise than in the usual and regular course of its business, recommending to the members a voluntary dissolution of the Association or a revocation thereof, amending, altering, or repealing the By-laws of the Association or adopting new By-laws for the Association, filling vacancies in the board of directors or any such committee, electing or removing officers or members of any such committee, fixing the compensation of any member of such committee, or altering or repealing any resolution of the board of directors which by its terms provides that it will not be so amendable or repealable; and, unless such resolution expressly so provides, no such committee will have the power or authority to declare a dividend or to authorize a change in the qualifications for membership in the Association. The designation of such committee and the delegation thereto of authority will not operate to relieve the board of directors, or any member thereof, of any responsibility imposed by law.

Section 2.14 Action without Meeting. Any action permitted or required by law, these By-laws, or by the articles of incorporation of the Association, to be taken at a meeting of the board of directors or any executive committee may be taken without a meeting if a consent in writing, setting forth the action so taken, is signed by all the members of the board of directors or executive committee, as the case may be. Such consent will have the same force and effect as a unanimous vote at a meeting, and may be stated as such in any document or instrument filed with the Secretary of State or any regulatory agency.

Section 2.15 Telephone Meetings. Subject to the notice provisions herein and in the Texas Non-Profit Corporation Act, the board of directors and any executive committee designated by the board of directors may participate in and hold a meeting of such board or committee by telephone conference call or similar communications equipment (such as a computer) by means of which all persons participating in the meeting can hear each other, or read each person's comments.. Participation in such a meeting shall constitute presence in person at such meeting, except where a person participates in the meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened.

Section 2.16 Loans to Directors Prohibited. No loans shall be made by the Association to its directors. The directors of an Association who vote for or assent to the making of a loan to a director of the Association, and any officer or officers participating in the making of such loan, shall be jointly and severally liable to the Association for the amount of such loan until the repayment of such loan.

ARTICLE 3. Officers

Section 3.1 Number, Titles, and Term of Office. The officers of the Association will be a chairman of the board, president, one or more vice presidents, a secretary, a treasurer, and such other officers as the board of directors may from time to time elect or appoint. Each officer will hold office until his successor will have been duly elected and qualified or until his death or until he will resign or will have been removed in the manner hereinafter provided, however, the board of directors will not elect or appoint any officer for a term longer than three (3) years. Officers may serve repeat terms. One person may hold more than one office, except the offices of president and secretary. None of the officers need be a director.

Section 3.2 Removal. Any officer or agent elected or appointed by the board of directors may be removed by the board of directors whenever in its judgment the best interests of the Association will be served thereby, but such removal will be without prejudice to the contract rights, if any, of the person so removed. Election or appointment of any officer or agent will not of itself create contract rights.

Section 3.3 Vacancies. A vacancy in the office of any officer may be filled by vote of a majority of the directors for the unexpired portion of the term.

Section 3.4 Powers and Duties of the Chairman of the Board. The Chairman of the Board will preside at all meetings of the members and of the board of directors and will have such other powers and duties as are designated in these By-laws and as from time to time may be assigned to him by the board of directors.

Section 3.5 Powers and Duties of the President. The president will be the chief executive officer of the Association and, subject to the board of directors, he will have general executive charge, management, and control of the properties and operations of the Association in the ordinary course of its business with all such powers with respect to such properties and operations as may be reasonably incident to such responsibilities; he may agree upon and execute all division and transfer orders, bonds, contracts and other obligations in the name of the Association; he will preside in the absence of the Chairman of the Board at all meetings of the members and of the board of directors, and he may sign all documentation relating to membership of the Association.

Section 3.6 Vice Presidents. In the absence of the president or in the event of his inability or refusal to act, a vice president designated by the board of directors will perform the duties of the president, and when so acting, will have all the powers of and be subject to all the restrictions upon the president. The vice presidents will perform such other duties and have such other powers as the board of directors may from time to time prescribe.

Section 3.7 Treasurer. The treasurer will have custody of all the funds and securities of the Association which come into his hands. When necessary or proper, he may endorse, On behalf of the Association, for collection checks, notes, and other obligations and will deposit the same to the credit of the Association in such bank or banks or depositories as will be designated in the manner prescribed by the board of directors. Whenever required by the board of directors, he will render a statement of his cash account; he will enter or cause to be entered regularly in the books of the Association to be kept by him for that purpose full and accurate accounts of all monies received and paid out on account of the Association; he will perform all acts incident to the position of treasurer subject to the control of the board of directors; and he will, if required by the board of directors, give such bond for the faithful discharge of his duties in such form as the board of directors may require.

Section 3.8 Assistant Treasurer. Each assistant treasurer will have the usual powers and duties pertaining to his office, together with such other powers and duties as may be assigned to him by the board of directors. The assistant treasurers will exercise the powers of the treasurer during that officer's absence or inability to act.

Section 3.9 Secretary. The secretary will keep the minutes of all meetings of the board of directors and the minutes of all meetings of the members, in books provided for that purpose; he will attend to the giving and serving of all notices; he may sign with the president, in the name of the Association, all contracts of the Association and affix the seal of the Association thereto; he may sign with the president all documentation relating to membership of the Association; he will have charge of such other books and papers as the board of directors may direct, all of which will at all reasonable times be open to inspection by any director upon application at the office of the Association during business hours; and he will in general perform all duties incident to the office of secretary, subject to the control of the board of directors.

Section 3.10 Assistant Secretaries. Each assistant secretary will have the usual powers and duties pertaining to his office, together with such other powers and duties as may be assigned to him by the board of directors or the secretary. The assistant secretary will exercise the powers of the secretary during that officer's absence or inability to act.

ARTICLE 4. Indemnification and Insurance

Section 4.1 General.

(a) The Association shall, as provided in this Article, indemnify a person who was, is, or is threatened to be made a named defendant or respondent in a proceeding because the person is or was a director (as that term is defined in Art. 1.02A (14) and Art. 2.22A-A(2) of the Texas Non-Profit Corporation Act. This subparagraph 4.1(a) constitutes the authorization of indemnification required by Art. 2.22A.G. of the Texas Non-Profit Corporation Act.

(b) The indemnification required by subparagraph 4.1(a) hereof shall be provided whenever it is determined in accordance with Section 4.4 hereof that the person seeking indemnification:

(1) conducted himself in good faith;

(2) reasonably believed:

(A) in the case of conduct in his official capacity as a director of the Association, that his conduct was in the Association's best interests; and

(B) in all other cases, that his conduct was at least not opposed to the Association's best interests; and

(3) in the case of any criminal proceeding, had no reasonable cause to believe

his conduct was unlawful.

Section 4.2 Expenses Covered by Indemnification.

(a) Except as provided in subparagraph 4.2(b) hereof, expenses to be indemnified by the Association shall include judgments, penalties (including excise and similar taxes), fines, settlements, and reasonable expenses (including attorneys' fees and court costs) actually incurred by the person in connection with the proceeding.

(b) If, as a result of a proceeding, a person is found liable to the Association or is found liable on the basis that personal benefit was improperly received by the person, indemnification shall be limited to reasonable expenses (including attorneys' fees and court costs) actually incurred by the person in connection with the proceeding. Notwithstanding any other provisions of this Article, a person shall not be indemnified in respect of any proceeding in which the person shall have been found liable for willful or intentional misconduct in the performance of his duty to the Association.

Section 4.3 Advance Payment of Expenses.

(a) The Association shall pay or reimburse, in advance of the final disposition of the proceeding and without any of the determinations specified in Sections 4.4 and 4.5 hereof, reasonable expenses incurred by a director who was, is, or is threatened to be made a named defendant or respondent in a proceeding after the Association receives a written affirmation by the director of his good faith belief that he has met the standard of conduct necessary for indemnification under subparagraph 4.1(b) hereof and a written undertaking by or on behalf of the director to repay the amount(s) paid or reimbursed if it is ultimately determined that he has not met those requirements.

(b) The written undertaking required by subparagraph 4.3(a) hereof shall be an unlimited general obligation of the director, but need not be secured and shall be accepted without reference to financial ability to make repayment. Determinations of reasonableness of advance payments under subparagraph 4.3(a) hereof shall be made in the manner specified in Section 4.5 hereof.

Section 4.4 Determination That Indemnification Standard Has Been Met. A determination that the indemnification standard set forth in subparagraph 4.1(b) hereof has been met must be made:

(a) by a majority vote of a quorum consisting of directors who at the time of the vote are not named defendants or respondents in the proceeding;

(b) if such a quorum cannot be obtained, by a majority vote of a committee of the board of directors, designated to act in the matter by a majority vote of all directors, consisting solely of two or more directors who at the time of the vote are not named defendants or respondents in the proceedings;

(c) by special legal counsel selected by the board of directors or a committee of the board by vote as set forth in subparagraph (a) or (b) of this Section, or, if such a quorum cannot be obtained and such a committee cannot be established, by a majority vote of all directors; or

(d) by the members in a vote that excludes the votes of directors who are named defendants or respondents in the proceeding.

Section 4.5 Determination of Reasonableness of Expenses. Determination of the reasonableness of expenses for which a person shall be indemnified from time to time pursuant to the provisions of this Article shall be made in the same manner as the determination provided for in Section 4.4 hereof, except that if the determination is made by special legal counsel, authorization of indemnification and determination as to reasonableness of expenses must be made in the manner specified by subparagraph 4.4(c) hereof for the selection of special legal counsel.

Section 4.6 Other Indemnification. Notwithstanding any other provision of this Article, the Association shall pay or reimburse expenses incurred by a director in connection with his appearance as a witness or other participation in a proceeding at a time when he is not a named defendant or respondent in the proceeding. The Association may indemnify and advance expenses to an officer, employee, or agent of the Association to the same extent that it may indemnify and advance expenses to directors under the provisions of this Article. The Association may indemnify and advance expenses to persons who are not or were not officers, employees, or agents of the Association but who are or were serving at the request of the Association as a director, officer, partner, venturer, proprietor, trustee, employee, agent, or similar functionary of another foreign or domestic corporation, partnership, joint venture, sole proprietorship, trust, employee benefit plan, or other enterprise to the same extent that it may indemnify and advance expenses to directors under this Article.

Section 4.7 Insurance. The Association may, to the maximum extent permitted by Art. 2.22A.R. of the Texas Non-Profit Corporation Act, purchase and maintain insurance or another arrangement on behalf of any person associated with the Association who is or was a director, officer, employee, or agent of the corporation or who is or was serving at the request of the Association as a director, officer, partner, venturer, proprietor, trustee, employee, agent, or similar functionary of another foreign or domestic corporation, partnership, joint venture, sole proprietorship, trust, employee benefit plan, or other enterprise, against any liability asserted against him and incurred by him in such a capacity or arising out of his status as such a person, whether or not the Association would have the power to indemnify him against that liability under this Article.

Section 4.8 Reports of Indemnification and Advances. Any indemnification or advance of expenses to a director 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 members' meeting or with or before the next submission to members of a consent to action without a meeting pursuant to Art. 9.10 of the Texas Non-Profit Corporation Act, and, in any case, within the 12-month period immediately following the date of the indemnification or advance.

Section 4.9 Repeal or Modification. Any repeal or modification of this Article shall be prospective only, and shall not adversely affect any obligation on the part of the Association to indemnify a director existing at the time of the repeal or modification.

ARTICLE 5. Membership

Section 5.1 Membership. Each owner of a lot in Waterford on Lake Travis will be members of the Association; however no person or entity shall be a member by reason of ownership of lands inside Waterford on Lake Travis used by or for any park, public land, road easement, other easement, right of way, mineral interest, mortgage or deed of trust. Membership herein shall run with the property interest ownership and may not be severed from it.

Section 5.2 Not Transferable. Membership may not be severed from, or in any way transferred, pledged, mortgaged, or alienated except together with the title to the property ownership which qualifies the owner thereof for membership, and then only to the transferee to said property ownership. Any attempt to make a prohibited severance, transfer, pledge, mortgage or alienation shall be void.

Section 5.3 Membership List. The Board of Directors shall make provision for a listing of all members, to be available at all times to all other members and to the Board of Directors. It shall be kept with the books and records of the Association and shall be updated every calendar quarter to add the names of new members and delete the names of persons no longer members. The Board of Directors may set a fee to supply the member list to other members to defray the cost of supplying such list.

Section 5.4 Closing of Transfer Books. For the purpose of determining members entitled to notice of or to vote at any meeting of members, or any adjournment thereof, or in order to make a determination of members for any other proper purpose, the board of directors of the Association may provide that the Association membership books will be closed for a stated period but not to exceed, in any case, sixty (60) days. If the Association membership books will be closed for the purpose of determining members entitled to notice of or to vote at a meeting of members, such books will be closed for at least ten (10) days immediately preceding such meeting. In lieu of closing the Association membership books the board of directors may fix in advance a date as the record date for any such determination of members, such date in any case to be not more than sixty (60) days and, in case of a meeting of members, not less than ten (10) days prior to the date on which the particular action requiring such determination of members is to be taken. If the Association membership books are not closed and no record date is fixed for the determination of members entitled to notice of or to vote at a meeting of members, the date on which the notice of the meeting is mailed will be the record date for such determination of members.

Section 5.5 Regulations. The board of directors will have power and authority to make all such rules and regulations as they may deem expedient concerning the transfer of membership rights in the Association.

ARTICLE 6.

Transactions of the Association

Section 6.1 Contracts. The Board of Directors may authorize any officer or agent of the Association to enter into a contract or execute and deliver any instrument in the name of and on behalf of the Association. This authority may be limited to a specific contract or instrument or it may extend to any number and type of possible contracts and instruments.

Section 6.2 Deposits. All funds of the Association shall be deposited to the credit of the

Corporation in banks, trust companies, or other depositories that the Board of Directors selects.

Section 6.3 Gifts. The Board of Directors may accept on behalf of the Association any contribution, gift, bequest, or devise for the general purposes or for any special purpose of the Association. The Board of Directors may make gifts and give charitable contributions that are not prohibited by the bylaws, the articles of incorporation, state law, and any requirements for maintaining the Corporation's federal and state tax status.

Section 6.4 Potential Conflicts of Interest. The Association shall not make any loan to a director or officer of the Association. A member, director, officer, or committee member of the Association may lend money to and otherwise transact business with the Association except as otherwise provided by the bylaws, articles of incorporation, and all applicable laws. Such a person transacting business with the Association has the same rights and obligations relating to those matters as other persons transacting business with the Association. The Association shall not borrow money from or otherwise transact business with a member, director, officer, or committee member of the Association unless the transaction is described fully in a legally binding instrument and is in the best interests of the Association. The Association shall not borrow money from or otherwise transact business with a member, director, officer, or committee member of the Association without full disclosure of all relevant facts and without the approval of the Board of Directors, not including the vote of any person having a personal interest in the transaction.

Prohibited Acts

Section 6.5 Prohibited Acts. As long as the Association is in existence, and except with the prior approval of the Board of Directors, no member, director, officer, or committee member of the Association shall:

- (a) Do any act in violation of the bylaws or a binding obligation of the Association.
- (b) Do any act with the intention of harming the Association or any of its operations.
- (c) Do any act that would make it impossible or unnecessarily difficult to carry on the intended or ordinary business of the Association.
- (d) Receive an improper personal benefit from the operation of the Association.
- (e) Use the assets of this Association, directly or indirectly, for any purpose other than carrying on the business of this Association.
- (f) Wrongfully transfer or dispose of Association property, including intangible property such as good will.
- (g) Use the name of the Association (or any substantially similar name) or any trademark or trade name adopted by the Association, except on behalf of the Association in the ordinary course of the Association's business.

(h) Disclose any of the Association business practices, trade secrets, or any other information not generally known to the business community to any person not authorized to receive it.

ARTICLE 7.
Books and Records

Section 7.1 Required Books and Records. The Association shall keep correct and complete books and records of account. The Association's books and records shall include:

(a) A file-endorsed copy of all documents filed with the Texas Secretary of State relating to the Association, including, but not limited to, the articles of incorporation, and any articles of amendment, restated articles, articles of merger, articles of consolidation, and statement of change of registered office or registered agent.

(b) A copy of the bylaws, and any amended versions or amendments to the bylaws.

(c) Minutes of the proceedings of the members, Board of Directors, and committees having any of the authority of the Board of Directors.

(d) A list of the names and addresses of the members, directors, officers, and any committee members of the Association.

(e) A financial statement showing the assets, liabilities and net worth of the Association at the end of the three most recent fiscal years.

(f) A financial statement showing the income and expenses of the Association for the three most recent fiscal years.

(g) All rulings, letters, and other documents relating to the Association's federal, state and local tax status.

(h) The Association's federal, state, and local information or income tax returns for each of the Association's three most recent tax years.

Section 7.2 Inspection and Copying. Any member, director, officer, or committee member of the Association may inspect and receive copies of all books and records of the Association required to be kept by the bylaws. Such a person may inspect or receive copies if the person has a proper purpose related to the person's interest in the Association and if the person submits a request in writing. Any person entitled to inspect and copy the Association's books and records may do so through his or her attorney or other duly authorized representative. A person entitled to inspect the Association's books and records may do so at a reasonable time no later than five working days after the Association's receipt of a proper written request. The Board of Directors may establish reasonable fees for copying the Association's books and records by members. The fees may cover the cost of materials and labor, but may not exceed twenty five cents per page. The Association shall provide requested copies of books or records no later than five working days after the Association's receipt of a proper written request.

Section 7.3 Audit. Any member shall have the right to have an audit conducted of the Association's books. The member requesting the audit shall bear the expense of the audit unless the members vote to authorize payment of audit expenses. The member requesting the audit may select the accounting firm to conduct the audit. A member may not exercise these rights to compel audits so as to subject the Association to an audit more than once in any fiscal year.

ARTICLE 8. Miscellaneous Provisions

Section 8.1 Offices. Until the board of directors otherwise determines, the registered office of the Association need not be the principal place of business of the Association, and such registered office may be changed from time to time by the board of directors in the manner provided by law. The principal place of business will initially be 422 Venture Blvd., Leander, Texas 78645.

Section 8.2 Fiscal Year. The fiscal year of the Association will be the calendar year.

Section 8.3 Seal. The seal of the Association will be such as from time to time may be approved by the board of directors.

Section 8.4. Notice and Waiver of Notice. Whenever any notice is required to be given under the provisions of these by-laws, said notice will be deemed to be sufficient if given by depositing the same in a post office box in a sealed postpaid wrapper addressed to the person entitled thereto at his post office address, as it appears on the books of the Association, and such notice will be deemed to have been given on the date of such mailing. A waiver of notice, signed by the person or persons entitled to said notice, whether before or after the time stated therein, will be deemed equivalent thereto.

Section 8.5 Resignations. Any director or officer may resign at any time. Such resignations will be made in writing and will take effect at the time specified therein, or, if no time be specified, at the time of its receipt by the president or secretary. The acceptance of a resignation will not be necessary to make it effective, unless expressly so provided in the resignation.

Section 8.6 Securities of Other Associations. The chairman of the board, the president, any vice president, or the treasurer of the Association will have power and authority to transfer, endorse for transfer, vote, consent, or take any other action with respect to any securities of another issuer which may be held or owned by the Association and to make, execute, and deliver any waiver, proxy, or consent with respect to any such securities.

ARTICLE 9. Amendments

Subject to the provisions of the Association's articles of incorporation, the By-laws may contain any provision for the regulation and management of the affairs of the Association not inconsistent with law or the articles of incorporation. The Association's board of directors may amend or repeal the Association's By-laws, or adopt new By-laws, unless (i) the articles of incorporation or the Act reserves the power exclusively to the members in whole or in part or (ii) the members in amending, repealing, or adopting a particular By-law expressly provide that the board of directors may not amend or repeal that

By-law. Unless the Association's articles of incorporation or a By-law adopted by the members provides otherwise as to all or some portion of the Association's By-laws, the Association's members may amend, repeal, or adopt the Association's By-laws even though the By-laws may be amended, repealed, or adopted by its board of directors.

Gary Elmore, Director

Harvey Reiter, Director

Jerry McAhren, Director

Date: November ____, 2003