

BY-LAWS
OF
SONTERRA PROPERTY OWNERS ASSOCIATION, INC.

ARTICLE I

Section 1. The Registered Office of the corporation shall be at 19210 Huebner Road, Suite 102, San Antonio, Bexar County, Texas 78258, and the name of the Registered Agent of the corporation at such address is L. J. Bruner.

Section 2. The corporation may also have offices at such other places within Bexar County, Texas, as the Board may from time to time determine or the business of the corporation may require.

ARTICLE II

DEFINITIONS

Section 1. "Association" shall mean and refer to SONTERRA PROPERTY OWNERS ASSOCIATION, INC., its successors and assigns.

Section 2. "Property" shall mean and refer to the real property described as the "Land" in the SONTERRA PROPERTY OWNERS ASSOCIATION DECLARATION OF COVENANTS recorded in Volume 3418, Page 1980, Volume 6094, Page 0768, and Volume 6617, Page 1043 of the Deed and Plat Records of Bexar County, Texas.

Section 3. "Owner" shall mean and refer to the record owner, whether one or more persons or entities, of a fee simple title to any tract which is a part of the Property, but excluding those having such interest merely as security for the performance of an obligation.

Section 4. "Declaration" shall mean the SONTERRA PROPERTY OWNERS ASSOCIATION DECLARATION OF COVENANTS recorded in Volume 3418, Page 1989 and amended and recorded in Volume 6094, Page 0768, and Volume 6617, Page 1043 of the Deed and Plat Records of Bexar County, Texas.

Section 5. "Developer" shall mean and refer to Stone Oak Creek Joint Venture and its successors.

Section 6. "Master Plan" shall mean and refer to the Stone Oak Master Plan, as amended, recorded in Volume 4361, Page 0617 of the Deed and Plat Records of Bexar County, Texas and as further amended from time to time.

Section 7. "Member" shall mean and refer to each Owner as more particularly provided in the Declaration. "Membership" shall mean and refer to Owners, taken as a whole.

Section 8. "Classes" shall mean the designation assigned to tracts within the Property for the purpose of determining the general and special assessments allocable against such tracts in accordance with the provisions of Article XI, Section 3 hereof.

Section 9. "Board" shall mean and refer to the Board of Directors of the Sonterra Property Owners Association, Inc.

ARTICLE III

Section 1. Annual Meetings. The annual meeting of the Members shall be held on or near the third Wednesday of March of each year, at a place and time determined by a majority vote of the Board. The day for the annual meeting may be changed upon a majority vote of the Board.

Section 2. Special Meetings. Special meetings of the Members may be called at any time by the President of the Board, by a majority of the Board, or upon written request of the Members who are entitled to vote at least one-fourth (1/4) of all the votes of the membership.

Section 3. List of Members. At least fifteen (15) days before each meeting of Members, a complete list of the Members entitled to vote at said meeting, arranged by class in alphabetical order with the address of each and the number of voting shares held by each, shall be prepared by the officer or person having charge of the Membership books. Such list, for a period of fifteen (15) days prior to such meeting, shall be kept on file at the registered office of the corporation and shall be subject to inspection by any Member at any time during usual business hours, and shall also be made available at the Members' meetings.

Section 4. Notice of Meetings. Written notice of each meeting of the Members shall be given by, or at the direction of, the Secretary of the Association or person authorized to call the meeting, by written notice to each Member at least fifteen (15) days before such meeting. 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. All such notices shall include a proxy form to be cast as provided in Section 6, below.

Section 5. Quorum. The presence at the meeting of Members entitled to cast, or of proxies entitled to cast, at least ten (10) percent of all votes of the Membership shall constitute a quorum for any action except as otherwise provided in the Articles of Incorporation or these By-Laws. If, however, such quorum shall not be present or represented at any meeting, the Members entitled thereat shall have the 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 or be represented.

Section 6. 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 of the Association. Every proxy shall be revocable and shall automatically cease upon conveyance by the Member of his tract within the Property.

ARTICLE IV

BOARD OF DIRECTORS

Section 1. Management. The business and affairs of the corporation shall be managed by its Board who may exercise all such powers of the corporation and do such lawful acts and things as are not by statute or by the Articles of Incorporation or by these By-Laws directed or required to be exercised or done by the Members.

Section 2. Directors. The Board shall consist of seven (7) directors. One of the directors shall be appointed by the owner/agent of The Club at Sonterra. The other six (6) directors shall be elected by the Membership for the terms provided in Section 3 of this Article. The number of the directors may be changed by amendment of the By-Laws of the Association. A person must be a Member of the Association or a legal representative of a corporation, partnership, or joint venture who is a Member of the Association to serve on its Board. No more than one director may own or represent Property in the same subdivision or commercial tract within Sonterra.

Section 3. Term of Office of Elected Directors. At the first annual meeting, where these amended By-Laws are adopted, the Members shall elect two (2) directors to each serve for a term of three (3) years, two (2) directors to each serve for a term of two (2) years, and two (2) directors to each serve for a term of one (1) year. Commencing at the second year, after adoption of these amended By-Laws, two (2) directors are to be elected to each serve a term of three (3) years; at the third year, two (2) directors are to be elected to each serve a term of three (3) years; and at the fourth year, two (2) directors are to be

elected to each serve a term of three (3) years. This pattern of election of directors will continue thereafter in order to have directors serve a minimum of three years. The term of the directors may be changed by amendment of the By-Laws of the Association.

Section 4. Term Limits of Elected Directors. No elected director may serve as a director more than six (6) years, two (2) three (3) year terms, after the adoption of these By-Laws.

Section 5. Removal. Any director may be removed from the Board, with or without cause, by a majority vote of the Members of the Association present at a Members' meeting, so long as there shall be a quorum. In the event of death, resignation, or removal of a director, his/her successor shall be selected by the remaining members of the Board and shall serve for the remainder of the term of the director he/she replaces.

Section 6. Compensation. No director shall receive compensation for any service he may render to the Association. However, a director may be reimbursed for his actual expenses incurred in the performance of his duties.

Section 7. Action Taken Without a Meeting. The directors shall have the rights to take any action in the absence of a meeting which they could take at a meeting, by obtaining the written approval of all directors. Any action so approved shall have the same effect as though taken at a meeting of directors.

ARTICLE V

NOMINATION AND ELECTION OF DIRECTORS

Section 1. Nomination. Nomination for election to the Board 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, and two or more Members of the Association. The Nominating Committee shall be appointed by the Board prior to the annual meeting of Members, to serve from the close of such annual meeting until the close of the next annual meeting, and such Nominating Committee shall make as many nominations for election to the Board 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 or legal representatives of a corporation, partnership, or joint venture who is a member of the Association, subject to Article IV, Section 2.

Section 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 Articles of Incorporation of the Association or the Declaration. The person receiving the largest number of votes shall be elected. Cumulative voting shall not be permitted.

ARTICLE VI

MEETINGS OF THE BOARD

Section 1. Regular Meetings. Regular meetings of the Board shall be held at least monthly without notice, at such place and hour as may be fixed from time to time by resolution of the Board. Should said meeting fall upon a legal holiday, then 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 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 in person or by proxy at a duly-held meeting at which a quorum is present shall be regarded as the act of the Board. A director who is absent may give a written proxy to another director to vote on a specific motion but not to constitute a quorum.

ARTICLE VII

POWERS AND DUTIES OF THE BOARD

Section 1. Powers. The Board shall have power to:

- (a) adopt and publish rules and regulations governing the use of the Property in accordance with the requirements of the Declaration and to establish penalties for the infraction thereof;
- (b) suspend the voting rights of a Member during any period in which such member shall be in default in the payment of any assessment levied by the Association. Such rights may also be suspended after notice to the Member for infractions of the Declaration, recorded restrictions, these By-Laws or the published rules and regulations of the Association;
- (c) exercise for the Association all powers, duties, and authority vested in, or delegated to, the Association and not reserved to the Membership by other provisions of these By-Laws, the Articles of Incorporation, recorded restrictions, or the Declaration;
- (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 a manager, an independent contractor, or such other employee as it deems necessary, and to prescribe their duties which may include, without limitations, the duty to collect the assessments herein provided and expend funds so collected for Board approved expenditures; and,

(f) maintain such actions for damages or injunctive relief, or both, as may be appropriate for the enforcement of these By-Laws or the terms, conditions, covenants and restrictions of recorded restrictions or the Declaration.

Section 2. Duties. It shall be the duty of the Board to do the following or cause the following to be done:

(a) keep 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 Members who are entitled to vote one-fourth (1/4) of all the votes of the Membership;

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

(c) as more fully provided in Article XI, below:

(1) fix the amount of, levy and collect the assessments against each tract;

(2) publish notice of change in assessment by written notice mailed to each Member at least thirty (30) days prior to the effective date of change;

(3) take such action as is necessary to collect any assessment not paid within thirty (30) days after the date due;

(d) issue, upon demand by any interested person, a certificate setting forth whether or not any assessment has been paid;

(e) procure and maintain adequate liability and hazard insurance on the assets and properties of the Association and covering the members of its Board;

(f) cause all officers of the Board and employees having fiscal responsibilities to be bonded, as it may deem appropriate; and,

(g) cause the common areas of the Property to be maintained as required by the Master Plan.

ARTICLE VIII

OFFICERS AND THEIR DUTIES

Section 1. Enumeration of Officers. The officers of the Association shall at all times be elected members of the Board and shall be a President and a Vice-President, a Secretary, and a Treasurer, and such other officers as the Board may from time to time by resolution create. At no time shall the director appointed by the owner/agent of The Club at Sonterra be an officer of the Association.

Section 2. 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 created pursuant to Section 5 of this Article.

Section 3. Election of Officers. The election of officers shall take place at the first meeting of the Board following each annual meeting of the Members.

Section 4. Term. Each of the officers of the Association shall be elected annually by the Board and each shall hold office for one (1) year unless such officer shall sooner resign, or be removed, or otherwise disqualified to serve.

Section 5. 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 6. Resignation and Removal. Any officer may be removed from office, with or without cause, by a majority vote of 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 7. Vacancies. A vacancy in any office may be filled by appointment by the Board. The officer appointed to such vacancy shall serve for the remainder of the term of the officer he/she replaces.

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, as authorized by the Board, all leases, promissory notes, mortgages, easements, deeds, assessment liens, releases of liens, and other written instruments, and may co-sign all checks.

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 cause the keeping of the minutes of all meetings and proceedings of the Board and of the Members, serve notice of meetings of the Board and of the Members; upon commencement of membership 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 do or cause to be done by a person or persons designated by the Board the following: receive and deposit in appropriate bank accounts all monies of the Association and see that all disbursed funds have dual signatures; may co-sign all checks and promissory notes of the Association; see that proper books of account are kept; and prepare an annual budget and recommend to the Board the level of an independent operations review to be presented to the Membership at its regular annual meeting and deliver a copy of each to the Members; and prepare and file such other reports as may be required by law.

ARTICLE IX

COMMITTEES

Section 1. The Board of Directors shall appoint such committees as it deems appropriate in carrying out its purpose.

Section 2. The Board shall appoint five (5) Members to the Architectural Committee: each of whom shall hold office for such period and have such authority as the Board determines from time to time. The primary function of the Architectural Committee is to perform the duties, as spelled out in the various Sonterra subdivision Declarations of

Covenants as developers turnover control of the subdivision's architectural committee as provided in the various Sonterra subdivisions Declaration of Covenants. The Board will select a Chairman of the Committee from among those on the Committee.

Section 3. The Board shall appoint a Member of each residential subdivision to the Area Representative Committee: each of whom shall hold office for such period and have such authority as the Board determines from time to time. The primary function of the Area Representative Committee is to advise the Board of Member concerns and to assist in resolution and communication of resolution of concerns or other matters brought before the Committee by the Board.

ARTICLE X

BOOKS AND RECORDS

Section 1. The books, records, and papers of the Association shall at all times, during reasonable business hours, be subject to inspection by any Member and the holders of first mortgage liens on any of the tracts constituting the Property. The Declaration, recorded restrictions, the Articles of Incorporation, and the By-Laws of the Association shall be available for inspection by any Member at the principal office of the Association, where copies may be purchased for the actual cost thereof.

ARTICLE XI

ASSESSMENTS

Section 1. As more fully provided in the Declaration, every owner of a tract within the Property is obligated to pay to the Association its pro-rata share of expenses of maintaining the common areas of the Properties and operating the Association. Such payment is to be made in the form of basic, special, limited special and Capital Maintenance Reserve Fund assessments which are secure by a continuing lien upon the property against which the assessment is made. Any assessments which are not paid when due shall be delinquent. If the assessment is not paid within thirty (30) days after the due date (as specified by the Board), the assessment shall bear interest from the date of delinquency at twelve (12) percent per annum or such other maximum rate allowed under the laws of the State of Texas, and the Association may bring an action at law against the Owner as provided by the Master Plan, such action to also include costs and reasonable attorney's fees of any action. No Owner shall otherwise escape liability for the assessments provided for herein by non-use of the Property or abandonment of his tract.

Section 2. At the time of adoption of these amended By-Laws, some portion of the Property is being held for development by independent tract developers. It is anticipated that, as the Property is developed it shall, to a great extent, be further subdivided and conveyed to ultimate users. Each developer shall be responsible for keeping the

Association fully advised and informed of the development and disposition of his/her tract(s), such advise and information to include, at a minimum:

- (a) copies of all approved plats;
- (b) a schedule of the number of lot(s) or unit(s) so platted; and,
- (c) the names and addresses of each person to whom each developer conveys his/her tract or any portion thereof.

Section 3. Basis of Assessments.

(a) Rate of Assessments. All basic, special and Capital Maintenance Reserve Fund assessments shall be apportioned to all lots, units, or acreage within the Property at a rate in accordance with the Declaration.

(b) Due Date of Assessments. All assessments shall be due and payable on the date declared by the Board levying such assessments.

Section 4. Basic Assessment. The Board shall annually establish and approve an operating budget and shall fix the basic assessment at an amount sufficient to satisfy the cash requirements of such budget; provided, the basic assessment shall not be fixed in an amount which exceeds 110% of the previous year's basic assessment unless such increase shall first have been approved by majority vote of a quorum of members attending (in person or by proxy) , in accordance with Article III, hereof, a meeting called to consider such increase.

Section 5. Capital Maintenance Reserve Fund Assessment. The Board shall establish a Capital Maintenance Reserve Fund for the accumulation of money dedicated to repairing, maintaining, rebuilding or replacement of capital improvements belonging to the Association. Such funds will be maintained in a separate interest-bearing or Trust account and will be disbursed by Board approval. Such a fund shall be funded by a Capital Maintenance Reserve Fund assessment in addition to the basic and special assessments. The Board may increase the amount of the Capital Maintenance Reserve Fund assessment by up to twenty percent (20%) per year until December 31, 2004; thereafter, the Board may increase the amount of such assessment by up to ten percent (10%) per year.

Section 6. Limited Special Assessments. In addition to the basic assessment authorized in Section 4, above, the "Capital Maintenance Reserve Fund assessment" authorized by Section 5, above, and the "Special Assessment" of Section 7, below, the Board may, in its sole discretion, assess and set other Limited Special Assessments against tracts within the Sonterra subdivision to which developer or Association provided extra services, amenities or facilities [herein "extra(s)"] are provided and are maintained, repaired or replaced by the Association, which are not provided or made available to all

tracts within the Sonterra subdivision. The purpose of such Limited Special Assessment(s) shall be to maintain, repair and/or replace such extra(s), to the extent such extra amenities, facilities, benefits or services are the responsibility of the Association to maintain or the Association is requested by a subassociation to maintain such extras. In the event a subassociation requests the Association to maintain such extras, the amount of such Limited Special Assessment will be set at an amount mutually agreeable to the Boards of the Association and the subassociation. In the event such extra(s) are the responsibility of a sub-association within the Association to maintain, and the sub-association fails to maintain such extras, the Association, ten (10) days after written notice to the sub-association of such failure, will have the right, but not the obligation, to cure such failure, and assess a Limited Special Assessment as set forth herein. The determination of what extras are provided, whether any service, amenity or facility is classified as an extra, whether a Limited Special Assessment should be so levied is in the sole discretion of the Board of the Association. The amount of any such Limited Special Assessment will be set by the Board based upon the projected cost of the maintenance, repair or replacement of such extra(s) provided and such Limited Special Assessment will be levied against all tracts determined by the Board to benefit from such extra(s) in a manner consistent with the assessment scheme set out in the Declaration.

Section 7. Special Assessments. In addition to the general assessments authorized above, the Association, may levy, in any assessment year, a special assessment applicable to that year only for such purposes as are allowed in the Declaration.

Section 8. Commencement of Assessments. The general assessments provided herein will commence as stated in the Declaration.

Section 9. Subordination of Assessment Lien. The lien securing payment of the assessments and charges provided for herein or by the Declaration will be subordinate to an express prior recorded lien which was valid and existing on the date such assessment became due.

ARTICLE XII

AMENDMENTS

Section 1. These By-Laws may be amended at a regular or special meeting of the Members, by a vote of two thirds (2/3) of the eligible votes of a quorum of Members present in person or by proxy, in accordance with Article III; hereof.

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

ARTICLE XIII

INDEMNIFICATION

Section 1. Every director of the Association, will be indemnified by the Association against all expenses and liabilities, including counsel fees, reasonably incurred by or imposed upon him/her in connection with any proceeding to which he/she may be a party, or in which he/she may become involved, by reason of his/her being or having been a director of the Association, or any settlement thereof, whether or not he/she is a director at the time such expenses are incurred, except in such cases wherein the director is adjudged guilty of willful misfeasance in the performance of his/her duties; provided that, in the event of a settlement, the indemnification herein provided will apply only when the Board approves such settlement and reimbursement is being for the best interest of the Association. The foregoing right of indemnification will be in addition to, and not exclusive of, all other rights to which said directors may be entitled.

ARTICLE XIV

GENERAL PROVISIONS

Section 1. Fiscal Year. The fiscal year of the corporation will be fixed by resolution of the Board.

IN WITNESS WHEREOF, we, being all the directors of Sonterra Property Owners Association, Inc., have hereunto set our hands this 20th day of APRIL, 1999.

E.S. Mooney
Michael A. Brown
James C. Carter
John J. Kishner
Donald J. Douglas