

BYLAWS
OF
POSADA DEL REY CONDOMINIUM OWNERS' ASSOCIATION, INC.

ARTICLE ONE

Offices

The Principal office of the corporation (herein called the "Association") shall be located at 505 West 7th Street, Austin, Texas 78701, but meetings of Members and Directors may be held at such places within the State of Texas, County of Travis, as may be designated by the Board of Directors of the Association.

ARTICLE TWO

Definitions

Section 1. All terms used herein shall have the meaning given thereto in the Declaration unless expressly stated to the contrary herein.

Section 2. "Articles of Incorporation" shall mean the Articles of Incorporation of the Association, as amended from time to time.

Section 3. "Board" shall mean the Board of Directors of the Association.

Section 4. "Bylaws" shall mean these Bylaws of the Association, as amended from time to time.

Section 5. "Declaration" shall mean the Declaration, as amended from time to time, establishing Posada Del Rey Condominiums as a condominium regime in Austin, Travis County, Texas, pursuant to Article 1301a of the Texas Revised Civil Statutes, a copy of which Declaration is recorded in Volume 7, Page 431, Condominium Records of Travis County, Texas. The Declaration is incorporated herein by this reference for all purposes.

Section 6. "Director" shall mean a member of the Association's Board of Directors.

Section 7. "Member" shall mean those persons entitled to membership in the Association as provided in the Declaration.

Section 8. "Owner" shall mean any person, firm, corporation, or other entity, including Developer, which owns, of record, title to a Residence in the Project.

Section 9. "Residence" shall mean an enclosed space consisting of one or more rooms occupying part of a floor or floors in the Building, which enclosed space is not owned in common with the owners of other Residences in the Project. The boundaries of a Residence shall be the interior surface of its perimeter walls, floors, and ceilings. The 57 Residences in the Project are described on the plat (the "Plat") attached hereto as Exhibit "A" and made a part hereof.

ARTICLE THREE

Members, Meetings, and Voting Rights

Section 1. Composition and Powers. Every Owner shall be a Member of the Association and shall continue to be a Member for as long as he owns a Residence, as more particularly described in the Declaration. If more than one person or entity owns a Residence, only one of such Owners shall be a Member, which designation shall be made by a majority vote of all such Owners, and shall be specified in a written notice to the Board by such Owners. After an Owner is so designated, the Board shall have the right to rely on such designation until written notice revoking such appointment is received by the Board. Membership is not intended to include persons or entities holding an interest in a Residence merely as security for the performance of an obligation. Membership shall be appurtenant to, and may not be separated from the ownership of any Residence. Except as otherwise provided in these Bylaws or in the Declaration, all action to be taken or authorized by the Members shall be deemed

validly taken or authorized upon adoption by vote of a majority in interest of the Members present, in person or by proxy, at any properly called meeting at which a quorum is present, in person or by proxy.

Section 2. Annual Meetings. (a) The first annual meeting of the Members shall be held when called, upon 10 days' prior written notice to the Members, by the initial Board of Directors of the Association. Such meeting shall be called no later than the earlier to occur of (i) December 30, 1979, or (ii) within 60 days after 29 of the Residences have been conveyed by deeds duly executed, acknowledged, delivered, and recorded.

(b) Thereafter, the annual meeting of the Members shall be held on the third Tuesday in the month of October of each year at 8:00 p.m. If the day for the annual meeting of the Members is a legal holiday, the meeting will be held at the same hour on the first day following which is not a legal holiday.

Section 3. Special Meetings. Special meetings of the Members may be called at any time by the President or by the Board, or upon written request of 20% in interest of the Members.

Section 4. 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 pre-paid, at least 10 and not more than 50 days before such meeting to each Member entitled to vote thereat, addressed to the Member's address last appearing on the books of the Association, or supplied in writing by such Member to the Association for the purpose of notice. Such notice shall specify the place, date, and hour of meeting, and, in the case of a special meeting, the purpose of the meeting.

Section 5. Quorum and Adjournment. The presence at any meeting, in person or by proxy, of Members entitled to cast 25% of the votes in the Association shall constitute a quorum for any action, except as otherwise provided in the Articles of Incorporation, the Declaration, or these Bylaws. Any meeting of the Association, whether annual or special, may be adjourned from time to time, whether a quorum be present or not, without notice other than the announcement at the meeting, and such adjournment may be to such time, date, and place as may be determined by a majority of the votes cast at such meeting. At any such adjourned meeting at which a quorum shall be present, any business may be transacted which might have been transacted at the original meeting as originally called.

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. Every proxy shall be revocable and shall automatically cease upon conveyance by the Member of his Residence.

Section 7. Voting. Each Member shall have a vote or votes in the Association according to the percentage interest appurtenant to the Residence owned by such Member, as set forth in Exhibit "D" to the Declaration.

Section 8. Action Without a Meeting. Any action required to be taken at any annual or special meeting of Members, or by action which may be taken at any annual or special meeting of such Members, may be taken without a meeting, without prior notice and without a vote, if a consent in writing, setting forth the action so taken, shall be signed by all of the Members entitled to vote with respect to the subject matter thereof.

ARTICLE FOUR

Board of Directors

Section 1. Management of the Association. The Board, for the benefit of the Members, shall manage the Association and shall exercise for the Association all powers, duties, and authority vested in or delegated to this Association and not reserved to the membership by other provisions of these Bylaws, the Articles of Incorporation, or the Declaration; take all such lawful action as the Board may determine to be necessary, advisable to convenient to effectuate the purposes and provisions of the Declaration, the Articles of Incorporation, and Bylaws; and perform any and all duties imposed on or power allowed to the Board by applicable law.

Section 2. Number and Qualification. Until the first annual meeting of Members, the affairs of the Association shall be managed by a Board of three Directors appointed by Developer. After such date the affairs of the Association shall be managed by a Board of five Directors elected by the Members. Directors need not be Members of the Association or residents of the State of Texas.

Section 3. Election and Term of Office. 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 and these Bylaws. The persons receiving the largest number of votes shall be elected. Cumulative voting shall not be permitted. The term of office of three (3) Directors shall be fixed at two (2) years; and the term of office of two (2) Directors shall be fixed at one (1) year. At the expiration of the initial term of office of each respective Director, under this amendment, his successor shall be elected to serve a term of two (2) years and shall hold office until his successor shall have been elected and qualified or until his earlier death, resignation, retirement, disqualification or removal.

Section 4. Removal and Filling of Vacancies. Prior to the election of the Board by the Members at the first annual meeting of Members, no Director shall be subject to removal by the Members. After the first annual meeting, any Director may be removed either for or without cause at any special meeting of Members by the affirmative vote of a majority of all votes in the Association present in person or represented by proxy at such meeting, if notice of the intention to act upon such matter shall have been given in the notice calling such meeting. Any vacancy occurring in the Board, resulting from the death, resignation, retirement, disqualification or removal from office of any Director, or otherwise than as the result of an increase in the number of Directors, may be filled by the affirmative vote of a majority of the remaining Directors, though less than a quorum of the Board, or may be filled by election at any annual meeting of the Members or at a special meeting of the Members called for that purpose. A Director elected to fill a vacancy shall be elected for the unexpired term of his predecessor in office. Any directorship to be filled by reason of an increase in the number of Directors shall be filled by election at an annual meeting of Members or at a special meeting of Members called for that purpose.

Section 5. 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 6. Quorum and Manner of Acting. At all meetings of the Board the presence of a majority of the number of Directors fixed by these Bylaws shall be necessary and sufficient to constitute a quorum for the transaction of business. The act of a majority of the Directors present at a meeting at which a quorum is present shall be the act of the Board unless the act of a greater number is required by statute, by the Articles of Incorporation or by these Bylaws, in which case the act of such greater number shall be requisite to constitute the act of the Board. If a quorum shall not be present at any meeting of the Directors, the Directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present. At any such adjourned meeting any business may be transacted which might have been transacted at the meeting as originally convened.

Section 7. Action Taken Without a Meeting. The Directors shall have the right to take any action without a meeting which they could take at a meeting by obtaining the written consent of all the Directors. Any action so approved shall have the same effect as though taken at a meeting of the Directors.

Section 8. Meetings. Regular meetings of the Board shall be held at such times and places as the Board may determine. 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 3 days' written notice to each Director, which notice may be waived by attendance at the meeting or by written waiver. Except for emergency board meetings, notice of board meetings shall be posted on the bulletin board for the information of owners.

Section 9. Telephone Meetings. Subject to the provisions of applicable law and these Bylaws regarding notice of meetings, members of the Board may, unless otherwise restricted by the Articles of Incorporation or these Bylaws, participate in and hold a meeting of such Board or committee by using conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting pursuant to this Section shall constitute presence in person at such meeting, except when a person participates in the meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting was not lawfully called or convened. Provided, however, such telephone meetings of the Board may be held only in an emergency.

ARTICLE FIVE

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 one or more Directors (with such alternates, if any, as may be deemed desirable) to constitute a 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 and of carrying out and implementing any instructions or any policies, plans and programs theretofore approved, authorized and adopted by the Board.

ARTICLE SIX

Officers and Their Duties

Section 1. Election of Officers. The officers of the Association shall be the President, one or more Vice Presidents, Secretary, and Treasurer, and, in addition thereto, in the discretion of the Board, such other officers with such duties as the Board shall from time to time determine. All officers shall be elected annually by the Board as the Board may determine. All officers shall serve until their successors shall have been elected or until they have been removed or have resigned. All officers shall be subject to removal at any time by the Board. The Board may, in its discretion, elect acting or temporary officers and elect officers to fill vacancies occurring for any reason whatsoever, and may, in its discretion, limit or enlarge the duties and powers of any officer elected by it. Any person may simultaneously hold more than one of any of the offices, except the offices of President and Secretary.

Section 2. The President. The President shall preside at all meetings of the Board and the Members; see that orders and resolutions of the Board are carried out; and, unless otherwise provided by the Board, sign all leases, mortgages, deeds, and other written instruments that have been approved by the Board or pursuant to the authority granted by the Board.

Section 3. The Vice Presidents. Each Vice President shall have such power and duties as may be assigned to him by the Board. If more than one Vice President is elected, the Board shall designate who is the First Vice President, who is the Second Vice President, etc. In the absence of the President, the First Vice President shall perform the duties of the President. Such authority to act for the President shall vest to the Vice Presidents in the order of their numerical designation by the Board.

Section 4. The Secretary. The Secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board and of the Members; keep the corporate seal of the Association (if any) and affix it on all papers requiring said seal; serve notice of meetings in conformity with these Bylaws; keep appropriate current records showing the Members of the Association together with their addresses; and perform such other duties assigned by the Board.

Section 5. The Treasurer. The Treasurer shall receive and deposit in appropriate bank accounts all money of the Association and shall disburse such funds as directed by resolution of the Board--provided, however, that a resolution of the Board of Directors shall not be necessary for disbursements made in the ordinary course of business conducted within the limits of a budget adopted by the Board; sign all checks and promissory notes of the Association; keep proper books of account; cause an annual statement of the Association's books to be made at the completion of each fiscal year; prepare an annual budget and a statement of income and expenditures to be presented to the membership at its regular annual meeting, and deliver a copy of each to the Members; and perform all other duties assigned to him by the Board.

Section 6. Powers. The Board of Directors shall have power to: (a) Perform the functions and powers set forth in the Declaration; and adopt and publish rules and regulations governing the use of the Common Area and facilities, and the personal conduct of the Members and their guests thereon; and to establish penalties for the infraction thereof;

(b) Suspend the voting rights and right of use of the Common Area 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 and hearing, for a period not to exceed 60 days for infraction of published rules and regulations.

(c) Exercise for the Association all powers, duties and authority vested in or delegated to this Association, and not reserved to the membership by other provision of these Bylaws or the Declaration.

(d) Declare the office of a member of the Board of Directors to be vacant in the event such member shall be absent from three consecutive regular meetings of the Board of Directors without legitimate excuse as determined by the Board.

(e) Employ a manager, an independent contractor, regular employees, and/or such other persons as they deem necessary, and to prescribe their duties.

(f) Otherwise perform every function reasonably necessary for the administration, operation, maintenance and management of the property, consistent with the terms and conditions of the Declaration.

(g) Allow an officer to delegate his responsibilities under the Bylaws, for performance by other officers, board Members, or independent contractors.

Section 7. 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 present a report thereof to the Members at the annual meeting of the Members, or at any special meeting when such report is requested in writing by 20% in interest of the Members.

(b) To (1) fix the amount of monthly assessments for each condominium unit pursuant to the procedures in the Declaration; and to (2) collect assessments and enforce assessments; all pursuant to procedures and limitations as set forth in the Declaration.

(c) Supervise all officers, agents, and employees of this Association, and to see that their duties are properly performed.

(d) Issue, when requested, a certificate setting forth whether or not any assessment has been paid. A reasonable charge may be made by the Board for the issuance of these certificates. If a certificate states an assessment has been paid, such certificate shall be conclusive evidence of such payment.

(e) Procure and maintain adequate liability and hazard insurance on common area facilities and on property owned by the Association; cause all officers or employees having fiscal responsibilities to be bonded, as it may deem appropriate or necessary.

ARTICLE SEVEN

Miscellaneous

Section 1. Seal. If the Board of Directors elects to adopt a seal for the Association, it shall be in such form as shall be adopted and approved from time to time by the Board. The seal may be used by causing it, or a facsimile thereof, to be impressed, affixed, imprinted or in any manner reproduced.

Section 2. Fiscal Year. The fiscal year of the Association shall begin on the first day of January and end on the 31st day of December of every year, except that the first fiscal year shall begin on the date of incorporation.

Section 3. Covenant to Obey Laws, Rules, and Regulations. Each Member shall be subject to the Declaration and shall abide by the Bylaws and Rules and Regulations as the same are or may from time to time be established by the Board of Directors. Each Member shall observe, comply with, and perform all rules and regulations, ordinances, and laws made by any governmental authority of any municipal, state, and federal government having jurisdiction over the Project of any part thereof.

Section 4. Amendment. These Bylaws may be amended, at a regular or special meeting of the Members, by a vote of 75% of the Members present, in person or by proxy, provided that notice of the proposed Bylaw change was given to the Members at least 10 days in advance of the meeting. If any such amendment affects the rights of Mortgagees, the consent of 75% of the Mortgagees (based upon one vote for each Mortgage held) shall also be required.

Section 5. Conflicts. In the case of any conflict between the Articles of Incorporation and these Bylaws, the Articles of Incorporation shall control and in the case of any conflict between the Declaration and these Bylaws or the Articles of Incorporation, the Declaration shall control.

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RESOLUTION OF THE BOARD OF DIRECTORS

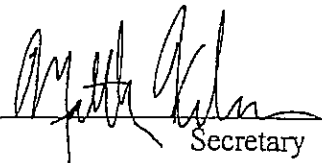
I, Matt Henderson , Secretary of The Posada Del Rey Owner's Association, Inc., a not for profit corporation duly organized and existing under the laws of the State of Texas, (the "Association") do hereby certify that I am keeper of the records and minutes of the proceedings of the Board of Directors of said Corporation, and that on the 7th day of June , 2001 there was duly and legally held a meeting of said Board of Directors at which a quorum of the Directors was present and acting throughout, and at said meeting the following resolutions were unanimously adopted:

RESOLVED, That in accordance with the Declaration and By-Laws and as provided for by the Texas Uniform Condominium Act, payments to the Association received from its members shall be applied to outstanding account balances in the following order:


- 1st Late and Collection Fees (including Attorney's Fees)
- 2nd Fines
- 3rd Maintenance Charge Backs
- 4th Special Assessments
- Last Regular Assessments

FURTHER RESOLVED, That this payment application policy shall be effective the first day of January, 2001.

IN WITNESS WHEREOF, I have hereunto set my hand as Secretary of said Corporation, and have attached hereto the official seal of said Corporation this 7th day of June , 2001.


Secretary

Attest by one other officer:


Paula Salinas, Pres.