

BY-LAWS
OF
PINNACLE ESTATES HOMEOWNERS ASSOCIATION

ARTICLE I
NAME AND LOCATION

The name of the corporation shall be Pinnacle Estates Homeowners Association, a non-profit corporation formed under the Texas Non-profit Corporation Act (the "**Association**"). The principal office of the corporation shall be located at 300 East Main, Suite 900, El Paso, TX 79901, but meetings of members may be held at such other place within the State of Texas as may be designated by the Board of Directors from time to time. Reference is here made to that certain Declaration of Covenants, Conditions and Restriction of Pinnacle Estates, dated as of July __, 2002, recorded in the Official Public Records of Real Property of El Paso County, Texas ("**Declaration**") filed by Pinnacle Partners, L.P., a Texas limited partnership (the "**Declarant**").

ARTICLE II
DEFINITIONS

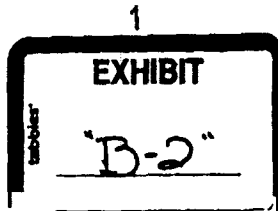
The definitions contained in the Declaration are adopted for these By-Laws, and all defined terms and words used herein, unless otherwise indicated, shall have the same meaning given to such terms in the Declaration.

ARTICLE III
MEMBERSHIP

1. **Composition.** Each Owner of a Lot shall become, remain and cease to be a Member of the Association in accordance with the provisions of the Declaration. It shall be the obligation of each Owner to furnish satisfactory evidence to the Board of Directors of the ownership of his Lot at the time his ownership is acquired.

2. **Voting Rights.** The Association has the following class or classes of voting membership with the following rights:

Class A. Class A Members shall be all Owners with the exception of the Declarant (except as provided for hereinafter). Class A Members shall be entitled to one vote for each Lot in which they hold the interest required for membership, including the Declarant, if it continues to hold an interest in any Lot required for membership as a Class A Member, including any Personal Lot, after termination of Declarant's Class B Membership, as provided in Section 4.4 of the Declaration. When more than one Person owns a portion of the interest in a Lot required for membership, each such Person shall be a Member and the vote for such Lot shall be exercised as they among themselves determine, but in no event shall more than one vote be cast with respect to any Lot. The vote for each Lot shall be cast as a unit, and fractional votes shall not be allowed. If joint Owners are unable to agree among themselves as to how their vote or votes should be cast, they shall lose their right to vote on the matter in question. If any Owner casts a vote representing a certain Lot, it will



thereafter be conclusively presumed for all purposes that he was acting with the authority and consent of all other Owners of the same Lot. In the event that more than one vote is cast for a particular Lot, none of such votes shall be counted and such votes shall be deemed void.

Class B. The Class B Member shall be Declarant. The Class B Member is entitled to 10 votes for each Lot in which it holds the interest required for membership; provided that the Class B membership terminates and is converted to Class A membership on the happening of either of the following events, whichever occurs earlier.

- (a) When Declarant or a Related Party to it, owns, either separately or jointly, a total of not more than three Lots, one of which may be a Personal Lot, or
- (b) When Declarant notifies the Association in writing that it relinquishes its Class B membership.

Voting on any question, other than an election, may be by voice vote or show of hands unless the presiding officer shall order or any Member shall demand that voting be by roll call or by written ballot.

3. **Annual Meetings.** An annual meeting of the Members for the purpose of voting on such matters or transacting such business as may properly come before the meeting shall be held on the third Tuesday of January of each year at 6:30 p.m., at such place as may be designated by the Board of Directors, or such other time (not more than 60 days prior to or subsequent to the aforesaid date) as the Board of Directors shall designate and fix by notice to the Members, delivered not less than 10 nor more than 60 days prior to the date fixed for said meeting.

4. **Order of Business and Annual Meeting.** At the annual meeting of the Members, the following shall be the order of business:

- (a) Reading of the minutes of the last Annual Meeting of the Members;
- (b) President's report;
- (c) Secretary and Treasurer's reports;
- (d) Election of Directors to replace Directors whose terms have expired in accordance with the terms of the Declaration for the Association for the ensuing year;
- (e) Other business that may be properly brought before the meeting.

5. **Special Meetings.** Special meetings of the Members may be called by the President or any Vice-President of the Association at any time or may be called upon petition to the President by Members entitled to cast 50% percent of the outstanding votes held by the Class A members with voting privileges, the Class B member or by a majority of the Board of Directors. Notices of Special Meetings shall be in writing and shall be delivered not less than three nor more than 21 days before the date of such meeting, and shall state the date, time, place and general purpose of the meeting. No business shall be transacted at any Special Meeting which is not generally

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stated in the notice, unless Members representing at least 51% percent of the votes of all Class of Members of the Association, either in person or by proxy, consent to the transaction of such business. All Special Meetings shall be held at a convenient location in the City of El Paso, Texas, to be determined by the person or persons calling the meeting.

6. Proxy. At any meeting of Members, a Member entitled to vote thereat may vote by proxy, executed in writing by the Member or his duly authorized representative and filed with the Secretary at such meeting. No proxy shall be valid after 11 months from the date of its execution unless otherwise provided in the proxy. Every proxy shall be revocable.

7. Notice of Meetings. If notice of an Annual or Special Meeting is mailed, the notice of meeting shall be deemed to have been delivered three days after deposit in the U.S. Mail, postage prepaid, addressed to the Member at his address last appearing on the books or records of the Association, or supplied by such Member to the Association for the purpose of notices. All Members attending any meeting shall be deemed to have received proper notice of such meeting.

8. Quorum. The presence in person or by proxy of Members entitled to cast 51% percent of all votes of each Class of Members with voting privileges shall constitute a quorum at such meeting. If a quorum is present at any meeting of Members, unless otherwise expressly provided for by statute, the Articles of Incorporation, the Declaration or these By-Laws, all questions voted upon shall be decided by a simple majority of the valid votes cast, including adjournment of the meeting from time to time without further notice. If a quorum is not present, the Members entitled to vote thereat shall have power to adjourn the meeting from time to time without notice other than announcement at the meeting, until a quorum aforesaid shall be present or represented.

9. Waiver of Notice. Written waiver of notice of any meeting signed by the Member or Members entitled to such notice, whether before or after the time of the meeting stated therein, shall be equivalent to the giving of such notice.

10. Action Without Meeting. Any action required to be taken or any action which may be taken at any meeting of the Members, may be taken without a meeting if a written consent, setting forth the action so taken shall be signed by all of the Members entitled to vote upon the subject matter thereof and recorded in the records of the Association, whereupon the same shall have the same effect as a unanimous vote taken at a meeting of the Members.

11. Sundays and Holidays. If any day fixed in these By-Laws for a meeting of the Members shall fall on a Sunday or a legal holiday then such meeting of the Members shall be held at the same time and place on the next day thereafter ensuing which is not a Sunday or a legal holiday. No meeting of Members shall be called for a day which is a Sunday or a legal holiday.

12. Legal Entities. Members of the Association which are legal entities other than natural persons may be directly represented at any meeting of the Members through any of their officers or other representatives as they may designate without execution of a proxy.

13. Voting List. The Secretary of the Association shall keep at all times a current and complete list of the Members of the Association. Such list shall be arranged in alphabetical order, with the address of such Member. Such list shall be kept on file at the office of the Association and shall be subject to inspection by any Member at any time during the usual business hours. Such

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list shall also be present and kept open at the time and place of all meetings of Members; shall be available for inspection of any Member during the time of such meeting; and shall be prima facie evidence as to the identity of Members.

ARTICLE IV BOARD OF DIRECTORS

1. Number, Election and Term. The Board of Directors shall consist of three persons who are Members of the Association, spouses of Members, or if a Lot is owned by a corporation or other business entity, an officer or director of such entity. The Directors shall be elected by the Members at the first meeting of the Members and at the annual meetings of the Members thereafter except as otherwise provided in these By-Laws. The candidates receiving the highest number of votes up to the number of Members of the Board to be elected shall be deemed elected. All votes shall be cast by written ballot. Members shall not vote cumulatively for the election of Directors. After Declarant's Class B membership interests terminate, but so long as it owns one Lot, other than a Personal Lot, the Declarant shall the right to appoint one member of the Board of Directors.

2. Resignations. Any Director may resign his office at any time by giving written notice of his resignation to the President of the Association, and any such resignation shall be effective on the effective date stated in such notice.

3. Vacancies. Any vacancy occurring in the Board, including the initial Board, shall be filled for the unexpired term by the vote of 2/3rds of the votes represented at a meeting of the members of the Association called to consider such action. Such vacancy shall be filled at a Special Meeting of the Association following the occurrence of such vacancy.

4. Quorum. At all meetings of Directors the presence of a majority of the Directors shall constitute a quorum, and unless otherwise provided for or required by statute or in these By-Laws, all questions at any meeting at which a quorum is present, shall be determined by the affirmative vote of a majority of the Directors. If less than a quorum is present at any meeting, a majority of the Directors present may adjourn the meeting from time to time without further notice.

5. Annual Meetings. An Annual Meeting of the Board shall be held without notice, other than the notice hereby given, immediately after and at the same place as the annual Meeting of the Members.

6. Special Meetings. Special meetings of the Board may be called by or at the request of the President or by or at the request of two Directors then in office. The person or persons authorized to call such Special Meeting of the Board may fix the date, time and place for such meetings. Written notice of Special Meetings shall be given at least three days prior to the date of meeting by personal delivery or by mail or telegram addressed to the address of each Director as last shown by the records of the Association. If mailed, such notice shall be deemed delivered three (3) days after deposit in the U.S. Mail, postage prepaid. Each notice shall briefly set out the purpose of the meeting, and the time, date and place of the meeting.

7. Waiver of Notice. Before or at or after any meeting of the Board any Director may verbally or in writing waive notice of the time, date, place and purpose of such meeting, and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a Director at any

meeting of the Board shall be deemed as a waiver of the required notice of such meeting. If all Directors are present at any meeting of the Board, no notice thereof shall be required and any business may be transacted at such meeting.

8. Compensation. Directors as such shall not receive or be entitled to any pay or compensation for their services as Directors, but nothing herein shall be construed to preclude or prevent any Director from serving the Association in any other capacity, and receiving compensation therefor.

9. Written Consent. Any action required by law or in these By-Laws to be taken at a meeting of the Board, or any action which may or could be taken at any Annual or Special Meeting of the Directors, may be taken without a meeting if a consent in writing, setting forth the actions so taken shall be signed by all of the Directors and recorded in the records of the Board, whereupon the same shall have the same effect as a unanimous vote taken at a meeting of the Directors.

10. Removal. Any Director may be removed from his position as Director, either with or without cause, by the vote of 2/3rds of the votes represented at a meeting of the Members of the Association called to consider such action.

11. Transactions between the Association and the Declarant or any Director. Notwithstanding any provision of this Agreement to the contrary, the Association may enter into any agreement or transaction with the Declarant, any affiliate of the Declarant or any Director, including any property management agreement, if the terms of such agreement or transaction are within a reasonable range of those that would be charged in or would apply to an arms' length transaction between the Association and a third party.

ARTICLE V
AUTHORITY, POWERS, AND DUTIES OF THE BOARD OF DIRECTORS

The Board of Directors shall manage and administer the affairs of the Association and shall have all such duties, rights, powers and authority given to it by all applicable laws, and statutes of the State of Texas, the Declaration or these By-Laws and as may from time to time be delegated to it by the Association in addition to the following:

- (a) To elect officers of the Association.
- (b) To manage and administer the affairs of the Association.
- (c) To keep or cause to be kept books of accounts reflecting all of the Association's income and disbursements. Any Member shall have the right to inspect such books at the office of the Association at any reasonable time.
- (c) Enforce the provisions of this Declaration, the Articles, Bylaws, Association Rules and Design Guidelines by appropriate means and carry out the obligations of the Association hereunder.
- (d) Maintain and otherwise manage the following:

NO RECORDS TO BE KEPT

- (i) the Common Area and all Improvements thereon, in which the Association holds an interest, subject to terms of any instrument transferring such interest to the Association;
 - (ii) all personal property in which the Association holds an interest, subject to the terms of any instrument transferring such interest to the Association; and
 - (iii) all property, real or personal, which the Association is obligated to repair or maintain pursuant to this Declaration.
- (e) Pay all real and personal property taxes and other charges assessed to or payable by the Association.
- (f) Obtain for the benefit of the Common Area, water, electric, refuse collections and other services.
- (g) Establish an Architectural Committee to govern issues set forth in this Declaration as being within the purview of the Architectural Committee as well as other issues the Board deems suitable for the Architectural Committee.
- (h) Appoint a representative to confer with the representatives of the Other Associations to pertaining to the Facilities and the provision of water and sewer service to the Real Property and the other portions of the Subdivision, as provided in Section 2.5(b) of the Declaration.
- (i) In general, the Board shall have all such duties, rights and authority to do all such acts and things as are not by the Declaration or these By-Laws directed to be done or exercised directly by the Members of the Association, which shall be necessary or reasonably required for the successful and orderly administration, management and operation of the Subdivision established by the Declaration to which these By-Laws pertain.

ARTICLE VI

OFFICERS

1. List of Offices. The principal offices of the Association shall be a President and one or more Vice-Presidents, a Secretary, and one or more Assistant Secretaries, and a Treasurer, and one or more Assistant Treasurers, and such other officers as the Board may from time to time appoint.
2. Election of Officers. The election of officers shall take place at the first meeting of the Board following each Annual Meeting of the Members.
3. Term. The officers of the Association shall be elected or appointed annually by the Board and each officer shall hold office for one year and until his successor has been elected or appointed, unless such officer shall sooner resign or shall be removed or otherwise disqualified to serve.

UNIVERSITY MICROFILMS

4. Special Appointments. The Board may elect to appoint 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.

5. Removal and Resignation. Any officer may be removed from office without cause at any time by majority vote of the Board. In addition to the method of removal of officers provided for in the Declaration and herein, any officer may be removed from his position as officer, with or without cause, by the vote of two-thirds of the votes represented at a meeting of the Members of the Association called to consider such action. Any officer may resign at any time by giving written notice of resignation to the President or Secretary of the Association, and any such resignations shall take effect on the effective date specified in such notice, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

6. Vacancies. 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 replaces.

7. Multiple Offices. No person shall simultaneously hold more than one office, except in the case of special offices created pursuant to paragraph 4 of this Article.

8. No Compensation. The officers shall serve without any pay or compensation for services as such. Nothing herein, however, shall be construed to preclude or prevent any officer from serving the Association in any other capacity and receiving compensation therefor.

9. Duties of Officers. The duties of the officers are as follows:

(a) President. The President shall be the principal executive officer of the Association and shall in general supervise and control all of the business and affairs of the Association. The President shall preside at all meetings of the Members and all meetings of the Board. He shall sign, with the Secretary or an Assistant Secretary, certificates of membership, any deeds, mortgages, bonds, contracts, or other instruments which the Board has authorized to be executed, except in cases where the signing and execution thereof shall be expressly delegated by the Board to some other officer or agent of the Association, or shall be required by law to be otherwise signed or executed; and in general he shall perform all duties incident to the office of President and such other duties as may be prescribed by the Board from time to time. He shall have all the general powers and duties which are usually vested in the office of President of a non-profit corporation under the laws of the State of Texas.

(b) Vice Presidents. In the absence of the President or his inability or refusal to act, the Vice President (or in the event there be more than one Vice President, the Vice Presidents in the order designated, or in the absence of any designation, then in the order of their election) shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President. Any Vice President shall perform such other duties as from time to time may be assigned to him by the President or by the Board.

- (c) Secretary. The Secretary shall: (a) keep the minutes of the meetings of Members and of the Board in one or more books provided for that purpose; (b) see that all notices are duly given in accordance with the provisions of these By-Laws or as required by law; (c) be custodian of the Association's records and of the seal of the Association, if any; (d) keep a register of the post office address of each Member; (e) sign with the President certificates of membership, the issue of which shall have been authorized by Resolution of the Board; (f) have general charge of the books of the Association; (g) in general perform all duties incident to the office of Secretary and such other duties as from time to time may be assigned to him by the President or by the Board.
- (d) Treasurer. If required by the Board, the Treasurer shall give a bond for the faithful discharge of his duties in such sum and with such surety or sureties as the Board shall determine. He shall: (a) have charge and custody of and be responsible for all funds and securities of the Association, receive and give receipts for monies due and payable to the Association from any source whatsoever, and deposit all such monies in the name of the Association in such banks, trust companies or other depositories as shall be selected by the Board; (b) in general perform all the duties incident to the officer of Treasurer and such other duties as from time to time may be assigned to him by the Board.

ARTICLE VII BOOKS AND RECORDS

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

ARTICLE VIII CORPORATE SEAL

The Board may adopt and have a corporate seal for the Association which shall be in such form and with such wording as the Board may determine.

ARTICLE IV INDEMNIFICATION OF DIRECTORS AND OFFICERS

1. Nature of Indemnity. The Association shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he is or was or has agreed to become a Director or officer of the Association, or is or was serving or has agreed to serve at the request of the Association as a Director or officer of another corporation, partnership, joint venture, trust or other enterprise, or by reason of any action alleged to have been taken or omitted in such capacity, and may indemnify any person who was or is a party or is

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threatened to be made a party to such an action, suit or proceeding by reason of the fact that he is or was or has agreed to become an employee or agent of the Association, or is or was serving or has agreed to serve at the request of the Association as an employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonable incurred by him or on his behalf in connection with such action, suit or proceeding and any appeal therefrom, if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Association, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful; except that in the case of an action or suit by or in the right of the Association to procure a judgment in its favor (1) such indemnification shall be limited to expenses (including attorneys' fees) actually and reasonably incurred by such person in the defense or settlement of such action or suit, and (2) no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the Association unless and only to the extent that the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the such court shall deem proper.

The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Association, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

2. Successful Defense. To the extent that a Director, officer, employee or agent of the Association has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in Section 1 of this Article or in defense of any claim, issue or matter therein, he shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him in connection therewith.

3. Determination that Indemnification is Proper. Any indemnification of a Director or officer of the Association under Section 1 of this Article (unless ordered by a court) shall be made by the Association unless a determination is made that indemnification of the Director or officer is not proper in the circumstances because he has not met the applicable standard of conduct set forth in Section 1. Any indemnification of an employee or agent of the Association under Section 1 (unless ordered by a court) may be made by the Association upon a determination that indemnification of the employee or agent is proper in the circumstances because he has met the applicable standard of conduct set forth in Section 1. Any such determination shall be made (1) by the Board of Directors by a majority vote of a quorum consisting of Directors who were not parties to such action, suit or proceeding, or (2) if such a quorum is not obtainable, or, even if obtainable a quorum of disinterested Directors so directs, by independent legal counsel in a written opinion, or (3) by the stockholders.

4. Advance Payment of Expenses. Unless the Board of Directors otherwise determines in a specific case, expenses incurred by a Director or officer in defending a civil or criminal action, suit or proceeding shall be paid by the Association in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of the Director or officer to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified by the Association as authorized in this Article. Such expenses incurred by other

employees and agents may be so paid upon such terms and conditions, if any, as the Board of Directors deems appropriate. The Board of Directors may authorize the Association's legal counsel to represent such Director, officer, employee or agent in any action, suit or proceeding, whether or not the Association is a party to such action, suit or proceeding.

5. Survival, Preservation of Other Rights. The foregoing indemnification provisions shall be deemed to be a contract between the Association and each Director, officer, employee and agent who serves in any capacity at any time while these provisions as well as the relevant provisions of the Texas Non-Profit Corporation Act are in effect and any repeal or modification thereof shall not affect any right or obligation then existing with respect to any state of facts then or previously existing or any action, suit, or proceeding previously or thereafter brought or threatened based in whole or in part upon any such state of facts. Such a contract right may not be modified retroactively without the consent of such Director, officer, employee or agent.

The indemnification provided by this Article shall not be deemed exclusive of any other rights to which those indemnified may be entitled under any by-law, agreement, vote of stockholders or disinterested Directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be a Director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person. The Association may enter into an agreement with any of its Directors, employees or agents providing for indemnification and advancement of expenses, including attorneys' fees, that may change, enhance, qualify or limit any right to indemnification or advancement of expenses created by this Article.

6. Severability. If this Article or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the Association shall nevertheless indemnify each Director or officer and may indemnify each employee or agent of the Association as to costs, charges and expenses (including attorneys' fees), judgment, fines and amounts paid in settlement with respect to any action, suit or proceeding, whether civil, criminal, administrative or investigative, including an action by or in the right of the Association, to the fullest extent permitted by any applicable portion of this Article IV that shall not have been invalidated and to the fullest extent permitted by applicable law.

7. Subrogation. In the event of payment of indemnification to a person described in Section 1 of this Article, the Association shall be subrogated to the extent of such payment to any right of recovery such person may have and such person, as a condition of receiving indemnification from the Association, shall execute all documents and do all things that the Association may deem necessary or desirable to perfect such right of recovery, including the execution of such documents necessary to enable the Association effectively to enforce any such recovery.

8. No Duplication of Payments. The Association shall not be liable under this Article to make any payment in connection with any claim made against a person described in Section 1 of this Article the extent such person has otherwise received payment (under any insurance policy, by-law or otherwise) of the amounts otherwise indemnifiable hereunder.

ARTICLE X AMENDMENTS

These By-Laws may be amended from time to time at any Annual or Special Meeting of the Association called for that purpose at which a quorum of Members of the Association is present by the affirmative vote of 51% of the number of votes entitled to vote upon amendment hereof. The Members of the Association may delegate to the Board of Directors the power to alter, amend, or repeal these By-Laws or to adopt new By-Laws. Notwithstanding the foregoing, the last sentence of Section 1 of Article IV may not be amended without the consent of the Declarant.

The amendments to these By-Laws need not be filed for record, unless required under applicable law, and it shall be the duty and obligation of all persons interested in these By-Laws to inquire from the Secretary of the Association whether any amendments or new By-Laws have been adopted.

ARTICLE XI
FISCAL YEAR

The fiscal year of the Association shall be the calendar year.

ARTICLE XII
MORTGAGES

The Owner of each Lot who places or has placed a mortgage or other lien on his Lot hereby consents that the Association through any of its officers may report to the Mortgagee any default made by such Owner in the payment of any assessment levied by the Association.

ARTICLE XIII
SEVERABILITY

If any article, paragraph, sentence, clause or phrase of these By-Laws or the application thereof in any circumstance shall be held invalid or unenforceable, the validity or enforceability of the remainder of these By-Laws or of the application of any such article, paragraph, sentence, clause or phrase in any other circumstance shall not be affected thereby.

ARTICLE XIV
CONTRACTS, LOANS, CHECKS, DEPOSITS AND TRANSACTIONS

1. **Contracts.** The Board may authorize any officer or officers, agent or agents, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Association, such authority may be general or confined to the specific instances.

2. **Checks, Drafts, Etc.** All checks, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the Association shall be signed by such officer or officers, agent or agents of the Association and in such manner as shall, from time to time, be determined by Resolution of the Board of Directors.

3. **Deposits.** All funds of the Association not otherwise employed shall be deposited, from time to time, to the credit of the Association in such banks, trust companies or other depositories in El Paso County, Texas as the Board of Directors may select.

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4. Transactions with Members, Directors and Officers. The Association may enter into contracts or transact business with one or more of its Directors, officers, or Members, or with any firm of which one or more of its Directors, officers or Members are members, or with any corporation, association, company, organization or entity in which one or more of its Directors, officers or members are directors, officers, trustees, shareholders, beneficiaries or are otherwise interested, and in the absence of fraud, such contract or transaction shall not be invalidated or otherwise affected by the fact that such Directors, officers or Members having such adverse interest may have been necessary to obligate the Association upon such contract or transaction.

BUSINESS JUDGMENT RULE

Any act or thing done by any Director, Officer, or Committee Member taken in furtherance of the purposes of the corporation, and accomplished in conformity with the procedures set forth in the Declaration, Articles of Incorporation, the laws of the State of Texas and/or these Bylaws, shall be reviewed under the standard of the Business Judgment Rule as established by the common law of Texas, and such act or thing done shall not be a breach of duty on the part of the Director, Officer, or Committee Member if they have been done within the exercise of their discretion and judgment.

The Business Judgment Rule means that a court shall not substitute its judgment for that of the Director, Officer or Committee Member. A court shall not re-examine the quality of the decisions made by the Director, Officer or Committee Member by determining the reasonableness of the decision as long as the decision is made in good faith in what the Director, Officer, or Committee Member believes to be the best interest of the corporation.

ADOPTION

Pinnacle Estates Homeowners Association, a Texas non-profit corporation, does hereby approve and adopt the foregoing By-Laws to govern the administration of the Real Property and Improvements thereon, and these By-Laws may be amended from time to time as provided for above.

APPROVED AND ADOPTED this 10th day of July, 2002.

**PINNACLE ESTATES HOMEOWNERS
ASSOCIATION**

By: _____

Ronald L. Bissell, President