

BYLAWS OF
SAN CLEMENTE ESTATES
OWNERS ASSOCIATION
(A Texas Non-Profit Corporation)

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SAN CLEMENTE ESTATES OWNERS ASSOCIATION

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BYLAWS OF

SAN CLEMENTE ESTATES OWNERS ASSOCIATION

(A Texas Non-Profit Corporation)

ARTICLE I

1.01 Definitions. The words defined in the Amended and Restated Declaration of Covenants, Conditions, and Restrictions for recorded in the Real Property Records of El Paso County, Texas, (collectively referred to herein as the "Declaration"), shall have the same meaning in these Bylaws.

ARTICLE II

NAME

2.01 Name. The name of this Corporation shall be SAN CLEMENTE ESTATES OWNERS ASSOCIATION (hereinafter called the "Association").

ARTICLE III

OFFICES

3.01 Registered Office. The registered office of the Association shall be as designated with the Secretary of State of the State of Texas, as it may be changed from time to time.

3.02 Other Offices. The Association may also have offices at such other -places both within and without the State of Texas as the Board of Directors may from time to time determine or the business of the Association may require.

ARTICLE IV

PURPOSES AND PARTIES

4.01 Purposes. The purpose or purposes for which the Association is organized are to act as agent for the owners of SAN CLEMENTE ESTATES and for any and all other property which is accepted by this Association for similar purposes, those purposes being as follows:

(a) To exercise all of the power and privileges and perform all of the duties and obligations of the Association as set forth in the Declaration;

(b) To affix, levy, collect and enforce payment by any lawful means, all charges or assessments pursuant to the terms of the Declaration; and, as agent, pay all expenses in connection therewith and all office and other expenses incident to the conduct of the business of this Association including all licenses, taxes or governmental charges levied or imposed against the property of this Association and to make disbursements, expenditures and payments on behalf of the Owners as required by the Declaration and the Bylaws of the Association; and to hold as agent for the Owners reserves for periodic repairs and capital improvements to be made as directed by the Owners acting through the Board of Directors of the Association;

(c) To acquire by gift, purchase or otherwise to own, hold, improve, build upon, operate, maintain, convey, sell, lease, transfer, dedicate for public use or to otherwise dispose of real or personal property in connection with the affairs of this Association subject to the limitations, if any, set forth in the Declaration;

(d) To borrow money, to mortgage, pledge, or hypothecate any or all of its real or personal property as security for money borrowed or debts incurred subject to the limitations, if any, set forth in the Declaration;

(e) To provide general sanitation and cleanliness of Common Area and Private Streets;

(f) To provide upkeep and maintenance of Common Area and Private Streets as provided in the Declaration;

(g) To enter into and perform any contract and to exercise all powers which may be necessary or convenient to the operation, management, maintenance and administration of the affairs of SAN CLEMENTE ESTATES in accordance with the Declaration; and

(h) To have and to exercise any and all powers, rights and privileges a corporation organized under the Non-Profit Corporation Law of the State of Texas, may now or hereafter exercise.

4.02 Parties. All present or future Owners, tenants, future tenants of any Lot, or any other person who might use in any manner the Common Area and Private Streets are subject to the provision and any regulations set forth in these Bylaws. The mere acquisition, lease or rental of all or any portion of a Lot or the mere act of occupancy of all or any portion of a Lot will signify that these Bylaws are accepted, approved, ratified, and will be complied with.

ARTICLE V

MEMBERSHIP, MEMBER IN GOOD STANDING, VOTING RIGHTS,
VOTING, CUMULATIVE VOTING, QUORUM, PROXIES

5.01 Membership. Each and every Owner of a Lot, or a subdivided portion thereof, shall automatically become, and must remain, a Member in good standing of the Association during such Owner's period of ownership of such Lot or portion thereof. Such membership shall be appurtenant to each Lot, or portion thereof, and may not be severed from or held separately therefrom. The membership of a person or entity in the Association shall terminate automatically whenever such person or entity ceases to be an Owner, except that such termination shall not release or relieve any such person or entity from any liability or obligation incurred under or in any way connected with the Association or the Declaration during the period of ownership, nor impair any rights or remedies which the Association or any other Owner has with regard to such former Owner.

5.02 Member in Good Standing. A Member of the Association shall be considered to be a Member in good standing and eligible to vote (if otherwise entitled to vote under these Bylaws) if such Member:

- (a) Has, not less than seven (7) days prior to the taking of any vote by the Association fully paid all assessments or other charges levied by the Association then due and payable, as such assessments or charges are provided for hereunder;
- (b) Does not have a lien filed by the Association against its Lot;
- (c) Has discharged other obligations to the Association as may be required of Members hereunder; and
- (d) Has met the proof of ownership requirement, if any, provided for in Section 12.01 of these Bylaws.

The Board shall have sole responsibility and authority for determining the good standing status of any Member at any time, and shall make such determination with respect to all Members prior to a vote being taken by the Association on any matter.

The Board shall have the right and authority, in its sole discretion, to waive the seven (7) days prior payment requirement established herein and require only that such payment be made at any time before such vote is taken if the Board shall determine, in its own judgment, that extenuating circumstances exist which have prevented a particular Member from meeting any or all of the four requirements stated herein at or before seven (7) days in advance of any vote. Any Member not conforming with the provisions of this

Section shall be declared to be not a Member in good standing and unless the time requirement required hereunder is specifically waived by the Board in writing prior to any particular vote being taken shall be disqualified from voting on matters before the Association until such time as Member in good standing status is attained and so declared by the Board.

5.03 Voting Rights in the Association. The Association shall have two classes of voting membership. The Dissociation shall have two (2) classes of voting membership:

a. CLASS A. The Class A Members shall be all Owners with exception of the Declarant. After the Conversion Date, Declarant shall also become a Class A Member to the extent Declarant is the Owner of a Lot.

b. CLASS B. The Class B Member shall be the Declarant. The Class B membership of Declarant shall cease and become converted to Class A membership upon occurrence of the earlier of the following (the "Conversion Date":

- (i) When Declarant has sold or leased for a term in excess of forty (40) years its interest in all of the Lots to unrelated third parties except for eleven (11) Lots. A sale or a lease for such term to an unrelated third party shall include a sale or lease to joint ventures or partnerships that include Declarant as a co-venturer or partner;
- (ii) At December 31, 2009; or
- (iii) Such earlier date as may be established by Declarant in a Supplemental Declaration to be recorded by Declarant.

Until the Conversion Date, the Class A Members shall not be entitled to vote. From and after the Conversion Date, the Class A Members shall be entitled to one (1) vote for each Lot owned by such Class A Member. Until the Conversion Date, the Class B Member shall be entitled to one (1) vote for each Lot owned by such Class B Member. Where more than one person or entity holds such interest in any Lot, all such persons collectively shall be a single Member, and the vote for such Member shall be exercised as the several parties shall determine among themselves. Each Member shall be entitled to one (1) vote for each Lot in which it holds the interest in a Lot required for Association membership. Where more than one person or entity holds such interest in any Lot or subdivided portion thereof, all such persons collectively shall be a single Member, and the vote for such Member shall be exercised as the several parties shall determine among themselves, provided, however, that in aggregate no more than one (1) vote shall be cast with respect to each Lot.

The Association shall not be a voting member of the Association by virtue of its ownership of any Lot, or subdivided portion thereof.

5.04 Voting. Only Members in good standing shall be entitled to vote, and voting membership shall be decreased by the number of Members who are not Members in good standing to determine the votes entitled to be cast for the purpose of establishing a quorum, such determination of the total number of Members in good standing to be as of the date of which a vote is taken. The vote of the majority of those votes entitled to be cast by the Membership in good standing present or voting by legitimate proxy at a duly called meeting at which a quorum of Members are represented shall be sufficient for the transaction of any business, unless otherwise provided by law and except for an amendment to the Declaration by the Members as provided in Article IX, Section 9.01 of the Declaration.

5.05 Cumulative Voting. At all meetings of the Association voting shall be cumulative.

5.06 Majority. As used in these Bylaws, the term "Majority of Owners" or Majority of "Members" shall mean those voting Members holding fifty-one percent (51%) of the votes of the Association.

5.07 Quorum. Members holding one-half (1/2) of the votes entitled to be cast, shall constitute a quorum for voting on matters brought before the Association at meetings of Members called by the Board. In the event a quorum is not present, then the meeting for the same purposes within two (2) to four (4) weeks shall be sent by mail, at which meeting the number of Members in good standing represented in person or by proxy shall be sufficient to constitute a quorum. The Members in good standing present at a duly organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal of enough Members in good standing to leave less than a quorum. An affirmative vote of a majority of the Owners so present and entitled to vote, either in person or proxy, shall be required to transact the business of the meeting.

5.08 Proxies. Votes may be cast in person or by written proxy. No proxy shall be valid after eleven (11) months from the date of its execution unless specifically provided in the proxy. All proxies must be filed with the Secretary or Assistant Secretary of the Association before the appointed time of each meeting.

ARTICLE VI

ASSOCIATION RESPONSIBILITIES AND MEETINGS OF MEMBERS

6.01 Association Responsibilities. The Members will constitute the Association which will have the responsibility of administering and enforcing the covenants, conditions and restrictions contained in the Declaration, including the collection and disbursement of charges and assessments created therein, through the Board of Directors. In the event of any dispute or disagreement between any Members relating to the Properties, or any questions of interpretation or application of the provisions of the Declaration, Articles of Incorporation or these Bylaws, such dispute or

disagreement shall be submitted to the Board. The determination of such dispute or disagreement by the Board shall be binding on each and all such Members, subject to the right of Members to seek other remedies provided by law after such determination by the Board.

6.02 Place of Meeting. Meetings of the Association shall be held at such suitable place, convenient to the Members, as the Board of Directors may determine.

6.03 Annual Meetings. The first meeting of the Association shall be held within thirty (30) days from the date of execution of these Bylaws, or sooner at the option of Declarant. Thereafter, the annual meetings of the Association shall be held on or before forty-five (45) days after the expiration of the prior fiscal year. At such meetings there shall be elected by ballot of the Members a Board of Directors in accordance with the requirements of Paragraph 7.05 of Article VII of these Bylaws. The Members may also transact such other business of the Association as may properly come before them.

6.04 Special Meetings. It shall be the duty of the President to call a special meeting of the Members as directed by resolution of the Board of Directors or upon a petition signed by a majority of Members entitled to vote and having been presented to the Secretary or Assistant Secretary of the Association. The notice of any special meeting shall state the time and place of such meeting and the purpose thereof. No business except as stated in the notice shall be transacted at a special meeting. Any such meetings shall be held after the first annual meeting and shall be held within thirty (30) days after receipt by the President of such resolution or petition.

6.05 Notice of Meetings. It shall be the duty of the Secretary or Assistant Secretary of the Association to mail a notice of each annual or special meeting, stating the purpose thereof as well as the time and place it is to be held, to each Member entitled to vote at such meeting, at least ten (10) days, but not more than thirty (30) days prior to such meeting. The mailing of a notice in the manner provided in this paragraph shall be considered notice served.

6.06 Order of Business. The order of business at all meetings of the Members shall be as follows:

- (a) Roll call and certifying proxies;
- (b) Proof of notice of meeting or waiver of notice;
- (c) Reading and disposal of unapproved minutes;
- (d) Reports of officers;
- (e) Reports of committees;
- (f) Election of trustees;

- (g) Unfinished business;
- (h) New business; and
- (i) Adjournment.

ARTICLE VII

BOARD OF DIRECTORS

7.01 Number and Qualification. Until the first meeting of the Association, the affairs of this Association shall be governed by a Board of Directors consisting of the three (3) persons designated in the Articles of Incorporation of the Association. At such first meeting, there shall be elected any three (3) Members in good standing of the Association to the Board of Directors who shall thereafter govern the affairs of this Association until their successors have been duly elected and qualified.

7.02 Powers and Duties. The Board of Directors shall have the powers and duties necessary for the administration of the affairs of the Association and for the operation and maintenance of the Properties in keeping with the character and quality of the area in which it is located. The Board of Directors may do all such acts and things except as by law or by these Bylaws or by the Declaration may not be delegated to the Board of Directors.

7.03 Other Powers and Duties. Such powers and duties of the Board of Directors shall include, but shall not be limited to, the following, all of which shall be done solely for the benefit of the Properties and for the mutual and reciprocal benefit of Members:

- (a) To set, collect and disburse Regular Assessments in any fiscal year or portion thereof for the following purposes:
 - (i) The employment of personnel or independent contractors;
 - (ii) The employment of legal, accounting, engineering, architectural or other independent professional services, including any services required to provide architectural review for any building or other development plans proposed for a Lot;
 - (iii) The purchase of a policy or Policies of insurance insuring the Association against any liability to the public, Owners, or Occupants incidental to operation of the Association, as provided for in the Declaration;

- (iv) The purchase of fidelity bonds as provided for in the Declaration; and
- (v) Anything which the Board deems appropriate and proper in fulfilling its obligations and responsibilities under the terms of the declaration or by law or which, in its reasonable opinion, shall be necessary or proper for the operation or protection of the Association or for the enforcement of the Declaration;
- (b) To enter into agreements or contracts with insurance companies with respect to insurance Coverage for the Common Areas and Private Streets and improvements thereon and other property of the Association;
- (c) To enter into contracts with utility companies with respect to utility installation, consumption and services matters;
- (d) To borrow funds to pay any costs of operation, secured by assignment or pledge of rights against Owners for current, delinquent or future assessments, as the Board may determine in its sole discretion to be necessary and appropriate;
- (e) To enter into contracts for goods and services or other Association purposes, provide services it deems proper, maintain one or more bank accounts, and generally to have all the powers necessary or incidental as may be required for prudent operation and management of the Association;
- (f) To sue or to defend in any court of law on behalf of the Association;
- (g) To provide for and accumulate reserve funds to be used for repairs, replacement and/or maintenance, in such amounts and for such purposes as may reasonably be determined by the Board to be necessary and appropriate.
- (h) To make, or cause to be made, any tax returns, reports, or other filings required by Federal, State, or local governmental authorities;
- (i) To make reasonable rules and regulations for the use of the Properties, including, but not limited to, the Common Areas and Private Streets, as the Board deems necessary and appropriate and create a high level of environmental and aesthetic quality within the Properties;
- (j) To make available to each Owner within ninety (90) days after the end of any Association fiscal year a written annual report on financial affairs of the Association for the year preceding, and, upon written request of at least one-third (1/3) of the Members in good standing and entitled to vote, to have such report audited by an independent certified public accountant selected by the

Board, which audited report, if required, shall be completed and made available to each Member no later than ninety (90) days after such request is received by the Board. The cost of preparing and distributing such audit shall be said by the Association from Regular Annual Assessments;

(k) adjust the amount, collect and use any insurance proceeds to repair or replace any damaged or lost property, or to reimburse persons or entities entitled to receive reimbursement for injury, damage or losses, and, if said insurance proceeds are insufficient to provide full reimbursement as may be required, the Board may act to obtain the funds required in such manner as prescribed in the Declaration;

(l) To enforce the provisions of the Declaration, and to seek damages and/or equitable relief or other remedial action from any Owner for violation of this Declaration or any of its individual provisions; and

(m) To contract with any Owner(s), including, without limitation, the Declarant, for performance of services which the Association is otherwise obligated or permitted to perform, such contracts to be at competitive rates then prevailing for such services and upon such terms and conditions, and for such considerations, as the Board may deem advisable and in the best interest of the Association. The Board also shall have full power and authority, but not an obligation, to contract with any Owner(s) to provide maintenance, repair or replacement service, or any combination thereof, through the Association for an individual Lot.

7.04 No Waiver of Rights. The omission or failure of the Association or any Member to enforce the covenants, conditions, restrictions, easements, uses, limitations, obligations or other provision of the Declaration, the Bylaws or the rules and regulations adopted pursuant thereto, shall not constitute or be deemed a waiver modification or release thereof, and the Board of Directors shall have the right to enforce the same thereafter.

7.05 Election and Term of Office. At the first meeting of the Association the term of office of two (2) Directors shall be fixed at two (2) years; and the term of office of one (1) Directors shall be fixed at one (1) year. At the expiration of the initial term of office of each respective Director, his successor shall be elected to serve a term of two (2) years. The Directors shall hold office until their successors have been elected and hold their first meeting, except as is otherwise provided.

7.06 Vacancies. Vacancies in the Board of Directors caused by death, resignation or disqualification, i.e., by any reason other than the removal of a Director by vote of the Association, shall be filled by vote of the majority of the remaining Directors, even though they may constitute less than a quorum; and each person so elected shall be a Director until a successor is elected at the next annual meeting of the Association.

7.07 Removal of Directors. At any regular or special meeting duly called, anyone or more of the Directors may be removed with or without cause by a majority of Members entitled to vote, and a successor may then and there be elected to fill the vacancy thus created. Any Director whose removal has been proposed by the Members shall be given an opportunity to be heard at the meeting.

7.08 Organization Meeting. The first meeting of a newly elected Board of Directors following the annual meeting of the Members shall be held within ten (10) days thereafter at such place as shall be fixed by the Directors at the meeting at which such Directors were elected and no notice shall be necessary to the newly elected Directors in order legally to constitute such meeting, providing a majority of the whole Board shall be present.

7.09 Regular Meetings. Regular meetings of the Board of Directors may be held at such time and place as shall be determined, from time to time by a majority of the Directors but at least one such meeting shall be held during each calendar quarter. Notice of regular meetings of the Board of Directors shall be given to each Director personally or by mail, telephone or telegraph, at least five (5) days prior to the day named for such meeting.

7.10 Special Meetings. Special meetings of the Board of Directors may be called by the President on five (5) days notice to each Director given personally, or by mail, telephone or telegraph, which notice shall state the time, place (as herein above provided) and purpose of the meeting. Special meetings of the Board of Directors shall be called by the President or Secretary or Assistant Secretary of the Association in like manner and on like notice on the written request of one or more Director.

7.11 Waiver of Notice. Before or after any meeting of the Board of Directors, any Director may, in writing, waive notice 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 a waiver of notice by him of the time and place thereof. If all the Directors are present at any meeting of the Board, no notice shall be required and any business may be transacted at such meeting.

7.12 Board of Directors' Quorum. At all meetings of the Board of Directors, a majority of the Directors shall constitute a quorum for the transaction of business, and the acts of the majority of the Directors present at a meeting at which a quorum is present shall be the acts of the Board of Directors. If, at any meeting of the Board of Directors there be less than a quorum present, the majority of those present may adjourn the meeting from time to time. At any such adjourned meeting, any business which might have been transacted at the meeting as originally called may be transacted without further notice.

7.13 Compensation. No member of the Board of Directors shall receive any compensation for acting as such.

ARTICLE VIII
FISCAL MANAGEMENT

8.01 Accounts. The funds and expenditures of the Members by and through the Association shall be credited and charged to accounts under the following classifications as shall be appropriate:

(a) Normal operating expense, which shall include all funds and expenditures within the year for which the funds are budgeted, including a reasonable allowance for contingencies and working funds, except expenditures chargeable to reserves and to additional improvements.

(b) Reserve for maintenance, repair and/or replacement relating to the Common Areas and Private Streets or Lots which shall include funds for maintenance, repair or replacement required because of damage, wear or obsolescence.

8.02 Separate Accounts. Separate accounts may be established in order to better demonstrate that the amounts deposited therein are capital contributions and not income to the Association.

8.03 Fiscal Year. The fiscal year for the Association shall be the calendar year.

ARTICLE IX

OFFICERS

9.01 Designation. The officers of the Association shall be a President, a Vice President, a Secretary, and a Treasurer, all of whom shall be elected by the Board of Directors, and such assistant officers as the Board of Directors shall, from time to time, elect. Such officers need not be members of the Board of Directors. The office of President and Treasurer may be held by the same person, and the office of Vice President and Secretary or Assistant Secretary may be held by the same person.

9.02 Election of Officers. The officers of the Association shall be elected annually by the Board of Directors at the organizational meeting of each new Board and shall hold office subject to the continuing approval of the Board.

9.03 Resignation and Removal of Officers. Upon an affirmative vote of a majority of the members of the Board of Directors, any officer may be removed, either with or without cause, and his successor elected at any regular meeting of the Board of Directors, or at any special meeting of the Board called for such purpose. Any officer may resign at any time by 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.

9.04 Vacancies. A vacancy in any office because of the death, resignation, removal, disqualification or otherwise of the officer previous filing such 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.

9.05 President. The President shall be the chief executive officer of the Association. He shall preside at all meetings of the Association and of the Board of Directors. He shall have all of the general powers and duties which are usually vested in the office of president of an association, including but not limited to the power to appoint committees from among the Members from time to time as he may in his discretion decide is appropriate to assist in the conduct of the affairs of the Association or as may be established by the Board or by the Members of the Association at any regular or special meetings.

9.06 Vice President. The Vice President shall have all the powers and authority and perform all the functions and duties of the President, in the absence of the President, or his inability for any reason to exercise such powers and functions or perform such duties, and also perform any duties he is directed to perform by the President.

9.07 Secretary. The Secretary shall keep all the minutes of the meeting of the Board of Directors and the minutes of all meetings of the Association; he shall have charge of such books and papers as the Board of Directors may direct; and he shall, in general, perform all the duties incident to the office of Secretary and as is provided in the Declaration and the Bylaws.

The Secretary shall compile and keep up to date at the principal office of the Association a complete list of the members and their last known addresses as shown on the records of the Association. Such list shall be open to inspection by Members and other persons lawfully entitled to inspect the same at reasonable times during regular business hours.

9.08 Assistant Secretary. The Assistant Secretary, if any, shall have all the powers and authority to perform all the functions and duties of the Secretary in the absence of the Secretary or in the event of the Secretary's inability for any reason to exercise such powers and functions or to perform such duties, and also to perform any duties he is directed to perform by the Secretary.

9.09 Treasurer. The Treasurer shall have responsibility for Association funds and shall be responsible for keeping full and accurate accounts of all receipts and disbursements in books belonging to the Association. He shall be responsible for the deposit of all monies and other valuable effects in the name and to the credit of the Association in such depositories as may from time to time be designated by the Board of Trustees.

ARTICLE X

INDEMNIFICATION OF OFFICERS AND DIRECTORS

10.01 Indemnification. The Association shall have the power to indemnify any Officer or Director thereof and the Declarant, 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 (whether or not by or in the right of the Association) by reason of the fact that such person is or was a Director or Officer of the Association, against all loss, expenses (including but not limited to attorneys' fees and cost of the proceeding), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with or in defense of such action, suit or proceeding if such person acted in good faith and in a manner which such person reasonably believed to be in or not opposed to the best interests of the Association; provided, that with respect to: (1) any criminal action or proceeding, such person had no reasonable cause to believe that his conduct was unlawful; or (2) any civil claim, issue or matter, such person shall not be guilty of gross negligence or willful misconduct in the performance of his duties to the Association. 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 such person had reasonable cause to believe that his conduct was unlawful, that such person did not act in good faith or in a manner which he reasonably believed to be in or not opposed to the best interests of the Association, or that such person is guilty of gross negligence or willful misconduct in the performance of his duties to the Association, all such matters being determined solely and exclusively for the purpose of indemnification as herein provided.

Indemnification under the preceding paragraph shall be made by the Association only as authorized in each specific case upon the determination that indemnification of such person is proper in the circumstances because he has met the applicable standards of conduct forth herein. 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, by (a) independent legal counsel in a written opinion, or (b) the Members in good standing of the Association and no Member shall be disqualified from voting because he is or was party to any such action, suit or proceeding. Indemnification so determined may be paid, in part, before the termination of such action, suit or proceeding upon the receipt by the Association of an undertaking by or on behalf of the person claiming such indemnification to repay all sums so advanced if it is subsequently determined that he is not entitled thereto as provided in this Article.

To the extent that a Director or Officer of the Association has been successful on the merits or otherwise in the defense of any action, suit or proceeding, whether civil or criminal, such person shall be indemnified against such expenses (including costs and attorneys' fees) actually and reasonably incurred by him in connection therewith.

Indemnification provided herein shall be exclusive of any and all other rights and claims to which those indemnified may be entitled as against the Association, and every Director, Officer or employee thereof under any Bylaw, resolution, agreement or law and any request for payment hereunder shall be deemed a waiver of all such other rights, claims or demands as against the Association and each Director, Officer and employee thereof. The indemnification provided herein shall inure to the benefit of the heirs, executors, administrators and successors of any person entitled thereto under the provision of this Article.

The Association shall purchase and maintain insurance on behalf of any person who is or was a Director, Officer, employee or agent of the Association against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the Association would have the power to indemnify him against such liability under the provision of this Article.

All liability, loss, damage, cost and expense incurred or suffered by the Association by reason or arising out of or in connection with the foregoing indemnification provisions shall be treated and handled by the Association as an expense; provided, however, that nothing in this Article X contained shall be deemed to obligate the Association to indemnify any Member or Owner who is or has been a director or officer of the Association with respect to any duties or obligations assumed or liability incurred by him under and by virtue of the Declaration and these Bylaws that were assumed or incurred outside of his conduct specifically related to the fulfillment of his duties as an Officer or Director of the Association.

10.02 Other: The Members, Board of Directors, Officers or representatives of the Association shall enter into contracts or other commitments as agents for the Association, and they shall have no personal liability for any such contract or commitment (except such liability as may be ascribed to them in their capacity as Owners).

ARTICLE XI

AMENDMENTS TO BYLAWS

11.01 Amendments to Bylaws. These Bylaws may be amended in writing by the majority of Members in good standing and entitled to vote; provided, however, that such authority may be delegated by the majority of such Members to the Board as allowed by the Texas Non-Profit Corporation Act.

ARTICLE XII

EVIDENCE OF OWNERSHIP, REGISTRATION OF
MAILING ADDRESS AND DESIGNATION OF VOTING REPRESENTATIVE

12.01 Proof of Ownership. Except for those Owners who purchase a Lot from Declarant, any person, on becoming an Owner of a Lot, shall furnish to the Board of Directors a true and correct copy of the original or a certified copy of the recorded instrument vesting that person with an interest or ownership in the Lot, which copy shall remain in the files of the Association. A Member shall not be deemed to be in good standing nor shall he be entitled to vote at any annual or special meeting of Members unless this requirement is first met.

12.02 Registration of Mailing Address. The Owner or several Owners of a Lot shall have one and the same registered mailing address to be used by the Association for mailing of monthly statements, notices, demands and all other communications, and such registered address shall be the only mailing address of a person or persons to be used by the Association. Such registered address of an Owner or Owners shall be deemed to be the mailing address of the Lot or subdivided part thereof owned by said Owner or Owners unless a different registered address is furnished by such Owner(s) to the Board of Directors within fifteen (15) days after transfer of title, or after a change of address; and such registration shall be in written form and signed by all of the Owners of the Lot or the particular subdivided part thereof or by such persons as are authorized by law to represent the interest of (all of) the Owner(s) thereof.

ARTICLE XIII

ASSESSMENTS AND LIENS

13.01 Purpose of Assessments. The assessments levied hereunder by the Association shall be used exclusively for the purpose of protecting and promoting the comfort, collective mutual enjoyment, health, safety and welfare of the Owners of the Property, including, but not limited to, the following:

- (a) The maintenance, repair or replacement of the Common Areas and Private Streets, including, but not limited to, those located on or adjacent to property not covered by this Declaration, along with the cost of any associated management or supervisory services, fees, labor, equipment, and materials;
- (b) The special maintenance, repair or replacement of improvements located in or on the Common Areas and Private Streets or on Lots;
- (c) The design, purchase and installation of any Common Areas and Private Streets improvements;

(d) The purchase of insurance coverage relating to the Common Areas and Private Streets and any improvements thereon, and other property of the Association;

(e) The carrying out of duties of the Board of Directors as provided herein and in the Declaration and Articles of Incorporation of the Association;

(f) The carrying out of purposes of the Association as stated herein and in its Declaration and Articles of Incorporation; and

(g) The carrying out of all other matters set forth or contemplated in the Declaration.

13.02 Annual Budget and Regular Assessments. Each fiscal year while the Declaration is in force, the Board shall adopt an annual budget and set the amount of the Regular Annual Assessment to be levied for the next year, taking into consideration Association operating costs for the then current year, expected normal increases in such costs over the next year, and additional future needs of the Association, including the establishment and maintenance of an Association reserve fund as provided for herein. The annual budget shall be adopted by the Board not later than fifteen (15) days prior to the commencement of each fiscal year. Notwithstanding the above, in the event the Board fails for any reason to adopt an annual budget covering the Succeeding fiscal year, then and until such time as an annual budget shall have been adopted for such succeeding fiscal year, the annual budget currently in effect shall continue and the Regular Annual Assessment shall be deemed the same as for the current year.

The Regular Annual Assessment for each fiscal year shall be determined by the Board upon its adoption of the annual budget for such fiscal year in the following manner:

(a) The Regular Annual Assessment with respect to any fiscal year shall equal the total amount of the annual budget approved by the Board with respect to such fiscal year; and

(b) Each Lot's pro rata share of the Regular Annual Assessment shall be determined by multiplying the Regular Annual Assessment by a fraction, the numerator of which is one and the denominator of which is the total number of Lots subject to such assessment. The Board in its discretion may adjust the annual budget and pro rata shares to provide for lesser assessments for unimproved lots.

Should any surplus exist at the end of any year, the Board may, at its own discretion, reduce the amount required for the next Regular Annual Assessment by an amount not more than said surplus, provided, however, that reserve fund requirements are first met.

13.03 Payment of Regular Assessments. The Regular Annual Assessments provided for herein shall commence on a date fixed by the Board and thereafter be due in quarterly installments, in advance, on the first day of the first month in each quarter of the fiscal year; provided, however, that if the commencement date of the initial Regular Annual Assessment for the Association shall not be the same as the first day of the first month of a quarter in the fiscal year, then the initial quarterly assessment installment shall e from the date of commencement to the first day of the next quarter, and payment shall be prorated for the number of days remaining in the quarter.

13.04 Enforcement and Personal Obligation of Owners For Payment of Assessments. The Regular Annual Assessments, provided for therein shall be the personal and individual debt of the Owner of a Lot, or subdivided portion thereof, covered by such assessments. No Owner may, for any reason, exempt itself from liability for such assessments levied in accordance with the provisions of the Declaration and these Bylaws. In the event that any assessment or installment thereof is not paid when due, and remains unpaid for a period of thirty (30) days thereafter, then the unpaid amount of any such assessment or installment thereof shall become delinquent and shall, together with interest thereon as herein provided and costs of collection thereof, become a continuing personal obligation and debt of the non-paying Owner secured by a self-executing lien (and may include vendor's lien retained by Declarant) on the Lot or subdivided portion thereof, including all improvements thereon, to which such assessment or installment thereof pertains. The Association shall have the right to reject any partial payment of any assessment or installment thereof and demand full payment thereof, or the Association may, in its sole discretion elect to accept any such partial payment on account only, without in so doing waiving any rights established hereunder with respect to any remaining balance due.

The obligation of any Owner to pay any assessment imposed on a Lot during such Owner's period of ownership shall remain its personal obligation, and a sale or other transfer of title to such Lot shall not release such former owner from said liability by the purchaser or transferee. The lien for any unpaid assessments shall be unaffected by any sale or transfer of full or partial ownership interest in a Lot, or subdivided portion thereof, and shall continue in full force and effect. In the event of full or partial sale or transfer of an ownership interest in a Lot, it shall be the sole obligation of the Owner selling or transferring such interest (and not the Association) to disclose to any buyer or transferee that an unpaid assessment and associated lien against the ownership interest exist prior to that date at which such sale or transfer is to be consummated. A copy of such notice shall be sent to the Association at the same time. Upon written request, the Association shall provide an Owner with a statement reflecting the amount of any unpaid or delinquent assessments with respect to a Lot owned by said Owner.

The unpaid amount of an assessment shall bear interest from its due date at eighteen percent (18%) per annum or the maximum legal rate of interest then prevailing, whichever is lesser. In addition, the Board may elect to retain the services of an attorney of its choice or the purposes of collecting any unpaid assessment and interest charges thereon, and/or to foreclose the lien against the property subject thereto and/or to pursue

any other legal or equitable remedy which the Association may have and there shall be added to the amount of unpaid assessment and interest charges thereon, any and all collection costs incurred by the Association, whether judicial or non-judicial, and including, but not limited to, reasonable attorney's fees and costs of legal suit.

13.05 Lien and Foreclosure. Upon delinquency, all sums assessed in the manner provided in these Bylaws, together with all interest costs as herein provided shall be secured by the lien provided for under Section 13.04 above. As further evidence and notice of such assessment lien, the Association may prepare a written notice of such lien setting forth the amount of delinquent indebtedness, the name of the Owner of property covered by such lien, and a description of the property. Such notice shall be signed by a duly authorized Officer of the Association and shall be recorded in the office of the County Clerk of El Paso County, Texas, or such other place as may be required by law for the recording of liens affecting real property at such time as such notice is recorded. Such lien for payment of assessments shall attach from the date such payment becomes delinquent and may be enforced after recording said notice through (i) foreclosure of such lien on the Lot, or subdivided portion thereof and any improvements thereon in like manner as a mortgage on real property, (ii) suit against the Owner personally obligated to pay the assessment, and/or (iii) foreclosure of the aforesaid lien judicially. In any foreclosure proceeding whether judicial or non-judicial, the Owner shall be required to pay the costs, expenses and reasonable attorneys' fees incurred by the Association. The Association shall have the power to bid on the property being foreclosed.

13.6 Lien Subordination. Any lien established as provided for in the Bylaws and the Declaration, shall be subordinate and inferior to any mortgage or deed of trust in favor of any bank, savings and loan association, insurance company, pension fund, or other similar financial institution or other lender approved by the Board; provided, however, that such subordination shall apply only to the assessments which have become due and payable prior to a foreclosure sale (whether public or private) of any such Lot pursuant to the terms and conditions of any such mortgage or deed of trust. Such foreclosure sale shall not relieve any new Owner taking title at such sale from liability for the amount of any assessments thereafter becoming due or from a lien arising from any such subsequent assessment.

At the time any mortgage financing or refinancing is obtained for any Lot which will as provided above be superior to any existing or future assessment lien of the Association, the Owner of such Lot shall within thirty (30) days prior to the consummation of any such mortgage or financing deliver to the Association written notice identifying the lender making such mortgage loan in terms of its full legal name, its current address and telephone number, and the name of an officer or other person within the entity who is responsible for that particular loan account. Upon the written request of any such lender holding a superior lien on any Lot as provided herein, the Association shall report to such lender any unsaid assessments which are delinquent as herein defined. The Association may from time to time, at its own initiative, elect to report delinquent assessments to such mortgage lenders.

13.7 Notice of Lien or Suit. Any Owner shall at the request of the Association give notice to the Association of every lien or encumbrance upon his Lot or subdivided portion thereon, other than for taxes and Assessments, and notice of every suit or other proceeding which may affect the title to his Lot or subdivided portion thereon, and such notice shall be given within five (5) days after the Owner has knowledge thereof.

13.8 Mechanic's Lien. Each Owner agrees to indemnify and to hold each of the other Owners harmless from any and all claims of mechanic's liens filed against other owner's property for labor, materials, services or other products incorporated in the Owner's improvements on his Lot.

13.9 Collection and Enforcement. Each Member, by his assertion of title or claim of ownership or by his acceptance of a deed to a Lot, whether or not it shall be so recited in such deed, shall be conclusively deemed to have expressly vested in the Association, and in its officers and agents, the right, power and authority to take all action which the Association shall deem proper for the collection of assessments and/or for the enforcement and foreclosure of the liens securing the same, including the right to delegate collection and enforcement responsibilities to the City of El Paso subject to the approval and consent of the City.

ARTICLE XIV

ABATEMENT AND ENJOINMENT OF VIOLATIONS BY OWNERS

14.01 Abatement and Enjoinder. The violation of any rule or regulation, or the breach of any Bylaw, or the breach of any provision of the Declaration, shall give the Board of Directors the right, in addition to any other rights set forth in the Declaration or herein, (i) to enter the Lot in which, or as to which, such violation or breach exists and to summarily abate and remove, at the expense of the defaulting Owner, any person, structure, thing or condition that may exist therein contrary to the intent and meaning of the provisions thereof, and the Board of Directors shall not be deemed guilty in any manner of trespass; and to expel, remove and put out, using such force as may be necessary in so doing, without being liable to prosecution or any damages therefor; and (ii) to enjoin abate, or remedy by appropriate legal proceedings, either at law or in equity, the continuance of any breach.

ARTICLE XV

COMMITTEES

15.01 Architectural Review Committee. Until such time as the duties, rights, powers and authority of the Architectural Review Committee are reassigned to the Board of Directors pursuant to section 7.03 of the Declaration, the Members shall have no power or authority: (a) to appoint or remove the members of the Architectural Review Committee; or (b) to approve, modify, amend, alter or in any way effect the powers, responsibilities, rights and authority of the Architectural Review Committee as set forth

in the Declaration. From and after the date the duties, rights, powers and authority of the Architectural Control Committee are assigned to the Board of Directors pursuant to section 7.03 of the Declaration, the Board may either sit as the Architectural Review Committee or maintain a separate Architectural Control Committee which shall have not fewer than three (3) persons or more than five (5) persons appointed by the Board. Members of the Board may also be members of the Architectural Review Committee.

(a) Function of Committee. No improvements shall be erected, constructed, placed, altered, removed, maintained, or permitted to remain on any portion of the Properties until plans and specifications, in such form and detail as the Architectural Review Committee (subject to the requirements of the Declaration) may deem necessary, shall have been submitted to the Architectural Review Committee and approved by it in writing as to:

- (i) Architectural character;
- (ii) Compatibility with the development guidelines, as well as with other existing or proposed Lot developments located within the Properties;
- (iii) Extent and quality of landscaped areas proposed for a particular Lot;
- (iv) Exterior signing and lighting; and
- (v) Compliance with any the other requirement for Properties or individual Lots pursuant to this Declaration.

The Architectural Review Committee shall have the authority to select and employ professional consultants to assist it in discharging its duties, the cost of such consultants to be paid by the Owner of any Lot for which plans, and specifications have been submitted for approval. The Owner of any such Lot shall be responsible for paying the full costs of each and every review when due, whether or not submitted plans and specifications are approved by the Architectural Review Committee. Any decision of the Architectural Review Committee shall be final, conclusive and binding upon an applicant. The Architectural Review Committee shall establish administrative procedures including, but not limited to, designating a person and place to receive formal submissions.

(b) Interpretation. Approval of plans and specifications for any improvements shall be based upon a determination by the Architectural Review Committee as to whether or not in its judgment such plans and specifications adequately meet objectives established for SAN CLEMENTE ESTATES with regard to environmental and aesthetic excellence, as well as meeting certain functional and other requirements created by the Declaration, these Bylaws and the development guidelines. Further, in reaching such decision, the Architectural

Review Committee shall consider not only the appropriateness of specific improvements proposed on a particular Lot, but also how said Lot, if developed in the manner intended, would likely relate to and affect those improvements either existing on or intended for other Lots, and conformity to both the specific and general intentions of the Covenants. The Architectural Review Committee shall have full power and authority to make any such subjective Judgments and to interpret the intent and provisions of the Declaration and these Bylaws and the development guidelines in such manner and with such results as such Architectural Review Committee may, in its sole discretion, deem appropriate. In dealing with matters and decisions which the Architectural Review Committee may determine, in its sole discretion, require special consideration, it may employ the services of a qualified Consultant or consultants for the purpose of advising the Architectural Review Committee with regard to a particular decision, such consultant to be selected by the Architectural Review Committee. Any recommendations made by any such consultant shall be reasonably considered by the Architectural Review Committee in arriving at a decision, or action to which such consultant recommendations directly relate, but shall not be binding on such committee.

(c) Development Standards. The Architectural Review Committee shall have full power to enforce the development guidelines governing project standards, including but not limited to, site development architecture, construction, lighting, signage, and landscaping. In this connection, the Architectural Review Committee shall have the power to enforce strict compliance with the development guidelines by any or all Owners.

(d) Failure of Committee to Act. Should the Architectural Review Committee fail to either approve or disapprove such plans and specifications, or to reject them as being incomplete or otherwise inadequate, within thirty (30) days after receipt thereof, it shall be conclusively presumed that such committee has approved such plans and specifications. If any plans and/or specifications are submitted in a form which is not sufficiently complete or are otherwise determined inadequate the Architectural Review Committee may reject such plans and/or specifications, or may approve or disapprove portions thereof either conditionally or unconditionally, and reject the balance.

(e) Limitation of Liability. The Declarant, the Association, the Board or any of its members, and the Architectural Review Committee or any of its members shall not, individually or in combination, be liable for damages or otherwise to anyone submitting plans or specifications for approval or to any Owner of a Lot or any other person affected by an action taken with respect to such a submission by reason of mistake in judgment, negligence, or nonfeasance arising out of or in connection with the approval or disapproval or failure to approve or to disapprove any plans and specifications submitted.

15.02 Other Committees. The Board of Directors, by resolution adopted by a majority of the Directors in office, may designate one or more other committees. Except as otherwise provided in such resolution, members of such committee or committees shall be Members of the Association, and the President of the Association shall appoint the members thereof.

15.03 Term of Office. Each member of a committee shall continue as such until the next annual meeting of the Members of the Association or until his successor is appointed unless the committee shall be sooner terminated, or unless such member be removed from such committee, or unless such member shall cease to qualify as a member thereof, subject to the provisions of Section 15.01 of these Bylaws concerning the Architectural Review Committee.

15.04 Chairman. One member of each committee shall be appointed chairman by the President of the Association.

15.05 Vacancies. Vacancies in the membership of any committee may be filled by appointments made in the same manner as provided in the case of the original appointments, subject to the provisions of Section 15.01 of these Bylaws concerning the Architectural Review Committee.

15.06 Quorum. Unless otherwise provided in the resolution of the Board of Directors designating a committee, a majority of the whole committee shall constitute a quorum and the act of a majority of the members present at a meeting at which a quorum is present shall be the act of the committee.

15.07 Rules. Each committee may adopt rules for its own government not inconsistent with these Bylaws or with rules adopted by the Board of Directors.

ARTICLE XVI

NON-PROFIT ASSOCIATION

16.01 Non-Profit Association. This Association is not organized for profit. No Member, member of the Board of Directors, officer or person from whom the Association may receive any property or funds shall receive or shall be lawfully entitled to receive any pecuniary profit from the operation thereof, and in no event shall any part of the funds or assets of the Association be paid as salary or compensation to, or distributed to or inure to the benefit of any member of the Board of Directors, officer or Member; provided, however, always (1) that reasonable compensation may be paid to any Member, director or officer while acting as an agent or employee of the Association for services rendered in effecting one or more of the purposes of the Association, and (2) that any Member, director or officer may, from time to time, be reimbursed for his actual and reasonable expenses incurred in connection with the administration of the affairs of the Association.

ARTICLE XVII

EXECUTION OF DOCUMENTS

17.01 Execution of Documents. The persons who shall be authorized to execute any and all contracts, documents, instruments or conveyance or encumbrances, including promissory notes, shall be two; one of each of the President or any Vice President, and the Secretary or any Assistant Secretary of the Association.

ARTICLE XVIII

PROXY TO TRUST

18.01 Proxy to Trust. Owners shall have the right to irrevocably constitute and appoint their Mortgagees their true and lawful attorney to vote their Lot membership in this Association at any and all meetings of the Association and to vest in such beneficiary or his nominees any and all rights, privileges, and powers that they have as owners under the Bylaws of this Association or by virtue of the Declaration. Such proxy shall become effective upon then filing of a notice by the beneficiary with the Secretary or Assistant Secretary of the Association at such time or times as the beneficiary shall deem its security in jeopardy by reason of the failure, neglect, or refusal of the Association or the Owners to carry out their duties as set forth in the Declaration. Such proxy shall be valid until such time as a release of the beneficiary's deed of trust is executed and a copy thereof delivered to the Secretary or Assistant Secretary of the Association, which shall operate to revoke such proxy. Nothing herein contained shall be construed to relieve Owners or to impose upon the beneficiary of the Deed of Trust the duties and obligations of an Owner.

ARTICLE XIX

CONFLICTING OR INVALID PROVISIONS

19.01 Conflicting or Invalid Provisions. Notwithstanding anything contained herein to the contrary, should all or part of any Article of these Bylaws be in conflict with the Provisions of the Texas Non-Profit Corporation Act Or any other Texas law, such Act or law shall control; and should any part of these Bylaws be invalid or inoperative for any reason, the remaining parts, so far as is possible and is reasonable shall be valid and operative.

ARTICLE XX

NOTICES

20.01 Notices. All notices to Members of the Association shall be given by delivering the same to each Owner in person or by depositing the notices in the U.S. Mail, postage prepaid, addressed to each Owner at the address last given by each Owner

to the Secretary of the Association. If an Owner shall fail to give an address to the Secretary for mailing of such notices, all such notices shall be sent to the Lot of such Owner, and all Owners shall be deemed to have been given-notice of the meetings upon the proper mailing of the notices to such addresses irrespective of the actual receipt of the notices by the Owners.

ADOPTED by the Members on Jan 7, 2003.

SAN CLEMENTE ESTATES OWNERS ASSOCIATION

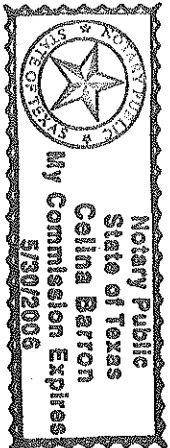
By: [Signature], President

By: [Signature] Secretary

THE STATE OF TEXAS)
)
COUNTY OF EL PASO)

BEFORE ME, the undersigned authority, on this day personally appeared Richard Thomas, President, and Walter Bostick, secretary of SAN CLEMENTE ESTATES OWNERS ASSOCIATION, known to me to be the persons and officers whose names are subscribed to the foregoing instrument and acknowledged to me that they executed the foregoing instrument on behalf of said corporation.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this 7th day of January, 2003.



[Signature]
Notary Public in and for
the State of Texas