

BYLAWS OF TRINITY SHORES OWNERS' ASSOCIATION

These Bylaws (referred to as the "Bylaws") govern the affairs of Trinity Shores Owners Association, a nonprofit corporation (referred to the "Association") organized under the Texas Non-Profit Corporation Act (referred to as the "Act").

ARTICLE 1

NAME, MEMBERSHIP, APPLICABILITY AND DEFINITIONS

- 1.01. **Name.** The name of the Association shall be Trinity Shores Owners Association.
- 1.02. **Principal Office.** The principal office of the Association in the State of Texas shall be located at the office of the manager (the "Manager") of the Association, which Manager may be changed by the Board of Directors time to time. The Association may have such other offices, either in Texas or elsewhere, as the Board of Directors (sometimes referred to herein the "Board") may determine. The Board of Directors may change the location of any office of the Association.
- 1.03. **Registered Office and Registered Agent.** The Association shall comply with the requirements of the Act and maintain registered office and registered agent in Texas. The registered office may, but need not be identical with the Association's principal office in Texas. The Board of Directors may change the registered office and the registered agent as provided in the Act.
- 1.04. **Definitions.** The words used in these Bylaws shall have the same meanings as set forth in that Declaration of Covenants, Conditions and Restrictions for Trinity Shores Owners Association (said Declaration, as amended, renewed, or extended from time to time, is hereinafter sometimes referred to as the "Declaration"), unless the context Shall prohibit.

ARTICLE 2

ASSOCIATION: MEETINGS. QUORUM, VOTING, PROXIES

- 2.01. **Membership.** The Association shall have two (2) classes of membership, Class "A" and "B", as more fully set forth in the Declaration, the terms of which pertaining to membership are specifically incorporated herein by reference.
- 2.02. **Place of Meetings.** Meetings of the Association shall be held at the principal office of the Association or at such other suitable place convenient to the Members as may be designated by the Board of Directors, which meeting place may be outside the boundaries of the Association.
- 2.03. **Annual Meetings.** The first meeting of the Members, whether a regular or special meeting, shall be held within one (1) year from the date of incorporation of the Association. The next annual meeting shall be set by the Board so as to occur no later than ninety (90) days after the close of the Association's fiscal year. Subsequent regular annual meetings or the Members shall be held within thirty (30) days of the same day of the same month of each year thereafter at an hour set by the Board. The annual meeting of the Members shall be held at a date and time set by the Board of Directors.

2.04. **Special Meetings.** The President may call special Meetings. In addition, it shall be the duty of the President to call a special meeting of the Association if so directed by resolution of a majority of a quorum of the Board of Directors or upon a petition signed by least ten percent (10%) of the total votes of the Association. The notice of any special meeting shall state the date, time, and place of such meeting and the purpose thereof. No business shall be transacted at a special meeting except as stated in the notice.

2.05. **Notice of Meetings.** Written or printed notice stating the place, day, and hour of meeting of the Members shall be delivered either personally or by mail/email, to each Member entitled to vote at such meeting, not less than five (5) nor more than fifty (50) days before the date of such meeting, by or at the direction of the President or the Secretary or the Officers or persons calling the meeting. In the case of a special meeting or when required by statute or these Bylaws, the purpose, or purposes for which the meeting is called shall be stated in the notice. If mailed, the notice of a meeting shall be deemed to be delivered when deposited in the United States mail addressed to the Member at his or her address as it appears on the records of the Association, with postage thereon prepaid.

2.06. **Waiver of Notice.** Waiver of notice of meeting of the Members shall be deemed the equivalent of proper notice. Any Member may, in writing, waive notice of any meeting if the Members, either before or after such meeting. Attendance at a meeting by a Member, whether in person or by proxy, shall be deemed a waiver by such Member of notice of the time, date, and place thereof, unless such Member specifically objects to lack of proper notice at the time the meeting is called to Order. Attendance at a special meeting shall also be deemed waiver of notice of all business transacted thereat unless objection to the calling or convening of the meeting of which proper notice was not given, is raised before the business is put to a vote.

2.07. **Adjournment of Meetings.** If any meetings of the Association cannot be held because a quorum is not present, a majority of the Members who are present at such meeting, either in person or by proxy, may adjourn the meeting to a time not less than five (5) nor more than thirty (30) days from the time the original meeting was called. At such adjourned meeting at which quorum is present, any business which might have been transacted at the meeting originally called may be transacted. If a time and place for the adjourned meeting is not fixed for by those in attendance at the original meeting or if for any reason a new date is fixed for the adjourned meeting after adjournment, notice of the time and plate of the adjourned meeting shall be given to Members in the manner prescribed for regular meetings.

2.08 **Voting.** The voting rights of the members shall be as set forth in the Declaration, and such voting rights provisions are specifically incorporated herein.

2.09. **Proxies.** At all meetings of Members, each Member may vote in person or by proxy. All proxies shall be in writing and filed with the Secretary before the appointed time of each meeting. Every proxy shall be revocable and shall automatically cease upon conveyance by the Member of his or her Lot or upon receipt of notice by the Secretary of the Board of the death or judicially eclairs incompetence of a Member or upon the expiration of eleven (11) months from the date of the proxy.

2.10. **Majority.** As used in these Bylaws, the term "majority" shall mean those votes, owners, or other group as the context may indicate totaling more than fifty percent (50%) of the total number.

2.11. **Quorum.** Except as otherwise provided in these Bylaws or in the Declaration, the presence in person or by proxy of Members representing at least ten percent (10%) of the total votes of the Association shall constitute a quorum at all meetings of the Association. In the event a quorum is not present, another meeting may be called subject to the same notice requirement, and the required quorum at the subsequent meeting shall be one-tenth (1/10th) of the total votes. Any provision in the Declaration concerning quorums is specifically incorporated herein.

2.12. **Conduct of Meetings.** The President shall preside over all meetings of the Association, and the Secretary shall keep the minutes of the meeting and record in a minute book all resolutions adopted at the meeting, as well as a record of all transactions occurring thereat.

2.13. **Action Without Meeting.** Any action required by law to be taken at a meeting of the Members, or any action which may be taken at a meeting of the Members, may be taken without a meeting if a consent in writing setting forth the action so taken shall be signed by all of the Members entitled to vote with respect to the subject matter thereof, and such consent shall have the same force and effect as a unanimous vote of the Members.

ARTICLE 3

BOARD OF DIRECTORS

3.01. **Management of the Association.** The affairs of the Association shall be managed by the Board of Directors. Except as provided in Section 3.02 of this Article, the Directors shall be Members. No person and his or her spouse may serve on the Board of Directors at the same time.

3.02. **Directors During Declarant Control.** The Directors shall be selected by the Declarant acting in its sole discretion and shall serve at the pleasure of Declarant so long as the Class "B" membership exists, as set forth in the Declaration, unless the Declarant shall earlier surrender this right to select Directors and except as set forth in Section 3.05 hereof. The Directors selected by the Declarant need not be Members or residents of Texas. After the period of Declarant appointment, all directors must be Members of the Association.

3.03. **Number of Directors.** The number of Directors in the Association shall be not less than three (3) nor more than six (6), as the Board of Directors may from time to time determine by resolution. The initial Board shall consist of three (3) members and are identified in the minutes of the first meeting of the Board. Each Director shall serve for a term of one year.

3.04. **Nomination of Directors.** Except with respect to Directors selected by the Declarant, nominations for election to the Board of Directors shall be made by a Nominating Committee. The Nominating Committee shall consist of a Chairman, who shall be a member of the Board of Directors, and two (2) or more Members of the Association. The Nominating Committee shall be appointed by the Board of Directors not less than thirty (30) days prior to each annual meeting of the Members to serve from the close of such annual meeting until the close of the next annual meeting, and such appointment shall be announced at each such annual meeting. The Nominating Committee shall make as many nominations for election to the Board of Directors as it shall in its discretion determine, but in no event less than the number of vacancies or terms to be filled. Nominations shall be permitted from the floor. All candidates shall have a reasonable opportunity to communicate their qualifications to the Member and to solicit votes.

3.05. Election and Term of Office. Notwithstanding any other provision contained herein:

(a) Within one hundred twenty (120) days after the time Class "A" Members other than the Declarant have votes equal to or greater than one hundred twenty (120), the Association shall call a special meeting to be held at which Members other than the Declarant shall elect one of the Directors. The Director so elected shall not be subject to removal by the Declarant acting alone and shall be elected for a one-year term.

(b) At the first annual meeting of the membership after the termination of the Class "B" membership and at each annual meeting of the membership thereafter, Directors shall be elected.

3.06. Removal of Directors and Vacancies. Unless the entire Board is removed from office by the vote of the Association Members, or by Declarant during the time the Class "B" membership exists, an individual Director may be removed prior to the expiration of his or her term of office by complying with Article 1396 - 2.15 of the Act. A Director who was elected solely by the votes of Members other than the Declarant may be removed from office prior to the expiration of his or her term by the votes of majority of Members other than the Declarant. In the event of death or resignation of a Director, his or her successor shall be selected by a majority of the remaining members of the Board and shall serve for the unexpired term of the predecessor.

3.07. Voting Procedure for Directors. The first election of the Board shall be conducted at the first meeting of the Association. At such election, the Members or their proxies may cast, in respect to each vacancy, as many votes as they are entitled to exercise under the provisions of the Declaration. The persons receiving the largest number of votes shall be elected.

3.08. Organization Meetings. The first meeting of the members of the Board of Directors following each annual meeting of the membership shall be held within ten (10) days thereafter at such time and place as shall be fixed by the Board.

3.09. 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. Notice of the time and place of the meeting shall be communicated to Directors not less than four (4) days prior to the meeting; provided, however, notice of a meeting need not be given to any Director who has signed a waiver of notice or a written consent to holding of the meeting.

3.10. Special Meetings. Special meetings of the Board of Directors shall be held when called by written notice signed by the President, Vice President, or Secretary of the Association, or by any two (2) Directors. The notice shall specify the time and place of the meeting and the nature of any special business to be considered. The notice shall be given to each Director by one of the following methods: (a) by personal delivery; (b) written notice by first class mail, postage prepaid; (c) by telephone communication, either directly to the Director or to a person at the Director's office or home who would reasonably be expected to communicate such notice promptly to the Director; or (d) by facsimile. All such notices shall be given or sent to the Director's address or telephone number as shown on the records of the Association. Notices sent by first class mail shall be deposited into a United States mailbox at least four (4) days before the time set for the meeting. Notices given by personal delivery, telephone, or telegraph shall be delivered, telephoned, or given to the telegraph company at least seventy-two (72) hours before the time set forth the meeting.

3.11. **Waiver of Notice.** The transactions of any meetings of the Board of Directors, however called and noticed or wherever held, shall be as valid as though taken at a meeting duly held after regular call and notice if (1) a quorum is present, and (b) either before or after the meeting each of the Directors not present signs a written waiver of notice, a consent to holding the meeting, or an approval of the minutes. The waiver of notice or consent need not specify the purpose of the meeting. Notice of a meeting shall also be deemed given to any Director who attends the meeting without protesting before or at its commencement about the lack of adequate notice.

3.12. **Quorum of the Board of Directors.** At all meetings of the Board of Directors, a majority of the Directors shall constitute a quorum for the transaction of business, and the votes of a majority of the Directors present at a meeting at which a quorum is present shall constitute the decision of the Board of Directors. A meeting at which a quorum is initially present may continue to transact business, notwithstanding the withdrawal of Directors, if any action taken is approved by at least a majority of the required quorum for that meeting. At such adjourned meeting at which a quorum is present, any business which might have been transacted at the meeting originally called may be transacted without further notice.

3.13. **Compensation.** No Director shall receive any compensation from the Association for acting as such unless approved by a majority vote of the total vote of the Association at a regular or special meeting of the Association.

3.14. **Conduct of Meetings.** The President shall act as Chairman of the Board of Directors and shall preside over all meetings of the Board of Directors, and the Secretary shall keep a minute book of the Board of Directors, recording there in all resolutions adopted by the Board of Directors and a record of all transactions and proceedings occurring at such meeting.

3.15. **Action Without a Formal Meeting.** Any action to be taken at a meeting of the Board of Directors or any action that may be taken at a meeting of the Board of Directors may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the Directors, and such consent shall have the same force and effect as a unanimous vote. An explanation of the action taken shall be posted at a prominent place or places within the Common Area within ten (10) days after the written consents of all the Board members have been obtained.

3.16. **Duties of Directors.** Directors shall discharge their duties, including any duties as committee members, in good faith, with ordinary care, and in a manner they reasonably believe to be in the best interests of the Association.

3.17. **Duty to Avoid Improper Distributions and Loans.** A Director is not liable if, in voting for or assenting to an action, the Director relies in good faith and with ordinary care on information, opinions, reports, or statements, including financial statements and other financial data, prepared or presented by one or more Officers or employees of the Association; legal counsel, public accountants, or other persons as to matters the Director reasonably believes are within the person's professional or expert competence; or a committee of the Board of Directors of which the Director is not a member. Furthermore, Directors are protected from liability if, in the exercise of ordinary care, they acted in good faith and in reliance on the written opinion of an attorney for the Association.

3.18. **Powers.** The Board of Directors shall be responsible for the affairs of the Association and shall have all of the powers and duties necessary for the administration of the Association's affairs and, as provided by law, may do all acts and things as are not by the Declaration, Articles, or these Bylaws directed to be done and exercised exclusively by the Members.

The Board of Directors may delegate to one of its members the authority to act on behalf of the Board of Directors on all matters relating to the duties of the Manager, if any, which might arise until such time as the Board of Directors change such delegation.

In addition to the duties imposed by these Bylaws or by any resolution of the Association that may be hereafter adopted, the Board of Directors shall have the power to and be responsible for the following, in way of explanation, but not limitation:

(a) adoption of an annual budget in which there shall be established the contribution of each owner to the common expenses;

(b) making assessments to defray the common expenses, establishing the means and methods of collecting such assessments, and establishing the period of the installment payments of the annual assessment (Unless otherwise determined by the Board of Directors, the annual assessment against the proportionate share of the common expenses shall be payable in equal monthly installments, each such installment to be due and payable in advance on the first day of each month for said month).

(c) providing for the operation, care, upkeep, and maintenance of all of the Common Area;

(d) designating, hiring, and dismissing the manager of the Association and/or the personnel necessary for the maintenance, operation, repair, and replacement of the Association, its property, and the Common Area and, where appropriate, providing for the compensation of such personnel, and for the purchase of equipment, supplies, and material to be used by such personnel in the performance of their duties;

(e) collecting the assessments, depositing the proceeds thereof in a bank depository which it shall approve, and using the proceeds to administer the Association;

(f) making and amending rules and regulations;

(g) opening of bank accounts on behalf of the Association and designating the signatories required;

(h) making or contracting for the making of repairs, additions, and improvements to or alterations of the Common Area in accordance with the other provisions of the Declaration and these Bylaws after damage or destruction by fire or other casualty;

(i) enforcing by legal means the provisions of the Declaration, these Bylaws, and the rules and regulations adopted by it and filing any proceedings which may be instituted on behalf of or defending any proceedings against the Association and settling any litigation filed by or against the Association;

(j) obtaining and carrying insurance against casualties and liabilities, as provided in the Declaration, and paying the premium cost thereof;

(k) paying the cost of all services rendered to the Association or its Members and not chargeable to owners;

(l) keeping books with detailed accounts of the receipts and expenditures affecting the Association and its Administration, specifying the maintenance and repair expenses and any other expenses incurred. The said books and vouchers accrediting the entries thereupon shall be available for examination by the owners and mortgagees, their duly authorized agents, accountants, or attorneys, during general business hours on working days at the time of Directors for the general knowledge of the owners. all books and records shall be kept in accordance with generally accepted accounting practices; and

(m) buying land to add to the Common Areas, selling land constituting part or all of the Common Areas, contracting for the construction of improvements on the Common Areas, and entering into loans on such terms and conditions and granting such mortgages, liens, and security interests on the Common Areas as the Board of Directors deem necessary or appropriate.

3.19. Management Agent.

(a) The Board of Directors may employ for the Association a Manager, which shall be a professional management agent or agents, at a compensation established by the Board of Directors to perform such duties and services as the Board of Directors shall authorize. The Board of Directors may delegate to the Manager, subject to the Board's supervision, all of the powers granted to the Board of Directors by these Bylaws, other than the powers set forth in subparagraphs (a), (b), (1), and (1) of Section 3.18 of this Article. The Board of Directors may authorize the Manager to open and maintain a bank account for the Association, subject to such reporting, bonding, and other requirements as may be established by the Board of Directors. The Board of Directors may also authorize the Manager to file suit on behalf of the Association to collect unpaid or delinquent assessments subject to such guidelines as the Board of Directors may impose. The Declarant, or an affiliate of the Declarant, may be employed as managing agent or manager.

(b) No management contract may have a term in excess of one (1) year and must permit termination by either party without cause and without termination fee on ninety (90) days or less written notice.

3.20. Delegation of Duties. Directors are entitled to select advisors and delegate duties and responsibilities to them, such as the full power and authority to purchase or otherwise acquire stocks, bonds, securities, and other investments on behalf of the Association; and to sell, transfer, or otherwise dispose of the Association's assets and properties at a time and for a consideration that the advisor deems appropriate, The Directors have no liability for actions taken or omitted by the advisor if the Board of Directors acts in good faith and with ordinary care in selecting the advisor.

3.21. Interested Directors. Contracts or transactions between Directors or Officers who have a financial interest in the matter are not void or voidable solely for that reason. No Director shall participate in any transaction if such transaction would constitute an act of self-dealing as defined in Internal Revenue Code Section 4941 and the regulations and ruling promulgated thereunder.

3.22. Actions of Board of Directors. The vote of a majority of Directors present in person or by proxy and voting at a meeting at which a quorum is present shall be sufficient to constitute the act of the Board of Directors unless the act of a greater number is required by law or the Bylaws.

3.23. **Proxies.** A Director may vote by proxy executive in writing by the Director. No proxy shall be valid after three (3) months from the date of its execution.

3.24. **Compensation.** Directors shall not receive salaries for their services. The Board of Directors may adopt a resolution providing for payment to directors of a fixed sum and expenses of attendance, if any, for attendance at each meeting of the Board of Directors. A Director may serve the Association in any other capacity and receive compensation for those services. Any compensation that the Association pays to a Director shall be commensurate with the services performed and reasonable in amount. Notwithstanding this Section 3.26, no Director shall receive any sum, expense, or compensation if to do so would constitute an act of self-dealing as defined in Internal Revenue Code Section 4941 and the regulations and rulings promulgated thereunder.

ARTICLE 4

OFFICERS

4.01. **Officer Positions.** The Officers of the Association shall be a President, a Secretary, a Treasurer, and may include one or more Vice Presidents. The Board of Directors may create additional Officer positions, define the authority and duties of each such position, and elect or appoint persons to fill the positions. Any two or more offices may be held by the same person, except the offices of President and Secretary. The President and Treasurer shall be elected from among the members of the Board of Directors.

4.02. **Election and Term of Office.** The Officers of the Association shall be elected annually by the Board of Directors at the regular annual meeting of the Board of Directors, or as soon thereafter as conveniently possible. Each Officer shall hold office until a successor is duly selected and qualified.

4.03. **Removal.** Any Officer elected or appointed by the Board of Directors may be removed by the Board of Directors whenever in its judgment the best interests of the Association will be served thereby.

4.04. **Vacancies.** A vacancy in any office may be filled by the Board of Directors.

4.05. **President.** The President shall be the Chief Executive Officer of the Association. The president may execute any deeds, mortgages, bonds, contracts, or other instruments that the Board of Directors have authorized to be executed. The President shall perform other duties prescribed by the Board of Directors and all duties incident to the Office of President.

4.06. **Vice President.** When the President is absent, is unable to act, or refuses to act, a Vice President shall perform the duties of the President. A Vice President shall perform other duties as assigned by the President or Board of Directors.

4.07. **Treasurer.** The Treasurer shall:

(a) Have charge and custody of and be responsible for all funds and securities of the Association.

(b) Receive and give receipts for moneys due and payable to the Association from any source.

(c) Deposit all moneys in the name of the Association in banks, trust companies, or other depositories as provided in the Bylaws or as directed by the Board of Directors or President.

(d) Write checks and disburse funds to discharge obligations of the Association. Funds may not be drawn from the Association or its accounts for amounts greater than \$5,000 without the signature of an additional person designated by the Board of Directors in addition to the signature of the Treasurer.

(e) Maintain the financial books and records of the Association.

(f) Prepare financial reports at least annually.

(g) Perform other duties as assigned by the President or by the Board of Directors. (h) Perform all of the duties incident to the Office of Treasurer.

4.08. Secretary. The Secretary shall:

(a) Give all notices as provided in the Bylaws or as required by law.

(b) Take minutes of the meetings of the Board of Directors and the members and keep the minutes as part of the corporate records.

(c) Maintain custody of the corporate records and of the seal of the Association.

(d) Affix the seal of the Association to all documents as authorized.

(e) Keep a register of the mailing address of each Member, Director, Officer, and employee of the Association.

(f) Perform duties as assigned by the President or by the Board of Directors. (g) Perform all duties incident to the Office of Secretary.

ARTICLE 5

COMMITTEES

5.01. **Establishment of Committees.** The Board of Directors may adopt a resolution establishing one or more committees delegating specified authority to a committee, and appointing or removing members of a committee. If the Board of Directors delegates any of its authority to a committee, the majority of the committee shall consist of directors. The establishment of a committee or the delegation of authority to it shall not relieve the Board of Directors, or any individual Director, of any responsibility imposed by the Bylaws or otherwise imposed by law. The Association shall have an Architectural Control Committee which may, but need not, have any Director(s) on such committee. No committee shall have the authority of the Board of Directors to:

(a) Amend the articles of incorporation of the Association.

(b) Adopt a plan of merger or a plan of consolidation with another association.

(c) Authorize the sale, lease, exchange, or mortgage of all or substantially all of the property and assets of the Association.

(d) Authorize the voluntary dissolution of the Association.

(e) Revoke proceedings for the voluntary dissolution of the Association.

(f) Adopt a plan for the distribution of the assets of the Association.

(g) Amend, alter, or repeal the Bylaws.

(h) Elect, appoint, or remove a member of a committee or a Director or Officer of the Association.

(i) Approve any transaction to which the Association is a party and that involves a potential conflict of interest, as defined in paragraph 6.04 hereof.

(j) Take any action outside the scope of authority delegated to it by the Board of Directors.

5.02. **No Compensation.** Committee members may not receive compensation for their services.

5.03. **Rules.** Each committee may adopt rules for its own operation not inconsistent with the Bylaws or with rules adopted by the Board of Directors.

ARTICLE 6

TRANSACTIONS OF THE ASSOCIATION

6.01. **Contracts.** The Board of Directors may authorize any Officer or agent of the Association to enter into a contract or execute and deliver any instrument in the name of and on behalf of the Association.

6.02. **Deposits.** All funds of the Association shall be deposited to the credit of the Association in banks, trust companies, or other financial institutions or depositaries that the Board of Directors selects.

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

6.04. **Potential Conflicts of Interest.** The Association shall not make any loan to a Director or Officer of the Association or any other "disqualified person" as that term is defined in internal Revenue Code Section 4946(a) and the regulations and rulings promulgated thereunder. A Director, Officer, or Committee member of the Association may lend money to and otherwise transact business with the Association except as otherwise provided by the Bylaws, articles of incorporation, and all applicable laws and then only to the extent any such loan or transaction does not constitute an act of self-dealing as defined in Internal Revenue Code Section 4941 and the regulations and rulings promulgated thereunder. The Association shall not borrow money from or otherwise transact business with a Director, Officer, or Committee member of the Association unless the transaction is described fully in a legally binding instrument and is in the best interests of the Association. The Association shall not borrow money from or otherwise transact business with a Director, Officer, or Committee member of the Association without full disclosure of all relevant facts and without the approval of the Board of Directors, not including the vote of any person having a personal interest in the transaction.

ARTICLE 7

BOOKS AND RECORDS

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

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

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

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

(d) A list of the names and addresses of the Members, Directors, Officers, and any Committee members of the Association.

(e) An annual financial statement showing the assets, liabilities, and net worth of the Association at the end of each of the five (5) most recent years.

(f) An annual financial statement showing the support, income, and expenses of the Association at the end of each of the five (5) most recent years.

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

(h) The Association's federal, state, and local information or income tax returns for each of the Association's five (5) most recent tax years.

7.02. Required Books and Records. Any person may inspect and receive copies (at their expense) of the financial books and records of the Association required to be kept by the Bylaws. Such a person may inspect or receive copies if the person submits a request in writing. A person entitled to inspect the Association's financial books and records may do so at a reasonable time during normal business hours no earlier than three (3) and no later than ten (10) business days after the Association's receipt of a proper written request.

ARTICLE 8

FISCAL YEAR

The fiscal year of the Association shall be determined by the Board of Directors.

ARTICLE 9

INDEMNIFICATION

9.01. When Indemnification is Required, Permitted, and Prohibited.

(a) The Association shall indemnify a Director, Officer, committee member, employee, or agent of the Association who was, is, or may be named defendant or respondent in any proceeding as a result of his or her actions or omissions within the scope of his or her official capacity in the Association. For the purposes of this article, an agent includes one who is or was serving at the request of the Association as a Director, Officer, partner, venturer, proprietor, trustee, partnership, joint venture, sole proprietorship, trust, employee benefit plan, or other enterprise. However, the Association shall indemnify a person only if he or she acted in good faith and reasonably believed that the conduct was in the Association's best interests. In a case of a criminal proceeding, the person may be indemnified only if he or she had no reasonable cause to believe that the conduct was unlawful. The Association shall not indemnify a person who (i) is found liable to the Association, (ii) is found liable to another on

the basis of improperly receiving a personal benefit, or (iii) is found liable for willful or intentional misconduct in the performance of his or her duty. A person is conclusively considered to have been found liable in relation to any claim, issue, or matter if the person has been adjudged liable by a court of competent jurisdiction and all appeals have been exhausted.

(b) The termination of a proceeding by judgment, order, settlement, conviction or on a plea of nolo contendere or its equivalent does not necessarily preclude indemnification by the Association.

(c) The Association shall pay or reimburse expenses incurred by a Director, Officer, Committee member, employee, or agent of the Association in connection with the person's appearance as a witness or other participation in a proceeding involving or affecting the Association when the person is not a named defendant or respondent in the proceeding.

(d) In addition to the situations otherwise described in this paragraph, the Association may indemnify a Director, Officer, committee member, employee, or agent of the Association to the extent permitted by law. However, the Association shall not indemnify any person in any situation in which indemnification is prohibited by the terms of paragraph 9.01 (a), above.

(e) Before the final disposition of a proceeding, the Association may pay indemnification expenses permitted by the Bylaws and authorized by the Association.

(f) If the Association may indemnify a person under the Bylaws, the person may be indemnified against judgments, penalties, including excise and similar taxes, fines, settlements, and reasonable expenses (including attorneys' fees) actually incurred in connection with the proceeding. However, if the proceeding was brought by or on behalf of the Association, the indemnification is limited to reasonable expenses actually incurred by the person in connection with the proceeding.

(g) Notwithstanding anything contained in this Section 9.01 (a) through (f), and Section 9.02 (a) through (c) to the contrary, no indemnification shall be made if to do so would constitute an act of self-dealing as defined in Section 4941 of the Internal Revenue Code and the regulations and rulings promulgated thereunder.

9.02. Procedures Relating to Indemnification Payments.

(a) Before the Association may pay any indemnification (including attorney's fees), the Association shall specifically determine that indemnification is permissible, authorize indemnification, and determine that expenses to be reimbursed are reasonable, except as provided in paragraph 9.02(c), below. The Association may make these determinations and decisions by any one of the following procedures:

(i) Majority vote of a quorum consisting of Directors who, at the time of the vote, are not named defendants or respondents in the proceeding.

(ii) If such a quorum cannot be obtained, by a majority vote of a committee of the Board of Directors, designated to act in the matter by a majority vote of all Directors, consisting solely of two or more Directors who at the time of the vote are not named defendants or respondents in the proceeding.

(iii) Determination by special legal counsel selected by the Board of Directors or a committee by vote as provided in paragraph 9.01 (a) (i) or 9.02 (a) (ii), or if such

a quorum cannot be obtained and such a committee cannot be established, by a majority vote of all Directors.

(b) The Association shall authorize indemnification and determine that expenses to be reimbursed are reasonable in the same manner that it determines whether indemnification is permissible. If the determination that indemnification is permissible is made by special legal counsel, authorization of indemnification and determination of reasonableness of expenses shall be made in the manner specified by paragraph 9.02 (a) (iii), above, governing the selection of a special legal counsel. A provision contained in the articles of incorporation, the Bylaws, or a resolution of the Board of Directors that requires the indemnification permitted by paragraph 9.01, above, constitutes sufficient authorization of indemnification even though the provision may not have been adopted or authorized in the same manner as the determination that indemnification is permissible.

(c) The Association shall pay indemnification expenses before final disposition of a proceeding only after the Association determines that the facts then known would not preclude indemnification and the Association receives a written affirmation and undertaking from the person to be indemnified. The determination that the facts then known to those making the determination would not preclude indemnification and authorization of payment shall be made in the same manner as a determination that indemnification is permissible under paragraph 9.02 (a), above. The person's written affirmation shall state that he or she has met the standard of conduct necessary for indemnification under the Bylaws. The written undertaking shall provide for repayment of the amount paid or reimbursed by the Association if it is ultimately determined that the person has not met the requirements for indemnification. The undertaking shall be an unlimited general obligation of the person, but it need not be secured and it may be accepted without reference to financial ability to make repayment.

ARTICLE 10

NOTICES

10.01. Notice by Mail, Telephone or Facsimile. Any notice required or permitted by the Bylaws to be given to a Member, Director, Officer, or member of a committee of the Association may be given by mail, telephone, or via facsimile. If mailed, a notice shall be deemed to be delivered when deposited in the United States mail addressed to the person at his or her address as it appears on the records of the Association, with postage prepaid. If given by telephone, a notice shall be deemed to be delivered when received personally by the individual to whom notice is sent. If given by facsimile, a notice shall be deemed given when faxed to the person at the facsimile number as appears on the records of the Association. A person may change his or her address or facsimile number by giving written notice to the Secretary of the Association.

10.02. Signed Waiver Notice. Whenever any notice is required to be given under the provisions of the Act or under the provisions of the articles of incorporation or the Bylaws, a waiver in writing signed by a person entitled to receive a notice shall be deemed equivalent to the giving of the notice. A waiver of notice shall be effective whether signed before or after the time stated in the notice being waived.

10.03. Waiver of Notice by Attendance. The attendance of a person at a meeting shall constitute a waiver of notice of the meeting unless the person attends for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened.

ARTICLE 11

SPECIAL PROCEDURES CONCERNING MEETINGS

11.01. **Meetings by Telephone.** The Board of Directors and any committee of the Association may hold a meeting by telephone conference call procedures in which all persons participating in the meeting can hear each other. Participation of a person in a conference call meeting constitutes presence of that person at the meeting.

11.02. **Decision Without Meeting.** Any decision required or permitted to be made at a meeting of the Board of Directors or any committee of the Association may be made without a meeting. A decision without a meeting may be made if a written consent to the decision is signed by all of the persons entitled to vote on the matter. The original signed consents shall be placed in the Association minute book and kept with the Association's records.

11.03. **Voting by Proxy.** A person who is authorized to exercise a proxy may not exercise the proxy unless the proxy is delivered to the Officer presiding at the meeting before the business of the meeting begins, if a person who had duly executed a proxy personally attends a meeting, the proxy shall not be effective for that meeting. A proxy filed with the Secretary or other designated Officer shall remain in force and effect until the first of the following occurs:

(a) An instrument revoking the proxy is delivered to the Secretary or other designated Officer.

(b) The proxy authority expires under the terms of the proxy.

(c) The proxy authority expires under the terms of the Bylaws.

ARTICLE 12

AMENDMENTS TO BYLAWS

The Bylaws may be altered, amended, or repealed, and new Bylaws may be adopted by the Board of Directors. The notice of any meeting at which the Bylaws are altered, amended, or repealed, or at which new Bylaws are adopted shall include the text of the proposed bylaw provisions as well as the text of any existing provisions proposed to be altered, amended, or repealed. Alternatively, the notice may include a fair summary of those provisions.

ARTICLE 13

MISCELLANEOUS PROVISIONS

13.01. **Legal Authorities Governing Construction of Bylaws.** The Bylaws shall be construed in accordance with the laws of the State of Texas. All references in the Bylaws to statutes, regulations, or other sources of legal authority shall refer to the authorities cited, or their successors, as they may be amended from time to time.

13.02. **Legal Construction.** If any bylaw provision is held to be invalid, illegal, or unenforceable in any respect, the invalidity, illegality, or unenforceability shall not affect any other provisions and the Bylaws shall be construed as if the invalid, illegal, or unenforceable provision had not been included in the Bylaws.

13.03. **Headings.** The headings used in the Bylaws are used for convenience and shall not be considered in construing the terms of the Bylaws.

13.04. **Seal.** The Board of Directors may provide for a corporate seal.

13.05. **Power of Attorney.** A person may execute any instrument related to the Association by means of a power of attorney if an original executed copy of the power of attorney is provided to the Secretary of the Association to be kept with the Association records.

13.06. **Parties Bound.** The Bylaws shall be binding upon and inure to the benefit of the Directors, Officers, committee members, employees, and agents of the Association and their respective heirs, executors, administrators, legal representatives, successors, and assigns except as otherwise provided in the Bylaws.

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