

BYLAWS OF LSIOT, INC.

a Texas Nonprofit Corporation

AMENDED AS OF JANUARY 28, 2016

These Bylaws govern the affairs of LSIOT, Inc., a Texas nonprofit corporation. LSIOT, Inc. performs the functions of a Property Owners Association, operated in conjunction with that certain residential subdivision in Randall County, Texas, known as "Lake Tanglewood", which is more particularly described in the *Restatement of Agreement Dated October 12, 1959*, which was executed February 25, 2015, and filed of record March 11, 2015, under Instrument No. 2015003717 in the Official Public Records of Randall County, Texas, and any revisions thereto.

Notwithstanding any provisions herein, LSIOT, Inc. shall at all times operate in compliance with all applicable provisions of the Texas Property Code, as it may from time to time be amended.

ARTICLE 1. DEFINITIONS

The use of any of the following defined terms in their capitalized form will have the meaning designated below. The use of any of the following defined terms in their uncapitalized form will indicate the words have their normal meaning:

- 1.01 **“Board Meeting”** means a deliberation between a quorum of the Board, or between a quorum of the Board and another person, during which Club business is considered and the Board takes formal action, and does not include the gathering of a quorum of the Board at a social function unrelated to the business of the Club or the attendance of the Board at a regional, state, or national convention, ceremonial event, or press conference, if formal action is not taken and any discussion of Club business is incidental to the social function, convention, ceremonial event, or conference.
- 1.02 **“Board of Directors” or “Board”** means the Board of Directors of LSIOT, Inc., and is the group of persons vested with the management of the affairs of the Club.
- 1.03 **“Child Living at Home” or “Children Living at Home”** means a Member’s child or children, under the age of 25, who reside(s) with the Member within the Property.
- 1.04 **“Club” or “Lake Tanglewood Club”** means LSIOT, Inc. and does not include Lake Tanglewood, Inc.
- 1.05 **“Common Areas”** means the real property (including improvements) within the Property that is owned by the Club for the common use and enjoyment of the Members, including, but not limited to, the lake, the golf course, and the restaurant.
- 1.06 **“Director”** means a member of the Board of Directors of the Club.
- 1.07 **“Domestic Partner”** means two unrelated individuals who live together on a full-time basis and share a common domestic life but are not married to each other nor to anyone else.
- 1.08 **“Enforcement Action”** is defined in Section 9.01, below.
- 1.09 **“Fees”** means water usage fees, gate fees, sticker fees, Transfer Fees, and marina lease fees, including any fees for the use, rental, or operation of the Club’s Common Areas and for services provided by the Club to Members.
- 1.10 **“Governing Instruments”** means, collectively, these Bylaws, the Articles of Incorporation, the Lake Tanglewood Club Rules & Regulations, the Restated Agreement, and any other instrument adopted by the Board to govern the Club.
- 1.11 **“Guest”** means a person who is not a Member, the spouse or Domestic Partner of a Member, or a Member’s Child Living at Home, and who is invited

to and/or authorized to enter the Property by a Member, the spouse or Domestic Partner of a Member, and/or a Member's Child Living at Home.

- 1.12 **"Lake Tanglewood Club Rules & Regulations"** means the rules and regulations adopted by the Board to govern the Club and its Members and Non-Owner Rights Holders, as such rules and regulations may be amended from time to time.
- 1.13 **"Lake Tanglewood, Inc."** is a Texas corporation that is responsible for maintenance of the Common Areas and other management services for the Club. All of the stock of Lake Tanglewood, Inc. is owned by LSIOT, Inc.
- 1.14 **"Lot"** means a parcel of land located within the Property upon which one single-family residence is located or may be located.
- 1.15 **"LSIOT, Inc."** is a Texas nonprofit corporation that performs the functions of a Property Owners Association with respect to the Property.
- 1.16 **"Majority"** means more than 50 percent.
- 1.17 **"Member"** means a Person who is admitted to Membership in the Club and is (i) an Owner; (ii) the executor of an estate of a Person who owned a fee simple interest in a Lot that has not yet been distributed to the heirs or devisees of such Lot; or (iii) the designated representative of an entity or trust that is an Owner of a Lot. The term "Member" specifically excludes Non-Owner Rights Holders.
- 1.18 **"Membership"** means inclusion within the Club as a Member.
- 1.19 **"Non-Owner Rights Holder"** means those Persons listed in Section 3.03, who are not Owners but hold membership rights or other rights with respect to the Lake Tanglewood Club.
- 1.20 **"Owner"** means each Person, entity, or trust that is a record owner of a fee simple interest in a Lot; provided, however, that:
 - (a) any Person, entity, or trust that holds only a lien or interest in a portion of the Property as security for the performance of any obligation is not an Owner unless such Person owns Property other than as a lienholder or as security for a lien; and
 - (b) a utility provider that has a utility easement within the Property is not an Owner.
- 1.21 **"Person"** means any natural person.
- 1.22 **"Property"** means the residential subdivision known as "Lake Tanglewood", which is more particularly described as the "Property" in the Restated Agreement.

- 1.23 **“Property Owners Association”** means an association that (a) is designated as the representative of the owners of property in a residential subdivision; (b) has a membership primarily consisting of the owners of property in a residential subdivision; and (c) manages or regulates the residential subdivision for the benefit of the owners of property in the residential subdivision.
- 1.24 **“Regular Assessments”** means assessments or dues that each Member is required to pay to the Club on a regular basis and that is designated for use by the Club for the benefit of the Property and/or the Club.
- 1.25 **“Restated Agreement”** means that certain *Restatement of Agreement Dated October 12, 1959*, which was executed February 25, 2015, and filed of record March 11, 2015, under Instrument No. 2015003717 in the Official Public Records of Randall County, Texas.
- 1.26 **“Special Assessment”** means an assessment or dues, other than a Regular Assessment that each Member is required to pay to the Club for defraying in whole or in part, the cost, whether incurred before or after the assessment, of any construction or reconstruction, unexpected repair, or replacement of a capital improvement in the Common Areas, including the necessary fixtures and personal property related to the Common Areas; maintenance and improvement of the Common Areas; or other purposes of the Club as stated in its Articles of Incorporation.
- 1.27 **“Transfer Fee”** means a charge payable for a change of ownership, tenancy or occupancy entered in the records of the Club.
- 1.28 **“Verified Mail”** means any method of mailing for which evidence of mailing is provided by the United States Postal Service or a common carrier.

ARTICLE 2. OFFICES

2.01 **Principal Office.** The Club's principal office in Texas will be located at 1000 Tanglewood Dr., Amarillo, Texas 79118. The Club may have such other offices, in Texas, as the Board of Directors may determine.

2.02 **Registered Office and Registered Agent.** The Club will maintain a registered office and registered agent in Texas. The registered office may, but need not, be identical with the Club's principal office in Texas. The Board may change the registered office and the registered agent as permitted in the Texas Non-Profit Corporation Act.

ARTICLE 3. MEMBERS AND NON-OWNER RIGHTS HOLDERS

3.01 **Members and Non-Owner Rights Holders.** The Club will consist of Members and Non-Owner Rights Holders.

3.02 **Members.** The Board may adopt and amend application procedures and required qualifications for Members. An affirmative vote of a Majority of the Directors of the

Board is required for admitting any applicant who meets the qualifications then in effect for Members.

3.03 Non-Owner Rights Holders. No new Non-Owner Rights Holders may be added to the Club. The following is a list of all Non-Owner Rights Holders:

- (a) Certain "Rights to Use Lake Tanglewood" were conveyed in that certain agreement titled "Exchange Facilitation Agreement" and dated August 1, 1992, to the David Hugh Currie Family and are still in effect and held by certain members of the David Hugh Currie Family. The described rights are not memberships, but rather rights to use the described facilities for the David Hugh Currie Family members, their guests and invitees. The rights do not attach to any Lots or other Property. The members of the David Hugh Currie Family who have these rights are:
 - (1) Hugh Bob Currie;
 - (2) James David Currie;
 - (3) Kimberly Currie Deckard;
 - (4) David Hugh Currie (II);
 - (5) Susan Michelle Currie; and
 - (6) Bobby Currie.

- (b) Certain membership rights were retained by Tully R. Currie and Ginger Currie in that certain document titled "Assignment of Certain Membership Rights" dated effective June 27, 2003. The retained membership rights are as follows:
 - (1) Tully R. Currie and Ginger Currie Green have retained non-transferrable life memberships permitting each of them (and their families as defined in the Lake Tanglewood Club Rules & Regulations) to use the facilities of the Club as if they had a full membership in the Club.

3.04 Certificates of Membership. The Board may, but is not required to, provide for issuing certificates evidencing Membership in the Club. When a person has been admitted as a Member and has paid any required fees and dues, the Club may issue a Membership certificate to the person. Such certificates will be signed by the president or a vice president and the secretary or an assistant secretary. If a certificate is lost, mutilated, or destroyed, a new one may be issued.

3.05 Transferring Rights or Membership. Non-Owner Rights Holders may not transfer their rights with respect to the Club. Members may transfer their Membership in the Club only by such means designated in the Lake Tanglewood Club Rules & Regulations.

With the exception of any leases in effect as of January 28, 2016, Members and/or Owners are prohibited from leasing or renting their Lots and/or Memberships.

3.06 Waiving Interest in Corporate Property. The Club owns all real and personal property, including improvements, located on or at the Common Areas and all stock in Lake Tanglewood, Inc. Members and Non-Owner Rights Holders have no interest in specific property of the Club. Each Member and Non-Owner Rights Holder waives the right to require partition of all or part of the Club's property.

ARTICLE 4. MEETINGS OF MEMBERS

4.01 Annual Meeting. Beginning in 2016, the Board will hold an annual Members' meeting at seven o'clock p.m. on the last Thursday of January each year or at another time that the Board designates. If the day fixed for the annual meeting is a legal holiday in Texas, the meeting will be held on the next Thursday. At the annual meeting, the Members will elect Directors and transact any other business that may come before the meeting. If, in any year, the election of Directors is not held on the day designated for the annual meeting, or at any adjournment of the annual meeting, the Board may call a special meeting of the Members, as soon as possible, to elect Directors.

4.02 Mandatory Election Required After Failure to Call Annual Meeting. If the Board does not call an Annual Meeting of the Club, a Member may demand that a meeting of the Members be called not later than the thirtieth (30th) day after the date of the Member's demand. The Member's demand must be made in writing and sent by certified mail return receipt requested, to the registered agent of the Club and to the Club at the address for the Club according to the most recently filed management certificate. A copy of the notice must be sent to each Member. If the Board does not call a meeting of the Club on or before the thirtieth (30th) day after the date of a demand, three or more Members may form an election committee. The election committee shall file written notice of the committee's formation with the county clerk of each county in which the Property is located. A notice filed by an election committee must contain: (1) a statement that an election committee has been formed to call a meeting of the Club for the sole purpose of electing Board members; (2) the name and residential address of each committee member; and (3) the name of the Property over which the Club has jurisdiction. Each committee member must sign and acknowledge the notice before a notary or other official authorized to take acknowledgments. The county clerk shall enter on the notice the date the notice is filed and record the notice in the county's real property records. Only one committee in the Club may operate under this section at one time. If more than one committee in the Club files a notice, the first committee that files a notice, after having complied with all other requirements of this section, is the committee with the power to act under this section. A committee that does not hold or conduct a successful election within four (4) months after the date the notice is filed with the county clerk is dissolved by operation of law. An election held or conducted by a dissolved committee is ineffective for any purpose under this section. The election committee may call meetings of the Members of the Club for the sole purpose of electing Board members. Notice, quorum, and voting provisions contained in these Bylaws apply to any meeting called by the election committee.

4.03 Special Meetings. Special meetings of the Members may be called by the president, the Board, or not less than one-sixth of the votes of the Members.

4.04 **Place of Meeting.** The meeting shall be held at the Lake Tanglewood Club Community Center unless the Board resolves to have the meeting elsewhere in Potter or Randall County, Texas.

4.05 **Notice of Election or Club Vote.** For an election or vote taken at a meeting of the Members, not later than the 10th day or earlier than the 60th day before the date of the election by Members or vote by the Members, whether such vote or election will occur at the annual meeting or a special meeting of the Members, the Club shall give written notice of the election or vote to each Member of the Club. For an election or vote of Members not taken at a meeting, the Club shall give notice of the election or vote to all Members entitled to vote on any matter under consideration not later than the 20th day before the latest date on which a ballot may be submitted to be counted.

4.06 **Eligibility to Vote in Board Elections and at Annual and Special Meetings of the Members.** In Board elections and for other matters brought before the Club, there shall be one vote per Lot. If a Lot is owned by more than one Owner, the Person who is admitted to Membership for such Lot shall be the Person entitled to cast the vote associated with such Lot.

4.07 **Quorum.** A quorum for Members' meetings shall be constituted by Members (who (i) attend the meeting in person, (ii) vote by proxy in accordance with Section 4.14, below, or (iii) submit an absentee or electronic ballot in accordance with Section 4.15, below) holding twenty-five percent (25%) of the votes that may be cast at a meeting. The Members present at a duly called or held meeting at which a quorum is present may continue to transact business, even if enough Members leave so that less than a quorum remains. However, no action may be approved without the vote of at least a Majority of the number of Members required for a quorum.

4.08 **Actions of Members.** The vote of a Majority of Members present (either in person, by proxy, or by absentee or electronic ballot) and entitled vote at a meeting at which a quorum is present, is enough to constitute the act of the Members.

4.09 **Certain Decisions and Actions Required to be Submitted to the Members.** The following decisions and actions require a vote of the Members:

- (a) Imposing Special Assessments;
- (b) The sale of Lakeview Estates Unit 1 lots 27, 28, 29, 30 and 31, which lots are currently being held in abeyance by the Club;
- (c) Any increase in Regular Assessments; and
- (d) Revisions to these Bylaws.

4.10 **Signed Ballots.** Except for uncontested races in a Club election and except as provided in Section 4.11, a vote cast by a Member must be in writing and signed by the Member if the vote is cast:

- (a) outside of a meeting;

- (b) in an election to fill a position on the Board;
- (c) on a proposed adoption or amendment of a Governing Instrument;
- (d) on a proposed increase in the amount of a Regular Assessment or the proposed adoption of a Special Assessment; or
- (e) on the proposed removal of a Director.

Further, if the Board elects to use a ballot for a vote on a matter other than one of the matters described in Subsections 4.10(a) through (e), the ballot must be either (i) in writing and signed by the Member, or (ii) cast by secret ballot in accordance with Section 4.11 below.

4.11 Voting by Secret Ballot. The Board may adopt rules to allow voting by secret ballot by Members, so long as the Board takes reasonable measures to ensure that:

- (a) a Member cannot cast more votes than the Member is eligible to cast in an election or vote;
- (b) the Club counts every vote cast by a Member that is eligible to cast a vote; and
- (c) in any election for the Board, each candidate may name one person to observe the counting of the ballots, provided that this does not entitle any observer to see the name of the person who cast any ballot, and that any disruptive observer may be removed.

4.12 Manner of Voting. The Board may authorize votes to be cast or given by any or all of the following methods, so long as Members are, at a minimum, allowed to vote by either proxy or absentee ballot:

- (a) at a meeting of the Club, in person or, in accordance with Section 4.14, by proxy;
- (b) by absentee ballot in accordance with Sections 4.15 and 4.16; or
- (c) by electronic ballot in accordance with Sections 4.15 and 4.17.

4.13 Solicitation of Nominations Prior to Distribution of Ballots. At least 10 days before the date absentee, electronic, or other ballots are disseminated to Members, the Club must provide notice to the Members soliciting candidates interested in running for a position on the Board. The notice must contain instructions for an eligible candidate to notify the Club of the candidate's request to be placed on the ballot and the deadline to submit the candidate's request. The deadline may not be earlier than the 10th day after the date the notice soliciting candidates is disseminated to the Members. The notice soliciting candidates must be:

- (a) mailed to each Member; or

- (b) provided by:
 - (1) posting the notice in a conspicuous manner reasonably designed to provide notice to Members: (i) on the board located outside the Lake Tanglewood Club Office, or at such other location within the Club's Common Areas that may be later designated by the Board, or (ii) on any Internet website maintained by the Club; and
 - (2) sending the notice by email to each Member who has a registered email address with the Club. (It is each Member's duty to keep an updated email address registered with the Club.)

The Club shall include on each ballot for an election of Director(s), the name of each eligible candidate from whom the Club received a request to be placed on the ballot in accordance with this section.

4.14 Proxy Voting. A Member may not vote by proxy unless it is delivered to the secretary or other designated officer of the Club before the business of the meeting begins. The secretary or other person taking the minutes of the meeting will record in the minutes the name of the person who executed the proxy and the name of the person authorized to exercise the proxy. If a Member who has duly executed a proxy personally attends a meeting, the proxy will not be effective for that meeting. A proxy filed with the secretary of the Club remains in force 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 proxy's terms.
- (c) The proxy authority expires under the terms of these Bylaws.

4.15 Absentee or Electronic Ballots. An absentee or electronic ballot:

- (a) shall be counted as a Member present and voting for the purpose of establishing a quorum only for items appearing on the ballot;
- (b) shall not be counted, even if properly delivered, if the Member attends any meeting to vote in person, so that any vote cast at a meeting by a Member supersedes any vote submitted by absentee or electronic ballot previously submitted for that proposal; and
- (c) shall not be counted on the final vote of a proposal if the motion was amended at the meeting to be different from the exact language on the absentee or electronic ballot.

For purposes of determining whether a vote by absentee or electronic ballot shall be counted, a nomination taken from the floor in an election of Director(s) is not considered an amendment to the proposal for the election.

4.16 Solicitation for Votes by Absentee Ballot. A solicitation for votes by absentee ballot must include:

- (a) an absentee ballot that contains each proposed action and provides an opportunity to vote for or against each proposed action;
- (b) instructions for delivery of the completed absentee ballot, including the delivery location; and
- (c) the following language: "By casting your vote via absentee ballot you will forgo the opportunity to consider and vote on any action from the floor on these proposals, if a meeting is held. This means that if there are amendments to these proposals your votes will not be counted on the final vote on these measures. If you desire to retain this ability, please attend any meeting in person. You may submit an absentee ballot and later choose to attend any meeting in person, in which case any in-person vote will prevail."

4.17 Electronic Ballot. "Electronic ballot" means a ballot:

- (a) given by: (i) e-mail; (ii) facsimile; or (iii) posting on an Internet website;
- (b) for which the identity of the Member submitting the ballot can be confirmed; and
- (c) for which the Member may receive a receipt of the electronic transmission and receipt of the Member's ballot.

If an electronic ballot is posted on an Internet website, a notice of the posting shall be sent to each Member that contains instructions on obtaining access to the posting on the website.

4.18 Tabulation of Votes. Tabulation of votes shall be in accordance with the following:

- (a) A person who is a candidate in a Club election or who is otherwise the subject of a Club vote, or a person related to that person within the third degree by consanguinity or affinity, as determined under Chapter 573, Government Code, may not tabulate or otherwise be given access to the ballots cast in that election or vote except as provided by this section.
- (b) A person other than a person described by Subsection 4.18(a) may tabulate votes in a Club election or vote.
- (c) A person who tabulates votes under Subsection 4.18(b) or who performs a recount of votes under Section 4.19 may not disclose to any other person how an individual voted.

- (d) Notwithstanding anything to the contrary, only a person who tabulates votes under Subsection 4.18(b) or who performs a recount of votes under Section 4.19, may be given access to the ballots cast in the election or vote.
- (e) This section may not be construed to affect a person's obligation to comply with a court order for the release of ballots or other voting records.

4.19 Recount of Votes. A Member may request a recount of votes in accordance with the following:

- (a) Any Member may, not later than the 15th day after the later of (i) the date of any meeting at which the election or vote was held, or (ii) the date of the announcement of the results of the election or vote, require a recount of the votes. A demand for a recount must be submitted in writing either:
 - (1) by Verified Mail or by delivery by the United States Postal Service with signature confirmation service to the Club's mailing address as reflected on the latest management certificate; or
 - (2) in person to the Club's managing agent as reflected on the latest management certificate or to the address to which absentee and proxy ballots are mailed.
- (b) The Club shall estimate the costs for performance of the recount by a person qualified to tabulate votes under Subsection 4.19(d) and shall send an invoice for the estimated costs to the requesting Member at the Member's last known mailing address according to Club records not later than the 20th day after the date the Club receives the Member's demand for the recount. The Member demanding the recount must pay such invoice in full to the Club on or before the 30th day after the date the invoice is sent to the Member. If the invoice is not paid by such deadline, the Member's demand for a recount is considered withdrawn and a recount is not required
- (c) If the estimated costs under Subsection 4.19(b) are lesser or greater than the actual costs, the Club must send a final invoice to the Member on or before the 30th business day after the date the results of the recount are provided. If the final invoice includes additional amounts owed by the Member, any additional amounts not paid to the Club before the 30th business day after the date the invoice is sent to the Member may be added to the Member's account as an assessment. If the estimated costs exceed the final invoice amount, the Member is entitled to a refund. The refund shall be paid to the Member at the time the final invoice is sent under this subsection.

- (d) Following receipt of payment from the Member under Subsection 4.19(b), the Club shall, at the expense of the Member requesting the recount, retain for the purpose of performing the recount, the services of a person qualified to tabulate votes under this subsection. The Club shall enter into a contract for the services of a person who:
 - (1) is not a Member of the Club or related to a member of the Board within the third degree by consanguinity or affinity, as determined under Chapter 573, Government Code; and
 - (2) is:
 - (A) a current or former:
 - i. county judge;
 - ii. county elections administrator;
 - iii. justice of the peace; or
 - iv. county voter registrar; or
 - (B) a person agreed on by the Club and each person requesting the recount.
- (e) On or before the 30th day after the date of receipt of payment for a recount in accordance with Subsection 4.19(b), the recount must be completed and the Club must provide each Member who requested the recount with notice of the results of the recount. If the recount changes the results of the election, the Club shall reimburse the requesting Member for the cost of the recount not later than the 30th day after the date the results of the recount are provided. Any action taken by the Board in the period between the initial election vote tally and the completion of the recount is not affected by any recount.

ARTICLE 5. BOARD OF DIRECTORS

5.01 Management of Club. The Board of Directors will govern and manage all affairs of the Club, unless otherwise specially provided by these Bylaws. Each Director shall have one vote.

5.02 Number, Qualifications, and Tenure of Directors. The number of Directors will be at least seven, but not more than fifteen. Unless otherwise required by law, only Members are eligible to run for and serve as a Director, except that Members who have been convicted of a felony or crime involving moral turpitude within the twenty years before the date the person begins serving as a Director are disqualified from serving as a Director. If the Board is presented with written, documented evidence from a database or other record maintained by a governmental law enforcement authority that a Director was convicted of a felony or crime involving moral turpitude not more than 20 years before the date the Board is presented with the evidence, the Director is immediately ineligible to serve

on the Board, automatically considered removed from the Board, and prohibited from future service on the Board.

5.03 Terms. Each Director will serve for a term of three years. The Directors' terms will be staggered so that at least two, but no more than three Directors' terms will end each year. A Director takes office upon the adjournment of the meeting or balloting at which he is elected or appointed and, absent death, ineligibility, resignation, or removal, will hold office until his successor is elected or appointed. A Director may not be elected to succeed himself or herself as Director.

5.04 Nominating Directors. At any meeting at which the election of a Director is held, a Member may nominate a Member for election with the second of any other Member.

5.05 Electing Directors. A person who meets the qualifications for Director and who has been duly nominated may be elected as a Director. Directors will be elected by the vote of the Members in accordance with Sections 4.10 through 4.19, above.

5.06 Vacancies. A Director whose term is expired must be elected by a vote of the Members in accordance with Section 5.05. The Board may vote to appoint a Member as a Director to fill a vacancy on the Board that occurs as a result of a reason other than the Director's term expiring, including, but not limited to, a Director ceasing to qualify, dying, or resigning. A Director appointed to fill a vacant position shall serve for the remainder of the unexpired term of the position.

5.07 Open Board Meetings. All Board Meetings (i) shall be held at the Lake Tanglewood Club Community Center or the Lake Tanglewood Club Office, unless the Board resolves to have the Board Meeting elsewhere in Potter or Randall County, Texas, and (ii) shall be open to Members, subject to the right of the Board to adjourn a Board Meeting and reconvene in a closed executive session to consider actions involving personnel, pending or threatened litigation, contract negotiations, enforcement actions, confidential communications with the Club's attorney(s), matters involving the invasion of privacy of individual Members, or matters that are to remain confidential by the request of the affected parties and agreement of the Board. Following an executive session, any decision made in the executive session must be summarized orally and placed in the minutes, in general terms, without breaching the privacy of the individual Member, violating any privilege, or disclosing information that was to remain confidential at the request of the affected parties. The oral summary must include a general explanation of expenditures approved in the executive session. A Director may participate in a Board Meeting by telephone or electronic means so long as the Director may hear and be heard by all persons participating in the meeting (including any Members in attendance).

5.08 Notice of Board Meetings to Directors. Written or printed notice of an annual or special Board Meeting shall be delivered to each Director not later than the 10th day or earlier than the 60th day before the date of the annual or special Board Meeting. The notice shall state the date, hour, place, and general subject of the Board Meeting, and if it is a special meeting, the notice shall also state who called the Board Meeting. Notice may be waived by attendance at the Board Meeting.

5.09 Notice of Board Meetings to Members. With the exception of Board Meetings held in accordance with Section 5.10, Members shall be given notice of the date, hour, place, and general subject of any Board Meeting, including a general description of any matter to be brought up for deliberation in an executive session. The notice shall be:

- (a) Mailed to each Member not later than the 10th day or earlier than the 60th day before the date of the Board Meeting; or
- (b) Provided at least 72 hours before the start of the Board Meeting by:
 - (1) Posting the notice in a conspicuous manner: (i) on the board located outside the Lake Tanglewood Club Office, or at such other location within the Club's Common Areas that may be later designated by the Board, or (ii) on any Internet website maintained by the Club; and
 - (2) Sending the notice by e-mail to each Member who has a registered e-mail address with the Club. (It is each Member's duty to keep an updated email address registered with the Club.)

5.10 Recess of Board Meeting. If the Board recesses a Board Meeting to continue the following regular business day, the Board is not required to provide notice of the continued meeting if the recess is taken in good faith and not to circumvent the requirement of notice. If a Board Meeting is continued to the following regular business day, and on that following regular business day the Board continues the Board Meeting to another day, the Board shall give notice of the continuation in at least one manner prescribed by Section 5.09 within two hours after adjourning the Board Meeting being continued.

5.11 Certain Board Actions Not Requiring Notice to Members. With the exception of those matters listed in Section 5.12, the Board may take action outside of a meeting, including voting by electronic or telephonic means, without giving prior notice to Members under Section 5.09, if each Director is given a reasonable opportunity to express the Director's opinion to all other Directors and to vote. Any action taken without notice to Members must be (i) summarized orally at the next Board Meeting, including an explanation of any known or actual or estimated expenditures approved through such action, and (ii) documented in the minutes of the Board Meeting.

5.12 Certain Matters Requiring Notice to Members. The Board may not, unless done in an open meeting for which prior notice was given to Members, consider or vote on:

- (a) Fines;
- (b) Damage assessments;
- (c) Initiation of foreclosure actions;
- (d) Initiation of enforcement actions, excluding temporary restraining orders or violations involving a threat to health or safety;

- (e) Increases of Regular Assessments;
- (f) Levying of Special Assessments;
- (g) Appeals from a denial of architectural control approval;
- (h) Suspension of a right of a particular Member and/or Owner before that Member and/or Owner has an opportunity to attend a Board Meeting to present his/her position, including any defense on the issue;
- (i) Lending or borrowing money;
- (j) The adoption or amendment of a Governing Instrument;
- (k) The approval of an annual budget or the approval of an amendment of an annual budget that increases the budget by more than 10 percent;
- (l) The sale or purchase of real property;
- (m) The filling of a vacancy on the Board;
- (n) The construction of capital improvements other than the repair, replacement, or enhancement of existing capital improvements; or
- (o) The election of an officer.

5.13 **Annual Meeting.** An annual Meeting of the Board shall be held, which may be held immediately after the annual Members' meeting or at some other time designated by the Board.

5.14 **Regular Meetings.** The Board may adopt a resolution providing for regular Board Meetings.

5.15 **Special Meetings.** Special Board Meetings may be called by, or at the request of, the President or any two Directors.

5.16 **Record of Board Meetings.** The Board shall keep a record of each Board Meeting in the form of written minutes. The Board shall make such minutes available to Members for inspection and copying in accordance with the provisions of Article 10.

5.17 **Quorum.** The attendance of a Majority of the number of Directors constitutes a quorum for transacting business at any Board Meeting.

5.18 **Vote Required for Actions of Board of Directors.** The Board will try to act by consensus. However, if a consensus is not available, the vote of a Majority of Directors shall constitute the act of the Board.

5.19 **Duties of Directors.** Directors will 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 Club's best interest. In this context, the term "ordinary care" means the

care that ordinarily prudent persons in similar positions would exercise under similar circumstances. In discharging any duty imposed or power conferred on Directors, Directors may, in good faith, rely on information, opinions, reports, or statements, including financial statements and other financial data, concerning the Club or another person that has been prepared or presented by a variety of persons, including officers and employees of the Club, professional advisors or experts such as accountants or legal counsel. A Director is not relying in good faith if he or she has knowledge concerning a matter in question that renders reliance unwarranted.

Directors are not deemed to have the duties of trustees of a trust with respect to the Club or with respect to any property held or administered by the Club, including property that may be subject to restrictions imposed by the donor or transferor of the property.

5.20 Duty To Avoid Improper Distributions. Directors who vote for or assent to improper distributions are jointly and severally liable to the Club for the value of improperly distributed assets, to the extent that, as a result of the improper distribution or distributions, the Club lacks sufficient assets to pay its debts, obligations, and liabilities. Any distribution made when the Club is insolvent, other than in payment of Club debts, or any distribution that would render the Club insolvent, is an improper distribution. A distribution made during liquidation without payment and discharge of or provision for payment and discharge of all known debts, obligations, and liabilities is also improper. Directors present at a Board Meeting at which the improper action is taken are presumed to have assented, unless they dissent in writing. The written dissent must be filed with the secretary of the Club before adjournment of the meeting in question or mailed to the secretary by registered mail immediately after adjournment.

A Director is not liable if, in voting for or assenting to a distribution, the Director (1) 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 Club; 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 which the Director is not a member; (2) while acting in good faith and with ordinary care, considers the Club's assets to be at least that of their book value; or (3) in determining whether the Club made adequate provision for paying, satisfying, or discharging all of its liabilities and obligations, relied in good faith and with ordinary care on financial statements or other information concerning a person who was or became contractually obligated to satisfy or discharge some or all of these liabilities or obligations. Furthermore, Directors are protected from liability if, in exercising ordinary care, they acted in good faith and in reliance on the written opinion of an attorney for the Club.

Directors held liable for an improper distribution are entitled to contribution from persons who accepted or received the improper distributions knowing they were improper. Contribution is in proportion to the amount received by each such person.

5.21 Delegating Duties. Directors may select advisors and delegate duties and responsibilities to them, such as the full power to buy or otherwise acquire stocks, bonds, securities, and other investments on the Club's behalf; and to sell, transfer, or otherwise

dispose of the Club'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 acts in good faith and with ordinary care in selecting the advisor. The Board may remove or replace the advisor at any time and without any cause whatsoever.

5.22 Interested Directors. Contracts or transactions between Directors, officers, or Members who have a financial interest in the matter are not void or voidable solely for that reason. Nor are they void or voidable solely because the Director, officer, or Member is present at or participates in the meeting that authorizes the contract or transaction, or solely because the interested party's votes are counted for the purpose. However, every Director with any personal interest in the transaction must disclose all material facts concerning the transaction, including all potential personal benefit and potential conflicts of interest, to the other members of the Board or other group authorizing the transaction. The transaction must be approved by a Majority of the uninterested Directors or other group with the authority to authorize the transaction.

5.23 Compensation. Directors may not receive salaries or any other form of remuneration for their services as Directors.

5.24 Removing Directors. The Members may vote to remove a Director at any time without good cause by the affirmative vote of fifty-one percent of **all** the Members (not merely an affirmative vote of the Majority of Members casting votes at a meeting at which a quorum is present). A meeting to consider removing a Director may be called and noticed following the procedures provided in Article 4 of these Bylaws. The notice of the meeting will state that the issue of possibly removing the Director will be on the agenda. At the meeting, the Director may present evidence of why he or she should not be removed and may be represented by an attorney at and before the meeting. Also, at the meeting, the Club will consider possible arrangements for resolving any problems that are in the mutual interest of the Club and the Director.

ARTICLE 6. OFFICERS

6.01 Officer Positions. The Club's officers will be a president, a secretary, one or more vice presidents, and a treasurer. The Board may create additional officer positions, define the authority and duties of each such position, and elect or appoint persons to fill the positions. The same person may hold any two or more offices, except for president and secretary. To be eligible for any officer position, a person must be a Director.

6.02 Election and Term of Office. The Club's officers will be elected by the Board each year at the annual Board Meeting. If officers are not elected at this time, they will be elected by the Board as soon thereafter as possible. Each officer will hold office until a successor is duly selected and qualifies. An officer may be elected to succeed himself or herself in the same office.

6.03 Removal. Any officer elected by the Board may be removed by the Board with or without good cause. Removing an officer will be without prejudice to the officer's contractual rights, if any.

6.04 **Vacancies.** The Board may select a Director to fill a vacancy in any office for the unexpired portion of the officer's term.

6.05 **President.** The president is the Club's chief executive officer. He or she will supervise and control all of the Club's business and affairs and will preside at all meetings of the Club and of the Board. The president may execute any deeds, mortgages, bonds, contracts, or other instruments that the Board authorizes to be executed. However, the president may not execute instruments on the Club's behalf if this power is expressly delegated to another officer or agent of the Club by the Board, these Bylaws, or statute. The president will perform other duties prescribed by the Board and all duties incident to the office of president.

6.06 **Vice President.** When the president is absent, cannot act, or refuses to act, a vice president will perform the president's duties. When acting in the president's place, the vice president has all the powers of—and is subject to all the restrictions on—the president. A vice president will perform other duties as assigned by the president or Board.

6.07 **Treasurer.** The treasurer will directly or indirectly:

- (a) Have charge and custody of—and be responsible for—all the Club's funds and securities.
- (a) Receive and give receipts for moneys due and payable to the Club from any source.
- (b) Deposit all moneys in the Club's name in banks, trust companies, or other depositories as these Bylaws provide or as the Board or president directs.
- (c) Write checks and disburse funds to discharge the Club's obligations. However, funds may not be drawn from the Club or its accounts for amounts greater than \$5,000.00 without the signature of the president or a vice president in addition to that of the treasurer.
- (d) Maintain the Club's financial books and records.
- (e) Prepare quarterly financial reports including, but not limited to, a balance sheet and a profit and loss statement.
- (f) Perform other duties as assigned by the president or the Board.
- (g) If the Board requires, give a bond for faithfully discharging his or her duties in a sum and with a surety as determined by the Board.
- (h) Perform all of the duties incident to the office of treasurer.

6.08 **Secretary.** The Secretary will directly or indirectly:

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

- (b) Take minutes of the meetings of the Club and the Board and keep the minutes as part of the corporate records.
- (c) Maintain custody of the corporate records and seal.
- (d) Affix the corporate seal to all documents as authorized.
- (e) Keep a register of the mailing address of each Member, Director, officer, and employee of the Club.
- (f) Perform duties as assigned by the president or the Board.
- (g) Perform all duties incident to the office of secretary.

ARTICLE 7. COMMITTEES

7.01 Establishing Committees. The Board may adopt a resolution establishing one or more committees delegating specified authority to a committee, and appointing or removing members of a committee. A committee will include one or more Directors and may include persons who are not Directors so long as they are Members. The Board may also delegate to the president its power to appoint and remove members of a committee that has not been delegated any management authority of the Board. The Board may establish qualifications for membership on a committee.

Establishing a committee or delegating authority to it will not relieve the Board, or any individual director, of any responsibility imposed by these Bylaws or otherwise imposed by law. No committee has the authority of the Board to:

- (a) Amend the Certificate of Formation or Articles of Incorporation
- (b) Adopt a plan of merger or of consolidation with another corporation.
- (c) Authorize the sale, lease, exchange, or mortgage of all or substantially all of the Club's property and assets.
- (d) Authorize voluntary dissolution of the Club.
- (e) Revoke proceedings for voluntary dissolution of the Club.
- (f) Adopt a plan for distributing the Club's assets.
- (g) Amend, alter, or repeal these Bylaws.
- (h) Elect, appoint, or remove a member of a committee or a Director or officer of the Club.
- (i) Approve any transaction to which the Club is a party and that involves a potential conflict of interest as defined in Section 8.06, below.

- (j) Take any action with respect to those items listed in Section 5.12, above.
- (k) Take any action outside the scope of authority delegated to it by the Board.

7.02 Term of Office. Each committee member will continue to serve on the committee until the earlier of: (1) the next annual Club meeting, or (2) until a successor is appointed. However, a committee member's term may terminate earlier if the committee is terminated, or if the member dies, ceases to qualify, resigns, or is removed as a member. A vacancy on a committee may be filled by an appointment made in the same manner as an original appointment. A person appointed to fill a vacancy on a committee will serve for the unexpired portion of the terminated committee member's term.

7.03 Chair and Vice-Chair. One member of each committee will be designated as the committee chair, and another member of each committee will be designated as the vice-chair. The chair and vice-chair will be appointed by the president. The chair will call and preside at all meetings of the committee. When the chair is absent, cannot act, or refuses to act, the vice-chair will perform the chair's duties. When a vice-chair acts for the chair, the vice-chair has all the powers of—and is subject to all the restrictions on—the chair.

7.04 Notice of Committee Meetings to Members. Committees must comply with the same notice and open meeting provisions that govern the Board set forth in Sections 5.07 through 5.12.

7.05 Quorum. A Majority of the number of committee members constitutes a quorum for transacting business at any meeting of the committee. No action may be approved without the vote of at least a Majority of the number of committee members. If a quorum is never present at any time during a meeting, the chair may adjourn and reconvene the meeting once without further notice.

7.06 Actions of Committees. Committees will try to take action by consensus. However, if a consensus is not available, the vote of a Majority of committee members constitutes the act of the committee.

7.07 Proxies. A committee member may not vote by proxy.

7.08 Compensation. Committee members may not receive salaries or any other form of remuneration for their services as Committee Members.

7.09 Rules. Each committee may adopt its own rules, consistent with these Bylaws or with other rules that may be adopted by the Board.

7.10 Removal and Dissolution. Any committee member may be removed and any committee may be dissolved by a Majority vote of the Directors, with or with or without good cause.

ARTICLE 8. FEES, ASSESSMENTS, DUES AND TRANSACTIONS OF THE CLUB

8.01 **Membership Fees.** The Board has the authority to set and change the amount of Fees payable to the Club by Members. Fees are payable as specified in the Lake Tanglewood Club Rules & Regulations, as such rules and regulations may, from time to time, be amended.

8.02 **Regular Assessments and Special Assessments.** Any increase in the amount of Regular Assessments and the imposition of Special Assessments must be approved by a vote of the Members.

8.03 **Contracts.** The Board may authorize any officer or agent of the Club to enter into a contract or execute and deliver any instrument in the name of, and on behalf of, the Club. This authority maybe limited to a specific contract or instrument, or it may extend to any number and type of possible contracts and instruments.

8.04 **Deposits.** All the Club's funds will be deposited to the credit of the Club in banks, trust companies, or other depositories that the Board selects.

8.05 **Gifts.** The Board may accept, on the Club's behalf, any contribution, gift, bequest, or devise for the general purposes or for any special purpose of the Club. The Board may make gifts and give charitable contributions not prohibited by these Bylaws, the Articles of Incorporation, state law, and provisions set out in federal tax law that must be complied with to maintain the Club's federal and state tax status.

8.06 **Potential Conflicts of Interest.** The Club may not make any loan to a Director or officer of the Club. A Member, Director, officer, or committee member of the Club may lend money to—and otherwise transact business with—the Club except as otherwise provided by these Bylaws, the Articles of Incorporation, and applicable law. Such a person transacting business with the Club has the same rights and obligations relating to those matters as other persons transacting business with the Club. The Club may not borrow money from—or otherwise transact business with—a Member, Director, officer, or committee member of the Club unless the transaction is described fully in a legally binding instrument and is in the Club's best interests. The Club may not borrow money from—or otherwise transact business with—a Member, Director, officer, or committee member of the Club without full disclosure of all relevant facts and without the Board's approval, not including the vote of any person having a personal interest in the transaction.

8.07 **Prohibited Acts.** As long as the Club exists, and except with the Board's prior approval, no Member, Non-Owner Rights Holder, Director, officer, or committee member of the Club may:

- (a) Do any act in violation of these Bylaws or a binding obligation of the Club.
- (b) Do any act with the intention of harming the Club or any of its operations.

- (c) Do any act that would make it impossible or unnecessarily difficult to carry on the Club's intended or ordinary business.
- (d) Receive an improper personal benefit from the operation of the Club.
- (e) Use the Club's assets, directly or indirectly, for any purpose other than carrying on the Club's business.
- (f) Wrongfully transfer or dispose of Club property, including intangible property such as good will.
- (g) Use the Club's name (or any substantially similar name) or any trademark or trade name adopted by the Club, except on behalf of the Club in the ordinary course of its business.
- (h) Disclose any of the Club's business practices, trade secrets, or any other information not generally known to the business community to any person not authorized to receive it.

ARTICLE 9. ENFORCEMENT OF BYLAWS, LAKE TANGLEWOOD CLUB RULES & REGULATIONS, AND RESTRICTIVE COVENANTS

9.01 **Authority of Club.** In addition to all actions authorized by law or any Governing Instrument, the Club, by and through the Board, may take any of the following actions to enforce these Bylaws, the Lake Tanglewood Club Rules & Regulations, any other Governing Instrument, and all restrictive covenants governing the Property (such actions as set forth below being referred to as "Enforcement Actions"):

- (a) Suspend a Member and/or a Member's spouse, Domestic Partner, and/or Children Living at Home from using all Common Areas and amenities including, but not limited to, the lake, the golf course, and the restaurant.
- (b) Levy fines for violation of these Bylaws, the Lake Tanglewood Club Rules & Regulations, any other Governing Instrument, or any restrictive covenants.
- (c) Charge a Member and/or an Owner for damage caused by a violation of these Bylaws, the Lake Tanglewood Club Rules & Regulations, any other Governing Instrument, or any restrictive covenant.
- (d) Suspend a Member and/or a Member's spouse, Domestic Partner, and/or Children Living at Home from entry gate privileges (e.g., privileges including but not limited to guest "call-in" privileges, immediate family sticker privileges, houseguest temporary gate permits, etc.). **Entry gate privileges that may be suspended do not include the right of the Member to use the entry gates to access his/her property (this right cannot be suspended).**

- (e) Placing liens on a Member's and/or Owner's real property for non-payment of any indebtedness which may become due under the terms of the Restated Agreement, including but not limited to assessments as defined by Section 209.002 of the Texas Property Code.¹

9.02 Notice Before Enforcement Action.

- (a) Before the Club takes an Enforcement Action, the Club must give written notice to the affected Member.
- (b) The notice must:
 - (1) describe the violation or property damage that is the basis for the Enforcement Action and state any amount due the Club from the Member and/or Owner.
 - (2) except as provided by Subsection 9.02(d), inform the affected Member and/or Owner that the Member and/or Owner:
 - (A) is entitled to a reasonable period to cure the violation and avoid the Enforcement Action if the violation is of a curable nature and does not pose a threat to public health or safety;
 - (B) may request a hearing under Property Code Section 209.007 on or before the 30th day after the date the notice was mailed to the Member and/or Owner; and
 - (C) may have special rights or relief related to the enforcement action under federal law, including the Servicemembers Civil Relief Act, if the Member is serving on active military duty;
 - (3) specify the date by which the Member and/or Owner must cure the violation if the violation is of a curable nature and does not pose a threat to public health or safety; and
 - (4) be sent by Verified Mail to the Member at the Member's last known address as shown on the Club's records.
- (c) The date specified in the notice under Subsection 9.02(b)(3) must provide a reasonable period of time to cure the violation if the violation

¹ Section 209.002 of the Texas Property Code states the following: (1) "Assessment" means a regular assessment, special assessment, or other amount a property owner is required to pay a property owners' association under the dedicatory instrument or by law... (4) "Dedicatory instrument" means each governing instrument covering the establishment, maintenance, and operation of a residential subdivision. The term includes restrictions or similar instruments subjecting property to restrictive covenants, bylaws, or similar instruments governing the administration or operation of a property owners' association, to properly adopted rules and regulations of the property owners' association, and to all lawful amendments to the covenants, bylaws, rules, or regulations.

is of a curable nature and does not pose a threat to public health or safety.

- (d) Subsections 9.02(a) and (b) do not apply to a violation for which a Member and/or Owner has been previously given notice under this section and the opportunity to exercise any rights available under this section in the preceding six months.
- (e) If the Member and/or Owner cures the violation before the expiration of the period for cure described by Subsection 9.02(c), a fine may not be assessed for the violation.
- (f) For purposes of this section, a violation is considered a threat to public health or safety if the violation could materially affect the physical health or safety of an ordinary resident.
- (g) For purposes of this section, a violation is considered incurable if the violation has occurred but is not a continuous action or a condition capable of being remedied by affirmative action. For purposes of this subsection, the nonrepetition of a one-time violation or other violation that is not ongoing is not considered an adequate remedy.
- (h) The following are examples of acts considered incurable for purposes of this section:
 - (1) shooting fireworks;
 - (2) an act constituting a threat to health or safety;
 - (3) a noise violation that is not ongoing;
 - (4) property damage, including the removal or alteration of landscape; and
 - (5) holding an event prohibited by a Governing Instrument.
- (i) The following are examples of acts considered curable for purposes of this section:
 - (1) a parking violation;
 - (2) a maintenance violation;
 - (3) the failure to conduct improvements or modifications in accordance with approved plans and specifications; and
 - (4) an ongoing noise violation such as a barking dog.

ARTICLE 10. BOOKS AND RECORDS

10.01 **Records and Production Copying Policy.** The Board has adopted a Records Production and Copying Policy, which is filed of record under Instrument No. 2015004772 of the Official Public Records of Randall County, Texas.

ARTICLE 11. INDEMNIFICATION

11.01 **When Indemnification Is Required, Permitted, and Prohibited.**

- (a) The Club will indemnify a Director, officer, Member, committee member, employee, or agent of the Club 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 Club. For the purposes of this article, an agent includes one who is or was serving at the Club's request as a Director, officer, partner, venturer, proprietor, trustee, partnership, joint venture, sole proprietorship, trust, employee-benefit plan, or other enterprise.
- (b) The Club will indemnify a person only if he or she acted in good faith and reasonably believed that his or her conduct was in the Club's best interests. In 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 Club will not indemnify a person who is found liable to the Club or is found liable to another on the basis of improperly receiving a personal benefit from the Club. 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. 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 Club.
- (c) The Club will pay or reimburse expenses incurred by a Director, officer, committee member, employee, or agent of the Club in connection with the person's appearance as a witness or other participation in a proceeding involving or affecting the Club 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 Club may indemnify a director, officer, Member, committee member, employee, or agent of the Club to the extent permitted by law. However, the Club will not indemnify any person in any situation in which indemnification is prohibited by Subsection 11.01(b), above.
- (e) The Club may advance expenses incurred or to be incurred in the defense of a proceeding to a person who might be eventually be entitled to indemnification, even though there has been no final disposition of the proceeding. Advancement of expenses may occur

only when the procedural conditions specified in Subsection 11.03(c), below, have been satisfied. Furthermore, the Club will never advance expenses to a person before final disposition of a proceeding if the person is a named defendant or respondent in a proceeding brought by the Club or one or more Members or if the person is alleged to have improperly received a personal benefit or committed other willful or intentional misconduct.

11.02 Extent and Nature of Indemnity. The indemnity permitted under these Bylaws includes indemnity against judgments, penalties, (including excise and similar taxes), fines, settlements, and reasonable expenses (including attorney's fees) actually incurred in connection with the proceeding. If the proceeding was brought by or on behalf of the Club, the indemnification is limited to reasonable expenses actually incurred by the person in connection with the proceeding.

11.03 Procedures Relating to Indemnification Payments.

- (a) Before the Club may pay any indemnification expenses (including attorney's fees), the Club must specifically determine that indemnification is permissible, authorize indemnification, and determine that expenses to be reimbursed are reasonable, except as provided in Subsection 11.03(c), below. The Club may make these determinations and decisions by any one of the following procedures:
 - (1) Majority vote of a quorum consisting of Directors who, at the time of the vote, are not named defendants or respondents in the proceeding.
 - (2) If such a quorum cannot be obtained, by a Majority vote of a committee of the Board, 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.
 - (3) Determination by special legal counsel selected by the Board by the same vote as provided in Subsections 11.03(a)(1) or 11.03(a)(2), above, or if such a quorum cannot be obtained and such a committee cannot be established, by a Majority vote of all Directors.
- (b) The Club will authorize indemnification and determine that expenses to be reimbursed are reasonable in the same manner that it determines whether indemnification is permissible. If special legal counsel determines that indemnification is permissible, authorization of indemnification and determination of reasonableness of expenses will be made as specified by Subsection 11.03(a)(3), above, governing selection of special legal counsel. A provision contained in the Articles of Incorporation, or a resolution of members of the Board that requires the indemnification permitted by Subsection 11.01, 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 Club will advance expenses before final disposition of a proceeding only after it determines that the facts then known would not preclude indemnification. The determination that the facts then known to those making the determination would not preclude indemnification and authorization of payment will be made in the same manner as a determination that indemnification is permissible under Subsections 11.03(a) and 11.03(b), above.

In addition to this determination, the Club may advance expenses only after it receives a written affirmation and undertaking from the person to receive the advance. The person's written affirmation will state that he or she has met the standard of conduct necessary for indemnification under these Bylaws. The written undertaking will provide for repayment of the amounts advanced by the Club if it is ultimately determined that the person has not met the requirements for indemnification. The undertaking will be an unlimited general obligation of the person, but it need not be secured and may be accepted without reference to financial ability to repay. Any indemnification or advance of expenses will be reported in writing to the Club's Members. The report will be made with or before the notice or waiver of notice of the next membership meeting, or with or before the next submission to Members of a consent to action without a meeting. In any case, the report will be sent within the 12-month period immediately following the date of the indemnification or advance.

11.04 Preservation of Charitable Immunity. The Club will at all times maintain a liability insurance policy in accordance with § 84.007(g) of the Texas Civil Practice and Remedies Code (the "CPRC") so that the provisions of Chapter 84 of the CPRC, including but not limited to provisions regarding charitable immunity, may apply to the Club and its Directors, Officers, Committee Members, employees, and volunteers. CPRC § 84.007(g) currently requires the coverage to apply to the acts or omissions of the Club and its employees and volunteers and to be in the amount of at least \$500,000 for each person and \$1,000,000 for each single occurrence for death or bodily injury and \$100,000 for each single occurrence for injury to or destruction of property. The coverage may be provided under a contract for insurance, a plan providing for self-insured retention that the Club has fully paid or establishes to a court that it is capable of fully and immediately paying, a Lloyd's plan, an indemnity policy to which all requirements for payment have been or will be met, or other plan of insurance authorized by statute and may be satisfied by the purchase of a \$1,000,000 bodily injury and property damage combined single limit policy. Coverage amounts are inclusive of a self-insured retention, a Lloyd's plan, or an indemnity policy to which all requirements for payment have been or will be met.

ARTICLE 12. NOTICES

12.01 Notice by Mail. Unless otherwise stated in these Bylaws, any notice required or permitted by these Bylaws to be given to a Member, Director, officer, or member of a committee of the Club may be given by mail. A notice is deemed delivered when deposited in the mail addressed to the person at his or her address as it appears on the corporate

records, with postage prepaid. A person may change his or her address in the corporate records by giving written notice of the change to the secretary of the Club.

12.02 **Signed Waiver of Notice.** Whenever any notice is required by law or under the Articles of Incorporation or these Bylaws, a written waiver signed by the person entitled to receive such notice is considered the equivalent to giving the required notice. A waiver of notice is effective whether signed before or after the time stated in the notice being waived.

12.03 **Waiving Notice by Attendance.** A person's attendance at a meeting constitutes 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 was not lawfully called or convened.

ARTICLE 13. AMENDING BYLAWS

These Bylaws may be altered, amended, or repealed, and new bylaws may be adopted only by a vote of the Owners in accordance with Article 4. The notice of any meeting at which these Bylaws are altered, amended, or repealed, or at which new bylaws are adopted will 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 14. FISCAL YEAR

Unless otherwise specified by the Board, the Club's fiscal year of the Club will begin on the first day of January and end on the last day in December in each year.

ARTICLE 15. MISCELLANEOUS PROVISIONS

15.01 **Legal Authorities Governing Construction of Bylaws.** These Bylaws will be construed under Texas law. All referenced in these Bylaws to statutes, regulations, or other sources of legal authority will refer to the authorities cited, or their successors, as they may be amended from time to time.

15.02 **Legal Construction.** To the greatest extent possible, these Bylaws shall be construed to conform to all legal requirements and all requirements for obtaining and maintaining all tax exemptions that may be available to nonprofit corporations. If any Bylaw provision is held invalid, illegal, or unenforceable in any respect, the invalidity, illegality, or unenforceability will not affect any other provision, and the Bylaws will be construed as if they had not included the invalid, illegal, or unenforceable provision.

15.03 **Headings.** The headings used in the Bylaws are for convenience and may not be considered in construing the Bylaws.

15.04 **Number.** All singular words include the plural, and all plural words include the singular.

15.05 **Seal.** The Board of Directors may provide for a corporate seal. Such a seal would consist of two concentric circles containing the words "LSIOT, Inc.," "Texas," in one circle and the word "incorporated" together with the date of incorporation in the other circle.

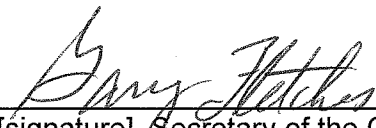
15.06 **Power of Attorney.** A person may execute any instrument related to the Club by means of a power of attorney if an original executed copy of the power of attorney is provided to the secretary to be kept with the corporate records.

15.07 **Parties Bound.** The Bylaws will bind and inure to the benefit of the Members, Directors, officers, committee members, employees, and agents of the Club and their respective heirs, executors, administrators, legal representatives, successors, and assigns except as the Bylaws otherwise provide.

CERTIFICATE OF SECRETARY

I certify that I am the duly elected and acting secretary of LSIOT, Inc. and that these Bylaws constitute the Club's Bylaws. These Bylaws were duly adopted at a meeting of the Members held on January 28, 2016.

Dated: 2/9/16



[signature], Secretary of the Club

GARY FLETCHER

[printed name], Secretary of the Club