

**OAKS OF INWOOD COMMUNITY IMPROVEMENT ASSOCIATION**

**BY-LAWS**

# OAKS OF INWOOD COMMUNITY IMPROVEMENT ASSOCIATION

## BY-LAWS

### ARTICLE I

#### OFFICES

SECTION 1. Offices. The Association may have offices at such places as the Board of Trustees of the Association (referred to herein as the "Board of Trustees" or the "Board") may from time to time designate or as the property, affairs or business of the Association may require or make advisable.

### ARTICLE II

#### DEFINITIONS

SECTION 1. Association and Corporation, as used herein, shall be interchangeable, and shall mean and refer to the Oaks of Inwood Community Improvement Association, its successors and assigns.

SECTION 2. Common area shall mean all real property owned by the Association for the common use and enjoyment of the owners.

SECTION 3. Declarant shall mean and refer to Fidelity Savings & Loan Association, its wholly owned subsidiaries, its successors and assigns if such subsidiaries, successors or assigns should acquire more than one undeveloped lot from the Declarant for the purpose of development.

SECTION 4. Declaration shall mean and refer to the Declaration of Covenants, Conditions, and Restrictions applicable to the subdivision and recorded in the Office of the County Clerk of Harris County, Texas, and any additional property that may be brought within the jurisdiction of this Association by the imposition on such additional properties of one or more supplemental declarations of covenants, conditions and restrictions covering such properties.

SECTION 5. Lot shall mean and refer to any plot of ground shown on the recorded subdivision plat with the exception of the common area.

SECTION 6. Member shall mean and refer to those persons entitled to membership in the Association as provided in this Declaration.

SECTION 7. Owner shall mean and refer to the record owner, whether one or more persons or entities, of the fee simple title to any lot which is a part of the subdivision, including contract sellers, but excluding those holding title merely as security for the performance of an obligation.

### ARTICLE III

#### MEMBERS' MEETINGS

SECTION 1. Place of Meetings. Each meeting of the members of the Association shall be held at such place in the County of Harris, State of Texas as shall be designated from time to time by the Board in the notice of such meeting or in a duly executed waiver of notice thereof.

SECTION 2. Annual Meeting. Unless otherwise provided by the Board, the annual meeting of the members shall be held at 7:30 P.M. on the second Tuesday in February in

each year, if not a legal holiday, and if a legal holiday, then on the next succeeding business day. If a quorum is present, the members shall elect a Board of Trustees, elect officers and transact any other business that may properly be brought before the meeting.

SECTION 3. Special Meetings. Unless otherwise provided by law, special meetings of the members, for any purpose or purposes, may be called by the President or in his<sup>1</sup> absence by the Secretary at the request in writing of a majority of the Board or of ten (10) per cent of the members of the Association at the time of the request. Such request shall state the purpose or purposes of the proposed meeting. If the election of trustees shall not be held as provided in Section 2 of this Article III, the Board shall cause the election to be held at a special meeting of the members as soon thereafter as convenient. At such meeting, the members may elect directors and transact other business with the same force and effect as at an annual meeting duly called and held.

SECTION 4. Notice of Meetings. Unless otherwise provided by law, a written or printed notice of each meeting of the members shall be given not less than ten (10) nor more than fifty (50) days before the date of such meeting to each member of record entitled to vote thereat, personally or by mail or by notice delivered into the member's mailbox at his address as it appears on the records of the Association, stating the place, date and hour of the meeting. Notice of any meeting of the members shall not be required to be given to any member who shall attend such meeting in person, by proxy or mail ballot; and if any member shall, in person or by attorney thereunto authorized, in writing waive notice of any meeting, whether before or after such meeting is held, notice thereof need not be given to such member.

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<sup>1</sup> Masculine gender where appearing herein shall be deemed to include feminine gender.

SECTION 5. List of Members. At least five (5) days before each meeting of the members, the Secretary shall prepare, or cause to be prepared, a complete list of the members entitled to vote at said meeting as set forth in Section 9 of this Article III. Such list shall be open to the examination of any member, for any purpose germane to the meeting. Such list shall also be produced and kept at the time and place of the meeting and shall be subject to the inspection of any member who may be present. The member list shall be the only evidence as to whom are the members entitled to examine the aforesaid list or the books of the Association or to vote in person, by proxy, or mail ballot at any meeting of the members.

SECTION 6. Business to be Transacted; Statement of Purpose. At each meeting of the members, such business may be transacted as may properly be brought before such meeting. Each purpose for which the annual or a special meeting of the members is called shall be stated in the notice of the meeting or waiver of notice thereof.

SECTION 7. Quorum; Adjournment. Unless otherwise provided by law or the Declaration, members holding fifteen percent of the votes entitled to be cast and present in person or represented by proxy, shall constitute a quorum at each meeting of the members for the transaction of business. If, however, such quorum shall not be present or represented at any meeting of the members, the members present in person or by proxy shall have the power to adjourn the meeting from time to time until such quorum shall be present or represented by proxy. Unless otherwise provided by law, no notice of any such adjourned meeting shall be required if the time and place thereof are announced at the meeting at which the adjournment is taken.

SECTION 8. Manner of Voting. At each meeting of the members, each member to vote may vote in person, by mail ballot duly signed by the member and submitted to the President prior to the appointed time for the meeting or by proxy appointed by an instrument in writing subscribed by such member and bearing a date not more than

eleven (11) months prior to such meeting, unless such instrument provides for a longer period. Only members in good standing are entitled to vote. At each meeting of the members, each such member entitled to vote shall have one (1) vote for each Lot of which he is the owner on each matter submitted to a vote at a meeting of members except to the extent that the voting rights of members of any class or classes are limited, enlarged or denied by the Declaration or the Articles of Incorporation. All voting shall be via voice or show of hands except that, upon determination of the presiding officer or a majority vote of the members present or represented by proxy, the voting shall be by written ballot. When voting by ballot, each ballot shall be signed by the member voting and the presiding officer shall appoint three (3) inspectors to count the votes. The presiding officer shall declare the results of all voting; and after such declaration of a written ballot was used, he shall ask if anyone wishes to examine the ballots. After any requested examination, he shall order the ballots destroyed. Unless otherwise provided in these By-Laws, the Declaration, the Articles of Incorporation or by law, each election shall be determined and each question shall be decided by a majority vote of such members entitled to vote and voting.

SECTION 9. Record Date. In order that the Association may determine the members entitled to notice of or entitled to vote at any meeting of the members or any adjournment thereof, or to express consent to corporate action in writing without a meeting, or for the purpose of any other lawful action, the Board may fix, in advance, a record date, which shall be not more than sixty (60) nor less than ten (10) days before the date of such meeting nor more than sixty (60) days prior to any other action. A determination of members entitled to notice of or to vote at a meeting of the members shall apply to any adjournment of the meeting; provided, however, that the Board may fix a new record date for the adjourned meeting.

SECTION 10. Organization of Meetings. At each meeting of the members, the President or, in his absence, a chairman chosen by a majority vote of the members present

in person or represented by proxy entitled to vote and voting shall act as chairman of the meeting. The Secretary or, in his absence, any person appointed by the chairman of the meeting shall act as secretary of the meeting.

SECTION 11. Written Consent. Whenever the vote of members at a meeting thereof is required or permitted to be taken for or in connection with any corporate action, the meeting and vote of members may be dispensed with if a consent in writing to such corporate action being taken shall be signed by the members entitled to vote, having at least the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all members entitled to vote thereon were present and voted; provided that prompt notice shall be given to all members of the taking of corporate action without a meeting.

SECTION 12. Eligibility. The membership of the Association shall be limited to persons owning a lot or residence in Oaks of Inwood, Section One (1), Two (2), or Four (4) platted subdivision in Harris County, Texas, and any additional properties that may be brought within the jurisdiction of this Association. Only members shall participate in the affairs of this Association. Eligibility to vote as a member shall be continuous from year to year expiring December 31st the last year for which dues are paid.

ARTICLE IV  
BOARD OF TRUSTEES

SECTION 1. General Powers. Unless otherwise provided by law, the property, affairs and business of the Association shall be managed under the direction of the Board of Trustees and the Board may exercise all the powers of the Association and to all lawful acts and things as may be done by the Association which are not directed or required to be exercised or done by the members.

SECTION 2. Number; Qualifications; Term of Office. The number of members of the Board shall be not fewer than seven (7) nor more than ten (10) and, within such limits, shall be as determined and established from time to time by resolution adopted by majority vote of the trustees then in office. The initial number of Trustees shall be seven (7). The President and Vice President shall be elected trustees by their election to each such respective office. Trustees must be members. The trustees shall be elected annually. Each trustee, whether elected at an annual meeting of the members or to fill a vacancy or a newly created trusteeship, shall continue in office until the next annual meeting of the members held after his election and until his successor shall have been elected and qualified, or until he shall have resigned and his resignation shall have become effective, or until he shall have been removed in the manner hereinafter provided.

SECTION 3. Chairman. The Board shall elect from among its members a Chairman of the Board, who shall have such duties as are prescribed by Section 4 of this Article IV.

SECTION 4. Organization. At each meeting of the Board, the Chairman of the Board or, in his absence, the President or, in the absence of both, a chairman chosen by a majority of the trustees present, shall act as chairman of the meeting. The Secretary or,

in his absence, any person appointed by the chairman of the meeting, shall act as secretary of the meeting.

SECTION 5. Resignations. Any trustee of the Association may resign at any time upon written notice, and such resignation shall be effective, unless otherwise agreed, upon receipt by the Secretary.

SECTION 6. Removal. Any trustee may be removed with or without cause at any time by a two-thirds (2/3) vote of the members present or represented by proxy or mail ballot at a special meeting of the members called for that purpose, and the vacancy in the Board caused by such removal may be filled by the members at said meeting.

SECTION 7. Vacancies. In case any vacancy shall occur in the Board because of death, resignation, disqualification or removal, or in case any newly created trusteeship shall result from any increase in the authorized number of trustees, the Board may, at any regular or special meeting thereof, by vote of a majority of the trustees then in office, though less than a quorum, elect a trustee to fill such vacancy for the unexpired portion of the term or to fill such newly created trusteeship. Any such vacancy resulting from any cause whatsoever, or any such newly created trusteeship, may be filled by the members at the next annual or any special meeting of the members.

SECTION 8. Meetings. The Board may hold meetings, regular or special, at such place within Harris County, Texas as shall be stated in the notice. Regular meetings of the Board shall be held each month and may be held, without notice, at such times and places as shall be determined by resolution of the Board. Special meetings of the Board shall be called with notice on the request of the President, the Chairman of the Board or two (2) other trustees. With notice, a meeting of the Board may be cancelled on the request of the President, the Chairman of the Board or two (2) other trustees. Notices shall be delivered personally or mailed or delivered into the trustee's mailbox to each trustee at his address appearing on the records of the Association, or given by telephone,

and in the case of notice of a meeting, on a day not later than the third day before the day on which the meeting is to be held. Every such notice of a meeting shall state the time and place fixed by the President, the Chairman of the Board or two (2) trustees, as the case may be, and must state the purpose or purposes of the meeting. Any required notice may be waived in writing, signed by the trustee entitled thereto whether before or after the time stated therein, and attendance at a meeting shall constitute a waiver of notice of such meeting.

SECTION 9. Quorum; Manner of Acting. At any meeting of the Board, a majority of the total number of trustees fixed by or pursuant to these By-Laws shall constitute a quorum for the transaction of business at such meeting. Common or interested trustees may be counted in determining the presence of a quorum at a meeting of the Board which authorizes any contract or transaction in which one or more of the trustees are interested or common trustees. The vote of a majority of the trustees present at a meeting at which a quorum is present shall be the act of the Board; provided, however, when permissible by law, the vote of a majority of the disinterested trustees present, even though less than a quorum, may authorize contracts or transactions between the Association and one or more of its trustees, or between the Association and any other corporation, partnership, association, or other organization in which one or more of its trustees are trustees, directors, officers or have a financial or other interest therein.

No contract or other transaction between the Association and one or more of its trustees, or between the Association and any firm of which one or more of its trustees are members or employees, or in which they are otherwise interested, or between the Association and any corporation or association in which one or more of its trustees are shareholders, members, directors, officers or employees or in which they are otherwise interested, shall be void or voidable by reason of such trusteeship in this Association or such interest in such other firm, corporation or association, notwithstanding the presence

of such trustee or trustees at the meeting of the Board of Trustees of this Association which acts upon or in reference to such contract or transaction, and notwithstanding his or their participation in such action, if the fact of such interest shall be disclosed or known to the members, and the membership by vote of a majority shall authorize, approve or ratify such contract or transaction; nor shall any trustee be liable to account to this Association for any profits realized by or from or through any such transaction or contract of the Association so authorized, ratified or approved by reason of such trusteeship or interest. Nothing herein contained shall create liability in the events above described or prevent the authorization, ratification or approval of such transactions or contracts in any other manner permitted by law. This section shall not be construed to invalidate any contract or other transaction which would otherwise be valid under the common and statutory law applicable thereto.

Trustees may participate in a meeting of the Board by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and such participation shall constitute presence in person at such meeting. In the absence of a quorum, a majority of the trustees present may, without notice other than announcement at the meeting, adjourn the meeting from time to time until a quorum be had. Any action required or permitted to be taken at any meeting of the Board may be taken without a meeting if all members of the Board consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board. The trustees shall act only as a Board, and the individual trustees shall have no power as such.

SECTION 10. Remuneration. No trustee shall receive compensation for acting in his capacity as such.

SECTION 11. Open Meetings. All meetings of the Board of Trustees shall be open to the general membership. Voting and the offering or seconding of motions shall be restricted to the Trustees.

ARTICLE V  
COMMITTEES

SECTION 1. How Constituted. The Board of Trustees may by a resolution adopted by a majority of the full Board establish committees and appoint the members thereto.

SECTION 2. Term of Office; Vacancies. Each member of a committee shall continue until the next annual meeting of the members after his appointment or until his earlier resignation or removal. In case any vacancy shall occur in a committee resulting from any cause whatsoever, such vacancy may be filled by vote of a majority of the full Board at any regular or special meeting.

SECTION 3. Meetings. Meetings of a committee may be held at such times and at such places as shall be specified in a notice by the Chairman, Secretary or any other two (2) members of the committee. Notices shall be delivered personally or mailed or delivered into the member's mailbox to each member of the committee at his address appearing on the records of the Association or given by telephone at least twenty-four (24) hours before the meeting. Every such notice of a meeting shall state the time and place fixed by the Chairman, Secretary or the other two (2) members of the committee, as the case may be, but need not state the purpose or purposes of the meeting. Any required notice may be waived in writing, signed by the member entitled thereto whether before or after the time stated therein, and attendance at a meeting shall constitute a waiver of notice of such meeting.

SECTION 4. Quorum; Manner of Acting; Procedure. A majority of the members of a committee shall constitute a quorum for the transaction of business at any meeting thereof. The vote of a majority of the members present at any meeting at which a quorum is present shall be the act of the committee. In the absence of a quorum, a majority of the members present may, without notice other than announcement at the

meeting, adjourn the meeting from time to time until a quorum be had. The committee shall elect from among its members a Chairman who shall act as Chairman of the meetings of the committee. In his absence at meetings of the committee, a member of the committee chosen by the other members thereof present shall act as Chairman of the meeting. A secretary, appointed by the committee, shall keep a record of each meeting and file a copy of that record with the records of the Association. Members of a committee may participate in a meeting of the committee by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and such participation shall constitute presence in person at such meeting. Any action required or permitted to be taken at any meeting of the committee may be taken without a meeting if all members of the committee consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the committee. The members shall act only as the committee, and the individual members shall have no power as such.

SECTION 5. Removal and Resignation. Any member of a committee may be removed from the committee at any time, with or without cause, by a resolution adopted by a majority of the full Board. Any member of a committee may resign from the committee at any time upon written notice to the Chairman of the committee and such resignation shall be effective, unless otherwise agreed, upon receipt by the Chairman of the committee or the Secretary of the Association.

SECTION 6. Advisory Committee. The Advisory Committee shall consist of the officers of the Association and it shall advise the Board in all matters coming before it and shall perform such other and further duties as may be determined from time to time by the President, the Board or the members. The Advisory Committee may approve the expenditure of funds up to Two Hundred Fifty (\$250) Dollars for any single expenditure.

All expenditures by the Advisory Committee must be reported by the Treasurer at the next Board of Trustees' meeting.

SECTION 7. Audit Committee. The Audit Committee shall be comprised of three (3) members, who are not officers, appointed by the Board of Trustees. The Audit Committee may be appointed by the Board of Trustees at any time of the year; however, the Audit Committee must be appointed at either the October or November Board of Trustees' meeting. Once appointed, the Audit Committee shall audit the current financial records of the Association and report their findings in writing to the Board of Trustees at their next regularly scheduled meeting and to the members at the annual meeting.

## ARTICLE VI

### OFFICERS

SECTION 1. Number. The officers of the Association shall be a President, a Vice President, a Secretary, a Treasurer and a Sargeant-at-Arms. In addition, there may be one or more additional or other officers as may be elected or appointed in accordance with the provisions of Section 3 of this Article VI. No person may hold more than one office at a time.

SECTION 2. Election; Term of Office; Vacancies. The officers of the Association, except as otherwise provided in this Section 2, shall be elected annually by the members. Each officer shall continue in office until his successor shall have been duly elected or appointed, or until he shall have resigned and his resignation shall have become effective, or until he shall have been removed in the manner hereinafter provided. The Board may, by vote of a majority of the trustees then in office, elect a person to fill any vacancy because of death, resignation, disqualification or removal, or to fill any newly created office, for the unexpired portion of the term.

SECTION 3. Additional or Other Officers. The members may elect additional or other officers, each of whom shall have such powers, authority and duties as may from time to time be delegated by the members or the Board.

SECTION 4. Removal; Resignations. Any officer may be removed, with or without cause, by the members present or represented by proxy or mail ballot at any meeting thereof. If any officer ceases to be a member during his term of office or fails to remain a member in good standing after five (5) days written notice given over the signature of the Secretary, his office shall be automatically vacated. Any officer may resign at any time upon written notice and such resignation shall be effective, unless otherwise agreed, upon receipt by the Board, the President or the Secretary.

SECTION 5. Remuneration. No officer of the Association shall receive compensation for acting in his capacity as such.

SECTION 6. The President. The President shall be in general charge of the affairs of the Association in the ordinary course of its business; he shall preside at all meetings of the members. He may make, sign, and execute all deeds, conveyances, assignments, bonds, contracts and other obligations and any and all other instruments and papers of any kind or character in the name of the Association after such action has been approved by the Board of Trustees. He shall enforce the Articles of Incorporation, the By-Laws and the Declaration and decide all questions of procedure and order for the Association with the advice and counsel of the Secretary when such advice is required by him or requested by a member. He shall do and perform such other duties as may from time to time be assigned to him by the Board of Trustees.

SECTION 7. Vice President. The Vice President shall assist the President in the discharge of his duties together with such other duties as may be assigned to him by the Board of Trustees. He shall have and exercise the powers and duties of the President during that officer's absence or inability to act. Any action taken by the Vice President in the performance of the duties of the President shall be conclusive evidence of the absence or inability to act of the President at the time such action was taken.

SECTION 8. The Secretary. The Secretary shall keep the minutes of all meetings of the Board of Trustees and membership in books provided for that purpose. He is responsible for the Association seal and shall affix the seal to any document as requested by the President, Vice President or Board of Trustees, providing such request does not violate the Articles of Incorporation or By-Laws of the Association. He shall advise the presiding officer as directed by him or as requested by a member on matters of procedure in meetings of the members or the Board. He shall be responsible for insuring that any action or lack of action which would constitute a violation of the Articles of

Incorporation, By-Laws or the Declaration of this Association be brought immediately to the attention of the President or the Board. He shall issue or cause to be issued all notices of annual or special meetings of the members or regular or special meetings of the Board. He shall perform all of the duties incident to the office of Secretary and such other duties as may from time to time be prescribed by the Board, the President or an authorized officer.

SECTION 9. The Treasurer. The Treasurer shall receive and account for the dues from the members. He shall receive and account for all other money due the Association. He shall perform all acts incident to the position of Treasurer subject to the control of the Board of Trustees. He shall be responsible for the filing of the Association income tax returns and payment of the franchise tax. He shall be responsible for all duties assigned to him by the President or the Board of Trustees.

SECTION 10. Sergeant-at-Arms. The Sergeant-at-Arms shall preserve order at all meetings of the Association. He shall determine if a quorum is present and shall examine qualifications of all persons attending meetings calling to the attention of the presiding officer any disputes. He shall prepare, distribute and collect all ballots, see that all persons attending meetings properly register, and perform such other duties as required of him by direction of the presiding officer or Board of Trustees.

SECTION 11. Bonding. All officers must be jointly bonded to a limit that will insure no financial loss to the Association. The Secretary will not affix the Association seal to any document that would allow an officer to sign checks until that officer is bonded. All officers must be bonded until the bank or banks have been properly notified that they are no longer authorized to sign checks for the Association. The bond is to be issued by a bond company approved by the Board of Trustees, and the cost of such bonds shall be paid by the Association. A bond in the amount of \$1,000.00 per officer shall satisfy this Section 11.

## ARTICLE VII

### CONTRACTS, CHECKS, DRAFTS, BANK ACCOUNTS, DEPOSITS

SECTION 1. Contracts. Unless otherwise provided by law in the Declaration, the Articles of Incorporation or in these By-Laws, the Board may authorize any officer or agent of the Association, to enter into any contract or execute and deliver any instrument, in the name and on behalf of the Association, and such authority may be general or confined to specific instances; and unless so authorized, no officer or agent shall have any power or authority to bind the Association by any contract or engagement or to pledge its credit or to render it liable pecuniarily for any purpose or to any amount. No such contract or expenditure may exceed Three Thousand Dollars (\$3,000) without prior approval by a majority vote of the members at any membership meeting.

SECTION 2. Loans. No loan shall be contracted on behalf of the Association and no negotiable paper shall be issued in its name, unless authorized by a two-thirds (2/3) vote of the members in person or represented by proxy or mail ballot at any membership meeting. No loan shall be made by the Association to its members, officers or trustees.

SECTION 3. Checks, Drafts, etc. Unless otherwise provided by the Board, all checks, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the Association shall be signed by such officers, or agents of the Association and in such manner as shall from time to time be authorized by resolution of the Board.

SECTION 4. Deposits. Unless otherwise provided by the Board, all funds of the Association shall be deposited to the credit of the Association under such conditions and in such banks, trust companies or other depositories as may be designated by any other officer or agent of the Association to whom such power may from time to time be delegated by the Board; and for the purposes of such deposit, any person to whom such

power is so delegated may endorse, assign and deliver checks, drafts and other orders for the payment of money which are payable to the order of the Association.

**ARTICLE VIII**  
**CERTIFICATES, DUES AND ASSESSMENTS**

SECTION 1. Membership Certificates. The Association will not issue membership certificates.

SECTION 2. Dues. Membership dues shall be synonymous with the regular annual assessment as determined in accordance with the Declaration.

SECTION 3. Special Assessments. Special assessments may be levied as provided in Article VIII Section 4 of the Declaration provided that such proposal shall first be approved by the Board of Trustees.

SECTION 4. Good Standing. To be a "member in good standing" a member shall have paid all assessments, both regular annual and special, to the Association at such time or times and in such manner as provided in the Declaration or any resolution of the members.

**ARTICLE IX**

**SEAL**

The Association's seal shall be circular in form and shall bear the words and figures:

Oaks of Inwood Community Improvement Association

Texas

1983

**ARTICLE X**

**FISCAL YEAR**

The fiscal year of the Association shall begin on the first day of January of each year.

**ARTICLE XI**  
**ADOPTION OF BY-LAWS**

The initial By-Laws of the Association shall be presented to the members of the Association for approval. The first act of the initial Board of Trustees shall be to consider and, if proper, to adopt the initial By-Laws of the Association as approved by the members. The initial By-Laws of the Association shall be adopted by its Board of Trustees.

**ARTICLE XII**  
**ORDER OF PRECEDENCE**

As regards any conflicts which might occur, the order of precedence shall be the Declaration, the Articles of Incorporation of the Association and then the By-Laws of the Association.

ARTICLE XIII  
LIMITATION OF LIABILITY: INDEMNIFICATION  
OF TRUSTEES AND OFFICERS

SECTION 1. Limitation of Liability. A trustee shall perform his duties as a trustee in good faith, in a manner he reasonably believes to be in the best interests of the Association, and with such care as an ordinarily prudent person in a like position would use under similar circumstances. In performing his duties, a trustee shall be entitled to rely on information, opinions, reports or statements, including financial statements and other financial data, in each case prepared or presented by:

- (a) one or more officers of the Association whom the trustee reasonably believes to be reliable and competent in the matters presented; or
- (b) counsel, public accountants or other persons as to matters which the trustee reasonably believes to be within such person's professional or expert competence; or
- (c) a committee upon which he does not serve, duly designated in accordance with a provision of these By-Laws, as to matters within its designated authority, which committee the trustee reasonably believes to merit confidence, but such trustee shall not be considered to be acting in good faith if he has knowledge concerning the matter in question that would cause such reliance to be unwarranted. A person who so performs his duties shall have no liability by reason of being or having been a trustee of the Association.

An officer of the Association who shall perform his duties in the manner set forth above in this Section 1, relying to the extent applicable on information, opinions, reports or statements set forth therein, shall have no liability by reason of being or having been an officer of the Association.

If the trustees or officers of the Association shall knowingly cause to be published or give out any written statement or report of the condition or business of the Association that is false in any material respect, the officers and trustees causing such report or statement to be published, or given out, as assenting thereto, shall be, jointly and severally, individually liable for any loss or damage resulting therefrom.

The Trustees in their discretion may submit any contract or act for approval or ratification of any membership meeting, and any contract or act that shall be approved or be ratified by the vote of the members in person or represented by proxy or mail ballot at such membership meeting at which there is a quorum, shall be valid and binding upon the Association and upon all the members. Any transaction questioned in any members' derivative suit on the ground of lack of authority, defective or irregular execution, adverse interest of Trustee, officer or member, non-disclosure, miscomputation, or the application of improper principles or practices of accounting, may be ratified, unless prohibited by law, before or after judgment, by the Board of Trustees or by the members; and, if so ratified, shall have the same force and effect as if the questioned transaction had been originally duly authorized and said ratification shall be binding upon the Association and its members and shall constitute a bar to any claim or execution of any judgment in respect of such questioned transaction.

## SECTION 2. Indemnification.

(a) Actions Other Than Those By or in the Right of the Association. The Association shall indemnify, to the full extent permitted by law, any person

who was or is a party or is threatened, to be made a party (including a witness) to any threatened pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Association), by reason of the fact that he is or was a trustee or officer of the Association, against expenses and costs (including attorneys' fees), judgments, fines and amounts paid in settlement, actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith, in a manner he reasonably believed to be in or not opposed to the best interests of the Association, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that such person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Association, and with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

(b) Action by or in the Right of the Association. The Association shall indemnify, to the full extent permitted by law, any person who was or is a party or is threatened to be made a party (including a witness) to any threatened, pending or completed action, suit or proceeding by or in the right of the Association to procure a judgment in its favor by reason of the fact that he is or was a trustee or officer of the Association as against expenses and costs (including attorneys' fees) actually and reasonably incurred by him in connection with the defense or settlement of, or appearance connected with, such action, suit or proceeding if he acted in

good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Association; provided, however, that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable for negligence or misconduct in the performance of his duty to the Association unless and only to the extent that a court, upon application, shall determine that, despite the adjudication of liability, but in view of all circumstances of the case, such person is fairly and reasonably entitled to indemnification for such expenses.

(c) Successful Defense of Action. Notwithstanding, and without limitation of any other provision of this Article XIII, to the extent that a trustee or officer of the Association has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in paragraph (a) or (b) of this Section 2, or in defense of any claim, issue or matter therein, he shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him in connection therewith.

(d) Determination Required. Any indemnification under paragraph (a) or (b) of this Section 2 (unless ordered by a court) shall be made by the Association only as authorized in the specific case upon a determination that indemnification of the trustee or officer is proper in the circumstances because he has met the applicable standard of conduct set forth in such paragraph. Such determination shall be made (i) by the Board by a majority vote of a quorum consisting of trustees who were not parties to the particular action, suit or proceeding, or (ii) if such a quorum is not

obtainable, or, even if obtainable, a quorum of disinterested trustees so directs, by legal counsel in a written opinion, or (iii) by the members.

SECTION 3. Insurance. The Association may, when authorized by the Board, purchase and maintain insurance on behalf of any person who is or was a trustee or officer of the Association against any liability asserted against, and incurred by, him in any such capacity, or arising out of his status as such, whether or not the Association would be required to indemnify him against such liability under the provisions of Section 2 of this Article XIII.

SECTION 4. Nonexclusivity; Duration. The indemnifications, rights and limitations of liability provided by this Article XIII shall not be deemed exclusive of any other indemnifications, rights or limitations of liability to which any person may be entitled under any by-law, agreement, vote of members or disinterested trustees, or otherwise, either as to action in his official capacity or as to action in another capacity while holding office, and they shall continue although such person has ceased to be a trustee or officer and shall inure to the benefit of his heirs, executors and administrators. The authorization to purchase and maintain insurance set forth in Section 3 of this Article XIII shall likewise not be deemed exclusive.

#### ARTICLE XIV AMENDMENTS

Unless otherwise expressly provided in these By-Laws, all By-Laws of the Association shall be subject to alteration or repeal, and new By-Laws may be made, by the two-thirds (2/3) vote of the members in person or represented by proxy or mail ballot at any annual or special meeting.