

BY-LAWS
OF
LAKE INEZ RECREATIONAL SITES
HOMEOWNERS ASSOCIATION, INC.,
a Montana Non-Profit Corporation

ARTICLE I. OFFICES

The principal office of the corporation shall be located in the County of Missoula and State of Montana, which office shall be located at such places as the Board of Directors may determine.

ARTICLE II. ASSESSMENTS

Section 1. Creation of Assessment Lien. Each member as defined in Article III, hereby covenants and agrees to pay the Corporation annual assessments, all such assessments to be fixed, established and collected from time to time as provided in this Article. The annual assessment together with such interest or costs of collection thereon as hereinafter provided, shall be a charge and continuing lien upon the lot against which each such assessment is made. Each such assessment together with such interest and costs of collection as hereinafter provided, shall be the obligation of the member from the date when such assessment becomes payable.

Section 2. Purpose of Assessments. The assessments levied by the Corporation shall be used for the purposes as are deemed desirable by the Corporation, including but not limited to, dust coating, snow plowing and other maintenance requirements on the roads, which roads shall remain in the private ownership of the Corporation, any other development or maintenance expense associated with the common properties, together with costs of administering the day-to-day business of the Corporation, including administrative, accounting and/or legal fees, as incurred.

Section 3. Amount of Assessments. The Board of Directors of the Corporation may after consideration of the current maintenance, administrative and other costs, together with consideration for future needs of the Corporation, fix the annual assessment for each year.

Section 4. Payment of Assessments. The assessments provided for herein shall be computed on an annual basis, commencing on the first day of January of each year and terminating on the 31st day of December of the same year. The assessments for any year shall become due and payable at such time as the Board of

Directors, in its discretion, shall determine. The Board of Directors shall determine the amount of the assessment against each lot and each member for each assessment period at least 30 days in advance of the due date for that assessment, and shall at that time prepare a roster of the properties and assessments applicable thereto, which shall be kept in the offices of the Corporation and be open to the inspection of any member. Written notice of the assessment shall be thereupon promptly sent to every member.

Section 5. Nonpayment of Assessment. If an assessment against a lot is not paid on the due date as determined by the Board of Directors, then such assessment shall be deemed delinquent and shall together with any interest thereon become a continuing lien on the lot, which lien shall run with the land. If the assessment remains unpaid for a period of 30 days after the due date, the assessment shall bear interest from the due date at a rate of 10% per annum. The obligation of a member to pay any assessment or interest shall not be effected by any conveyance or transfer of title to said lot. The Corporation may bring an action at law against the member obligated to pay the assessment and/or foreclose its lien against the lot which election is in the sole discretion of the Board of Directors. In addition to the amount of the assessment and interest thereon, there shall be added an amount equal to the costs of collecting the same or for prosecuting any foreclosure action which shall include costs and attorney's fees.

Section 6. Property Exempt From Assessment. All properties owned by the Corporation whether they be lots, undivided land or other common areas shall be exempted from the assessments as described in this Article.

ARTICLE III. MEMBERSHIP

Section 1. Membership Defined. The owner, whether individually or jointly, of each lot in the Lake Inez Recreational Sites shall be a member of the Corporation. Each lot shall have one membership vote only, irregardless of whether that lot is held by an individual or jointly by any number of individuals. The word "owner" for the purposes of this paragraph shall also include those purchasing a lot or lots on Contract for Deed or by similar device, and those who have transferred their lot or lots to a trustee for the purpose of securing an obligation pursuant to a Deed of Trust or Trust Indenture. The Corporation, while the record owner of a number of lots and other undivided land within Lake Inez Recreational Sites subdivision, shall not be considered a member either for purposes of voting or liability for assessments.

Section 2. Annual Meeting. The annual meeting of the members shall be held on the first Monday in October in each

year, beginning with the year 1989, at the hour of 7:00 o'clock P.M., at a location designated by the Board of Directors. Such meeting shall be for the purpose of electing directors and for the transaction of such other business as may come before the meeting. If the day fixed for the annual meeting shall fall upon a legal holiday, such meeting shall be held on the next succeeding business day. In the event that such annual meeting is omitted by oversight or otherwise on the date herein provided, the directors shall cause a meeting in lieu thereof to be held as soon thereafter as may be conveniently done; and any business transacted or elections held at such meeting shall be as valid as though called and held upon the date above specified. Such subsequent meeting shall be called in the same manner as prescribed for the calling of special members' meetings.

Section 3. Special Meetings. Special meetings of the members to be held at a location designated by the Board of Directors may be called at any time by the President or by the Board of Directors, and it shall be their duty to call such a meeting whenever so requested in writing by one-fourth ($\frac{1}{4}$) of the members. Notice of such meetings shall be given in accordance with "Section 5" of this Article.

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Section 4. Place of Meeting. The Board of Directors may designate any place within the State of Montana as the place of meeting for any annual meeting or for any special meeting called by the Board of Directors. A waiver of notice signed by all members entitled to vote may designate any place, within the State of Montana as the place for the holding of such meeting. If no designation is made, or if a special meeting be otherwise called, the place of meeting shall be the principal office of the Corporation in the State of Montana.

Section 5. Notice of meetings. Except as otherwise provided by statute, written or printed notice stating the place, day and hour of the meeting and, in case of a special meeting, the purpose for which the meeting is to be held, shall be delivered in not less than ten (10) days nor more than forty (40) days before the date of any such meeting, either personally or by mail. Such notice shall be given, in the manner stated, by the Secretary at the direction of the President, the Board of Directors or not less than one-fourth ($\frac{1}{4}$) of all members to each member of record entitled to vote at such meetings. Such notice shall be deemed delivered if the same is either handed directly to the member or deposited in the United States mail with the postage prepaid thereon, addressed to the member at his address as it appears on the records of the Corporation. It is the obligation of the member to keep the Corporation advised of his current address.

Section 6. Meetings by Consent. When all the members entitled to vote are present at any meeting and sign written con-

sent thereto the acts and proceedings there conducted are as valid as if the same had been regularly called and noticed in accordance with "Section 5" of this Article.

Section 7. Order of Business. The order of business at the annual meeting and, as far as possible, at all other meetings of members, shall be:

- 1) Call of roll.
- 2) Proof of the due notice of meeting or waiver of notice.
- 3) Reading and disposal of any unapproved minutes.
- 4) Reports of officers and committees.
- 5) Election of directors.
- 6) Unfinished business.
- 7) New business.
- 8) Adjournment.

Section 8. Closing of Membership Rolls. For the purpose of determining members entitled to notice of and to vote at any meeting of members or to make a determination of members for any purpose, the Board of Directors of the Corporation may provide that the membership rolls shall be closed for a stated period not exceeding forty (40) days preceding the date for any such corporate action or proceeding. If the membership rolls shall be closed for the purpose of determining members entitled to notice or to vote at any meeting of the members, such books shall be closed for not less than ten (10) days immediately preceding such meeting.

In lieu of closing the membership rolls the Board of Directors may fix in advance a date as the record date for any such determination of members, not exceeding forty (40) days preceding such record date; and in case of a meeting of the members, not less than ten (10) days prior to the date on which the particular action requiring such determination of members is to be taken.

If the membership rolls are not closed and no record date is fixed for the determination of members entitled to vote at or receive notice of a meeting of the members the date on which notice of the meeting is mailed, as the case may be, shall be the record date for such determination of members.

Only such members as shall be members of record on the date so fixed shall be entitled to participate in, or benefit by,

such other corporate action or proceeding, notwithstanding any transfer of any membership on the books of the Corporation after any such record has been fixed.

Section 9. Inspection of Membership Rolls. Any member shall be entitled, at any time during the business hours of the Corporation, to inspect the membership rolls of the Corporation. The official membership rolls of the Corporation shall be prima facie evidence as to who are the members entitled to examine such membership rolls or to vote at any meeting of the members.

Section 10. Quorum. A majority of the members of the Corporation, represented in person or by proxy, shall constitute a quorum at any meeting of the members, provided that if less than a majority of the members are represented at such meeting, a majority of the members so represented may adjourn the meeting from time to time without further notice. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally noticed. The members present at a duly organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal of enough members to leave less than a quorum.

Section 11. Proxies. At all meetings of the members, a member may vote either in person or by proxy executed in writing by the member or by his duly authorized attorney in fact, which proxy shall set forth the period of time for which it shall be valid, not exceeding eleven (11) months from the date of its execution. Such proxy shall be filed with the Secretary of the Corporation before or at the time of the meeting.

Section 12. Voting of Members. Each member shall be entitled to one (1) vote upon each matter submitted to a vote at a meeting of the members.

Section 13. Certain Holders Voting as Members. Memberships standing in the name of a deceased person may be voted by his personal representative, administrator or executor, either in person or by proxy. Memberships standing in the name of a guardian, conservator or trustee on the membership rolls of the Corporation may be voted by such fiduciary, either in person or by proxy; but no guardian, conservator or trustee shall be entitled to vote until his membership shall have been regularly entered on the membership rolls of the Corporation.

Memberships standing in the name of another corporation may be voted by such officer, agent or proxy as the By-Laws of such corporation may prescribe or, in the absence of such provision, as the board of directors of such corporation may determine.

A member whose membership is pledged shall be entitled to vote until the membership has been transferred into the name of the pledgee on the membership rolls of the Corporation, and thereafter the pledgee shall be entitled to vote the membership transferred.

Membership standing in the name of a receiver may be voted by such receiver; and membership held by or under the control of a receiver may be voted by such receiver without the transfer thereof into his name, if authority so to do be contained in an appropriate order of the court by which such receiver was appointed.

Membership of this Corporation shall not be voted either directly or indirectly at any meeting, regular or special, and shall not be counted in determining the total number of members at any given time; provided, however, that memberships of this Corporation held by the Corporation in a fiduciary capacity may be voted at either regular or special meetings and may be counted in determining the total number of members at any given time.

Section 14. Cumulative Voting. Cumulative voting shall not be permitted for any purpose.

Section 15. Informal Action of Members. Any action required to be taken by or which may be taken at a meeting of the members may be taken without a meeting if a consent, in writing, setting forth the action so taken shall be signed by all the members entitled to vote with respect to the subject matter of such action.

Section 16. Voting by Ballot. The election of directors must be by ballot. Voting on any question or other elections may be oral unless the presiding officer shall order, or any member shall demand, that voting be by ballot.

ARTICLE IV. DIRECTORS

Section 1. General Powers. The business of the Corporation shall be managed and conducted by its Board of Directors.

Section 2. Number, Tenure and Qualifications. The number of directors of the Corporation shall be five (5). The term of the initial directors named in the Articles of Incorporation shall expire as follows:

	<u>Term Expires</u>
Mr. Charles Thorne	<u>1989</u>
Mr. Jack W. Peters	<u>1991</u>
Mr. Neal Maier	<u>1990</u>

Mr. Buddy L. Crist
Mr. Donald Ebbutt

1989
1990

At the expiration of the initial term of office of each respective director, his successor shall be elected to serve a term of three (3) years. The directors shall hold office until their successors have been elected and convened to hold their first meeting. Each director elected must be a legal resident of the State of Montana and a member of this Corporation.

Section 3. Regular Meetings. A regular meeting of the Board of Directors shall be held without notice, other than this By-Law, immediately after and at a location designated by the Board of Directors. The directors may, by resolution, provide the time and place for the holding of additional regular meetings, which shall be held within the State of Montana.

The resolution itself shall be deemed notice of such meetings. No further or additional notice is required. Meetings may be held by conference call or other similar means.

Section 4. Special Meetings. Special meetings of the Board of Directors may be called by or at the request of the President or any three (3) directors. The person or persons authorized to call special meetings of the Board of Directors may determine the time and place for the holding of such meetings, which shall be held within the State of Montana. Notice of such meetings shall be given in accordance with "Section 5" of this Article. Meetings may be held by conference call or other similar means.

Section 5. Notice. Notice of any special meeting of the Board of Directors shall be in writing, which writing must be delivered to each director at least three (3) days prior to the date set for any such meeting. The said notice may be delivered either in person, through the United States mail or by telegram. If such notice be mailed, it shall be deemed delivered when deposited in the United States mail, properly addressed, with postage prepaid thereon. If such notice be by telegram, it shall be deemed delivered when presented, properly addressed, to the telegraph company. For the purpose of this section, the "proper address" shall be the respective business or home addresses of the directors as the same shall appear on the records of the Corporation. Any director may waive notice of any meeting. The attendance of a director at any meeting shall be deemed to be a waiver of notice unless said director shall be in attendance for the express purpose of objecting to the transaction of business because the same was not lawfully called or convened. Neither the business to be transacted nor the purpose of any regular or special meeting of the Board of Directors need be specified in the notice or waiver of notice of such a meeting.

Section 6. Quorum. A majority of the Board of Directors shall constitute a quorum for the transaction of business at any regular or special meeting of the Board of Directors. If less than a majority of the directors are present at any such meeting, a majority of those actually present may adjourn the meeting from time to time without further notice.

Section 7. Manner of Acting. The act of the majority of the directors present at any meeting, either regular or special, at which a quorum is present shall be deemed the act of the Board of Directors.

Section 8. Vacancies. Vacancies occurring among the directors, for any reason other than by virtue of an increase in the number of directors, may be filled by the remaining directors; but if the board is unable to agree, then by the members of the Corporation at a special meeting convened for that purpose. When a vacancy or vacancies in the office of director is created by virtue of an increase in the number of directors, such vacancy or vacancies shall be filled by an appointee or appointees in the Board of Directors; and such appointee or appointees shall hold the office of director until the next regular annual election of directors, at which time the office held by such appointee or appointees shall be filled by an election of the members as in the case of the election of other directors.

Section 9. Compensation. By resolution, the Board of Directors may authorize the reimbursement of their actual expenses incurred while attending and traveling to and from any duly constituted meeting of the board. No such payment shall preclude any director from serving the Corporation in any other capacity and receiving compensation therefor.

Section 10. Presumption of Action. Any director of the Corporation who is present at a meeting of the Board of Directors at which any action relative to any corporate matter is taken shall be conclusively presumed to have consented to such action unless his dissent shall be entered on the minutes of the meeting or filed in writing with the person acting as secretary of the meeting prior to the adjournment thereof or forwarded by registered mail to the Secretary of the Corporation immediately after the adjournment of the meeting. No director who voted in favor of any such action shall have the right to dissent.

Section 11. Order of Business. The order of business at the annual meeting and, as far as possible, at all other meetings of the directors, shall be:

- 1) Call of roll.
- 2) Proof of the due notice of meeting or waiver of notice.

- 3) Reading and disposal of any unapproved minutes.
- 4) Reports of officers.
- 5) Election of officers.
- 6) Unfinished business.
- 7) New business.
- 8) Adjournment.

The President or Vice President and the Secretary of the Corporation shall act as Chairman and Secretary of each directors' meeting unless the meeting shall elect other members of the Board of Directors to act in their place and stead.

Section 12. Informal Action by Directors. Any action required to be taken at a meeting of the directors, or any action which may be taken at a meeting of the directors, may be taken without a meeting if a consent in writing setting forth the action so taken shall be signed by all the directors entitled to vote with respect to the subject matter thereof.

Section 13. Committees. The Board of Directors by majority vote may create, designate and appoint one or more committees. Each committee shall consist of at least two or more directors, as may be determined by the Board. The Board, in creating a committee, shall state the purpose for which that committee is created and the limits on the committee's power. Unless otherwise limited, the committee shall have and exercise all the authority of the Board of Directors, except such authority shall not, in any event, include the authority to:

- 1) Amending, altering, or repealing the By-Laws;
- 2) Electing, appointing, or removing any member of any such committee or any director or officer of the Corporation;
- 3) Amending the Articles of Incorporation, restating Articles of Incorporation, adopting a plan of merger, or adopting a plan of consolidation with another corporation;
- 4) Authorizing the sale, lease, exchange, or mortgage of any of the property and assets of the Corporation;
- 5) Authorizing the voluntary dissolution of the Corporation or revoking proceedings therefor;

- 6) Adopting a plan for the distribution of the assets of the Corporation; or
- 7) Amending, altering, or repealing any resolution of the Board of Directors which by its terms provides that it shall not be amended, altered, or repealed by such Committee.

ARTICLE V. OFFICERS

Section 1. Number. The officers of the Corporation shall be a President, a Vice President, a Secretary, a Treasurer and such other officers as the Board of Directors shall, from time to time, deem necessary. Such additional officers shall be elected or appointed by, and their titles and duties prescribed by, the Board of Directors. Any two (2) or more offices may be held by the same person, except the offices of President and Secretary.

Section 2. Election and Term of Office. The officers of the Corporation shall be elected annually by the Board of Directors at their first meeting following the annual meeting of the members; provided, however, that if the election of officers shall not be held at such meeting, then such election shall be held as soon thereafter as may be conveniently done. Vacancies may be filled or new offices created and filled at any meeting of the Board of Directors. Each officer shall hold office until his successor shall have been duly elected and qualified, until his death or until he shall resign or shall have been removed in the manner provided in "Section 3" of this Article.

Section 3. Removal. Any officer or agent, having been ^{by the} ~~electd or appointed by the Board of Directors, may be removed by~~ ^{Board} the said Board of Directors whenever, in its judgment, the best interests of the Corporation would be served thereby. Such removal shall be without prejudice to the contract rights, if any, of the person so removed. Election or appointment of any officer or agent shall not itself create contract rights.

Section 4. Vacancies. A vacancy created in any office because of the death, resignation, removal, disqualification or otherwise of its holder may be filled by the Board of Directors for the unexpired portion of the term.

Section 5. President. The President, who must be a director, shall be the principal executive officer of the Corporation and shall, in general, supervise and conduct all of the business of the Board of Directors. He shall preside at all meetings of the members and the Board of Directors. He must sign with the Secretary of the Corporation or other proper officer of the Corporation as designated by the Board of Directors, the annual statement, all deeds, mortgages, bonds, contracts or other

instruments authorized by the Board of Directors to be executed, except in cases where the signing and execution thereof shall be expressly delegated by the Board of Directors or by these By-Laws to some other officer or agent of the Corporation, or shall be required by the laws of the State of Montana to be otherwise signed or executed. He shall perform all duties incidental to the office of the president and shall perform such other duties as may be prescribed by the laws of the State of Montana and the Board of Directors.

Section 6. Vice President. In the absence of the President, or in the event of his inability or refusal to act, the Vice President, or in the event there may be more than one (1) Vice President, the Vice Presidents in the order designated, or in the absence of such designation, in the order of their election, shall perform the duties of the President; and when so acting shall have all the powers of and be subject to all restrictions upon the President. Any Vice President may sign, together with a majority of the directors, inclusive of the president, the annual statement of the Corporation. The Vice President or Vice Presidents shall perform such other duties as may from time to time, be assigned by the President or the Board of Directors.

Section 7. The Secretary. The Secretary shall: (a) keep the minutes of the proceedings of the members and of the Board of Directors in one or more books provided for that purpose; (b) see that all notices are duly given in accordance with the provisions of these By-Laws or as required by law; (c) be custodian of the corporate records and of the seal of the Corporation and see that the seal of the Corporation is affixed to all documents, the execution of which on behalf of the Corporation under its seal is duly authorized; (d) keep a register of the post office addresses of each of the members, which shall be furnished to the Secretary by each such member; (e) have general charge of the membership rolls of the Corporation; and in general perform all duties incidental to the office of Secretary and such other duties as, from time to time, may be assigned to him by the President or by the Board of Directors. The Secretary shall recommend to the Board of Directors when additional help is needed.

Section 8. The Treasurer. The Treasurer shall: (a) have charge and custody of and be responsible for all funds and securities of the Corporation (b) receive and give receipts for monies due and payable to the Corporation from any source whatsoever, and deposit all such monies in the name of the Corporation in such banks, trust companies or other depositories as shall be selected in accordance with the provisions of "Article VI" of these By-Laws; and in general perform all duties incidental to the office of Treasurer and such other duties as, from time to time, may be assigned to him by the President or by

the Board of Directors. If required by the Board of Directors, the Treasurer shall give a bond for the faithful discharge of his duties in such sum and with surety or sureties as the Board of Directors shall determine. Cost of any such bond shall be paid by the Corporation. The Treasurer shall recommend to the Board of Directors when additional help is needed.

Section 9. Salaries. The salaries of the officers shall be fixed, from time to time, by the Board of Directors; and no officer shall be prevented from receiving such salary by reason of the fact that he is also a director of the Corporation.

ARTICLE VI.
CORPORATE PROPERTY, CONTRACTS, LOANS, CHECKS AND DEPOSITS

Section 1. Corporate Property. The Board of Directors of this Corporation shall have general authority to sell, lease, mortgage, exchange or otherwise dispose of the whole or any part of the personal property and all other assets of every kind and description of this Corporation, ~~except real property~~ for money, property or for the whole or part of the capital stock of any other corporation, whether domestic or foreign, or otherwise, without further request or authorization from the members; however, the Board of Directors shall have authority to dispose of the real property of the Corporation only upon the approval of 85 percent of the members. The directors may be empowered to sell or otherwise dispose of ~~real property~~ of the Corporation by the express written permission of those persons representing 85 percent of the members of the corporation. Any such written permission must include a description of the property to be sold under that particular authorization.

Section 2. Contracts. The Board of Directors may authorize any officer or officers, agent or agents, to enter into any contract of the Corporation. Such authority may be general or confined to specific instances.

Section 3. Loans. No loan shall be contracted on behalf of the Corporation, and no evidence of indebtedness shall be issued in its name unless authorized in advance by a resolution of the Board of Directors. Such authority may be general or confined to specific instances.

Section 4. Checks, Drafts, Etc. All checks, drafts or other orders for the payment of money, notes and other evidences of indebtedness, issued in the name of the Corporation, shall be signed by such officer or officers, agent or agents, of the Corporation and in such manner as shall, from time to time, be determined by resolution of the Board of Directors.

Section 5. Deposits. All funds of the Corporation not otherwise employed shall be deposited to the credit of the Cor-

*not limited to easements, encroachments
Boundary line adjustments*

poration in such banks, trust companies or other depositories as the Board of Directors may, from time to time, determine.

ARTICLE VII. FISCAL YEAR

The fiscal year of the Corporation shall begin on the first day of January in each year and end on December 31 of that year.

ARTICLE VIII. CORPORATE SEAL

The Board of Directors shall provide a corporate seal, which shall be circular in form and shall have inscribed thereon the name of the Corporation and the state of incorporation and the words "Corporate Seal".

ARTICLE IX. WAIVER OF NOTICE

Whenever any notice is required to be given by these By-Laws, the Articles of Incorporation or any of the laws of the State of Montana, a waiver thereof in writing signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.

ARTICLE X. AMENDMENTS

2/3 = 18
With the exception of Article VI. Section 1, these By-Laws may be repealed or amended, or new By-Laws adopted, at the annual meeting or any other meeting of the members called for that purpose by the directors by a vote representing two-thirds (2/3) of the members. The written assent of two-thirds (2/3) of the members shall be effectual to repeal or amend any By-Laws or to adopt additional By-Laws. The power to repeal and amend the By-Laws and to adopt new By-Laws may, by a similar vote at any such meeting or similar written assent, be delegated to the Board of Directors. The power, when delegated, may be revoked by a similar vote at any regular meeting of the members. No amendment or new By-Law shall take effect until printed, typewritten, photographed or copied in the book of By-Laws containing these original By-Laws; and no repeal of any existing By-Law shall take effect until the fact of repeal, together with the date of the meeting at which the repeal was enacted or written consent was filed, shall be entered in the said book of By-Laws.

85% = 21
Any amendment to Article VI, Section 1, shall require the affirmative vote of 85 percent of the membership.

ARTICLE XI. INVALIDITY OF PROVISIONS

If any one (1) or more of the provisions of these By-Laws be adjudged void by any court of competent jurisdiction, such

adjudication shall not impair the effect or suspend the operation of any of the other provisions of these By-Laws.

ARTICLE XII. INTERESTED DIRECTORS AND OFFICERS

Every director, officer, or employee of the Corporation shall be indemnified by the Corporation against all expenses and liabilities, including attorney's fees, reasonably incurred by or imposed upon him in connection with any proceeding to which he may be made a party, or in which he may become involved, by reason of his being or having been a director, officer, or employee of the Corporation, or any settlement thereof, whether or not he is a director, officer, or employee at the time such expenses are incurred, except in such cases wherein the director, officer, or employee is adjudged liable for negligence or misconduct in the performance of his duties as such director, officer, or employee; provided, that in the event of a settlement, the indemnification herein shall apply only if such settlement is approved by the court having jurisdiction of the action and shall be limited to the extent so approved. The foregoing right of indemnification shall be in addition to, and not exclusive of, all other rights to which such director, officer, or employee may be entitled.

ARTICLE XIII. INDEMNIFICATION OF DIRECTORS AND OFFICERS

(a) The Corporation shall indemnify each director and each officer who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation) by reason of the fact that he is or was a director or officer of the Corporation, or is or was serving at the request of the Corporation as a director or officer of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorney's 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 and in a manner he reasonably believed to be in, or not opposed to, the best interests of the Corporation, and with respect to any criminal action or proceedings, 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 the person did not act in good faith and in a manner which he reasonably believed to be in, or not opposed to, the best interests of the Corporation and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

(b) The Corporation shall indemnify each director and each officer who was or is a party or is threatened to be made a

party to any threatened, pending or completed action or suit brought by reason of the fact that he is or was a director or officer of the Corporation, or is or was serving at the request of the Corporation as a director or officer of another corporation, partnership, joint venture, trust or other enterprise against expenses (including attorney's fees) actually and reasonably incurred by him in connection with the defense or settlement of such action or suit. The indemnification shall be made if the director acted in good faith and in a manner he reasonably believed to be in, or not opposed to, the best interests of the corporation. No indemnification shall be made in respect of any claim, issue or matter as to which such director or officer shall have been adjudged to be liable for negligence or misconduct in the performance of his duty to the Corporation.

(c) To the extent that a person who is or was a director or officer of the Corporation, or of any other corporation, partnership, joint venture, trust or other enterprise, with which he is or was serving in such capacity at the request of the Corporation, has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in paragraphs (a) and (b) of this Article, or in defense of any claim, issue or matter therein, he shall be indemnified against expenses (including attorney's fees) actually and reasonably incurred by him in connection therewith.

(d) Any indemnification under paragraphs (a) and (b) of this Article unless ordered by a court shall be made by the corporation only as authorized in the specific case upon a determination that indemnification of the director or officer is proper in the circumstances because he has met the applicable standard of conduct set forth in paragraphs (a) and (b). Such determination shall be made: (1) by the Board of Directors by a majority vote of a quorum consisting of directors who were not parties to such action, suit or ~~proceeding~~, or (2) if such a quorum is not obtainable or even if obtainable a quorum of disinterested directors so directs, by independent legal counsel in a written opinion, or (3) by the members.

(e) Expenses incurred in defending a civil, criminal, administrative or investigative action, suit or proceedings, or threat thereof, may be paid by the Corporation to a director or officer in advance of the final disposition of such action, suit or proceeding as authorized by the Board of Directors in the specific case upon receipt of an undertaking by or on behalf of the director or officer to repay such amount unless it shall ultimately be determined that he shall be indemnified by the Corporation.

(f) The indemnification provided by this Article shall not be deemed exclusive of any other rights to which a director or officer seeking indemnification may be entitled under any sta-

tute, provision in the Corporation's Certificate of Incorporation, By-Laws, agreement, vote of members or disinterested directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be director of officer and shall inure to the benefit of the heirs, executors and administrators of such a person.

(g) The invalidity or unenforceability of any provision in this article shall not affect the validity or enforceability of the remaining provisions of this article.

CERTIFICATE

KNOW ALL MEN BY THESE PRESENTS: That we, the undersigned, being a majority of the Board of Directors of Lake Inez Recreational Sites Homeowners Association, Inc., do hereby assent to the adoption of the foregoing By-Laws and do hereby certify that the same were duly adopted as the By-Laws at the first meeting of the directors of said Corporation on the 27th day of January, 1989, and that the same do now constitute the By-Laws of said Corporation.

DATED this 27th day of January, 1989.

Charles O. Jones

Paul M. Jones

James Z. Chubb

James Z. Chubb
