

LAKE KIOWA PROPERTY OWNERS ASSOCIATION, INC.
A Texas Nonprofit Corporation
Amended Bylaws
March 4, 2013

The following bylaws are subject to the Amended Restrictive Covenants running with title to the lots and property situated in Lake Kiowa Subdivision recorded in Volume 1848 beginning on Page 296 of the Official Public Records of Cooke County, Texas.

ARTICLE I
NAME, PRINCIPAL OFFICE AND REGISTERED OFFICE

The Lake Kiowa Property Owners Association, Inc is a Texas Nonprofit Corporation with the registered and principal office located at 107 Kiowa Drive South, Lake Kiowa, Texas 76240, or such other address as the Board may establish by notice to all owners.

ARTICLE II
DEFINITIONS

The following words or phrases, when used in these Bylaws (unless the context shall otherwise indicate), shall have the following meanings:

2.01 "Association" or the "LKPOA" shall mean and refer to the Lake Kiowa Property Owners Association, Inc.

2.02 "Association Facilities" shall mean and refer to all real and personal property owned by the Association, including, but not limited to, the streets, roads and other public ways, fences, gates, security equipment, lodge and grounds, golf course and driving range, tennis courts, parking and beach areas, boat launching ramps, camping areas, structures used to house and maintain such facilities, and other real and personal property used for the acquisition, ownership, construction, management and care of "Association Facilities."

2.03 "Board" shall mean and refer to the Board of Directors of the Association.

2.04 "Constituted Lot" shall mean and refer to multiple lots combined into one lot for all purposes under these Bylaws. See 15.08 of these Bylaws for detailed requirements.

2.05 "Contractor" shall mean and refer to any and all construction companies, service companies, trades, independent contractors, landscapers, repairmen, mechanics, material suppliers, domestic help, caregivers and other business invitees entering the property at the request of one or more owners, members, residents, lessees or the Association.

2.06 "Covenants" shall mean and refer to the Amended Restrictive Covenants running with title to the lots and property situated in Lake Kiowa Subdivision recorded in the Official Public Records of Cooke County, Texas.

2.07 "Family" shall mean a spouse and all children 18 and under living with their parents(s) or children who are full time college students and under the age of 25. Individuals living together and acting as a family unit, subject to the approval of the Lake Kiowa Property Owners Association Board or their designee, may be extended the same rights and privileges. No rule or procedure can be created that violates this definition.

2.08 "Good Standing" shall mean that the member has complied with the provisions of Article XIV and XV of these Bylaws and is not delinquent in payments due the Association.

2.09 "Guest" shall mean and refer to individuals invited by owners, members, residents, lessees or the Association to enter the properties.

2.10 "Lessee" shall mean and refer to the individual(s) who have entered into a bonafide written lease agreement with an owner and who have fully and in a timely manner complied with all requirements of the Association.

2.11 "Lot" shall mean and refer to each lot shown on the recorded Association Records excluding Association Facilities. The term shall include the land and all improvements thereon and appurtenances thereto.

2.12 "Maintenance" shall mean and refer to making necessary repairs, additions, alterations and improvements to permit safe use of Association Facilities and to prolong the useful life of the Facilities consistent with managing the Association in the best interests of the members and these Bylaws.

2.13 "Member" shall mean and refer to the owner(s) of a lot in the Lake Kiowa Subdivision. The owner(s) shall be considered one member. In the event the owner(s) are not individuals the owner(s) shall designate annually one individual as the member.

2.14 "Owner" shall mean and refer to the holder(s) of record title to the fee simple interest in a lot.

2.15 "Property" shall mean and refer to Lake Kiowa Subdivision in Cooke County, Texas, as delineated and depicted in the various plats or maps of said subdivision or parts thereof placed of record by the developer, Lake Kiowa, Inc., a Texas Corporation, and/or Lake Kiowa Property Owners Association, Inc.

2.16 "Section" shall mean the numbered paragraphs under each Article in these Bylaws.

ARTICLE III RESPONSIBILITIES OF ASSOCIATION AND MEMBERS

3.01 Covenants Binding on Association and Members. The Covenants and all additional and further restrictions, covenants, easements and liens which may be filed of record on any part of the Property, are acknowledged to be valid and binding upon the Association and its members. Further, all present and future owners of lots, lessees or any other person who might use, in any manner, Association Facilities, are subject to the provisions set forth in these Bylaws and Rules and Procedures promulgated by the Board pursuant to authority granted herein. The acquisition, lease or rental of any lot or the occupancy of any dwelling thereon, will signify that the Covenants, Bylaws and Rules and Procedures are accepted, approved and ratified and shall be observed.

3.02 Functions of the Association in General. This Association shall have, exercise and enjoy all of the rights, privileges and remedies, and shall perform all of the functions and duties assigned to, delegated to, granted to and required of it by the terms and provisions of the Covenants and such further rights and powers as may be appropriate under the Article of Incorporation and applicable law.

3.03 Security Arrangements. The Association has a local Security Patrol within the properties. Although the Association reasonably believes that the existence and visibility of such patrol may discourage the commission of criminal acts within the properties, nevertheless the Association does neither warrant nor guarantee that these arrangements are sufficient and adequate to diminish or eliminate the commission of crimes against persons or property, or that such acts will not be attempted or occur within the properties. These local arrangements are neither designed nor intended to replace the conventional sheriff, police, fire protection and paramedical services available from area governmental authorities.

3.04 Insurance. The Association shall carry liability insurance generally covering bodily injury and property damage arising out of negligent acts by employees, agents or authorized representatives of the Association. The Association will not carry any insurance pertaining to, nor assume any liability or responsibility for the real or personal property of owners, lessees, residents and their respective family members and guests. Each owner, lessee, resident and member expressly understands the Covenants and agrees that the Association does not have any responsibility or liability of any kind for real or personal property of each owner, lessee, resident, member or their guests.

3.05 Violation of the Covenants or Bylaws. Any member who violates the Covenants or Bylaws of the Association will be notified in writing and given an allotted time up to sixty (60) days to rectify the violation. Failure to correct the violation within the time allotted may result in an assessment as determined by the Board but not less than one hundred dollars (\$100.00) per month effective on the first day after the time allotted and each month thereafter until

the violation is corrected. If the violation continues beyond six (6) months, the member will lose all membership privileges effective on the one hundred eighty first (181) day in addition to the above monthly assessment.

3.06 Mediation. No lot owner, homeowner, or resident, shall instigate litigation against the Association without first seeking a resolution of the matter through Mediation. Said persons shall attempt to resolve any dispute amicably without the necessity of litigation. Accordingly, they agree if any dispute arises between them and the Association, that prior to the commencement of any legal action they will first use the procedures specified herein by giving written notice to the Association describing in general terms the nature of the Dispute, the Initiating Party's claim for relief, and identifying one or more individuals with authority to settle the Dispute on the Initiating Party's behalf. The Association shall have thirty (30) business days within which to designate by written notice to the Initiating Party one or more individuals with authority to settle the Dispute on the Responding party's behalf. The individuals so designated shall be known as the "Authorized Individuals." If the Dispute has not been resolved within ninety (90) days from the date of their initial meeting, the parties shall cease direct negotiations and shall submit the Dispute to mediation in accordance with the procedure set out in the Association's Procedures and Rules.

ARTICLE IV USE AND MANAGEMENT OF ASSOCIATION FACILITIES

4.01 Use of Association Facilities. The use of Association facilities is limited to owners, residents, lessees and authorized guests. Such use shall be pursuant to Rules and Procedures established by the Board for the management and the safe, orderly use of Association Facilities. The guest's sponsor is responsible for their invitee's compliance with, and any violations of, Association Rules and Procedures. The authorized guest's sponsor is responsible for paying any and all fees established by the Board for guest use of facilities. The Board has the authority to make specific exceptions to the Rules and Procedures regarding the use of Association facilities.

4.02 Management of Association Facilities. The Association, by and through its Board, has the sole responsibility and liability for the ownership, maintenance, improvement, management, administration and regulation of Association Facilities, and funds for such purposes, including all taxes on said Association Facilities, shall be secured by the Association from the maintenance fees and other charges as hereinafter provided, or such other funds as may be available to the Association. The Association may provide for additional charges, other than assessments, for services provided to members.

4.03 Lease of Lot. As an incident of ownership of a lot in the Subdivision, the owners thereof may lease such lot, together with the appurtenant right to use the commonly owned facilities. During the term of the lease the owner retains all voting rights. Lessee and owners shall file a Notification of Lease agreement with the Association. A security deposit set by the Board shall accompany the lease agreement. The deposit will be refundable within sixty (60) days after termination of lease subject to offset for any indebtedness to the Association or its wholly owned subsidiaries. A lessee of a lot in the subdivision shall not become a member of the Association. The owner of the leased premises continues to be a member of the Association, but grants all of his/her rights to use all Association facilities to the lessee, and is fully obligated for the assessments as provided for herein.

4.04 Termination of Use Privileges. Use privileges shall automatically terminate when the applicable requirements as to ownership or tenancy cease.

4.05 Membership Cards. The Board of Directors shall provide for the issuance of membership cards to members and their family. Membership cards shall be in such form as may be determined by the Board. The name and address of each member and the date of issuance of the card shall be entered on the records of the Association. If any card shall become lost, mutilated or destroyed, a new card may be issued therefore upon such terms and conditions as the Board may determine.

4.06 Guest Cards. A member in good standing shall be entitled to an annual guest card for his/her parents and non-dependent children, grandparents and grandchildren. The Board of Directors may authorize the issuance, upon such terms and conditions as it shall determine, of temporary Guest Cards for guests to enter the property without being accompanied by a member. Temporary Guest Cards shall not be valid for more than seven (7) days, unless approved by the Board.

4.07 Entrance Pass. Entrance passes may be issued to persons such as domestic workers, contractors or other temporary visitors whose use of the common facilities is limited.

ARTICLE V MEMBERS AND VOTING RIGHTS

5.01 Limitation on Number of Memberships per Lot. From and after 11 September of 1982, membership shall be limited to one (1) member per lot; provided, however, the number of memberships available for a lot owned on 11 September of 1982, by more than one person shall be two (2), but only so long thereafter as said lot is owned by the persons owning the same on 11 September of 1982, or by transferee of such person in the first degree. The Board shall prescribe such rules and regulations, not inconsistent with the foregoing, as it may deem appropriate to enforce the provisions of this Section 5.01.

5.02 Voting Rights of Members. Each member of the Association, as defined in 2.13 shall have one vote regardless of the number of lots owned. An exception is petitioning for Covenant changes, where the owner(s) of each lot shall have one vote towards ratification and each title holder must sign.

ARTICLE VI VOTING, MEETINGS OF MEMBERS AND ELECTION OF DIRECTORS

6.01 Voting. All matters to be voted upon by members of the Association shall be by ballots mailed, hand-carried or by electronic ballots sent to the Association office. Unless specifically provided for elsewhere in these Bylaws, ballots, together with necessary information, shall be sent to all members at least thirty (30) days prior to the closing date for acceptance of ballots, but not earlier than 60 days.

[a] Annual Election. The annual election of Directors shall be held during the month of February. Also, if the Board receives a request(s) anytime during the preceding twelve (12) months for change(s) in the Bylaws, signed by at least fifty (50) members in good standing, the requested change(s) shall be voted on at this time. This period may also be used for voting on other matters as determined necessary by the Board.

[b] Special Elections. Special elections may be called at any time by the Board for other matters, such as revising Bylaws, requesting budget approval or requesting approval of an Improvement Assessment. The Board is required to call a special election for the removal of one or more Directors, or for other matters, if it receives a petition stating the reason(s) therefore and the petition is signed by at least twenty (20) percent of the members of the Association, all of whom must be members in good standing. The Board shall, within sixty (60) days of the receipt of such a petition, submit the matter(s) to the members for a vote.

[c] Vote Verification and Tabulation. The Election Committee shall verify that each vote has been cast and signed by a member, shall count and/or supervise the counting of ballots, tabulate the votes and certify in writing to the Secretary of the Association the results of the election. No person involved in the tabulation of votes may be related to any candidate within the third degree by consanguinity or affinity. How an individual owner voted is strictly confidential.

[d] Validity of Vote. In order for a vote on any matter to be valid, at least twenty percent (20%) of all eligible voters must cast ballots.

[e] Request for Recount. Any request for a recount will be handled in accordance with the Texas Property Code section 209.0057.

6.02 Meetings of Members.

[a] Annual Meeting. An annual meeting of the members of the Association shall be held on the second Saturday of March to announce the results of the election of Directors, the results of any other election held at the same time, to review the accomplishments of the previous year and to discuss other matters of importance. No voting shall be conducted during the meeting.

[b] Special Meetings. Special meetings of the members may be called by the President, the Board or upon petition signed by members holding voting rights to not less than twenty percent (20%) of the total votes outstanding as determined in accordance with Section 5.02. Any such petition must state the intended purpose(s) of the special meeting and the Board shall call the meeting within thirty (30) days of receipt of the request.

[c] Notice of Meetings. Members shall be notified of the date, hour and place of the annual meeting in the January and February issues of the Association Publication. Members shall be notified of other meetings not less than thirty (30) days or more than sixty (60) days before the date of such meeting. To the extent possible such

notices shall be put in the Association publication or included with the member's monthly statement, thus avoiding a special mailing. The notice shall state the place, date and hour of the meeting and the reason or reasons for the meeting. The notice of a meeting shall be deemed to be delivered when deposited in the United States mail addressed to the member at his address as it appears in the records of the Association, with postage thereon paid.

[d] Place of Meeting. The Board shall designate the place for all meetings.

[e] Open Meetings. Regular and special Board meetings shall be open to the property owners. The Board shall keep minutes of the Board's actions and discussions and make these minutes available to the membership.

[f] Announcement of Meetings. Board meetings will be announced by mail or by posting in a conspicuous location(s), 10 days prior if by mail, or 72 hours prior if by posting. The announcement shall include the date, time, location and the general subjects of the meeting (agenda). Conspicuous location may include posting in the association lodge, on the web site, and/or by email. It is the owner's responsibility to keep an updated email on file with the association. Board members will be constrained to the announced agenda for deliberations and votes. However, the Board (and management) may answer questions from members in the audience and take recommendations for next meeting agenda items. Any emergency action taken that was not on the agenda shall be handled as described in the following section.

[g] Executive Sessions (Closed Hearing). The Board of Directors may adjourn from an open board meeting and reconvene in a closed Executive Session to consider actions involving personnel, pending or threatened litigation, contract negotiations, enforcement actions, communications with Association's attorney, matters involving invasion of privacy of owner/members, and confidential matters wherein the affected parties request privacy and the Board agrees. Following an Executive session, any decisions must be summarized orally and placed in the minutes, in general terms, without breaching privacy and privileged information. Any expenditure approved in Executive Session must be explained.

[h] Emergency Board Action. The Board may meet by any method of communication, including electronic, telephonic without prior notice to owners if each board member can hear and be heard by every other board member, or the Board may take action by unanimous written consent to consider routine and administrative matters or a reasonably unforeseen emergency or urgent necessity that requires immediate Board action. Any action taken in such unannounced meeting will be articulated and included in the next open meeting minutes. In an unannounced meeting, the Board will not address: fines, damage assessments, foreclosure action, levying special assessments, increase in assessments, appeals from Architectural Control Committee action, suspension of an owner's rights, nor shall they initiate enforcement action (except temporary restraining orders or violations that are a threat to health or safety).

6.03 Procedures for Electing Directors.

[a] Nominations for the Board of Directors must be submitted to the Nominating Committee no later than November 15 of each year. The committee will select the best qualified applicants and publish their names in the January issue of the Association Publication, or include them with member's monthly statement.

[b] Thereafter, nominations may be made by the membership at large by submitting the names and qualifications of such nominees to the Election Committee, accompanied by: (1) a statement signed by the nominee that he or she will accept the nomination and serve if elected, and (2) the written endorsement of at least fifty (50) members. The Election Committee must receive documents no later than January 15, in order to qualify and have the information published in the Association Publication and be placed on the ballot.

[c] The names, qualifications and pictures of all nominees will be placed in the February issue of the Association publication mailed to all members.

[d] Ballots shall be mailed to all members no later than February 1st.

[e] All voting shall cease on March 1st and all ballots post-marked or received in the Association office on or before said date, shall be acted upon by the Election Committee in accordance with 6.01[c]. The nominees receiving the largest number of votes shall be deemed elected. In the event of a tie, the affected nominees will draw for position in the presence of the Election Committee.

[f] No owner may be a candidate or member of the Board if the owner has been convicted of a felony or a crime of moral turpitude. Removal from the Board is automatic.

6.04 Special Election to Replace One or More Directors Removed by a Vote of the Members.

[a] The Nominating Committee shall have no more than twenty (20) days from the date of removal of one or more Directors to submit their nominees (not more than two (2) per vacancy) to the Election Committee.

[b] Additional nominations may be made by the membership at large by submitting the names and qualifications of such nominees to the Election Committee, accompanied by: (1) a statement signed by the nominee

that he or she will accept the nomination and serve if elected, and (2) the written endorsement of at least fifty (50) members. All documents must be received by the Election Committee no later than twenty (20) days from the date of removal of the Director(s) in order to qualify and be placed on the ballot.

[c] The Election Committee shall, within fifteen (15) days thereafter submit a ballot to all members for a vote to fill the vacancies for the unexpired terms of those removed. The members shall be given thirty (30) days to cast their ballots. The Election Committee shall certify the results of the election not more than seven (7) days after the closing date for the acceptance of ballots. The nominees receiving the largest number of votes shall be deemed elected. In the event of a tie, the affected nominees will draw for position in the presence of the Election Committee.

ARTICLE VII BOARD OF DIRECTORS

7.01 Number and Qualification. The affairs of this Association shall be governed by a Board consisting of nine (9) persons. Each year, in the month of March, there shall be elected three (3) members of the Association to the Board who shall serve effective upon certification of their election for a term of three (3) years and until their successors have been duly elected.

7.02 Powers and Duties. The Board acting as a unit with a quorum present as prescribed by these Bylaws shall have all powers and duties necessary for the administration of the affairs of the Association and for the operation and maintenance of Association facilities. The Board may do all such acts and things except as by law or by these Bylaws that may not be delegated to the Board.

7.03 Other Powers and Duties. Such powers and duties of the Board shall include, but shall not be limited to the following, all of which shall be done for and on behalf of the members of the Association:

[a] To administer and enforce the Covenants, the Bylaws of the Association and supplements and amendments thereto.

[b] To establish, make and enforce compliance with, such reasonable rules and procedures as may be necessary for the operation, use and occupancy of Association Facilities, with the right to amend same from time to time. A notice of such rules and procedures shall be made available to each member promptly upon the adoption thereof.

[c] To keep in good order, condition and repair the Association Facilities and all items of personal property owned by the Association and used by the members.

[d] To obtain and maintain at all times, insurance issued by responsible insurance companies authorized to do business in the State of Texas, covering Association Facilities (or such portion thereof as are insurable) insuring loss or damage against fire, other standard hazards, sprinkler leakage, debris removal, cost of demolition, vandalism, malicious mischief, windstorm and water damage. The Association shall not be responsible for procurement or maintenance of any insurance covering the liability of any member not caused by or connected with the Association's operation or maintenance of Association facilities. Insurance coverage for items of personal property belonging to a member though situated from time to time in or upon Association Facilities, is the responsibility of each member.

[e] To prepare budget(s) for the Association at least annually, and to levy and collect all assessments in accordance with the provisions of Article XV of these Bylaws.

[f] To make necessary repairs, additions, alterations and improvements to permit safe use of Association Facilities and to prolong the useful life of the facilities consistent with managing the Association in the best interests of the members and these Bylaws.

[g] To collect delinquent maintenance fees and other charges by suit or otherwise and enjoin or seek damages from a member who may be in default as is provided in these Bylaws. To enforce a late charge (or such other amount as the Board may determine and publish) against such delinquent members, and to collect interest at the maximum rate permitted by law, in connection with maintenance fees or other charges remaining unpaid more than twenty-five (25) days from billing date for payment thereof, together with all expenses, including attorney's fees incurred in the collection thereof.

[h] To enter into contracts within the scope of its duties and powers. However, no individual board member may enter into any agreement or contract, verbal or written, without the approval of the majority of the Board. When contracting for ongoing member services from outside vendors (outsourcing), the Association will prepare a Request for Proposal (RFP) specifying the terms, conditions, guidelines, bonding and other conditions

expected of the vendor and seek bids from reliable providers. If the initial outsourcing contract is over \$250,000.00, excluding contracts for road maintenance, it must be ratified by an affirmative vote of two thirds (2/3) of the members of the Association voting. The requirements of this section 7.03[h] are in addition to any budgeting action taken under Article XV. These requirements for outsourcing are not satisfied by budgetary actions under Article XV.

[i] To establish a bank account or accounts for the Association which are required or may be deemed advisable by the Board.

[j] To insure that the books and accounts of the Association shall be kept in accordance with generally accepted accounting practices. The books and accounts shall be audited annually by a Certified Public Accountant and complete financial statements prepared. A copy of the audit report, kept in the Association office, shall be made available for review upon request of any member as soon as it is received and approved by the Board. The audit report or a summary thereof will be published in the Association publication.

[k] To provide at the annual meeting, a current balance sheet and statement of income and expenses.

[l] To carry on the administration of the Association and to do all those things necessary and reasonable in order to carry out the government and the operation of the Association.

[m] To borrow money for the purpose of funding projects when the borrowing has the approval of at least six (6) Board members. At no time shall any indebtedness to be repaid by the Regular Annual Maintenance Assessment exceed fifty (50) percent of that Budget.

[n] To borrow the funds needed to undertake emergency repairs, restoration and similar protective measures, when deemed necessary and having the approval of at least six (6) board members.

[o] To adopt and maintain a set of governance policies that provides guidance for the operating rules of the Board and its ethical conduct.

[p] To prepare a long range forecast (at least a five (5) year projection) listing the anticipated or probable needs and priorities for those needs for the future well being of Lake Kiowa. The forecast should be updated annually and a summary published in the Association publication.

7.04 No Waiver of Rights. The omission or failure of the Association or any member to enforce the Covenants, Bylaws or Rules and Procedures adopted pursuant thereto, shall not constitute or be deemed a waiver, modification or release thereof, and the Board of Directors shall have the right to enforce the same thereafter.

7.05 Vacancies. Vacancies created by the removal of a Director(s) by a vote of the membership shall be filled by a special election to be held in accordance with the provisions of Section 6.04. Vacancies in the Board, caused by any other reason, occurring ninety (90) or more days before the next regular election of Directors shall be filled within thirty (30) days by a vote of the majority of the remaining Directors, even though they may constitute less than a quorum. However, if the vacancies occur less than ninety (90) days before the next regular election of Directors, the Board may fill the vacancies if desired. Each Director appointed by the Board shall serve until a successor is elected at the next regular election of Directors held by the Membership

7.06 Removal of Directors. Conviction for a felony or crime of moral turpitude of any board member will terminate his term of office on the date of conviction. In conjunction with any special election duly called, any one or more directors may be removed by a majority vote of the members conducted in accordance with Article VI. Any Director whose removal has been proposed shall be given an opportunity (a) to be heard at a special meeting called for that specific purpose and (b) to express his views in the Association publication.

7.07 Organizational Meeting. The first meeting of a newly elected Board must be held within ten (10) days following the announcement of the election results at such place as shall be fixed by the Directors, providing a majority of the whole Board shall be present.

7.08 Regular Meetings. Regular meetings of the Board may be held at such time and place as shall be determined by a majority of the Directors but at least one such meeting shall be held during each month. Notice of regular meetings of the Board shall be given to each Director prior to the day named for such meeting.

7.09 Special Meetings. A special meeting of the Board of Directors shall be held when called by written notice signed by the President, or the Vice President, or the Secretary, or by any three (3) Directors of the Association. A five (5) day notice shall be given to the Directors and shall specify the time, date and place of the meeting and the nature of the special business to be considered.

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

7.11 Board of Directors' Quorum. At all meetings of the Board, six (6) Directors must be physically present to constitute a quorum for the transaction of any business, and the acts of the majority of the Directors present at a meeting at which a quorum is present shall be acts of the Board, except borrowing funds, which requires the affirmative vote as provided in 7.03 [m] and [n]. The President may vote on all matters coming before the Board. If at any meeting of the Board there is less than quorum present, those present shall note for the record that no meeting was held for lack of a quorum. When an emergency situation occurs regarding Association assets e.g. the Dam, a majority of the Directors available may take action to resolve the emergency conditions, with ratification as soon as a quorum can be obtained.

7.12 Fidelity Bonds. The Board shall require that the Association maintain adequate fidelity coverage to protect against dishonest acts by its officers, directors, trustees and employees and all others who are responsible for handling funds of the Association. Such fidelity bonds shall meet the following requirements: all shall name the Association as an obligee; all shall be written for an amount at least equal to the estimated maximum of funds, including reserves, in the custody of the Association; all shall contain waivers of any defense based upon the exclusion of persons who serve without compensation from any definition of "employee" or similar expression; all shall provide that they may not be canceled or substantially modified (including cancellation for nonpayment of premium) without at least thirty (30) days written notice to the Association. The premiums on such bonds shall be paid by the Association.

ARTICLE VIII OFFICERS

8.01 Designation. The officers of the Association shall be a President, one or more Vice Presidents, a Secretary and a Treasurer, all of whom shall be elected by the Board and such assistant officers as the Board shall elect. The offices of President and Treasurer may be held by the same person, and the offices of Vice President and Secretary may be held by the same person. All officers shall hold office for one (1) year, and until their successors are elected and qualified, and shall be members of the Board.

8.02 Election of Officers. The officers of the Association shall be elected annually by the Board at the first meeting, which shall be held not later than ten (10) days following the Annual Meeting of the membership.

8.03 Removal of Officers. Upon an affirmative vote of a majority of the members of the Board, any officer may be removed, either with or without cause, and his successor elected at any regular meeting of the Board, or at any special meeting of the Board called for that purpose.

8.04 President. The President shall be the chief executive officer of the Association. He shall preside at all meetings of the Association and of the Board. He shall have all of the general powers and duties which are usually vested in the office of president of an association, including, but not limited to, the power to appoint committees from among the members as he may in his discretion decide are appropriate and to assist in the conduct of the affairs of the Association as may be established by the Board. All committee appointments are subject to approval by the Board.

8.05 Vice President. The Vice President, or in the event there be more than one Vice President, the Vice President in order of election, shall have all of the powers and authority and perform all the functions and duties of the President, in the absence of the President, or his inability for any reason to exercise such powers and functions or perform such duties, and also perform any duties he is directed to perform by the President.

8.06 Secretary. The Secretary shall preserve the Associations business history, keep all minutes of the meetings of the members and of the Board and in general perform all duties incident to the office of Secretary and such other duties as may be assigned by the President or the Board.

8.07 Treasurer. The Treasurer shall have overall responsibility for all funds and securities and the integrity of all financial and accounting records of the Association. The Treasurer shall perform such other duties as are incident to the office or are properly required by the President or the Board.

8.08 Assistants. If elected by the Board, an Assistant Secretary or Treasurer shall, in the absence, inability, or refusal to act on the part of such Secretary or Treasurer, perform the duties of such Secretary or Treasurer, respectively.

8.09 Vacancies. A vacancy in any office for any reason shall be filled by a majority vote of the Board for the unexpired term of office.

ARTICLE IX COMMUNITY MANAGER

9.01 The Board acting as a unit with a quorum present as prescribed by these Bylaws shall have the exclusive authority to hire, suspend or terminate an individual to be the Community Manager of the Association. The Board shall satisfy itself the individual has the necessary education and experience to effectively manage the affairs of the association in accordance with the Covenants, Bylaws, Rules and Board policy.

9.02 The Community Manager is the highest-ranking employee of the Association and is responsible for the supervision and direction of all other employees. The Manager or his or her designee is solely responsible for the hiring, suspension and/or termination of all other association employees and to ensure compliance with all applicable Federal & State employment laws and employment policies established by the Board. He/she is accountable only to the Board through the President of the Board for all matters.

9.03 The Community Manager shall be designated as an Assistant to the Treasurer and authorized to sign checks drawn on Association accounts. Checks drawn on the Payroll Account need not be countersigned.

ARTICLE X COMMITTEES

10.01 Appointment of Committee Members. The President shall appoint members to all committees and may designate the chair of each, with both actions subject to approval by the Board and specific requirements in this Article. All committee members shall be Association members in good standing. Any committee, in which the chair has not been designated, shall select a chair as its first order of business. All committees are accountable to the Board. The responsibility of the Board shall not be delegated to any committee.

10.02 Architectural Control Committee. The President shall appoint an Architectural Control Committee of at least three (3) members one of whom shall be a member of the Board and chair the committee. This committee shall insure the integrity of the architectural control specifications as outlined in the Covenants. The committee may adopt such procedural and substantive rules, not in conflict with the Covenants, as it may deem necessary or proper for the performance of its duties. Architectural Committee rules must be approved by the Board before they become effective. The committee is to further assure, when a building permit is issued, the improvements planned will not result in a condition that violates the Association's Covenants, Bylaws, Rules or Architectural Control Handbook.

10.03 Election Committee. The President shall appoint an Election Committee comprised of at least five (5) members, one of whom may be a member of the Board and one of whom shall be designated the Election Judge. None of those appointed shall have been on the Nominating Committee. The Board member, if one is appointed to the committee, cannot be the Election Judge. In every Association member vote or election, the committee shall: certify that each ballot to be counted has been cast by a member, count and/or supervise the counting of ballots, tabulate the votes and certify in writing to the Secretary the results of any and all member votes and elections.

10.04 Nominating Committee. The President shall appoint a Nominating Committee of at least five (5) members one of whom may be a member of the Board. The Committee shall take suggestions from members and throughout the year search for persons qualified for Board and/or committee membership. The Committee shall endeavor to locate among the membership persons qualified by State law with interests, special talent, experience and the time who may properly serve as Board and/or committee members.

10.05. Lodge and Tavern Committee. The President shall appoint a Lodge and Tavern Committee of at least three (3) members one of whom shall be a Board member and said Board member shall chair the committee. The Lodge and Tavern Committee shall be an advisory committee of the LKPOA Board of Directors. Its primary purpose shall be to advise the Board in matters affecting the Lodge premises and food service operations at Lake Kiowa. The Lodge and Tavern Corporation shall approve all memberships in the Tavern and have oversight of the tavern operation to help assure compliance with all requirements of the Texas Alcoholic Beverage Commission.

10.06 Rules Enforcement Committee. The President shall appoint a Rules Enforcement Committee of at least five (5) members, none of whom shall be a Board member. The duties, responsibilities and powers of this committee are set forth in the Rules and Procedures.

10.07 Long Range Planning Committee. The President shall appoint a Long Range Planning Committee of at least (7) members, one of whom shall be a member of the Board and shall chair this committee. The members will serve a three-year term with two (2) new members each year. The Committee is responsible for listing the anticipated future needs for the Association, to research the projected requirements and make recommendations to the Board to fulfill the future needs. (See Article VII, 7.03 [p])

10.08 Ways and Means Committee. The President shall appoint a Ways and Means Committee of at least five (5) members, one of whom will be the Board Treasurer. The chairman will not be a member of the Board. Its primary purpose shall be to oversee the Asset Replacement Reserve Fund (ARRF) and report to the community annually. In addition, the committee will monitor the fund's assets, the fund value, make future projections of the fund's value and make yearly recommendations to the Board on changes to the fund's assessment fee. Additionally, the committee may be assigned other projects to assist the Board.

10.09 Other Committees. The President may designate the name, task, size, mission, and duties of one or more other committees and appoint the members subject to approval of the Board.

10.10 Term of Office. Each member of a committee shall continue as such until his successor is appointed or March 31st, whichever occurs first, unless the committee shall sooner be terminated or unless such member shall cease to qualify as a member thereof.

10.11 Vacancies. Vacancies in the membership of required committees i.e., Architectural Control, Election, Nominating, Lodge and Tavern, Rules, Ways and Means and Long Range Planning shall be filled as soon as practicable by appointments made in the same manner as provided in case of the original appointments. Vacancies in the membership of other committees may be filled at the discretion of the Board.

10.12 Rules. Each committee may adopt rules for its own government not inconsistent with these Bylaws or rules adopted by the Board or the Covenants, subject to approval by the Board.

ARTICLE XI COMPENSATION

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

**ARTICLE XII
INDEMNIFICATION OF OFFICERS AND DIRECTORS**

12.01 The Association shall have the power to indemnify any Officer or Director of Lake Kiowa Property Owners Association and its wholly owned subsidiaries thereof, who was, or is a party, or is threatened to be a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative, or investigative (whether or not by or in the right of the Association) by reason of the fact that such person is or was an Officer or Director of the Association, against expenses (including, but not limited to, attorney's fees and cost of the proceeding), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with or in defense of such action, suit or proceeding if such person acted in good faith and in a manner which such person reasonably believed to be in or not opposed to the best interests of the Association; provided, that with respect to: (1) any criminal action or proceeding, such person had no reasonable cause to believe that his conduct was unlawful; or (2) any civil claim, issue or matter, such person shall not be guilty of gross negligence or willful misconduct in the performance of his duties to the Association. Termination of any action, suit or proceeding by judgment, order, settlement, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that such person had reasonable cause to believe that his conduct was unlawful, or that such person did not act in good faith or in a manner which he reasonably believed to be in or not opposed to the best interest of the Association, all such matters being determined solely and exclusively for the purpose of indemnification as herein provided.

12.02. Indemnification under the preceding paragraph shall be made by the Association only as authorized in each specific case upon the determination that indemnification of such person is proper in the circumstances because he has met the applicable standards of conduct as set forth herein. Such determination shall be made (1) by the Board by a majority vote of a quorum consisting of Directors who were not parties to such action, suit or proceeding; or (2) if such a quorum is not obtainable, by (a) independent legal counsel in a written opinion, or (b) a majority vote of members casting ballots in a Special Election. No member shall be disqualified from voting because he is or was a party to any such action, suit or proceeding. Indemnification so determined may be paid, in part, before the termination of such action, suit or proceeding upon the receipt by the Association of an undertaking by or on behalf of the person claiming such indemnification to repay all sums so advanced if it is subsequently determined that he is not entitled thereto as provided in this Article.

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

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

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

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

**ARTICLE XIII
ABATEMENT AND ENJOINMENT OF VIOLATION BY MEMBER**

Abatement and Enjoinment. The violation of any of the Rules and Procedures adopted by the Board, or the breach of any Bylaw, or the violation or breach of the Covenants shall give the Board the right, in addition to any other rights set forth herein, to enjoin, abate, or remedy by appropriate legal proceedings, either at law or in equity, the continuance of any violation or breach.

**ARTICLE XIV
EVIDENCE OF OWNERSHIP, REGISTRATION OF MAILING ADDRESS**

14.01 Proof of Ownership. Each and every person, on becoming an Owner of a Lot, shall furnish to the Association a true and correct copy of the original or a certified copy of the recorded instrument vesting that person with an interest or ownership in the Lot, which copy shall remain in the files of the Association. If legal title to the Lot is held by other than an individual; such firm, corporation, partnership, association, or other legal entity shall furnish the Association, the name and address of one individual who shall be designated the person entitled to membership in the Association and receive all communications from the Association. Upon sale of a Lot, or transfer of title, it is the responsibility of the Owner or designated person to notify the Association in order that the original certified copy of documents held by the Association may be substituted.

14.02 Registered Mailing Address. Members shall have one and the same mailing address to be used by the Association for mailing of statements, notices, demands and all other communications, and such registered address shall be the only mailing address of a person or persons, firm, corporation, partnership, association or other legal entity, or any combination thereof, to be used by the Association. Such registered address of a member shall be furnished by such member to the Association within fifteen (15) days after transfer of title, or after a change of address, and such registration shall be in written form and signed by all of the Owners of the Lot or by such persons as are authorized by law to represent the interest of (of all) Owner(s) thereof. All notices or demands intended to be served upon the Association or the Board thereof shall be sent certified mail, postage prepaid, to Lake Kiowa Property Owners Association, Inc., 107 Kiowa Drive South, Lake Kiowa, Texas 76240, or such other address as the Board may establish by notice to all owners.

**ARTICLE XV
MAINTENANCE FEES AND ASSESSMENTS**

15.01 Obligation. Each owner of a lot, by acceptance of a deed therefore, whether or not it shall be so expressed in any such deed, shall be deemed to covenant and agree to pay the assessments described in the following paragraphs to the Association.

[a] Each owner shall be jointly and severally liable for and there shall be imposed against the owner of each lot in the subdivision an annual maintenance fee (Regular Annual Maintenance Assessment), Special Assessment (if levied by the Board), and an Improvement Assessment (if approved by the members), levied monthly, in advance for such proportion of the total costs anticipated as reasonable and necessary as the lot(s) in which he owns an interest bears to the total number of privately owned lots in the Subdivision. In addition, each owner shall be jointly and severally liable for any Individual Assessment levied.

[b] The Board may permit owners to pay any Special Assessment and/or Improvement Assessment in advance in a lump sum.

[c] Monthly bills are due and payable upon receipt, are delinquent if payment is not received by the 25th of the current month and are subject to a late charge.

15.02 Annual Budget Procedure for the Regular Annual Maintenance Assessment. The Regular Annual Maintenance Assessment covers the annual operating budget of the Association which includes all known and anticipated costs for the operation of the Association and the maintenance, repair and upkeep of Association facilities, including improvements and the acquisition of assets. A reserve account known as the Capital Asset Requisition Fund (CARF) is for monies collected as part of the Regular Annual Maintenance Assessment. CARF will be maintained in a separate and identifiable account to comply with IRS guidelines for reserve funding and will be used, or accumulated, to pay for new assets or projects identified by the Board.

[a] At least sixty (60) days prior to the beginning of each fiscal year on July 1, the Community Manager shall submit to the Board a preliminary budget which will set forth anticipated needs for maintenance, operation and upkeep of the commonly owned facilities and further providing for sufficient reserves for the ordinary and regular replacement of depreciable capital assets and anticipated additional new assets. For the purpose of preparing this budget, the Manager shall secure estimates of anticipated expenditures of each office and department. In preparing the budget, the Manager shall review and may revise estimates as he may deem necessary.

[b] The budget and all supporting schedules, exhibits, and other explanatory materials shall be open to member inspection in the Association office. Also, a summary of the proposed budget shall be published in the Association publication. At the meeting of the Board at which the budget is submitted, the Board shall determine the place and time of an open hearing on the budget, and shall give at least ten (10) days notice of the hearing. At the time and place so advertised, or at anytime and place to which such hearing shall be adjourned, the Board shall hold a hearing on the budget as submitted at which time interested members shall be given an opportunity to be heard at the conclusion of such hearing or hearings.

[c] A final budget for the next fiscal year with such modifications, if any, as the Board deems appropriate, shall be approved by a majority vote of the Board not later than the last Monday of June. Should the Board take no final action on or prior to the last Monday in June, the budget as submitted shall become effective without further notice unless it requires approval by the Members in accordance with Section 15.03.

[d] Each fiscal year the budget shall include an amount equal to at least three (3) percent but not more than four (4) percent of the Regular Annual Maintenance Budget as a contingency fund. This fund is to be used to satisfy needs that were not known and could not reasonably have been anticipated at the time the budget was approved, and the need should be satisfied before the next budget cycle.

15.03 Budget Approval by Members.

[a] In the event that the Regular Annual Maintenance Assessment approved by the Board increases by more than five (5) percent of the prior year's Regular Annual Maintenance Assessment, the budget must be submitted to the members for approval. In this event the following procedures and conditions will prevail.

[b] Procedures and conditions for submitting budget to members for approval.

(1) On or before July 15, a ballot and the Board's explanation and justification for the budget will be mailed to all members at least 30 days prior to the closing date for acceptance of ballots. All ballots received or post-marked prior to the closing date, will be counted and the results announced at the next regular or special meeting of the Board. The results will be determined by majority of members voting.

(2) If the budget is rejected, the Board shall modify the budget so the Regular Annual Maintenance Assessment is increased by no more than five (5) percent, or

(3) Modify the budget and request a second and final vote of members by following [b] (1) above without regard to the July 15th date. If the second budget proposal is rejected, the Board will modify the budget so the Regular Annual Maintenance Assessment is increased by no more than five (5) percent

[c] While the procedures described in [b] above are in process, the prior year rate of assessment increased by no more than five (5) percent will be used on an interim basis for monthly billings effective July 1st. If the budget is approved, the assessment will be effective July 1, and prior and current billings adjusted accordingly. This adjustment may be made in a lump sum or prorated.

15.04 Special Assessments.

[a] The Board may levy and collect special assessments for the operation and maintenance of Association facilities when in its judgment the current budget provides insufficient funds and it determines that the work must be completed or at least started during the current fiscal year. Generally, these assessments would cover costs that were not known and could not reasonably have been anticipated at the time the budget was approved, including but not limited to costs involved in legal actions and settlements; emergency repairs to facilities damaged by accident, vandalism or the forces of nature; and actions taken by County, State and/or Federal authorities and/or governments.

[b] Prior to levying any Special Assessment the Board must (a) notify all members that such an assessment is needed along with an explanation/justification for the assessment; and (b) provide at least ten (10) days notice of the date, time and place of a special open meeting of the Board to obtain comments from interested members. The Board shall have a final vote on the special assessment at that meeting.

[c] When an assessment is levied under this Section, a budget shall be prepared annually for the duration of the program to show the source(s) of funds to be used and anticipated expenditures including the repayment of debt, if any. A summary of this budget shall be published in the Association publication along with those required in Sections 15.02 and 15.05.

15.05 Improvement Assessments. Any affirmative action taken under this section must be approved by a majority of members voting. If more than one matter is to be voted upon at the same time, nothing shall be combined with the Improvement Assessment. It and the other matter(s), such as the Regular Annual Maintenance Assessment, must be voted on as separate, independent line items on the ballot.

[a] The Board may consider the desirability of (1) acquiring additional real estate for purposes other than additional residential lots and/or (2) making one or more major improvements in Association facilities, including new construction. Also the acquisition of real estate and/or the consideration of major improvements may be proposed by petition containing the signatures of at least twenty (20) percent of the membership. The petition shall include a description of the project, a statement of need/justification and an estimate of the cost.

[b] Whether the proposal originates with the Board or the membership, the Board shall: (1) appoint a special review committee consisting of at least five (5) members, to study the proposal; (2) call a special meeting of members to hear reports from the originating group and from the review committee; (3) publish the originating group and review committee reports in the Association publication in the next available issue; and (4) within 180 days of the receipt of the proposal, call for a vote of the membership in accordance with Article VI. This last provision need not be followed if the proposal originates with the Board and the Board decides not to pursue the action further.

[c] When an assessment is authorized under this Section, a budget shall be prepared annually for the duration of the program to show the source(s) of funds to be used and anticipated expenditures including the repayment of debt, if any. A summary of this budget shall be published in the Association publication along with those required in Section 15.02 and 15.04.

15.06 Individual Assessments. Individual Assessments are levied against individual owners to reimburse the Association for extra or unusual costs incurred for items such as, but not limited to, maintenance and repairs to portions of the Association Facilities necessitated by the accidental, willful or negligent acts of the individual owner, member, lessee, resident or guest; to remedy, cure or minimize the problems caused by, or the result of, violations of the Covenants by an owner, member, lessee or resident; and assessments and fines levied against an individual owner, member, lessee or resident for violations of Rules and Procedures pertaining to the Association and/or Association facilities.

15.07 Donations and Bequests. Donations and bequests are authorized to be received by the Association from any person or entity for any purpose that is approved by the Board. The donations and bequests may be monetary funds, capital assets, or any other form of asset. Such assets, when approved and accepted by the Board, become the Association's common assets and are not subject to budgetary inclusion.

15.08 Constituted Lot (Multiple Lots Combined as One Lot).

[a] The constitution of lots will be allowed under the following circumstances:

(1) With new construction if the residence will not fit on either of the two or more lots.

(2) For on site wastewater treatment facility if the current facility has been condemned by the Cooke County Health Department or if the residence is being significantly enlarged.

(3) For any other reason if such consolidation is recommended by the Architectural Control Committee and approved by at least six (6) Board members.

b. Such combination shall exist for so long as a residence is actually situated on said combined lots and used as a residence, and/or so long as the sewage facility lines are connected to a residence, and are in fact used for necessary wastewater disposal on said adjoining lot(s). In order to have this combination of lots recognized, the owner or owners shall be required to file an affidavit in the Deed Records of Cooke County, Texas, to evidence such action and shall describe the means of combination and the Association provided a copy of the recorded affidavit. Maintenance assessments will be reduced prospectively to reflect the combination on all billings following receipt of the affidavit.

[c] At any time thereafter should the lots so combined and used for wastewater disposal no longer be needed or used for those purposes and therefore no longer entitled to the consolidated status, the owner shall promptly (1) remove wastewater facility lines and/or tank(s) and any contaminated material from the lot(s), including all buildings*, vehicles, equipment of any type, trash or any material not permitted on a single family residence lot without a dwelling house built on it; (2) have the lot(s) inspected and approved by County health officials; (3) have the lot(s) inspected and approved for separation by the Architectural Control Committee; and (4) file in the Deed Records of Cooke County, Texas, an affidavit so certifying with a copy of the recorded affidavit

provided to the Association. The Association may take whatever action necessary to assure compliance with these provisions should the owner(s) fail to promptly do so. Maintenance assessments will be increased to reflect this change on future billings following the date the status changed, regardless of when the affidavit is provided or filed. (*If owner wishes to keep a building on the lot to be part of a new dwelling house, a new dwelling house building permit must be applied for within 30 days following the date the status changed.)

15.09 Lien and Power of Sale. All amounts due the Association under Sections 15.01 through 15.06 of this Article, as well as amounts which may be due and owing the Association under Sections VI and IX of the Covenants, shall be secured by a lien against the property of a member, and upon default in payment thereof, said property may be sold on behalf of the Association in any manner authorized by law and the proceeds of such sale applied first to expenses of sale, next to payment of amounts due the Association, and the balance to the Owner of said property. The Board may, enter into a written agreement with a mortgagee which would provide for a sixty (60) day notice to the mortgagee of the Association's intent to pursue foreclosure of the Association's first and superior lien for default in payment of amounts due the Association under Sections 15.01 through 15.06 of this Article, as well as amounts which may be due the Association under Sections VI and IX of the Covenants.

ARTICLE XVI RESERVE FUNDS

16.01 The LKPOA Board has the authority to establish sufficient reserves for the ordinary and regular replacement of capital assets, the acquisition of new capital assets, or for other capital expenditures that add value or useful life to Association property. Reserve funding may be from member assessments when submitted to the membership for a vote and approved by a majority of the members voting, the sale of commonly owned Association property, donations or bequests. All reserve funds will be established to comply with IRS guidelines and will be maintained in separate and identifiable accounts separate from all other LKPOA funds.

16.02 Asset Replacement Reserve Fund (ARRF). The ARRF account is designed to replace existing assets in accordance with LKPOA Resolution #2005-1, dated January 17, 2005 which established ARRF. Resolution #2005-1 is Attachment #1 to these bylaws.

[a] ARRF is a separate part of the Regular Annual Maintenance Assessment.

[b] The ARRF portion of the Regular Annual Maintenance Assessment is not used when determining the five (5) percent maximum annual increase allowed without membership approval as set forth in Section 15.03[a] of these Bylaws.

[c] The Board will prepare an annual budget for ARRF expenditures and regularly report fund balances and expenses to the members.

[d] The ARRF portion of the Regular Annual Maintenance Assessment will be an amount determined by the Board during the annual budgeting process.

16.03 Capital Asset Requisition Fund (CARF). The CARF reserve account is designed to purchase original assets and provide funding for the renovation of existing assets, at the discretion of the Board.

[a] CARF is part of the Regular Annual Maintenance Assessment and will be used in determining the five (5) percent maximum annual increase allowed without membership approval as set forth in Section 15.03[a] of these bylaws.

[b] Depreciable capital assets purchased through CARF will be added to ARRF when they meet the asset requirements of ARRF approved by the Board.

[c] The Board will annually identify assets to be purchased or projects to be financed from CARF funds and will regularly report CARF balances and expenditures to the membership.

[d] The CARF portion of the Regular Annual Maintenance Assessment will be an amount determined by the Board during the annual budgeting process.

16.04 Capital Development Reserve Fund (CDRF). The CDRF reserve account is designed to fund future capital projects.

[a] The Board will evaluate and determine specific projects to be funded from the CDRF and prepare a budget for any approved project.

[b] The Board will regularly report CDRF balances and expenditures to the membership.

[c] CDRF is funded from the sale of Association assets e.g., lots, or via an assessment when approved by a majority of members voting.

ARTICLE XVII ASSOCIATION BUSINESS POLICY

17.01 The persons who shall be authorized to execute any and all contracts, documents, instruments, conveyances or encumbrances, including promissory notes, shall be two (2), one of each of the President or Vice President and the Treasurer or Secretary of the Association.

17.02 Except as provided in Bylaw 9.03, all checks, drafts, notes or other orders for payment of money shall be signed by the Community Manager or President and countersigned by the Treasurer, or other authorized Board member. The Treasurer shall see that no non-budgeted expenditures of One Thousand Dollars (\$1,000.00) or more are made without specific approval of the Board.

17.03 The Association shall keep correct and complete books and records of accounts and shall also keep minutes of the proceedings of meetings of its Board and members and shall keep at its principal office a record of the names and addresses of all members. All books and records of the Association may be inspected by any member, or his agent or attorney, for any purpose, during normal office hours. A copy of the Association's Open Records Policy and Record Retention Policy will be on file at the Association Office and at the Cooke County Clerk's Office.

17.04 The Fiscal Year of the Association shall begin on the first day of July and end on the last day of June in each year.

17.05 Roberts Rules of Order Newly Revised shall be used as a reference for all matters of procedure not specifically covered by these Bylaws, Standing Rules or any special rules of order adopted by the Association.

ARTICLE XVIII AMENDMENTS TO BYLAWS

18.01 These Bylaws may be altered, amended or repealed and new Bylaws may be adopted by the vote of two-thirds (2/3) of the members of the Association voting.

18.02 Written notice of proposals to alter, amend or repeal or enact new Bylaws shall be given to the members at least fifteen (15) days prior to any meetings scheduled to discuss the proposed changes with interested members. Such notice shall state the substance of the proposed change, alteration or amendment (or state same verbatim) and shall state the proponent's reason therefore. The notice shall be placed in the Association publication and may, at the discretion of the Board be the subject of a special notice mailed to each member.

18.03 Any such proposal by an individual member shall be submitted in writing and must be supported by the Board to be submitted to the membership for a vote within ninety (90) to 120 days of receipt by the Board. If the Board does not support the proposed change(s) the proposal must be endorsed by written petition of at least fifty (50) members in good standing in order to be presented to the membership for a vote during the next annual election. See 6.01 [a] and [b].

18.04 No provisions of these Bylaws may condition, diminish or alter the vested property and contract rights and obligations of any owner, without his express consent in writing, or otherwise as may be provided by the laws of the State of Texas.


18.05 Notwithstanding anything contained herein to the contrary, should all or part of any Article of these Bylaws be in conflict with the Covenants or provisions of the laws of the State of Texas, including specifically the Texas Nonprofit Corporation Act, the Covenants and such laws shall control; and should any part of these Bylaws be invalid for any reason, the remaining parts, so far as is possible and is reasonable, shall be valid and operative.

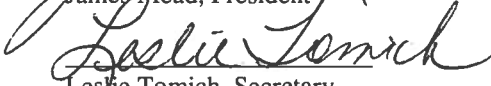
18.06 Administration. The Board may make changes to these Bylaws to correct administrative errors and when required to comply with State and Federal laws. Any changes to the Bylaws made under this paragraph will be reported to the membership as soon as possible via print and/or electronic media.

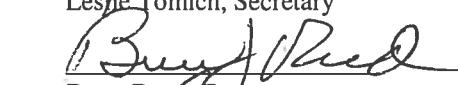
**ARTICLE XIX
CONFLICTING OR INVALID PROVISIONS**

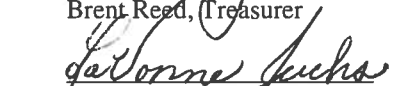
19.01 Notwithstanding anything contained herein to the contrary, should all or part of any Article of these Bylaws be in conflict with the Covenants or provisions of the laws of the State of Texas, including specifically the Texas Nonprofit Corporation Act, the Covenants and such laws shall control; and should any part of these Bylaws be invalid for any reason, the remaining parts, so far as is possible and is reasonable, shall be valid and operative.

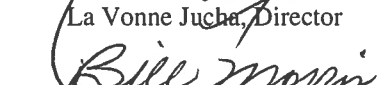
By our signatures hereto, the undersigned, being all of the Directors of the Association, hereby adopt the foregoing amended Bylaws for the Association, effective the 4th Day of March, 2013, the date same were ratified and approved by a vote of the members of the Association.

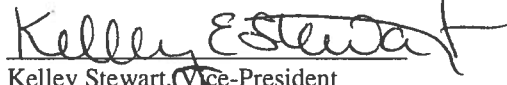

James Mead, President

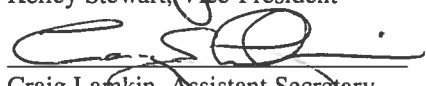

Leslie Tomich, Secretary

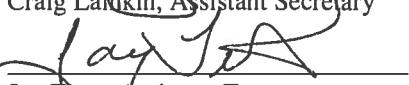

Brent Read, Treasurer



La Vonne Jucha, Director


Bill Morris, Director


Kelley Stewart, Vice-President


Craig Lanekin, Assistant Secretary


Jay Totus, Assistant Treasurer


Lou VanderMolen, Director

STATE OF TEXAS
COUNTY OF COOKE

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*

We certify that this is a copy of the approved Lake Kiowa Property Owner's Association, Inc., Bylaws (3-4-2013).

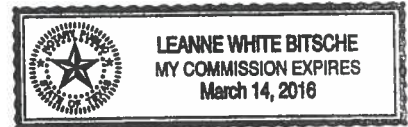
BEFORE ME, the undersigned authority, on this day personally appeared Jim Mead, Kelley Stewart, Leslie Tomich, Craig Lamkin, Brent Reed, Jay Titus, La Vonne Jucha, Lou VanderMolen and Bill Morris, Board of Directors for Lake Kiowa Property Owners Association, Inc., known to me to be the persons whose names are subscribed to the foregoing instrument, and who acknowledged to me that they executed the same for the purposes and consideration therein expressed and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE on the 4 day of March,
2013

Leanne White Bitsche

Notary Public, State of Texas

AFTER RECORDING RETURN TO:
Community Manager
107 Kiowa Dr. South
Lake Kiowa, TX 76240



Resolution # 2005-1
Lake Kiowa Property Owners Association, Inc.
January 17, 2005

WHEREAS, the Lake Kiowa Property Owners Association, Inc. (LKPOA) bylaws in Section 15.02 and Section 15.02 [a] of Article XV requires the LKPOA board through the Regular Annual Maintenance Assessment to provide for sufficient reserves for the ordinary and regular replacement of depreciable capital assets, and

WHEREAS, the Ways and Means committee appointed by the LKPOA board has spent several months reviewing the LKPOA's depreciable capital assets with a life expectancy of 20 years or less, and

WHEREAS, the Ways and Means committee has presented their recommendation to the LKPOA board for a continuous Asset Replacement Reserve Fund (ARRF) for the ordinary and regular replacement of depreciable capital assets, and

WHEREAS, the LKPOA board has previously set aside a reserve fund of \$100,000.00 for ARRF and desires to adequately plan for future replacements,

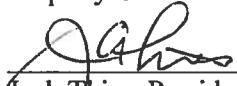
THEREFORE, BE IT RESOLVED, that:

1. To meet the requirements of section 15.02 [a] of the bylaws and the Internal Revenue Codes governing property owner associations, a regular Asset Replacement Reserve Fund Assessment will become an additional part of the Regular Annual Maintenance Assessment, and
2. All funds collected for the ARRF will be maintained in a separate and identifiable account separate from those funds collected for the LKPOA operation and maintenance funding, and
3. The ARRF portion will not be used when determining the five (5) percent maximum annual increase allowed without approval of the members as set forth in Section 15.03 [a] of the bylaws, and
4. The ARRF funds are restricted to the purchase of replacements for existing depreciable capital assets, and
5. The LKPOA board will annually approve a budget for ARRF expenditures and report regularly to the members as to the fund balance and expenses there from, and
6. The Ways and Means committee will monitor the proposed capital replacements to ensure compliance with the intent of this resolution, and
7. Effective July 1, 2005 the AARF portion of the regular assessment will be thirty four dollars (\$34.00) per month in addition to the regular operation and maintenance assessment, and
8. The LKPOA board can not increase or decrease this assessment more than three (3) percent in any fiscal budget year, and

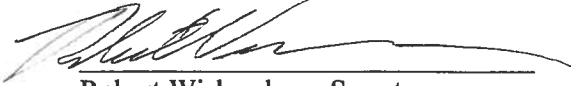
BE IT FURTHER RESOLVED, that:

Pursuant to Section 15.03 [b] (1) of the bylaws, this resolution must be submitted to the members for a vote and must be approved by the majority of the members voting.

This resolution was unanimously approved this 17th day of January, 2005 by the Lake Kiowa Property Owners Association, Inc. Board of Directors



Jack Thies, President



Robert Wickersham, Secretary