



BYLAWS

of the
Highland Lakes MLS, Inc.

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Table of Contents

1	Article 1 - Name	3
2	Article 2 – Purpose Defined	3
3	Article 3 – Service Area	3
4	Article 4 – Participation Defined.....	Error! Bookmark not defined.
5	Article 5 – Service Charges	5
6	Article 6 - Directors.....	6
7	Article 7 - Officers.....	7
8	Article 8 - Meetings	8
9	Article 9 - Committees	10
10	Article 10 – Fiscal Year	10
11	Article 11 - Offices	10
12	Article 12 - Shareholders	10
13	Article 13 – Share Certificates and Transfer	10
14	Article 14 – Distributions and Dividends	10
15	Article 15 - Indemnification	10
16	Article 16 - Miscellaneous	10
17	Article 17 – Amendments To Governing Documents.....	10
18	Article 18 - Dissolution	10

Article 1 - Name

- 1.1 The name of the organization shall be the Highland Lakes MLS, Inc., hereinafter referred to as the Service, in which all the shares of stock are solely and wholly owned by the Highland Lakes Association of REALTORS®.
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Article 2 – Purpose Defined

The Highland Lakes MLS is:

- a. a facility for the orderly correlation and dissemination of listing information so participants may better serve their clients and customers and the public. M
- b. a means of enhancing cooperation among Participants. M
- c. a means by which information is accumulated and disseminated to enable authorized Participants to prepare appraisals, analyses, and other valuations of real property for bona fide clients and customers. M
- d. a means by which Participants engaging in real estate appraisal contribute to common databases. M

Article 3 – Service Area

- 3.1 The service area of the Highland Lakes MLS, Inc. includes the following counties: Burnet, Lano, Blanco, Gillespie, Lampasas, Mason, San Saba, Travis and Williamson. M

Article 4 – Participation Defined

4.1 Eligibility to Participate

Any broker (as that term is defined in Tex. Occ. Code. § 1101.002(1) (2024)) or licensed appraiser (as that term is defined in Tex. Occ. Code § 1103003(7) (2024)) who is a principal, partner, corporate officer, or branch office manager acting on behalf of a principal, without further qualification except as otherwise stipulated in these Bylaws, shall be eligible to be a Participant upon agreeing in

writing to Cooperate and to otherwise conform to the Rules and Regulations and to pay the costs incidental thereto. However, under no circumstances is any individual or firm entitled to be a Participant unless they hold a current, valid Texas license as a broker or appraiser. "Cooperation" (and its derivative forms including "Cooperate") means (a) or (b) or both: (a) sharing information on listed property and making property available to other brokers for showing to prospective purchasers and tenants when it is in the best interests of their clients; (b) attempting to find buyer or tenant clients for properties listed in the Service's database. Use of information developed by or published by the Service is strictly limited to the activities authorized under a Participant's licensure(s) or certification and unauthorized uses are prohibited. Further, none of the foregoing is intended to convey any right of access to information developed by or published by the Service where access to such information is prohibited by law. The broker or licensed-appraiser principal of any firm, partnership, corporation or other legal entity, or the branch office manager designated by said firm, partnership, corporation or other legal entity as the Participant shall have all rights, benefits, and privileges of the Service, and shall accept all obligations for the Participant's firm, partnership, corporation or other legal entity, and for compliance with these Bylaws and the Rules and Regulations by all persons affiliated with the Participant who utilize the Service. Mere possession of a broker's license is not sufficient to qualify for participation in the Service. Rather, the requirement that an individual or firm Cooperate means that the Participant actively endeavors during the operation of its real estate business to Cooperate with other Participants. "Actively" means on a continual and ongoing basis during the operation of the Participant's real estate business. The requirement to "actively" participate and Cooperate is not intended to preclude participation by a Participant or potential Participant that operates a real estate business on a part-time, seasonal, or similarly time-limited basis or that has its business interrupted by periods of relative inactivity occasioned by market conditions. Similarly, the requirement is not intended to deny participation in the Services to a Participant or potential Participant who has not achieved a minimum number of transactions despite good faith efforts. Nor is it intended to permit the Service to deny participation based on the level of service provided by the Participant or potential Participant as long as the level of service satisfies state law. The key is that the Participant or potential Participant actively endeavors during the operation of its real estate business to Cooperate with other Participants. This requirement does not permit the Service to deny participation to a Participant or potential Participant that operates a "Virtual Office Website" ("VOW") if the Participant or potential Participant actively endeavors during the operation of its real estate business to Cooperate

with other Participants. The Service may evaluate whether a Participant or potential Participant “actively endeavors during the operation of its real estate business to Cooperate with other Participants” only if it has a reasonable basis to believe that the Participant or potential Participant is in fact not doing so. The Rules and Regulations shall be applied in a nondiscriminatory manner to all Participants and potential Participants.

4.2 Application for Participation

Application for participation shall be made in such manner and form as may be prescribed by the board of directors of the Service. The application form shall contain a signed statement agreeing to abide by these bylaws and any other applicable rules and regulations of the service as from time to time amended or adopted. M

4.3 Discontinuance of Service

Participants of the service may discontinue the service at any time through their member portal and may reapply to the service at any time by making formal application in the manner prescribed for new applicants for participation provided all past dues and fees are fully paid. M

4.4 Subscribers

Subscribers (or users) of the MLS include non-principal brokers, sales associates, and licensed and certified appraisers affiliated with participants. (Optional provision: Subscribers also include affiliated unlicensed administrative and clerical staff, personal assistants, and individuals seeking licensure or certification as real estate appraisers who are under the direct supervision of an MLS participant or the participant's licensed designee.) M

Article 5 – Service Charges

5.1 Determination of Service Charges

The charges made for participation in the service shall be as determined, and as amended from time to time by the board of directors of the Service and specified in the rules and regulations of the Service. M

Article 6 - Directors

6.1 Board of Directors

The business and affairs of the Service shall be managed under the direction of the Board of Directors of the Service.

6.2 Number of Directors

The number of directors shall be at least three (3), provided that the number may be increased or decreased from time to time by an amendment to these Bylaws or by resolution adopted by the Board of Directors and approved by the Highland Lakes Association of REALTORS® Board of Directors.

6.3 Directors Term of Office

At the first annual meeting of shareholders and at each annual meeting thereafter, the holders of shares entitled to vote in the election of directors shall elect directors, each of whom shall hold office until a successor is duly elected and qualified or until the director's earlier death, resignation, disqualification, or removal.

6.1 Vacancies and Newly Created Directorships

Any vacancy occurring in the Board of Directors may be filled by election at an annual or special meeting of shareholders called for that purpose. A director elected to fill a vacancy shall be elected for the unexpired term of his or her predecessor in office.

A directorship to be filled by reason of an increase in the number of directors may be filled by election at an annual or special meeting of shareholders called for that purpose, or may be filled by the Board of Directors for a term of office continuing only until the next election of one or more directors by the shareholders; provided that the Board of Directors may not fill more than two (2) directorships during the period between any two (2) successive annual meetings of shareholders.

6.5 Removal of Directors

Any director or the entire Board of Directors may be removed, with or without cause, by a vote of the holders of a majority of the shares then entitled to vote at an election of the director or directors, at any meeting of shareholders called expressly for that purpose.

6.6 Resignation of Directors

A director may resign by providing written notice to the Service. The resignation shall be effective upon the later date of receipt of the notice of resignation or the effective date specified in the notice. Acceptance of the resignation shall not be required to make the resignation effective.

6.7 Regular Meetings of Directors

A regular meeting of the newly elected Board of Directors shall be held without other notice immediately following each annual meeting of shareholders, at which the board shall elect officers and transact any other business as shall come before the meeting. The board may designate a time and place for additional regular meetings, by resolution, without notice other than the resolution.

6.8 Special Meetings of Directors

The President may call a special meeting of the Board of Directors at a time or place determined by the President. The President shall call a special meeting at the written request of two (2) or more directors.

6.9 Notice of Directors' Meetings

All special meetings of the Board of Directors shall be held upon not less than three (3) days' written notice stating the purpose, date, time, and place of the meeting delivered to each director either personally or by mail. Notice of a regular or special meeting of the Board of Directors may be provided to a director by electronic transmission on consent of the director. The director may specify the form of electronic transmission to be used to communicate notice.

A written waiver of the required notice signed by a director entitled to the notice, before or after the meeting, is the equivalent of giving notice to the director who signs the waiver. A director's attendance at any meeting shall constitute a waiver of notice of the meeting, except where the directors attends

a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called or convened.

6.10 Quorum and Action of Directors

A majority of the number of directors shall constitute a quorum for the transaction of business. The act of the majority of the directors present at a meeting at which a quorum is present at the time of the act shall be the act of the Board of Directors, unless the act of a greater number is required by law, the Certificate of Formation, or these Bylaws. The directors at a meeting for which a quorum is not present may adjourn the meeting until a time and place as may be determined by a vote of the directors present at that meeting.

6.11 Compensation

Directors, as such, shall not receive any stated salary for their services, but by resolution of the Board of Directors a fixed sum and expenses of attendance, if any, may be allowed for attendance at any meeting of the Board of Directors or committee thereof. A director shall not be precluded from serving the Corporation in any other capacity and receiving compensation for services in that capacity.

6.12 Action by Directors Without a Meeting

Unless otherwise restricted by the Certificate of Formation or these Bylaws, any action required or permitted to be taken at a meeting of the Board of Directors or any committee may be taken without a meeting if all members of the Board of Directors or committee consent in writing or by electronic transmission and the writings or electronic transmissions are filed with the minutes of the proceedings of the Board of Directors.

Article 7 - Officers

7.1 Positions and Elections of Officers

The officers of the Service shall be elected by the Board of Directors and shall be a President and a Secretary and any other officers, including assistant officers and agents, as may be deemed necessary by the Board of Directors. Any two (2) or more offices may be held by the same person.

7.2 Removal of Officers

Any officer elected or appointed by the Board of Directors may be removed with or without cause by the affirmative vote of the majority of the Board of Directors with approval from the Highland Lakes Association of REALTORS® Board of Directors. Removal shall be without prejudice to the contract rights, if any, of the officer so removed.

7.3 Duties of Officers

The duties of the officers shall be such as their titles, by general usage, would indicate and such as may be assigned to them by the Board of Directors. The Vice President shall, when necessary, perform the duties of the President, and shall succeed to the President in the event of the death, disability, or removal from office or resignation of the President. It shall be the particular duty of the Association Executive or Chief Executive Officer to keep the records of the Service and to carry on all necessary correspondence with the NATIONAL ASSOCIATION OF REALTORS® and the Texas Association of REALTORS®.

7.4 Authority to Execute Agreements

All agreements of the Service shall be executed on behalf of the Service by (a) the President, (b) such other person as may be authorized by the Board of Directors.

7.5 Annual Budget of the Service

The business and affairs of the Service shall be managed under the direction of the board of directors. The board of directors shall, prior to the end of each fiscal year, prepare a budget reflecting projected costs and expenses of the service for the next fiscal year, indicating projected income from all sources. The budget shall be submitted to Highland Lakes Association of REALTORS® Budget/Finance committee for recommendation/approval to the Highland Lakes Association of REALTORS® Board of Directors on a date not less than 10 days prior to the first day of the next fiscal year. The board of directors shall have the right to make an audit of all books and accounts at any time without notice. The board of directors shall have the power from time-to-time to adopt such rules and regulations that they may deem appropriate subject to final approval of the board of directors of the Highland Lakes Association of REALTORS® (shareholder). Except as otherwise provided in these bylaws and rules and regulations, the action of the board of directors shall be final. M

Article 8 - Meetings

8.1 Annual Meetings

The annual meeting of participants of the Service shall be held during the month of August at the time and place specified by the board of directors. M

8.2 Special Meetings of the Service

Special meetings of participants of the Service may be called from time to time by the president, the board of directors, or by 20% of the participants of the Service. Written notice stating the day, place, and hour of the meeting, the purpose or purposes for which the meeting is called, shall be delivered to all REALTORS® who are participants in the service not less than 10 days prior to said meeting. M

8.3 Quorum and Voting at Meetings of the Service

For the transaction of business, 10% of the participants of the Service shall be considered a quorum. A majority vote by such participants present and voting at a meeting attended by a quorum shall be required for passage of motions. M

8.4 Presiding Officer

At all meetings of the participants of the service, or of the board of directors, the president or, in the absence of the president, the vice president shall serve as presiding officer. In the absence of the president and vice president, the president shall name a temporary chairperson or, upon the president's failure to do so, the board of directors of the service shall appoint a temporary chairperson. M

Article 9 - Committees

9.1 Committees

The president, with the approval of the board of directors, shall create such standing or ad hoc committees as the president deems desirable and shall appoint their members. Each committee shall consist of not less than three participants in the service. **M**

Article 10 – Fiscal Year

10.1 Fiscal Year

The fiscal year of the Service shall commence on January 1 and shall end on December 31. **M**

Article 11 – Offices

11.1 Registered Office and Agent

The registered office and registered agent of the Service shall be as set forth in the Service's Certificate of Formation. The registered office or registered agent may be changed by resolution of the Board of Directors and approved by the Highland Lakes Association of REALTORS® Board of Directors, upon making the appropriate filing with the Secretary of State.

11.2 Principal Office

The principal office of the Service shall be located at such place within or without the State of Texas as shall be fixed from time to time by the Board of Directors and approved by the Highland Lakes Association of REALTORS® Board of Directors.

11.3 Other Offices

The Service may also have other offices at any places, within or without the State of Texas, as the Board of Directors may designate with the approval of the Highland Lakes Association of REALTORS® Board of Directors.

11.4 Books and Records

All records maintained by the Service in the regular course of its business, including its share transfer ledger, books of account, and minute books, may be maintained in written paper form or another form capable of being converted to written paper form within a reasonable time. The Service shall convert any records so kept upon the request of any person entitled to inspect the records pursuant to applicable law.

Article 12 – Shareholders

12.1 Place of Meeting

All meetings of the shareholders shall be held either at the principal office of the Service or at any other place, either within or without the State of Texas, as shall be designated in the notice of the meeting or duly executed waiver of notice. The Board of Directors may, in its discretion, determine that the meeting may be held solely by means of remote communication as set out in Section 12.2 below.

12.2 Meetings of Shareholders by Remote Communication

If authorized by the Board of Directors and subject to any guidelines and procedures adopted by the Board of Directors and approved by the Highland Lakes Association of REALTORS® Board of Directors, shareholders not physically present at a shareholders' meeting may participate in the meeting by means of remote communication and may be considered present in person and may vote at the meeting, whether held at a designated place or solely by means of remote communication, subject to the conditions imposed by applicable law

12.3 Annual Meeting

An annual meeting of shareholders shall be held for the purpose of electing directors and transacting any other business as may be brought properly before the meeting on a date and at a time to be determined by the Board of Directors and approved by the Highland Lakes Association of REALTORS® Board of Directors.

12.4 Special Shareholders' Meeting

Special meetings of the shareholders may be called by the President, the Board of Directors, or by the holders of at least ten percent (10%) of all the shares entitled to vote at the proposed special meeting. The record date for determining shareholders entitled to call a special meeting is the date the first shareholder signs the notice of that meeting. Only business within the purpose or purposes described in the notice or executed waiver of notice may be conducted at a special meeting of the shareholders.

12.5 Fixing the Record Date

For the purpose of determining shareholders entitled to notice of or to vote at any meeting of shareholders or any adjournment thereof, the Board of Directors may fix a date, not more than sixty (60) days or less than ten (10) days before the meeting, as the record date for such determination.

Whenever action by shareholders is proposed to be taken by consent in writing without a meeting of shareholders, the Board of Directors may fix a record date for the purpose of determining shareholders entitled to consent to that action, which record date shall not precede, and shall not be more than ten (10) days after, the date upon which the resolution fixing the record date is adopted by the Board of Directors.

If no record date has been fixed as provided in this Section 12.5, then (a) the record date for determining shareholders entitled to notice of or to vote at any meeting of shareholders or any adjournment thereof shall be the date on which notice of the meeting is mailed, (b) the record date for determining shareholders entitled to give written consent to action taken without a meeting, where no prior Board action is required to be taken by the Texas Business Organizations Code, shall be the date on which a signed written consent is first delivered to the Service, and (c) the record date for determining shareholders entitled to give written consent to action taken without a meeting, where prior Board action is required to be taken by the Texas Business Organizations Code, shall be the close of business on the date on which the Board of Directors adopts a resolution taking such prior action.

12.6 Notice of Shareholders' Meeting

Written notice stating the place, day, and hour of the meeting, the means of any remote communications by which shareholders may be considered present

and may vote at the meeting, and, in case of a special meeting, the purpose or purposes for which the meeting is called, shall be given not less than ten (10) days and not more than sixty (60) days before the date of the meeting, personally, by electronic transmission (if consented to by a shareholder), or by mail, by or at the direction of the President, the Secretary, or the officer or person calling the meeting, to each shareholder entitled to vote at the meeting. If mailed, the notice shall be deemed to be given when deposited in the United States mail addressed to the shareholder at the shareholder's address as it appears on the share transfer records of the Service, with postage prepaid.

Notwithstanding the preceding paragraph, notice of a shareholder meeting regarding a fundamental business transaction (as defined by Texas law) must be given to each shareholder of the Service not later than twenty-one (21) days prior to the meeting, regardless of the shareholder's right to vote on the matter. Notice of such action shall comply with any other requirements set by law.

A shareholder entitled to notice of a meeting may sign a written waiver of notice either before or after the time of the meeting. The participation or attendance of a shareholder at a meeting constitutes waiver of notice, unless the shareholder participates in or attends the meeting solely to object to the transaction of business on the ground that the meeting was not lawfully called or convened.

With the consent of the shareholder, notice may be given to the shareholder by electronic transmission. The shareholder may specify the form of electronic transmission to be used to communicate notice. The shareholders may revoke this consent by written notice to the Service. The shareholder's consent is deemed to be revoked if the Service is unable to deliver by electronic transmission two (2) consecutive notices, and the Secretary, Assistant Secretary, or transfer agent of the Service, or another person responsible for delivering notice on behalf of the Service, knows that delivery of these two (2) electronic transmissions was unsuccessful. The inadvertent failure to treat the unsuccessful transmissions as a revocation of shareholder consent does not invalidate a meeting or other action.

Notice by electronic transmission is deemed given when the notice is:

- a. Transmitted to a fax number provided by the shareholder for the purpose of receiving notice.
- b. Transmitted to an email address provided by the shareholder for the purpose of receiving notice.

- c. Posted on an electronic network and a message is sent to the shareholder at the address provided by the shareholder for the purpose of alerting the shareholder of a posting.
- d. Communicated to the shareholder by any other form of electronic transmission consented to by the shareholder.

12.7 Voting Lists

The officer or agent in charge of the share transfer records of the Service shall prepare, at least eleven (11) days before each meeting of shareholders, a complete list of the shareholders entitled to vote at the meeting or any adjournment thereof, arranged in alphabetical order, with (a) the address of each shareholder, (b) the type of shares held by each shareholder, (c) the number of shares held by each shareholder, and (d) the number of votes that each shareholder is entitled to if different than the number of shares held.

The list shall be kept on file at the registered office or principal place of business of the Service and shall be subject to inspection by any shareholder at any time during usual business hours for a period of ten (10) days prior to the meeting. The list shall also be produced and kept open at the meeting and shall be subject to the inspection of any shareholder during the meeting. The original share transfer records shall be prima-facie evidence of the shareholders entitled to examine the list and to vote at any meeting of shareholders.

If any shareholders are participating in the meeting by means of remote communication, the list must be open to examination by the shareholders during the meeting on a reasonably accessible electronic data system, and the information required to access the list must be provided to shareholders in the meeting notice.

12.8 Quorum of Shareholders

The presence in person or by proxy of the holders of a majority of the shares entitled to vote constitutes a quorum for a meeting of the shareholders. Unless otherwise required by the Texas Business Organizations Code, the Certificate of Formation, or these Bylaws:

- a. The affirmative vote of the holders of a majority of the shares represented at a meeting at which a quorum is present shall be the act of the shareholders.
- b. The shareholders represented in person or by proxy at a meeting at which a quorum is present may conduct any business properly

brought before the meeting until adjournment, and the subsequent withdrawal from the meeting of any shareholder or the refusal of any shareholder represented in person or by proxy to vote shall not affect the presence of a quorum at the meeting.

If a quorum is not present, the shareholders represented in person or by proxy may adjourn the meeting until a time and place determined by a vote of the holders of a majority of the shares represented in person or by proxy at that meeting. At such adjourned meeting at which the required number of voting shares shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally noticed.

12.9 Conduct of Meetings

The Board of Directors, with approval of the Highland Lakes Association of REALTORS® Board of Directors, may adopt by resolution rules and regulations for the conduct of meetings of the shareholders as it shall deem appropriate. At every meeting of the shareholders, the President, or in his or her absence or inability to act, the Treasurer or Secretary, or, in his or her absence or inability to act, a director or officer designated by the Board of Directors, shall act as chairman of, and preside at, the meeting. The Secretary or, in his or her absence or inability to act, the person whom the chairman of the meeting shall appoint secretary of the meeting, shall act as secretary of the meeting and keep the minutes thereof.

12.10 Voting of Shares

Each outstanding share, regardless of class or series, shall be entitled to one vote on each matter submitted to a vote at a meeting of shareholders, except to the extent that the Certificate of Formation provides for more or less than one vote per share or limits or denies voting rights to the holders of the shares of any class or series. Unless otherwise required by the Texas Business Organizations Code, the Certificate of Formation, or these Bylaws, any matter, other than the election of directors, brought before any meeting of shareholders at which a quorum is present shall be decided by the affirmative vote of the holders of the majority of shares present in person or represented by proxy at the meeting and entitled to vote on the matter.

Unless otherwise required by the Certificate of Formation, the election of directors shall be decided by a plurality of the votes cast by the holders of shares entitled to vote in the election at a meeting of the shareholders at which a quorum is present.

Shareholders are prohibited from accumulating their votes in any election of directors of the Service.

Any vote may be taken by voice or show of hands unless a shareholder entitled to vote, either in person or by proxy, objects, in which case written ballots shall be used.

12.11 Voting by Proxy or Nominee

Shares of the Service owned by the Service itself or by another corporation or entity, the majority of the voting shares or interest of which is owned or controlled by the Service, shall not be voted, directly or indirectly, at any meeting, and shall not be counted in determining the total number of outstanding shares at any given time. Nothing in this section shall be construed as limiting the right of the Service or any domestic or foreign corporation or other entity to vote shares, held or controlled by it in a fiduciary capacity, or with respect to which it otherwise exercises voting power in a fiduciary capacity.

Any shareholder may vote either in person or by proxy executed in writing by the shareholder. No proxy shall be valid after eleven (11) months from the date of its execution unless otherwise provided in the proxy. A proxy shall be revocable unless the proxy form conspicuously states that the proxy is irrevocable, and the proxy is coupled with an interest. Proxies coupled with an interest include the appointment as proxy of (a) a pledgee; (b) a person who purchased or agreed to purchase, or who owns or holds an option to purchase, the shares subject to the proxy; (c) a creditor of the Service who extended the Service credit under terms requiring the appointment; (d) an employee of the Service whose employment contract requires the appointment; or (e) a party to a voting agreement or shareholders' agreement created under the Texas Business Organizations Code.

Shares owned by another corporation, domestic or foreign, may be voted by any officer, agent, or proxy as the bylaws of that corporation may authorize or, in the absence of authorization, as the board of directors of that corporation may determine.

An administrator, executor, guardian, or conservator may vote shares held in that fiduciary capacity if the shares forming a part of an estate are in the possession and forming a part of the estate being served by the fiduciary, either

in person or by proxy, without a transfer of the shares into the fiduciary's name. A trustee may vote shares standing in the trustee's name, either in person or by proxy, but no trustee shall be entitled to vote shares held by him or her without a transfer of the shares into his or her name as trustee.

A receiver may vote shares standing in the name of a receiver and may vote shares held by or under the control of a receiver without the transfer thereof into the receiver's name if authority to do so is contained in an appropriate order of the court by which the receiver was appointed.

A shareholder whose shares are pledged shall be entitled to vote the shares until the shares have been transferred into the name of the pledgee, and thereafter the pledgee shall be entitled to vote the shares transferred, subject to any agreements containing restrictions on the hypothecation, assignment, pledge, or voluntary or involuntary transfer of shares.

The Board of Directors, with the approval of the Highland Lakes Association of REALTORS® Board of Directors, may establish a procedure by which a shareholder may file a statement with the Service that all or a portion of the shares registered in the name of the shareholder are held for the account of a specified person to be recognized by the Service as the shareholder. The procedure must determine the extent of the Service's recognition of the specified person as a shareholder and may include any provisions that the Board of Directors deems necessary, including, but not limited to, any of the following:

- a. The types of nominee shareholders who may file a statement.
- b. The rights or privileges of the beneficial owner to be recognized by the Service upon filing of a statement.
- c. The information to be included in the statement.
- d. The timeframe within which the statement must be received for the statement to be effective as to an upcoming meeting or vote.
- e. The time period for which the statement filed will be recognized by the Service.

12.12 Written Consent of Shareholders Without a Meeting

Any action required by the Texas Business Organizations Code to be taken at any annual or special meeting of shareholders, or any action which may be taken at any annual or special meeting of shareholders, may be taken without a meeting, without prior notice, and without a vote, if a consent or consents in writing, setting forth the action so taken, shall have been signed by the holder or

holders of shares having not less than the minimum number of votes that would be necessary to take the action at a meeting at which holders of all shares entitled to vote on the action were present and voted. Prompt notice of the taking of any action by shareholders without a meeting by less than unanimous written consent shall be given to those shareholders who did not consent in writing to the action.

12.13 Shareholder Nominations and Proposals

For business (including, but not limited to, director nominations) to be properly brought before an annual meeting by a shareholder, the shareholder or shareholders of record intending to propose the business (the “**proposing shareholder**”) must have given written notice of the proposing shareholder's nomination or proposal, either by personal delivery or by United States mail to the Secretary not later than thirty (30) calendar days prior to the date such annual meeting is to be held. If the current year's meeting is called for a date that is not within thirty (30) days of the anniversary of the previous year's annual meeting, notice must be received not later than ten (10) calendar days following the day on which public announcement of the date of the annual meeting is first made. In no event will an adjournment or postponement of an annual meeting of shareholders begin a new time period for giving a proposing shareholder's notice as provided above.

For business to be properly brought before a special meeting of shareholders, the notice of the meeting sent by or at the direction of the person calling the meeting must set forth the nature of the business to be considered. A person or persons who have made a written request for a special meeting pursuant to Section 2.04 of these Bylaws may provide the information required for notice of a shareholder proposal under this section simultaneously with the written request for the meeting submitted to the Secretary or within ten (10) calendar days after delivery of the written request for the meeting to the Secretary.

A proposing shareholder's notice shall include as to each matter the proposing shareholder proposes to bring before either an annual or special meeting:

- a. The name and address of the proposing shareholder, and the classes and number of shares of the Service held by the proposing shareholder.
- b. If the notice is in regard to a nomination of a candidate for election as director: the name, age, and business and residence address of the candidate; (b) the principal occupation or employment of the candidate; and (c) the class and number of shares of the Service beneficially owned by the candidate.

- c. If the notice is about a proposal other than a nomination of a candidate for election as director, a brief description of the business desired to be brought before the meeting and the material interest of the proposing shareholder in such proposal.

Article 13 – Share Certificates and Transfer

13.1 Certificates Representing Shares

The Service may deliver certificates representing all shares to which shareholders are entitled, provided that the Board of Directors with approval from the Highland Lakes Association of REALTORS® Board of Directors, may provide by resolution that some or all of any class or series shall be uncertificated shares that may be evidenced by a book-entry system maintained by the registrar of the shares. If shares are represented by certificates, each share certificate shall be consecutively numbered, shall exhibit the holder's name, and shall be signed by the one or more officers, and may be sealed with the seal of the Corporation or facsimile thereof. Any or all signatures may be facsimiles. In case any officer who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be an officer before the certificate is issued, it may be issued by the Service with the same effect as if he or she were an officer at the date of its issuance.

Each certificate representing shares of the Service shall state upon the face thereof:

- (a) That the Service is organized under the laws of Texas.
- (b) The name of the person to whom issued.
- (c) The number and class of shares and the designation of the series, if any, which that certificate represents.
- (d) The par value of each share represented by the certificate or a statement that the shares are without par value.
- (e) A conspicuous statement setting forth restrictions on the transfer of the shares, if any.

The Service shall, after the issuance or transfer of uncertificated shares, send to the registered owner of uncertificated shares a written notice containing the information required to be set forth or stated on certificates pursuant to the Texas Business Organizations Code. Except as otherwise expressly provided by law, the rights and obligations of the holders of uncertificated shares and the

rights and obligations of the holders of certificates representing shares of the same class and series shall be identical. No share shall be issued until the consideration therefore, fixed as provided by law, has been fully paid.

No requirement of the Texas Business Organizations Code with respect to matters to be set forth on certificates representing shares of the Service shall apply to or affect certificates outstanding when the requirement first becomes applicable to the certificates; but the requirements shall apply to all certificates thereafter issued whether in connection with an original issue of shares, a transfer of shares, or otherwise.

13.2 Transfer of Shares

Shares of the Service shall be transferable in the manner prescribed by law and in these Bylaws. Transfers of shares shall be made on the books of the Service only by the holder of record thereof or by such other person as may under law be authorized to endorse such shares for transfer or by such shareholder's attorney lawfully constituted in writing. Except as otherwise provided by law, upon surrender to the Service or its transfer agent of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignment, or authority to transfer, the Service shall issue a new certificate to the person entitled thereto, cancel the old certificate, and record the transaction upon its books. No transfer of shares shall be valid as against the Service for any purpose until it shall have been entered in the share transfer records of the Service by an entry showing from and to what person those shares were transferred.

13.3 Registered Shareholders

The Service shall be entitled to treat the holder of record of any shares issued by the Service as the holder in fact thereof for all purposes, including voting those shares, receiving dividends or distributions thereon or notices in respect thereof, transferring those shares, exercising rights of dissent with respect to those shares, exercising or waiving any preemptive right with respect to those shares, entering into agreements with respect to those shares in accordance with Texas law, or giving proxies with respect to those shares.

Neither the Service nor any of its officers, directors, employees, or agents shall be liable for regarding that person as the owner of those shares at that time for those purposes, regardless of whether that person possesses a certificate for those shares, and shall not be bound to recognize any equitable or other claim

to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice of such claim or interest, except as otherwise provided by Texas law.

13.4 Lost Certificates

The Board of Directors, with approval from the Highland Lakes Association of REALTORS® Board of Directors, may direct a new certificate or certificates to be issued in place of any certificate or certificates previously issued by the Service alleged to have been lost, stolen, or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate is lost, stolen, or destroyed. When authorizing the issue of a new certificate or certificates, the Board of Directors, with approval from the Highland Lakes Association of REALTORS® Board of Directors, in its discretion and as a condition precedent to the issuance thereof, may require the owner of the lost, stolen, or destroyed certificate or certificates or his or her legal representative to give the Service a bond with surety in a sum as it may direct, as indemnity against any claim that may be made against the Service on account of the alleged loss, theft, or destruction of any such certificate or the issuance of such new certificate.

Article 14 – Distributions and Dividends

14.1 Declaration

The Board of Directors, with approval from the Highland Lakes Association of REALTORS® Board of Directors, may authorize periodic or special distributions on the outstanding shares in cash, property, or in the shares of the Service at any annual, regular, or special meeting of the Board of Directors to the extent permitted by, and subject to the provisions of, the laws of the State of Texas. The Board of Directors with approval from the Highland Lakes Association of REALTORS® Board of Directors, may by resolution create a reserve or reserves out of the Service's surplus or allocate any part or all of surplus in any manner for any proper purpose or purposes, and may increase, decrease, or abolish any such reserve, designation, or allocation in the same manner, after first obtaining the written approval of a majority of the shareholders.

14.2 Fixing Record Dates for Distribution and Dividends

For the purpose of determining shareholders entitled to receive a distribution by the Service (other than a distribution involving a purchase or redemption by the Service of any of its own shares) or a share dividend, the Board of Directors of the Service, with approval from the Highland Lakes Association of REALTORS® Board of Directors, may at the time of declaring the distribution or dividend, set a date no more than sixty (60) days prior to the date of the distribution or dividend. If no record date is fixed for the determination of shareholders entitled to receive a distribution (other than a distribution involving a purchase or redemption by the Service of any of its own shares) or a share dividend, the date on which the resolution of the Board of Directors declaring the distribution or share dividend is adopted shall be the record date for the determination of shareholders.

Article 15 – Indemnification

15.1 Indemnification of Existing and Former Directors and Officers

The Service shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending, or completed action or other proceeding (whether civil, criminal, administrative, arbitrative, or investigative), including any appeal thereof, or any inquiry or investigation that could lead to such an action or proceeding (any of the foregoing to be referred to hereafter as a “**proceeding**”) by reason of the fact that the person (1) is or was a director or officer of the Service; or (2) while a director of the Service, is or was serving at the request of the Service as a partner, director, officer, venturer, proprietor, trustee, employee, administrator, or agent of another entity, organization, or an employee benefit plan (each such person in (2) to be referred to hereafter as a “**delegate**” and, together with each such person in (1), a “**covered person**”) to the fullest extent permitted by the Texas Business Organizations Code (as the same now exists or may hereafter be amended, substituted, or replaced, the “**BOC**”), but if the BOC is amended, substituted, or replaced, only to the extent that such amendment, substitution, or replacement permits the Service to provide broader indemnification rights than the BOC permitted the Service to provide prior to such amendment, substitution, or replacement, against all judgments (including arbitration awards), court costs, penalties, settlements, fines, excise, and other similar taxes and reasonable attorneys' fees (all of the

foregoing to be referred to hereafter as “**expenses**”) actually incurred by the covered person in connection with such proceeding. The right to indemnification in Section 15.1 shall continue as to a covered person who has ceased to be a director, officer, or delegate and shall inure to his or her heirs, executors, or administrators.

15.2 Advancement of Expenses

The Service shall pay or reimburse reasonable expenses incurred by a covered person currently serving as a director, officer, or delegate of the Service who was or is a party or is threatened to be made a party to any proceeding in advance of the final disposition of the proceeding, without any determination as to the covered person's entitlement to indemnification, if the Service receives the following before any such advancement of expenses:

- (a) A written affirmation by the covered person of the covered person's good faith belief that he or she has met the standard of conduct necessary for indemnification under the BOC.
- (b) A written undertaking by or on behalf of the covered person to repay the amount so advanced if the final determination is that the covered person has not met the required standard of conduct set forth in the BOC or that indemnification is prohibited by the BOC.

The Service shall pay or reimburse reasonable expenses incurred by a covered person currently serving as a director, officer, or delegate of the Service who was or is a party or is threatened to be made a party to any proceeding in advance of the final disposition of the proceeding, without any determination as to the covered person's entitlement to indemnification, if the Service receives the following before any such advancement of expenses:

- (a) A written affirmation by the covered person of the covered person's good faith belief that he or she has met the standard of conduct necessary for indemnification under the BOC.
- (b) A written undertaking by or on behalf of the covered person to repay the amount so advanced if the final determination is that the covered person has not met the required standard of conduct set forth in the BOC or that indemnification is prohibited by the BOC.

15.3 Indemnification of and Advancement of Expenses to Other Persons

Notwithstanding any other provision of this ARTICLE XV, the Service may indemnify and advance expenses to persons other than covered persons,

including advisory directors, non-executive officers, employees, and agents of the Service, to the extent and in the manner provided by the BOC and these Bylaws.

15.4 Indemnification Rights Not Exclusive

The rights provided pursuant to this ARTICLE XV shall not be exclusive of any other rights to which a person may be entitled by applicable law, the Service's Certificate of Formation, action or resolution of the Service's shareholders or disinterested directors, or contract.

15.5 Insurance

The Service may purchase and maintain insurance or another arrangement to indemnify any covered person against any liability asserted against and incurred by the covered person in that capacity or arising out of the covered person's status in that capacity, regardless of whether the Service would have the power to indemnify the covered person against that liability under applicable law.

15.6 Reports of Indemnification and Advances

No later than one (1) year from the date that the Service indemnifies or advances expenses to a director, it shall give a written report of such indemnification or advancement to the shareholders, which report must be made with or before the notice or waiver of notice of the next shareholders' meeting or the next submission to the shareholders of a written consent without a meeting.

Article 16 – Miscellaneous

16.1 Seal

The Service may adopt a corporate seal in a form approved by the Board of Directors. The Service shall not be required to use the corporate seal and the lack of the corporate seal shall not affect an otherwise valid contract or other instrument executed by the Service.

16.2 Authorization of Expenditures

Any expenditures of more than \$500 incurred outside of the approved budget require approval from the Board of Directors.

16.3 Invalid Provisions

If any one or more of the provisions of these Bylaws, or the applicability of any provision to a specific situation, shall be held invalid or unenforceable, the provision shall be modified to the minimum extent necessary to make it or its application valid and enforceable, and the validity and enforceability of all other provisions of these Bylaws and all other applications of any provision shall not be affected thereby.

16.4 Conflict with Applicable Law or Certificate of Formation

These Bylaws are adopted subject to any applicable law and the Certificate of Formation. Whenever these Bylaws may conflict with any applicable law or the Certificate of Formation, such conflict shall be resolved in favor of such law or the Certificate of Formation.

16.5 Emergency Management of the Service

In the event of an emergency (as defined by Section 3.251(1) of the BOC), the following provisions regarding the management of the Service shall take effect immediately.

In the event of an emergency, a meeting of the Board of Directors may be called following the attempt of not less than two (2) hour notice to each director. Notice may be given by any reasonable means, including electronic transmission, such as fax and email, and by telephone.

The Board of Directors is to approve and maintain a current list of officers or other persons to serve as alternate directors to the extent necessary while these emergency provisions are in effect.

These emergency provisions take effect only in the event of an emergency as defined herein above and will not be effective once the emergency ends. Any and all provisions of these Bylaws that are consistent with these emergency provisions remain in effect during an emergency. Any or all of these actions, including emergency actions as defined by Section 3.251(2) of the BOC, that the Service takes in accordance with these provisions or Section 3.2535 of the

BOC, if in good faith and based on the reasonable belief that the emergency action was in the Service's best interest, are binding upon this Service and may not be used to impose liability on a managerial official, employee, or agent of the Service.

Article 17 – Amendments to Governing Documents

17.1 Amendments to Bylaws

The Board of Directors may amend, alter, change, and repeal these Bylaws or adopt new bylaws. The shareholders may make additional bylaws and may alter and repeal any bylaws whether such bylaws were originally adopted by them or otherwise. **M**

17.2 Amendments to Rules and Regulations

Amendments to the rules and regulations of the Service shall be by consideration and approval of the board of directors of the multiple listing service and subject to final approval by the board of directors of the Highland Lakes Association of REALTORS® (shareholder). **M**

When approved by the board of directors of the Highland Lakes Association of REALTORS® (shareholder) as described, the amendments to the rules and regulations of the multiple listing service shall be effective immediately or as stated in the amending resolution.

If the proposed amendments of the multiple listing service rules and regulations fail approval by the board of directors of the shareholder, the board of directors of the multiple listing service shall be informed, and advised that the proposed amendment or amendments must be further considered and resubmitted as approved by the board of directors of the multiple listing service to the board of directors of Highland Lakes Association of REALTORS® (shareholder). **M**

Article 18 – Dissolution

18.1 Dissolution

In the event this Service shall at any time terminate its activities, the board of directors of the Service shall consider and adopt a plan of liquidation and dissolution with the approval the board of directors of the Highland Lakes Association of REALTORS® (shareholder). Said plan shall provide for the collection of all assets, the payment of all liabilities, and that the remaining portions thereof be assigned to the parent corporation, namely, Highland Lakes Association of REALTORS®. **M**