

By-Laws
of
PENINSULA TENNIS CLUB

433 Chatham Road
Burlingame, California 94010-2783
Telephone: (650) 347-1439

Adopted by Board of Directors, December 1971
Revised March 1, 1972
Amended November 18, 1980;
September 23, 1981; May 3, 1983;
November 18, 1986; April 12, 1988
Recompiled April 1989
Amended April 20, 1993
Amended November 18, 2003
Amended November 15, 2005
Amended January 17, 2006
Recompiled July 2006
Amended and Recompiled January 2007
Amended July 2008 (Articles XII & XVIII)
Amended November 2010 (Article XVII)
Amended July 2015

TABLE OF CONTENTS

Corporate Name	1
Corporate Powers	1
Selection of Directors	1
Election of Directors	1
Vacancies	2
Power of Directors	2
Duties of the Directors	2
Officers	3
Duties of the President and Vice President	3
Duties of the Secretary	4
Duties of the Treasurer	4
Membership	4
New Members	5
Fees of Admission	6
Transfer of Memberships	6
Fines, Penalties and Assessments	6
Dues and Club Privileges	6
Withdrawals, Suspensions and Expulsions	7
Meetings and Notice Thereof	8
Seal	9
Publication of Schedules of Fees, Fines, Charges, Rules, Etc... ..	9
By-Laws Amendments	9
Annual Reports to Shareholders	9

BY-LAWS OF PENINSULA TENNIS CLUB

ARTICLE I--Corporate Name

Section 1. The name of the corporation shall be the PENINSULA TENNIS CLUB (hereinafter, the Corporation).

ARTICLE II--Corporate Powers

Section 1. The corporate powers of the Corporation shall be vested in a Board of Directors, consisting of seven (7) directors, each one of whom shall be a shareholder (Senior Members and Inactive Senior members, hereinafter "Shareholder(s)") of the Corporation; four (4) directors shall constitute a quorum for the transaction of corporate business, except where otherwise provided in the By-Laws.

ARTICLE III--Selection of Directors

Section 1. A nominating committee composed of the immediate past three Presidents of the Corporation who are able and willing to serve shall convene not more than forty-five (45) or less than thirty (30) days before the November meeting of the Shareholders of the Corporation to nominate three (3) Shareholders to serve on the Board of Directors for the coming year.

Section 2. Only Senior Member Shareholders or their spouses are eligible nominees to serve on the Board of Directors. Each Senior Member Shareholder is granted a single vote privilege per Article XII Section 2; this privilege is entrusted to the spouse upon that individual's election to serve on the Board of Directors and is only for the duration of his/her term as a Director.

Section 3. The names of the nominees so selected shall be given to the Secretary at least fifteen (15) days prior to November meeting, together with the written approval of the candidates to place their names in nomination.

Section 4. Additional Shareholders, subject to the provisions in Section 2 of this Article, may be nominated to serve on the Board of Directors by petition signed by fifteen (15) Shareholders of the Corporation.

Section 5. A petition to place a name in nomination to serve on the Board of Directors shall be given to the Secretary at least (15) days before the November meeting together with the written approval of the candidate to place his/her name in nomination.

ARTICLE IV--Election of Directors

Section 1. Except as provided in Section 3 of this Article, the term of office of a director shall be two (2) years and shall commence on the day following the annual meeting in January.

Section 2. Three (3) directors shall be elected each year by ballot at the November meeting of the Shareholders of the Corporation. The candidates shall be elected individually by simple majority. Prior to the election, the nominees shall be given a reasonable opportunity to communicate to the members regarding their qualifications and reasons for candidacy.

Section 3. The outgoing President shall serve for one (1) additional year as the seventh member of the Board of Directors.

ARTICLE V--Vacancies

Section 1. Any vacancy occurring among the directors by death, resignation, removal or otherwise, shall be filled by appointment made by the other directors in office and any director so appointed shall hold office for the remaining term of his/her predecessor and until his/her successor is elected.

ARTICLE VI--Power of Directors

Section 1. To call special meeting of the Shareholders of the Corporation when they deem it necessary.

Section 2. To appoint and remove at pleasure all officers, agents and employees of the Corporation, prescribe their duties, fix their compensation and require from them security for faithful service.

Section 3. To conduct, manage and control the affairs and business of the Corporation and to make rules and regulations not inconsistent with law or the By-Laws of the Corporation, for the guidance of the officers and the management of the affairs of the Corporation for the care, management and use of the property of this Corporation by its members, or others, and governing the conduct and actions of all persons including members, while on the property of this Corporation.

Section 4. To borrow money or incur any other obligation on behalf of the Corporation and to authorize acts deemed by them necessary or proper to secure the same, provided such action is the result of a meeting of the Board of Directors at which time at least five (5) directors authorize the same. For expenditures "critical" to the day-to-day operations of the club, (e.g. roof leaks, plumbing & electrical problems, kitchen repairs, etc.) and also regularly required resurfacing of the tennis courts and painting of the club, the Board may spend up to \$35,000 without a vote of the Shareholders, provided that the cost can be covered with funds on hand. For items deemed to be new or a general improvement to the Club, the Board may approve project up to \$20,000, provided that the cost can be covered with funds on hand. Any project exceeding the above limits or would require the club to borrow funds from an outside agency (e.g. bank) will require a vote of approval by a majority of the Shareholders of the Corporation present or by proxy at a regular scheduled meeting at which a quorum of the Shareholders of the Corporation are present.

ARTICLE VII--Duties of the Directors

Section 1. To cause to be kept a complete record of all minutes and proceedings at meetings of the Board of Directors and of the Shareholders of the Corporation.

Section 2. To present a full statement at the regular annual meeting of Shareholders showing in detail the assets and liabilities of the Corporation and the condition of its affairs generally.

Section 3. To supervise all officers, agents and employees, determine their compensation, and see that their duties are properly performed.

Section 4. To approve the proposed budget at the January meeting of the Board of Directors, after incorporating any changes that it deems necessary. Every effort should be made to keep within the said budget.

Section 5. To bond employees of the Corporation having access to monies, supplies, or other properties of the Corporation. The amount of such bond shall be set by the Board of Directors at its discretion.

Section 6. To send a special notice to all Shareholders, should the Board of Directors deem it advisable to secure the authorization of the Shareholders of the Corporation for the borrowing of money or the incurring of any other obligation in excess of ten thousand dollars (\$10,000.00), at least ten (10) days prior to the date of the meeting, fully explaining the proposed action.

ARTICLE VIII--Officers

Section 1. The officers shall consist of a President, Vice President, Treasurer and Secretary, and shall be elected by and hold office at the pleasure of the Board of Directors.

The offices of the Secretary and Treasurer may, at the discretion of the Board of Directors, be held by the same person. Only members of the Board of Directors shall be eligible to hold the offices of President, Vice President, Secretary or Treasurer. The directors shall serve without remuneration.

Section 2. The office of President shall be elected by the Board of Directors from one of the three members of the Board of Directors who will have just completed the first year of their two year term as a member of the Board of Directors.

Section 3. Should all second year members of the Board of Directors be unable or unwilling to serve as President, the Board of Directors may appoint a first year member providing said member shall have served in previous years on the Board of Directors. In the event that no first year member shall have served previously on the Board of Directors, such previous service requirement shall not be applicable.

Section 4. Under no circumstances shall a member of the Board of Directors serve as President for two (2) consecutive years.

ARTICLE IX--Duties of the President and Vice President

Section 1. If at any time the President shall be unable to act, the Vice President shall take his/her place and perform his/her duties, and if the Vice President shall be unable to act, the Board of Directors shall appoint some other member of the Board in whom shall be vested for the time being all the duties and functions of the office of the President.

Section 2. The President, or in case of his/her absence, the Vice President, or in case of his/her absence, the director appointed as above provided, shall:

- (a) preside over the meetings of the Shareholders and directors, and shall have the same vote he/she would if not presiding;
- (b) sign as President all contracts and other written instruments which shall have been approved first by the Board of Directors;
- (c) subject to the advice and control of the directors, have general direction of the affairs of the Corporation, and shall discharge such other duties as may be required of him/her by the By-Laws;
- (d) upon receipt of a written request of one fourth (1/4) or more of the Shareholders, call a special meeting of directors within thirty (30) days thereafter; and
- (e) upon receipt of a written request of any three directors, call a special meeting of directors within fifteen (15) days thereafter.

ARTICLE X--Duties of the Secretary

Section 1. The Secretary shall:

- (a) keep a record of the proceedings of all meetings of the Board of Directors and of the Shareholders;
- (b) serve all notices required by law or the By-Laws of the Corporation, but in case of absence, inability, refusal or neglect to do so, then such notices may be served by any person thereunto directed by the President of the Corporation; and
- (c) discharge such other duties as pertain to his/her office or are prescribed by the Board of Directors or the By-Laws.

ARTICLE XI--Duties of the Treasurer

Section 1. The Treasurer shall:

- (a) keep proper books of account, and to receive all funds of the Corporation and pay them out only on such conditions as shall be directed by the Board of Directors;
- (b) keep the corporate seal of the Corporation and to affix it to all papers requiring a seal;
- (c) prepare a financial statement at the close of each quarter and make a copy of said statement available to the Shareholders at the next quarterly meeting of the Shareholders following the close of said quarter;
- (d) prepare an annual report not later than ninety (90) days after the close of the Corporation's fiscal year. Such report shall contain in appropriate detail the following:
 - (i) the balance sheet as of the end of the Corporation's fiscal year and an income statement and statement of changes in financial position for such fiscal year;
 - (ii) a statement of the place where the names and addresses of the current Members are located;
 - (iii) any information required by Section 8322 of the California Non-Profit Corporation Law as set forth in Article XXIII of these By-Laws;
- (e) with the assistance of the Board of Directors or any financial committee established by the Board of Directors, set up a proposed budget for the following year covering income and expenses, which budget shall be submitted to the Board of Directors for approval prior to the expiration of their term in office, and shall also be presented to the newly elected Board of Directors at the first scheduled meeting of the newly elected Board of Directors.

ARTICLE XII--Membership

Section 1. There shall be six classes of membership in the Corporation: a Senior Membership (which shall be coincidental with Shareholder status in the Corporation), an Emeritus Membership, an Associate Membership, an Inactive Membership (which shall also be coincidental with Shareholder status in the Corporation), a Junior Membership, and an Honorary Membership. The number of Senior Members shall be limited to two hundred

forty (240) and the number of Associate Members to forty (40). The number of Emeritus Members, Junior Members, Inactive Members and Honorary Members shall be subject to limitation by the Board of Directors.

Section 2. Each Senior Member has Shareholder status with full privileges in the Corporation and shall be entitled to one vote, either in presence or by proxy, at any and all meetings of the Corporation, and voting shall be non-cumulative.

Section 3. An Emeritus Member has all Senior Member privileges without incident of ownership in the Corporation or the right to vote at any meeting of the Corporation. Qualification for admittance to this class was limited to Shareholders 70 years of age or older having been a Member for 15 years or more as of December 31, 2005. Dues for members in this class were frozen on their admittance at \$95 per month for perpetuity, and these Members are exempt from any other dues or assessments for the life of the Member. This membership is not transferable, subject to the provisions in Article XV.

Section 4. A Senior Member in good standing who has been a Member for at least fifteen (15) years may, subject to the provisions of Articles XIII and XV, request transfer of his/her Senior Membership and, at the discretion of the Board of Directors, become an "Associate Member." Dues of such Associate Members shall be fifty percent (50%) of the dues of active Senior Members. Such Associate Members shall have no privileges or incidents of ownership in the Corporation provided, however, such Associate Member and members of his/her family may use all Club facilities. Use of the tennis courts will be limited to two (2) times per month and require the payment of an Associate Member fee for each use.

Section 5. The Board of Directors may in its discretion in special instances grant Senior Members in good standing to be Inactive Members. Inactive Membership shall be for a minimum period of one (1) year and the dues of Inactive Members shall be fifty percent (50%) of the dues of active Senior Members. Inactive Members and members of their families shall have no voting privileges nor be entitled to use the Club facilities except as a guest. An Inactive member may, after the minimum of one year, request in writing a return to active Senior membership. The Board of Directors will then return the Inactive member to active Senior membership at the first available opening. Junior Members shall not be entitled to Inactive Member status.

Section 6. Junior memberships shall be non-participating memberships, and Junior Members shall have no voting powers in the Corporation.

Section 7. Honorary memberships may be designated at the discretion of the Board of Directors. Such memberships shall have no privileges or incidence of ownership in the Corporation.

ARTICLE XIII--New Members

Section 1. Persons desiring Senior Membership in the Corporation must file a written application for membership with the Board of Directors. The membership application shall state that the applicant has read and will comply with rules, regulations and By-Laws of the Corporation and that, if elected, applicant will accept membership in the Corporation. It shall be mandatory that the applicant approved for Senior Membership become the Shareholder of record in the Corporation.

Section 2. Persons desiring Junior Membership shall file a written application for membership with the Board of Directors. The membership application shall state that the applicant has read and will comply with rules, regulations and By-Laws of the Corporation. The application for Junior Membership shall be signed by the applicant and by the parents or guardians of the applicant. The application shall provide that the parents or guardians of a Junior applicant will be liable for dues, charges or other indebtedness incurred by the applicant for Junior membership.

ARTICLE XIV--Fees of Admission

Section 1. Senior Members. The fees of admission of any new Senior Member of the Corporation elected to membership shall be established from time to time by resolution of the Board of Directors. All fee schedules so adopted by the Board of Directors shall be published to the Shareholders of the Corporation.

Section 2. Junior Members. The fees of admission of any new Junior Member of the Corporation elected to membership shall be established from time to time by resolution of the Board of Directors. All fee schedules so adopted by the Board of Directors shall be published to the Shareholders of the Corporation.

ARTICLE XV--Transfer of Memberships

Section 1. Subject to the provisions of Article XIII, and to the approval of the Board of Directors, a Shareholder's membership may be transferred, provided, however that no such transfer shall be made unless all dues, assessments, fines, indebtedness and penalties relating to the Membership are first paid in full and unless a transfer fee equal to fifty percent (50%) of the cost of a new membership at the time of the transfer, is first paid to the Corporation.

Section 2. Junior Memberships are non-transferable.

Section 3. In the event of the death of a Shareholder, his/her Membership (and Share) will forthwith become the property of his/her estate without payment of a transfer fee, but the transfer of such Membership by the estate of such deceased Shareholder shall be subject to the said transfer fee (as provided for in Section 1 of Article XV) and to the provision of Article XIII.

Section 4. In the event of the death of a Shareholder, the Board of Directors may in its discretion waive the transfer fee from the estate of the deceased Shareholder to the surviving spouse.

Section 5. In the event of the dissolution of a marriage of a Shareholder, the Board of Directors may at its discretion, upon receipt of petition or other documentation indicating the approval of the Shareholder, waive the transfer fee in the event of a transfer to the Shareholder's former spouse.

Section 6. In the event of a petition to simply transfer Membership within a marriage, the Board of Directors may at its discretion, waive the transfer fee if the purpose and/or the severity of the petition warrant such action.

ARTICLE XVI--Fines, Penalties and Assessments

Section 1. The Board of Directors of the Corporation shall have the power and authority, by resolution of the majority thereof, to impose fines and penalties upon any Member of the Corporation for the violation of any of the provisions of these By-Laws, or any rule or regulation of the Board of Directors established pursuant thereto.

ARTICLE XVII--Dues and Club Privileges

Section 1. The dues of all Shareholders and Junior Members hereof, except as hereinafter specially provided, shall be established time to time by Resolution of the Board of Directors and shall be payable quarterly in

advance on the first day of January, April, July and October of each year. All fee schedules so adopted shall be published to the Members of the Corporation. In the event that payment of dues, assessments or other indebtedness is not made within fifty (50) days after they become due, then all such dues, assessments or other indebtedness shall on such date become delinquent, and an automatic fine in the amount of ten (10) percent on such dues, assessments or other indebtedness shall be assessed against the delinquent Member, and the Member's privileges to use the Club facilities and charge merchandise or incur other indebtedness shall automatically be suspended.

Section 2. In the event that payment of dues, assessments or other indebtedness is not made within fifty (50) days after the same becomes due and a written request addressed to the Board of Directors is received from said delinquent Member during said fifty day period, the Board of Directors may on the basis of hardship or other cause they deem sufficient, waive the ten (10) percent fine and establish a time for payment of the dues, assessments or other indebtedness which they deem reasonable.

Section 3. In the event dues, assessments or other indebtedness shall remain delinquent for 40 more days the Member so delinquent shall *ipso facto* cease to be a Member of the Corporation, and the membership of such Member shall forthwith terminate.

Section 4. On good cause shown the Board of Directors shall have power, within thirty (30) days from the date of termination of a Membership, to restore any Member who may have lost his/her Membership for nonpayment of dues, assessments or other indebtedness, provided the same, and any fine relating thereto, are paid in full within such period.

Section 5. The dues of any Member serving in the armed forces of the United States may be waived in whole or in part, at the discretion of the Board of Directors.

Section 6. The family of a Shareholder of record of the Corporation shall be defined as the spouse of the Shareholder and their children under the age of 24 years. The family of a Shareholder and Junior Members individually may use the facilities of the club subject to rules established by the Board of Directors.

Section 7. Membership of a Junior Member shall *ipso facto* terminate upon the Member attaining twenty-one (21) years of age. However, a Junior Member may then apply to become a Senior Member, with all rights and privileges of Senior Membership, by paying within thirty (30) days after attaining age twenty-one (21), the difference between the existing Junior initiation fee and the amount of the initiation fee in effect for Senior Membership, subject to Article XIII. Such Junior Members shall also have the option within said thirty (30) days of agreeing in writing to pay the difference between the Junior Membership initiation fee and the Senior Membership initiation fee on a deferred payment plan basis, approved by the Board of Directors. This plan for deferred payment shall be called the Stirm Plan and may be changed from time to time at the discretion of the Board of Directors.

Section 8. Senior Members will be allowed guest privileges in accordance with "guest rules" established from time to time by the Board of Directors and published to the Membership. Each guest must be accompanied by his/her host and be registered immediately at the Club office before using the Club facilities. Members will be held responsible for all guest fees and charges or other indebtedness incurred by their guests. Guest fees may be waived only by the Club Manager and only in those cases where he does not have time to secure the approval of the Board of Directors.

Section 9. Voting privileges: A proxy vote is acceptable in all voting matters. A Shareholder does not need to be present to vote.

ARTICLE XVIII--Withdrawals, Suspensions and Expulsions

Section 1. Any Member may withdraw from the Corporation by presenting to the Board of Directors a written resignation. In the event that an immediate transfer of Membership is not available, all dues and assessments remain the responsibility of the withdrawing Member until such time that the transfer is consummated. Should the withdrawing Member cease to make payments, all indebtedness in arrears will be deducted from the equity of the withdrawing Member upon transfer.

Section 2. Any Member may be expelled or suspended for misconduct by the vote of five (5) of the members of the Board of Directors after a Hearing by the Board of Directors, provided that such Member shall have been served personally at least thirty (30) days before the time fixed for the hearing with a written copy of the charges made against the Member, and a written notice of the time and place of hearing. No Member shall be expelled or suspended unless written charges be made, signed, filed with the Secretary and served as aforesaid, and unless a trial be accorded and after such trial the Member be found guilty of the charges made and filed. The Board of Directors may prescribe the rules for the conduct of the trial, and shall decide on the admissibility of evidence offered. However, such trial shall provide for the opportunity of the Member to be heard, orally or in writing, in response to the charges filed against such Member. The decision and all rulings by the Board of Directors shall be final and conclusive, and shall not be subject to review by any other tribunal, and the Member so expelled or suspended shall have no recourse to any civil action whatsoever. In the event of expulsion of a Member, the membership of such Member in the Corporation shall forthwith lapse and terminate and all financial responsibilities will apply as described in Section 1.

ARTICLE XIX--Meetings and Notice Thereof

Section 1. Regular meetings of the Shareholders of the Corporation shall be held on the third Tuesday of the month during January, April, July, and November of each year and at such time and place in San Mateo County, California as may be fixed by the Board of Directors. Notice of such meetings shall be sent to each Shareholder through the mail at the address last registered by him/her at the Club office, and/or by e-mail. Notice of said meeting together with notice of any resolution contemplating a change in the By-Laws shall be mailed at least ten (10) days before said meeting, but not more than twenty (20) days. In the case of a special meeting, such notice shall include a description of the general nature of the business to be transacted at such special meeting. No business other than that described in such notice may be transacted. The meeting in January shall be the Annual Meeting of the Shareholders of the Corporation.

Section 2. Special meetings of the Shareholders of the Corporation shall be held whenever called by the Directors, pursuant to the provisions of Article VI and Article XIX.

Section 3. No meeting of the Membership shall be competent to transact business unless at least twenty-five (25) Shareholders are present in person or by proxy, and unless notice of the general nature of the business to be transacted was given to the Shareholders in the notice of the meeting. No meeting of the Membership shall be competent to transact business if notice of the general nature of the business to be transacted was not given to the Shareholders in the notice of the meeting unless at least one-third of the Shareholders are present. If for want of a quorum or other cause a Shareholders' meeting shall not be held on the day named or should the Shareholders fail to complete their election or such business as may be presented for their consideration, the majority of those present may vote to adjourn from day to day until the same may be accomplished.

Section 4. Regular meetings of the Board of Directors shall be held on the same day as each meeting of the Shareholders, and otherwise as often as and at such stated periods as the Board of Directors may themselves at one of their meetings determine.

Section 5. Special meetings of the Board of Directors shall be held whenever called by the President and shall be held upon four (4) days written notice by first class mail or forty-eight (48) hours notice delivered personally,

by telephone and/or by e-mail.

Section 6. The fact of service of notice of each special meeting shall be recited in the minutes, and the said minutes, upon being read and approved at a subsequent meeting, shall be conclusive on the subject of service.

Section 7. If all of the directors are present at any directors' meeting, however called or noticed, and sign a written consent thereto on the records of such meeting, or if a majority of the directors are present and those not present sign in writing a waiver of notice of such meeting, whether prior to or after the holding of such meeting, and such waiver is filed with the Secretary of the Corporation, the transactions at such meeting shall be as valid as if they had been at a meeting regularly called and noticed.

Section 8. Any action required or permitted to be taken by the Board of Directors at a meeting may be taken without a meeting and with the same force and effect as if taken by a unanimous vote of the directors, if authorized by a writing signed by all members of the board. Such writing shall be filed with the regular minutes of the board.

Section 9. The members of the Board of Directors may participate in a meeting through the use of conference telephone or similar communication equipment, so long as all members participating in such meeting can hear one another. Participation in a meeting pursuant to this Section 9 constitutes presence in person at such meeting.

ARTICLE XX--Seal

Section 1. The Corporation shall have a common seal consisting of a circle, having on its circumference the words "Peninsula Tennis Club - California" and within its circumference the further words "Incorporated 1933."

ARTICLE XXI--Publication of Schedules of Fees, Fines, Charges, Rules, Etc.

Section 1. At the beginning of each business year the Secretary shall publish in the Club Roster and affix to the official bulletin board of the Corporation all schedules of fees, fines, guest fees, charges and memorandum of all rules adopted by the Board of Directors in accordance with the By-Laws for the regulation of the activities of the Corporation. Thereafter from time to time during each business year the Secretary shall similarly publish changes in such schedules or rules as the same may be adopted from time-to-time by the Board of Directors. The Board of Directors may, if it deems fit, order further publication by mailing to the Membership.

ARTICLE XXII--By-Laws Amendments

Section 1. By-Laws may be adopted, repealed or amended:

(a) at any duly called, noticed and constituted meeting of the Shareholders by majority vote of the Shareholders present, or by proxy, provided notice has first been mailed to each Shareholder, in the manner and for the period specified in Section 1 of Article XIX of the By-Laws, setting forth the exact wording of the proposed adoption, repeal or amendment, or;

(b) by the Board of Directors subject to the rights of the Shareholders described in sub-part (a) of this Section, (except for any by-law, repeal or amendment changing the authorized number of directors).

ARTICLE XXIII--Annual Reports to Shareholders

Section 1. Each year, each Shareholder shall be notified of the Shareholder's right to receive the annual financial report of the Corporation. A copy of the most recent annual financial report shall be promptly sent to any Shareholder who sends a written request for the report.

Section 2. Not later than 90 days after the close of the fiscal year, the Corporation shall prepare an annual financial report containing (i) a balance sheet as of the end of the fiscal year, (ii) an income statement for the fiscal year, (iii) a statement of changes in financial position for the fiscal year, (iv) a statement that the names and addresses of the current Members of the Corporation are located at the principal office of the Corporation, and (v) the information required by Section 3 below. The report shall be accompanied by (i) any report on it by an independent accountant, or if there is no such report, (ii) the certificate of an authorized officer of the Corporation that the statement was prepared without audit from books and records of the Corporation.

Section 3. Within 90 days after the close of the fiscal year, the Corporation shall prepare and give to each Shareholder a statement of any transaction with the Corporation in which either of (i) any Director or officer or (ii) any holder of more than 10 percent of the voting power, had a direct or indirect material financial interest. Any transaction or transactions aggregating more than \$40,000.00 during the fiscal year in which the same person had a direct or indirect material financial interest, shall be reported, together with (i) the name of the person with an interest in the transaction, (ii) the person's relationship to the Corporation, (iii) the nature of the person's interest in the transaction, and (iv) where practicable, the amount of the interest (unless the transaction was with a partnership of which the person is a partner, in which case the partnership interest shall be stated). However, the statement shall not include compensation of the officers or Directors. The statement shall also briefly describe the amount and circumstances of any indemnifications or advances aggregating more than \$10,000.00 paid during the fiscal year to any officer or Director of the Corporation in connection with defense of any threatened or pending legal proceeding against that officer or Director.

Section 4. The statement in Section 3 shall be given to each Shareholder in the manner provided for giving notice of meetings to Shareholders. This requirement may be satisfied by sending the annual financial report containing this statement.