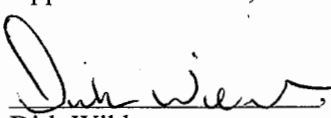
COBBLESTONE MEADOWS HOMEOWNERS ASSOCIATION, INC.

BYLAWS

Approved March 12, 2019


Secretary

Dirk Wildt

BYLAWS OF
COBBLESTONE MEADOWS HOMEOWNERS ASSOCIATION, INC.
TABLE OF CONTENTS

BYLAWS OF
COBBLESTONE MEADOWS HOMEOWNERS ASSOCIATION, INC.

ARTICLE I

Name and Purpose

Pursuant to the Articles of Incorporation of Cobblestone Meadows Homeowners Association, Inc. and the Declaration of Deed Restrictions for Cobblestone Meadows Subdivision (including any and all amendments thereto) recorded in the Office of the Register of Deeds for Washington County, Wisconsin (hereinafter "Deed Restrictions"), the following are adopted as the By-Laws of **COBBLESTONE MEADOWS HOMEOWNERS ASSOCIATION, INC**. (hereinafter sometimes referred to as the "Association"), which is a non-profit nonstock corporation formed and organized to serve as an association of owners of real estate and improvements located in Cobblestone Meadows Subdivision, Village of Jackson, County of Washington, State of Wisconsin (the "Subdivision") subject to the terms and conditions of the Deed Restrictions. All capitalized terms not defined herein shall have the meaning set forth in the Deed Restrictions.

The Association is organized and shall be operated are as follows:

(a) To serve as a means through which the Owners may collectively and efficiently administer, manage, operate and control the Subdivision in accordance with the Deed Restrictions; and

(b) to engage in any lawful activity included in and permitted under the Deed Restrictions and the purposes for which a nonstock, nonprofit corporation may be organized pursuant to Chapter 181 of the Wisconsin Statutes.

These By-Laws shall be deemed covenants running with the land and shall be binding on the Owners and their heirs, administrators, personal representatives, successors and assigns.

ARTICLE II

Members, Voting and Meetings

2.1 **Members**. The rights and qualifications of the members are as follows:

(a) **Defined**. Members of the Association shall all be owners of individual Lots in the Subdivision (the "Owners") and Members shall have one vote for each Lot owned. Every Owner upon acquiring title to a Lot shall automatically become a member of the Association and shall remain a member thereof until such time as his/her Ownership of such Lot ceases for any reason, at which time his/her membership in the Association shall automatically cease.

(b) **One Membership and Vote Per Lot**. One membership in the Association and one vote shall exist for each Lot. Each Owner shall have the number of votes, including fractions thereof for any Lot that is further divided, equal to the number of Lots owned by said Owner. If title to a Lot is held by more than one Owner, the membership in the Association related to that Lot shall be shared by such Owners in the same proportionate interests and by the same type of tenancy in which the title to the Lot is held. Voting rights may not be split. When more than one person holds an interest in any Lot the vote for such Lot shall be exercised as the Owners, among themselves, determine, but in no event shall there by more than one vote cast with respect to any Lot. If only one of multiple Owners of a Lot is present (in person or by proxy) who is not the person identified on the Membership List at a meeting of the Association, the Owner present is entitled to cast the vote allocated to that Lot. If more than one of the multiple Owners is present (in person or by proxy), and the person identified on the Membership List shall cast the vote but if such person is not present or fails to cast the vote any one of the other Owners present purports to cast the vote allocated to that Lot on any issue without protest being made promptly by any of the other Owners of such Lot to the person presiding over the meeting, it shall be conclusively presumed that such voting Owner had the authority to cast the vote. In the event of such a protest, if such dispute is not resolved by the multiple Owners prior to the vote being completed or the person identified on the Membership List fails to cast the vote, they shall not be entitled to cast a vote.

c. **Membership List.** The Association shall maintain a current Membership List showing the names of Owners, the address to which notice of meetings of the Association shall be sent, any mortgagee of a Lot if the mortgagee notifies the Association of its interest then the list shall contain the name and address of the mortgagee, and the person designated to cast the votes (the "Membership List"). Only the person so designated shall be entitled to cast a vote in person or by proxy except as allowed pursuant to Section 2.1(b). A designation may be limited in time or may be changed by notice in writing to the Secretary of the Association signed by a majority of the persons having an ownership interest in the Lot. Each Owner, promptly upon obtaining any interest in the title to a Lot, shall inform the Secretary of the interest so acquired, the date of acquisition, and the matching address and telephone number of such Owner. In the event of any change in the mailing address and/or telephone number of any Owner, the Owner shall promptly report the change to the Secretary who shall promptly update the Membership List.

d. **Transfer of Membership**. Each membership shall be appurtenant to the separate parcel of land within the Subdivision upon which it is based and shall be transferred automatically upon conveyance of that Lot. Membership in the Association may not be transferred, except in connection with the transfer of a Lot. Upon transfer of a Lot, the Association shall, as soon as possible thereafter, be given written notice of such transfer, name of the person designated to vote, name and address of mortgagee, if any, and any other information about the transfer which the Association may deem pertinent, and the Association shall make appropriate changes to the Membership List effective as of the date of transfer.

2.2 **Quorum and Proxies for Members' Meetings**. A quorum for members' meetings shall consist of thirty percent (30%) of the votes in the Association. Votes may be cast in person or by proxy in accordance with designations in the Membership List. Proxies shall be valid only for the particular meeting(s) or time period designated therein, up to a maximum of 180 days, unless sooner

revoked, and must be filed with the Secretary before the appointed time of the meeting. If any meeting of members cannot be organized because a quorum is not present, a majority of the members who are present, either in person or by proxy, may adjourn the meeting from time to time until a quorum is present, without further notice. At such adjourned meeting at which a quorum shall be present or represented any business may be transacted which might have been transacted at the meeting as originally noticed.

2.3 **Act by Majority**. Unless specifically provided otherwise herein, the Deed Restrictions, Articles of Incorporation or under the Wisconsin Nonstock Association Law, the act of a majority of votes of the Association present in person or by proxy at any meeting at which a quorum is present shall be the act of the Association.

2.4 **Time, Place, Notice and Calling of Members' Meetings**. Written notice of all meetings stating the time and place and the purposes for which the meeting is called shall be given by the President or Secretary, unless waived in writing by all Owners, to each Owner at his/her address as it appears on the Membership List and shall be mailed or personally delivered not less than five (5) days or more than thirty (30) days prior to the date of the meeting. Mailed notices shall be addressed to the address of the Owner as listed on the then current Membership List of the Association. If there is more than one (1) Owner of any Lot, the notice needs to be given or mailed to only one (1) of the Owners thereof. Notice of meetings may be waived before or after meetings. In the event there is more than one Owner of any Lot, a waiver of notice by any one of the Owners of such Lot shall be deemed a waiver of notice by all the Owners of the Lot. Meetings shall be held at such time and place as may be designated by the Board of Directors.

2.5 **Annual and Special Meetings**. The annual meeting shall be held on the third Tuesday in January of each year for the purpose of electing directors, approving a budget and transacting any other business authorized to be transacted by the Owners. Special meetings of the Owners shall be held whenever called by the President or any two (2) members of the Board of Directors and must be called by such officers upon receipt of a written request signed by Owners holding eight (8) or more votes entitled to be cast.

2.6 **Informal Action**. Any action which is required to be taken at a meeting of the Owners or which may be taken at such a meeting, may be taken without meeting if a consent in writing setting forth the action so taken shall be signed by at least fifteen (15) of the Owners entitled to vote with respect to the subject matter. A copy of such consent shall be delivered to all Owners at the same time.

2.7 **Developer Control**. Notwithstanding the voting rights granted to Lots, the Developer shall have the right to appoint and remove directors at will as provided in the Articles and the Declaration until the Developer ceases to own or have an ownership interest in a Lot.

ARTICLE III

Board of Directors

3.1 **Initial Board of Directors**. The initial Board of Directors shall consist of three (3) persons, appointed by the Developer, who need not be Owners. The initial Board of Directors shall serve until such time as the Owners elect a Board of Directors pursuant to Section 3.4 below.

3.2 **Number and Qualification of Directors**. The Board of Directors shall consist of not less than three (3) no more than five (5) persons, to be classified with respect to the terms for which they severally hold office as set forth in Section 3.4 below. Except for those members of the Board designated by the Developer, each member of the Board of Directors shall be an Owner or, in the event that such Owner is not a natural person, the appointee of such Owner. In no event shall more than one (1) member of the Board of Directors be the owner of, or the appointee of an Owner who is not a natural person (Grantor revocable trusts shall be considered a natural person. Directors need not be residents of the State of Wisconsin.

3.3 **Powers and Duties of the Board of Directors**. The affairs of the Association including management and operation of the Subdivision shall be governed by the Board of Directors. All powers and duties as shall be necessary for the administration of the affairs of the Association shall be exercised by the Board of Directors. Such powers and duties shall be exercised in accordance with the provisions of the Deed Restrictions, the Articles of Incorporation, these By-Laws or as otherwise permitted or required by law. The Board of Directors shall have the right to engage a property management company to manage and operate the Subdivision.

3.4 **Responsibilities of Directors**. In addition to such other duties imposed by the Declaration, the Articles of Incorporation, the law, these Bylaws and/or by resolutions of the Association, the Board of Directors shall be responsible for the following:

a. The management, maintenance and improvement of the Common Elements and facilities.

b. The promulgation and enforcement of rules and regulations regarding the use and enjoyment of the Common Elements and facilities, and the personal conduct of the members and their guests, tenants or invites thereon or therein, and to establish penalties for the infraction thereof.

c. The promulgation and enforcement of rules and regulations regarding the maintenance and improvement of the Common Elements and facilities. The Directors may retain either Association members or others to perform such tasks. Any party so retained, including any member, may receive reasonable compensation from the Association, in an amount to be reasonably determined by the Directors and Officers, which compensation shall be not greater than the reasonable value of the labor and services to be performed.

d. The establishment of a yearly budget for the estimated cost of carrying out their responsibilities as set forth herein to be consented to and approved at the annual meeting.

e. The establishment of a reserve fund to be used for expenses that arise or may arise on other than a regular basis or with less than annual frequency, including, without limitation,

expenses for future construction or replacement of improvements to Common Elements. This fund is and shall be the property of the Association and not the Owners. An Owner shall not be entitled to a return of any portion of the reserve fund on the sale of a Lot. The fixing of a reasonable membership fee to produce a larger reserve fund may be set by the directors and presented to the Association for approval.

f. The fixing, levying and collecting of assessments as necessary for the aforesaid purposes. Within thirty (30) days on or before the beginning of each fiscal year of the Association, the Board of Directors shall determine the necessary assessment to cover the estimated operating costs of the HOA for the ensuing year and for the reserve fund as described above. Not less than fifteen (15) days after the Annual Meeting, the Directors shall notify each member in writing as to the combined assessment for the coming year with reasonable itemization thereof.

g. At each annual meeting of the Association or within the time period set forth in the Declaration, the Directors shall supply to all of the Owners an accounting of the expenses paid during the preceding fiscal year along with a tabulation of amounts collected pursuant to the estimates provided and showing any shortage or overage of actual expenditures plus reserves. Any amount accumulated in excess of the amount required for actual expenses shall be credited to each Lot in the proportion as provided in the Declaration for the next fiscal year. Any net shortage shall be assessed and paid as set forth in the Declaration.

h. The Association and the Directors hereof shall keep full and correct books of account and the same shall be open for inspection for any Owner or representative of any Owner duly authorized in writing, at such reasonable time or times during normal business hours as may be requested by a member, within twenty-four (24) hours of a request for inspection of same.

3.5 **Restrictions on Authority of Directors**. Notwithstanding the above, the Directors and the Board of Directors shall not have the authority to do any of the following without approval by all the Owners:

a. Contract for a loan, issue any evidence of indebtedness, or encumber the Common Elements.

b. Enter into or execute any contract, lease, easement, license, covenant, indemnity, agreement or other similar agreement or instrument which binds the Association for a period of more than one (1) year.

3.6 **Election and Term of Directors**. Subject to Section 4.3 of the Deed Restrictions, at the first annual meeting of the Association, the Owners shall elect not less than three (3) nor more than five (5) directors to be classified with respect to the terms for which they hold office by dividing them into two (2) classes as follows:

a. One half of the directors whose initial terms will expire after one (1) year, at the next annual meeting of the Association (Class "A" Directors).

b. One half of the directors whose initial terms will expire after two (2) years, at the second annual meeting of the Association after their election (Class "B" Directors).

c. If the number of directors shall be an odd number, the Class A Directors shall be the lower number of directors, i.e. if there are 3 directors, the Class A Directors shall consist of 1 director and the Class B Directors shall consist of 2 directors.

The successors to the class of directors whose terms expire as set forth above shall be elected to hold office for a term of two (2) years or until their successors are duly elected and qualified, or until any of said directors shall have been removed in the manner hereinafter provided, so that the term of one class of directors shall expire in each year.

3.5 **Vacancies on Board**. Subject to the rights of the Developer under the Deed Restrictions, vacancies on the Board of Directors caused by any reason other than the removal of a director by a vote of the Owners shall be filled by vote of the majority of the remaining directors, even though they may constitute less than a quorum, and each person so elected shall be a director until a successor is elected at the next annual meeting of the Owners at which that class of directors is to be elected.

3.6 **Removal of Directors**. Subject to the rights of the Developer, at any regular or special meeting duly called where a quorum is present, any one or more of the directors may be removed with or without cause by a majority of the votes of the Owners present or represented at such meeting, and a successor may then and there be elected to fill the vacancy thus created. A director may resign at any time by filing his/her written resignation with the Secretary of the Association.

3.7 **Annual Meetings and Notice**. An annual meeting of the Board of Directors shall be held immediately after, and at the same place as, the annual meeting of the Owners, for the purpose of election of officers and transacting such business as may come before the meeting. Notice of the regular annual meeting of the Board of Directors shall not be required.

3.8 **Regular Meetings and Notice**. The Board of Directors may provide by a resolution for regular or periodic meetings of the Board, to be held at a fixed time and place, and upon the passage of any such resolution, such meetings shall be held at the stated time and place without the necessity of other notice than such resolution.

3.9 **Special Meetings and Notice**. Special meetings of the Board of Directors may be called by the President or by two (2) directors on three (3) business days prior written notice to each director, given personally or by mail, which notice shall state the time, place and purpose of the meeting.

3.10 **Waiver of Notice**. Before, at or after any meeting of the Board of Directors, 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

by him or her of notice of the time and place thereof. If all of the directors are present at any meeting of the Board, no notice shall be required and any business may be transacted at such meeting.

3.11 **Quorum of Directors - Adjournments**. At all meetings of the Board of Directors, a majority of the directors shall constitute a quorum for the transaction of business, and the act of the majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors. If, at any meeting of the Board of Directors, there shall be less than a quorum present, the majority of those present may adjourn the meeting from time to time without further notice. At any such adjourned meeting at which a quorum is present, any business which might have been transacted at the meeting as originally called may be transacted.

3.12 **Fidelity Bonds**. The Board of Directors may, but are not required to, have some or all officers and/or employees of the Association handling or responsible for Association's funds furnish adequate fidelity bonds. The premiums on any such bonds shall be paid for by the Association.

3.13 **Action Taken Without a Meeting**. The Board of Directors shall have the right to take any action in the absence of a meeting which could be taken at a meeting by obtaining the written approval or consent of all of the directors. Any action so approved shall have the same effect as though unanimously approved at a meeting of the Board of Directors.

3.14 **Compensation**. No director of the Association shall receive any fee or other compensation for service rendered to the Association except by specific resolution of the Owners. Any director may, however, be reimbursed for actual expenses incurred in the performance of duties. Further, any director may be hired by and compensated by the Association for services outside the scope of such individuals duties as a director.

3.15 **Informal Action**. Any action which is required to be taken at a meeting of the Board of Directors or which may be taken at such a meeting, may be taken without meeting if a consent in writing setting forth the action so taken shall be signed by all of the Directors entitled to vote with respect to the subject matter. Such consent shall have the same force and effect as a unanimous vote.

ARTICLE IV

Officers

4.1 **Designation, Election and Removal**. The principal officers of the Association shall be a President, Vice President, Secretary and Treasurer, to be elected annually by the Board of Directors. Upon the affirmative vote of a majority of the members of the Board of Directors, any officer may be removed, either with or without cause, and his/her successor shall be elected at a regular meeting of the Board of Directors, or at any special meeting called for that purpose. Any two or more offices, except a combination of the offices of President and Secretary and a combination of the offices of President and Vice President, may be held by the same person.

4.2 **President**. The President shall be selected from among the members of the Board of Directors and shall be the chief executive officer of the Association. He shall preside at all meetings of the Association and of the Board of Directors. He shall have all the general powers and duties which are usually vested in the office of President including, but not limited to, the power to sign, together with any other officer designated by the Board, any contracts, checks, drafts or other instruments on behalf of the Association in accordance with the provisions herein. The President shall perform such duties and have such other authority as may be delegated by the Board of Directors.

4.3 **Vice President**. The Vice President shall take the place of the President and perform his duties whenever the President shall be absent or unable to act. If both the President and the Vice President are unable to act, the Board of Directors shall appoint some other member of the Board to act on an interim basis. The Vice President shall also perform such duties as shall from time to time be imposed upon him/her by the Board of Directors.

4.4 **Secretary**. The Secretary shall keep the minutes of all meetings of the Board of Directors and of the Association and shall have charge of the Association's books and records, and shall, in general, perform all duties incident to the office of the Secretary. The Secretary shall be responsible for maintaining the Membership List for the Association.

4.5 **Treasurer**. The Treasurer shall have responsibility for the Association's funds and shall be responsible for keeping full and accurate records of all receipts and disbursements and financial records and books of account on behalf of the Association. He/she shall be responsible for the deposit of all monies and all valuable effects in the name, and to the credit, of the Association in such depositories as may from time to time be designated by the Board of Directors. The Treasurer shall also be responsible for the billing and collection of all common and special charges and assessments made by the Association. The Treasurer shall count votes at meetings of the Association.

4.6 **Assistants**. The Board of Directors shall have the power to appoint any person to act as assistant to any officer, and such assistant so appointed by the Board of Directors shall have the power to perform all the duties of the office to which he/she is so appointed to be assistant, except as such power may be otherwise defined or restricted by the Board of Directors.

4.7 **Compensation**. No officer of the corporation shall receive any fee or other compensation for service rendered to the Association except by specific resolution of the Owners. Any officer may, however, be reimbursed for actual expenses incurred in the performance of duties. Further, any officer may be hired by and compensated by the Association for services outside the scope of such individuals duties as an officer.

4.8 **Agreements, Contracts, Deeds, Checks, Etc**. The Board of Directors may authorize the President and Secretary, to enter into any contract or execute or deliver any instrument in the name of and on behalf of the Association, and such authorization may be general or confined to specific instances. In the absence of other designation, all deeds, mortgages and instruments of assignment or pledge made by the Association shall be executed in the name of the Association by the President or one of the Vice-Presidents and the Secretary, an Assistant Secretary, the Treasurer or an Assistant Treasurer; the Secretary or an Assistant Secretary, when necessary or required, shall affix the

corporate seal, if thereby one, thereto and when so executed, no other party to such instrument or any third party shall be required to make any inquiry into the authority of the signing officer or officers.

No indebtedness for borrowed money shall be contracted on behalf of the Association and no evidences of such indebtedness shall be issued in its name unless authorized by or under the authority of a resolution of the Board of Directors. Such authorization may be general or confined to specific instances. All checks, drafts, or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the association shall be signed by the President and Secretary only.

ARTICLE V

Liability and Indemnification of Officers and Directors

5.1. **Liability of Directors and Officers**. A Director or Officer of the Association shall not be liable to the Association, the Owners, or any person asserting rights on behalf of the Association or the Owners, for damages, settlements, fees, fines, penalties or other monetary liabilities arising from a breach of, or failure to perform, any duty resulting solely from such person's status as a director and/or officer, unless the person asserting liability proves that the breach or failure to perform on the part of such director and/or officer constitutes any of the following: (a) a willful failure to deal fairly with the Association or its Owners in connection with the matter in which the director or officer has a material conflict of interest; (b) a violation of criminal law, unless the director or officer had reasonable cause to believe his or her conduct was lawful or no reasonable cause to believe his or her conduct was unlawful; (c) a transaction from which the director or officer derived an improper personal profit; (d) willful misconduct or (e) in violation of the Declaration and/or these Bylaws. It is intended that the members of the Board of Directors shall have no personal liability with respect to any contract made by them on behalf of the Association. It is also intended that the liability of any Owner arising out of any contract made by the Board of Directors or out of the indemnity in favor of the members of the Board of Directors shall be limited to such proportion of the total liability thereunder as his/her interest in the Common Elements bears to the interests of all the Lots in the Common Elements. Every agreement made by the Board of Directors or by a managing agent or by a manager on behalf of the Association shall provide that the members of the Board of Directors, or the managing agent or the manager, as the case may be, are acting only as agents for the HOA and shall have no personal liability thereunder.

5.2. **Indemnity of Officers and Directors**. Every person who is or was a Director or officer of the Association, shall (together with their heirs, executors and administrators of such person) be indemnified to the full extent permitted under the law whether or not such right of indemnification is otherwise specifically required or authorized by the Statutes, by the Association against all costs, damages and expenses including attorneys fees, judgments, fines and amounts paid in settlement asserted against, incurred by or imposed upon him/her in connection with or resulting from any claim, action, suit or proceeding, including civil, administrative, investigative and criminal proceedings, to which he/she is made or threatened to be made a party by reason of his/her being or having been such Director or officer except in relation to matters as to which a recovery shall be had against him/her by reason of his/her having been finally adjudged in such action, suit or proceeding to have been guilty of fraud in the performance of his/her duty as such officer or Director. This indemnity shall include

reimbursement of amounts and expenses incurred and paid in settling any such claim, action, suit or proceeding. In the case of a criminal action, suit or proceeding, a conviction or judgment (whether based on a plea of guilty or nolo contenders or its equivalent, or after trial) shall not be deemed an adjudication that such Director or officer was acting in bad faith in what he/she considered to be the best interests of the Association and with no reasonable cause to believe that the action was illegal.

The Association, by its Board of Directors, may indemnify in like manner, or with any limitations, any employee or former employee of the Association with respect to any action taken or not taken in his/her capacity as such employee.

The foregoing rights of indemnification shall be in addition to all rights to which officers, directors or employees may be entitled as a matter of law. The Association specifically adopts the indemnification provisions of §§181.04 to 181.053, inclusive, of the Wisconsin Nonstock Association Law ("Statute") and all revisions and/or amendments thereto. The adoption of the indemnification provisions in the Statutes shall not limit the scope of indemnification otherwise provided in the Bylaws. The rights to indemnification granted hereunder shall not be deemed exclusive of any other rights to indemnification against Liabilities or the advancement of Expenses which Director or Officer may be entitled under any written agreement, board resolution, vote of the Owners, the Statute or otherwise. All capitalized terms used in this Article V and not otherwise defined herein shall have the meaning set forth in §181.041 of the Statute.

5.3. **Insurance**. The Association may purchase and maintain insurance on behalf of any person who is or was a Director, officer, employee or agent of the Association against any and all liabilities asserted against him/her and incurred by him/her in any such capacity or arising out of his/her status of such whether or not the Association would have the power to indemnify him/her against such liability under the provisions of the Statutes and under this Article V.

5.4. **Notice to the Association**. A Director or Officer shall promptly notify the Association in writing when he or she has actual knowledge of circumstances which may result in a claim of indemnification pursuant to this Article V, but the failure to do so shall not relieve the Association of any liability to the Director or Officer hereunder unless the Association shall have been irreparably prejudiced by such failure.

5.5. **Severability**. If any provision of this Article V shall be deemed invalid or inoperative, or if a court of competent jurisdiction determines that any of the provisions of this Article V contravene public policy, this Article V shall be construed so that the remaining provisions shall not be affected, but shall remain in full force and effect, and any such provisions which are invalid or inoperative or which contravene public policy shall be deemed, without further action or deed by or on behalf of the Association, to be modified, amended and/or limited, but only to the extent necessary to render the same valid and enforceable.

5.6. **Contractual Nature of Article V, Repeal or Limitations of Rights**. This Article V shall be deemed to be a contract between the Association and each Director, officer, employee or agent of the Association and any repeal or other limitation of this Article V or any repeal or limitation of the Statutes or any other applicable law shall not limit any rights of indemnification then existing

or arising out of events, acts or omissions occurring prior to such repeal or limitation, including, without limitation, the right to indemnification for proceedings commenced after such repeal or limitation to enforce this Article V with regard to acts, omissions or events arising prior to such repeal or limitation.

5.7. **Director Conflicts of Interest**. No contract or other transaction between the Association and one or more of its directors or any other corporation, firm, association or entity in which one or more of its directors are directors, officers or employees or are financially interested, shall be either void or voidable because of such relationship or interest or because such director or directors are present at the meeting of the Board of Directors or a committee thereof which authorizes, approves or ratifies such contract or transaction or because his, her or their votes are counted for such purpose, if: (a) the fact of such relationship or interest is disclosed or known to the Board of Directors or committee which authorizes, approves or ratifies the contract or transaction by a vote or consent sufficient for the purpose without counting the votes or consents of such interested directors; or (b) the fact of such relationship or interest is disclosed or known to the Owners and they authorize, approve or ratify such contract or transaction by vote or written consent; or (c) the contract or transaction is fair and reasonable to the Association. Common or interested directors may be counted in determining the presence of a quorum of a meeting of the Board of Directors or a committee thereof which authorizes, approves or ratifies such contract or transaction. This Section shall not be construed to invalidate any contract or other transaction which would otherwise be valid under the common or statutory law applicable thereto.

ARTICLE VI

Operation of the Subdivision

6.1 **The Association**. The Association, acting through the Board of Directors, shall be responsible for administration, maintenance, management and operation of the Subdivision in accordance with the Deed Restrictions, the Articles of Incorporation, and these By-Laws. The Association, by resolution of the Board of Directors, shall have full power and authority to borrow money on behalf of the Association, provided that any single Association loan or mortgage involving a sum greater than ten percent (10%) of the current annual budget, shall first be approved by the Owners at an annual or special meeting called for such purpose. The foregoing limit shall not apply to any contract entered into by the Association relating to management, maintenance, repair and/or replacement costs for the Subdivision unless the contract includes the actual purchase of real property or tangible personal property at a purchase price in excess of such limit. The Association may, to the extent it deems advisable, contract for management services or a managing agent with respect to the administration and operation of the Association.

6.2 **Rules and Regulations**. The Association, through the Board of Directors, may from time to time adopt rules and regulations governing the operation, maintenance and use of the Common Areas of the Subdivision. Such rules and regulations of the Association shall not be inconsistent with the terms of the Deed Restrictions or the contracts, documents and easements referred to in the Deed Restrictions, and shall be designed to prevent unreasonable interference with the use of the respective

Common Areas by persons entitled thereto. The Owners, their lessees or guests, and any occupants of a Lot shall conform to and abide by all such rules and regulations. A violation of any such rules or regulations shall constitute a violation of the Deed Restrictions. The Association through its Board of Directors shall designate such means of enforcement thereof as it deems necessary and appropriate. The rules and regulations may be adopted, altered and amended or repealed by either the Owners or the Board of Directors, in each case by an affirmative vote of sixty-seven percent (67%) or more of the votes present or represented at a meeting at which a quorum is in attendance, provided that no rule or regulation adopted by the Owners shall be amended or repealed by the Board of Directors if the rule or regulations so adopted so provides.

6.3 **Common Expenses**. The Board of Directors shall determine the common expenses of the Association, and shall prepare an annual operating budget for the Association in order to determine the amount of the assessments payable by each Owner to meet the estimated common expenses of the Association for the ensuing year. The amounts required by such budget shall be assessed against the Lots and allocated among the Owners according to their respective percentages of Lot ownership. The assessments shall be made on an annual basis and shall bear interest thirty (30) days after Notice of Assessment is mailed to an Owner at the prevailing prime rate of interest, determined as of the first day of each month by the bank handling the Association accounts, until paid in full. If delinquent for more than thirty (30) days, the Association may pursue foreclosure or collection action pursuant to Section 6.5 herein. In the event the annual budget and assessments are not determined prior to the beginning of a fiscal year of the Association, the assessment for the prior year shall remain in effect until revised by the Board of Directors.

6.4 **Operating Budget**. The annual operating budget shall provide for two funds, one of which shall be designated the "operating fund" and the other the "reserve fund". The operating fund shall be used for all common expenses which occur annually or more frequently, such as amounts required for the cost of maintenance and repair of the Common Areas (as defined in the Deed Restrictions), real estate taxes for Common Areas, management services, insurance, common services and utilities, administration, materials and supplies. The reserve fund shall be used for contingencies and periodic expenses such as landscape replacement. In the event the Association incurs extraordinary expenditures not originally included in the annual budget, then such sums as may be required in addition to the operating fund may be charged against the reserve fund. In the event that both funds prove inadequate to meet the necessary common expenses, or at the discretion of the Board of Directors, the directors may levy further assessment(s) against the Owners.

The reserve fund may also be used to discharge mechanic's liens or other encumbrances levied against the Common Areas, if resulting from action by the Association. The Owner or Owners responsible for any lien which is paid by the Association but not the obligation of the Association shall be specially assessed for the full amount thereof and the Association may pursue foreclosure or collection of each assessment pursuant to Section 6.5 herein if the Owner fails to pay the assessment within thirty (30) days of notice of the amount assessed. The directors may also use the reserve fund for the maintenance and repair of any Lot, if such maintenance and repair, although the obligation of the Owner, is necessary to protect the Common Areas. The full amount of the cost of any such maintenance or repair shall be specially assessed to the Owner responsible therefor and the Association may pursue foreclosure or collection of such assessment pursuant to Section 6.5 herein

if the Owner fails to pay the assessment within thirty (30) days of notice of the amount assessed. Any charges against the reserve fund in accordance with the foregoing paragraphs which are not otherwise repaid to the fund shall be replenished by additional assessments against the Owners in subsequent years.

The annual budget shall be prepared and determined by December 1 of each calendar year. The Board of Directors shall advise all Owners in writing of the amount of common assessments payable on behalf of each Lot by the date of the annual meeting and shall furnish copies of the budget on which such common assessments are based to each Owner.

6.5 **Insurance by Association**. The Association shall obtain and continue in effect policies of insurance providing coverage for the Association, specifically the Common Elements, against loss or damage by fire or other hazard and against liability claims. The Association shall be the named insured individually and as trustee for each of the Owners and their mortgagees. The amount of protection and the types of hazards to be covered shall be reviewed at least annually by the Association and the amount of coverage may be increased or decreased at any time as deemed appropriate by the Directors of the Association to conform to the requirements of paragraph (b) hereof. The provisions of this section and any insurance provided pursuant hereto shall be without prejudice to the right of each Owner to insure his, her or its own Dwelling and Lot for personal benefit provided, however, that no Owner shall be entitled to maintain insurance in such a way as to decrease the amount which the Association may realize as trustee under any insurance policy provided by reason of this section.

a. **Assessment of Premiums**. Premiums for policies of insurance obtained by the Association shall be common expenses assessable to the Owners in accordance with the Declaration. Unless otherwise provided in the Bylaws, such premiums shall be charged to the Owners as they become due and each Owner shall promptly pay his/her portion of such insurance premium upon receiving a statement therefor from the Association. If the same is not paid by the Owner when due, the unpaid balance shall be paid by the Association and shall constitute a special assessment that is a delinquent whereby the Association shall retain all rights set forth in the Declaration to collect.

b. **Coverage**. The Association shall provide the following types of insurance coverage:

(1) **Property Insurance**. All Common Elements shall be protected with an all risk property insurance policy for not less than full replacement value with an inflation-guard endorsement as determined by the Association. Such insurance shall provide that the insurer waives its rights of subrogation as to any claim against Owners, the Association and their respective employees, servants, agents and guests, and that the insurance cannot be cancelled, invalidated nor suspended on account of conduct of any one or more Owners or the Association or their employees, servants, agents and guests without thirty (30) days prior written notice to the Association, giving it an opportunity to cure the defect within that time.

(2) **Liability Insurance**. Public liability insurance in such amounts and with such other coverage as shall be determined by the Association. Such policy shall insure each Owner, the Association, its officers, directors, the manager or managing agent engaged by the Association if one and their respective employees and agents from liability in connection with the Common Elements and shall also insure the officers and directors of the Association from liability for good faith action beyond the scope of their respective authorities.

(3) **Workers Compensation**. Workers compensation insurance shall be provided by the Association to the extent necessary to comply with applicable state law.

(4) **Other Insurance**. Such other insurance as the Association shall from time to time determine to be desirable may be purchased and assessed to the Owners.

c. **Use of Proceeds**. Insurance proceeds shall first be disbursed by the Association as trustee for the repair or restoration of the damaged Common Elements.

6.6 **Repair and Reconstruction After Damage**. In the event of any damage to or destruction of the Common Elements as a result of fire or other casualty or otherwise, the Board of Directors is authorized to and shall arrange for the prompt repair and reconstruction and the Board of Directors or the insurance trustee, as the case may be, shall disburse the proceeds of all insurance policies to the contractors engaged in such repair and reconstruction in excess of the appropriate progress payments. Any cost of such repair and reconstruction in excess of the insurance proceeds shall constitute a common expense and the Board of Directors may access all the Owners for such deficit as part of the common charges or may utilize the Association's reserve fund to cover any such excess costs and expenses at the sole discretion of the Board of Directors.

By acceptance of the deed to his/her/its Lot, each Owner shall be deemed to have consented to the foregoing authorization and direction for repairs and reconstruction. Such authorization and direction shall be deemed continuous action by the Association by unanimous consent pursuant to Article III, Section 3.13 of these Bylaws of the Owners

6.7 **Abatement and Enjoining of Violations**. The violation of any rule or regulation adopted by the Board of Directors, or the breach of any Bylaw contained herein, or the breach of any provision of the Declaration, shall give the Board of Directors the right, in addition to any other rights set forth in these Bylaws, ten (10) days after the delivery of written notice detailing the violation by the Owner: (a) To enter the Lot in which, or as to which, such violation or breach exists and to summarily abate and remove at the expense of the defaulting Owner, any obstruction, thing or condition that may exist therein contrary to the intent and meaning of the provisions hereof, and the Board of Directors shall not thereby be deemed guilty of any manner of trespass: or (b) to enjoin, abate or remedy such thing or condition by appropriate legal proceedings.

6.8 **Maintenance and Repair**. The Association shall be responsible for the management and control of the Common Elements and shall cause the same to be maintained, repaired and kept in

good, clean and attractive condition, order and repair. Without in any way limiting the foregoing, the Association shall be responsible, at Association expense (unless necessitated by the negligence or misuse of an Owner, in which case such expense shall be charged and specially assessed to such Owner), for accomplishment of all landscaping, grass cutting, weed control and general maintenance of the Common Elements. All maintenance, repairs and replacements shall be as specified in the Declarations. If the Declarations fail to address any issue of maintenance, repairs or replacements, the Board of Directors shall determine the course of action.

6.9 **General Lot Maintenance**. Except as otherwise provided in Section 6.8, the Owner of any Lot shall have the duty of, and responsibility for, keeping its property, improvements, appurtenances and landscaping in a well-maintained, safe, clean and attractive condition at all times. Although the Owner may by contract require tenants or occupants to perform these duties, the Owner shall be responsible to the Association for duties arising under this Section. All grass, trees and shrubbery must be kept in good condition and appearance at all times. All grass must be cut whenever necessary and weeds must be controlled. Each Owner shall be responsible for removal of any rubbish or trash of any character which may accumulate.

6.10 **Default and Liens**. All annual and special assessments allowed to be assessed pursuant to these by-laws, the Deed Restrictions, the Articles of Incorporation or otherwise allowed by law, until paid, together with interest and actual costs of collection including actual attorney's fees, constitute a lien for the benefit of the Association on the Lot on which they are assessed. If an Owner is in default in payment of any charges or assessments for a period of more than thirty (30) days, the Board of Directors, in the name of the Association, may file liens therefor and bring suit for and on behalf of the Association, as representative of all Owners, to enforce collection of such delinquencies or to foreclose the lien therefor, as provided by law and Deed Restrictions, and there shall be added to the amount due the costs of collection and interest, together with actual attorney fees. Liens shall be signed and verified on behalf of the Association by any officer of the Association. The Owners of a Lot against which a lien has been filed shall not be entitled to vote at Association meetings until the lien has been paid in full.

ARTICLE VII

Mortgages

7.1 Notice to Board of Directors. An Owner who mortgages his/her/its Lot shall notify the Board of Directors of the name and address of his/her/its mortgagee and shall file a conformed copy of the note and mortgage with the Board of Directors. The Board of Directors shall maintain such information in a book entitled "Mortgages of Lots".

7.2 Notice of Unpaid Common Charges. The Board of Directors, whenever so requested in writing by a mortgagee of a Lot, shall promptly report any then unpaid assessments or other default by the Owner of the mortgaged Lot.

7.3 Notice of Default. The Board of Directors, when giving notice to a Owner of a default in paying common charges or other default, shall send a copy of such notice to each holder of a mortgage covering such Lot whose name and address has theretofore been furnished to the Board of Directors.

7.4 Examination of Books. Each mortgagee of a Lot shall have the same right to inspect the books and accounts of the property as does a Owner, as declared herein.

ARTICLE X

Records

The Board of Directors or the managing agent shall keep detailed records of the actions of the Board of Directors and the managing agent, minutes of the meetings of the Board of Directors, minutes of the meetings of the Owners, and financial records and books of account of the Association, including a chronological listing of receipts and expenditures, as well as a separate account of each Lot which, among other things, shall contain the amount of each assessment against such Lot, the date when due, the amounts paid thereon, and the balance remaining unpaid. A written report summarizing all receipts and expenditures of the Association shall be rendered by the Board of Directors to all Owners at least annually.

ARTICLE VIII

Duties and Obligations of Owners

8.1 **Rules and Regulations**. Each Lot shall be occupied and used in accordance with the Deed Restrictions, the Articles of Incorporation, these By-Laws, and the rules and regulations adopted by the Association from time to time.

8.2 **Enforcement**. The rules and regulations contained in the by-laws, the Deed Restrictions and other rules and regulations adopted by the Association shall be enforced by such means as the Association deems necessary and appropriate, including recourse to civil authorities, court action if necessary, and monetary fines of up to Fifty Dollars ($50.00) per violation to be charged and assessed against the Owners who violate or whose guests violate such rules and regulations. Such fines shall be charged and assessed against a Lot and may be enforced and collected as an assessment for common expenses, including the foreclosure of a lien therefor, all pursuant to the provisions of the Deed Restrictions the Articles of Incorporation, these By-Laws and any rules and regulations adopted by the Association.

ARTICLE IX

General

9.1 **Fiscal Year**. The fiscal year of the Association shall begin on the first day of January and the end of the last day of December in each year, unless a different fiscal year is elected on the first annual tax return filed by the Association.

9.2 **Address**. The mailing address of the Association shall be the President of the Association or such other address as may be designated by the Board of Directors from time to time.

9.3 **Seal**. The Association shall have no corporate seal.

9.4 **Registered Agent**. The Registered Agent shall be designated by the Board of Directors.

ARTICLE X

Amendments

10.1 **By Members**. These By-Laws may be altered, amended or repealed and new By-Laws may be adopted by the Owners, at any meeting called for that purpose, by the affirmative vote of Owners having sixty-seven percent (67%) or more of the votes, present at such a meeting where a quorum is present in the Association.

10.2 **Rights of Developer**. No amendment of these By-Laws shall alter or abrogate the rights of Developer as contained in these By-Laws or the Deed Restrictions.

ARTICLE XI

Miscellaneous

11.1 **Record of Ownership**. Every Owner shall promptly cause to be duly recorded or filed of record the deed, assignment or other conveyance of such Lot or other evidence of such Owner's title thereto, and shall present such evidence of title and file any lease with the Board of Directors, and the Secretary shall maintain all such information in the Membership List of the Association.

11.2 **Statement of Assessments**. The Board of Directors or Treasurer of the Association, at the request of any mortgagee or any prospective purchaser of any Lot or interest therein, shall provide a statement to such person as to the amount of any assessments against such Lot then due and unpaid, within ten (10) business days after such request is received.

11.3 **Subordination**. These By-Laws are subordinate and subject to all provisions of the Statute, and the Deed Restrictions and any amendments thereto, which shall control in case of any conflict.

11.4 **Definition of Terms**. All terms herein (except where specifically defined herein or clearly repugnant to the context) shall have the same meanings as in the Deed Restrictions or the Statute whereby the definitions set forth in the Declaration shall control if there are any conflicts between the Declaration and the Statute definitions.

11.5 **Interpretation**. In case any provision of these Bylaws shall be held invalid, such invalidity shall not render invalid any other provision hereof which can be given effect. Nothing in these By-Laws shall be deemed or construed to authorize the Association or Board of Directors to conduct or engage in any active business for profit on behalf of any or all of the Owners.

11.6 **Number and Gender**. Whenever used herein, unless the context shall otherwise provide, the singular number shall include the plural, the plural shall include the singular, and the use of any gender shall include all genders including neutral for entities.

11.7 **Notices**. All notices to the Board of Directors shall be sent (a) by registered or certified mail to the mailing address of the Owners set forth on the Membership List, or to such other address as the Board of Directors may hereafter designate from time to time; or (b) delivered in person to an Owner of that Lot. All notices to mortgagees of Units, shall be sent by registered or certified mail to their respective addresses, as designated by them from time to time, in writing, to the Board of Directors. All notices shall be deemed to have been given when mailed or personally delivered, except notices of change of address which shall be deemed to have been given when received.

11.8 **Captions**. The captions herein are inserted only as a matter of convenience and for reference, and in no way define, limit or describe the scope of these Bylaws or the intent of any provision thereof.

11.9 **Waiver**. No restriction, condition, obligation or provision contained in these Bylaws shall be deemed to have been abrogated or waived by reason of any failure to enforce the same, irrespective of the number of violations or breaches thereof which may occur.

11.10 **Arbitration**. In the event a vote by Owners at a duly called meeting should result in a tie regarding an issue put to the Owners, the Owners may elect to submit the issue to arbitration, pursuant to the rules of the American Arbitration Association, upon a two-thirds (2/3) vote of all Owners entitled to vote, in favor of submitting the issue to arbitration.

11.11 **Fiscal Year**. The fiscal year of the Association shall be the calendar year.