

BY-LAWS OF
LOT 51 WALDEN HILLS HOMEOWNERS ASSOCIATION

ARTICLE I

Identification and Applicability

Section 1.01. Identification and Adoption. These By-Laws are adopted simultaneously with the execution of a certain Declaration of covenants, conditions and restrictions for the Resubdivision of Lot 51 Walden Hills, hereinafter the "Declaration". Said Declaration is incorporated herein by reference, and all of the covenants, rights, restrictions and liabilities therein contained shall apply to and govern the interpretation of these By-Laws. The definitions and terms as defined and used in the Declaration shall have the same meaning in these By-Laws and reference is specifically made to Article I of the Declaration containing definitions of terms. The provisions of these By-Laws shall apply to the Property and the administration and conduct of the affairs of Lot 51 Walden Hills Homeowners Association. In the event of any conflict between these By-Laws and the Declaration, then the provisions of the Declaration shall control.

Section 1.02. Individual Application. All of the Owners, future Owners, tenants, future tenants, or their guests and invitees, or any other person that might use or occupy a lot or any part of the Property shall be subject to the rules, restrictions, terms and conditions set forth in the Declaration and these By-Laws.

ARTICLE II

Meetings of Association

Section 2.01. Purpose of Meetings. At least annually and at such other times as may be necessary, the meetings of the Owners shall be held for the purpose of electing the Board of Directors, approving the annual budget, providing for the collection of Common Expenses and assessments, and for such other purposes as may be required by the Declaration and these By-Laws.

Section 2.02. Annual Meetings. The annual meeting of the members of the Association shall be held on the third Tuesday of January in each calendar year. At the annual meeting the Owners shall elect the Board of Directors of the Association in accordance with the provisions of these By-Laws and transact such other business as may properly come before the meeting.

(a) Conduct of Meeting. The Chairman of the meeting shall be the President of the Association. He shall call the meeting to order at the duly designated time and business will be conducted in the following order:

(1) Reading of Minutes. The Secretary shall read the minutes of the last annual meeting and the minutes of any special meeting held subsequent thereto.

(2) Treasurer's Report. The Treasurer shall report to the Owners concerning the financial condition of the Association and answer relevant questions of the Owners concerning the Common Expenses and financial report for the prior year and the proposed budget for the current year.

(3) Budget. The proposed budget for the current calendar year shall be presented to the Owners for approval or amendment.

(4) Election of Board of Directors. Nominations for the Board of Directors may be made by any Owner from those persons eligible to serve. Such nominations must be in writing and presented to the Secretary of the Association at least ten (10) days prior to the date of the annual meeting. Voting for Board of Directors will be by paper ballot. The ballot shall contain the name of each person nominated to serve as a Board member. Each Owner may cast the total number of votes to which he is entitled for as many nominees as are to be elected; however, he shall not be entitled to cumulate his votes. Those persons receiving the highest number of votes shall be elected. All voting for election of the members of the Board of Directors shall be conducted by secret written ballot.

(5) Other Business. Other business may be brought before the meeting only upon a written request submitted to the Secretary of the Association at least ten (10) days prior to the date of the meeting; provided, however, that such written request requirement may be waived at the meeting if agreed by the Chairman or by a majority of the members present and entitled to vote.

(6) Adjournment.

Section 2.03. Special Meetings. A special meeting of the members of the Association may be called by the President, by resolution of the Board of Directors or upon a written petition of the Owners who have not less than

twenty-five percent (25%) of the Class A membership votes. The resolution or petition shall be presented to the President or Secretary of the Association and shall state the purpose for which the meeting is to be called. No business shall be transacted at a special meeting except as stated in the petition or resolution.

Section 2.04. Notice and Place of Meetings. All meetings of the members of the Association shall be held at any suitable place in Iowa City, Johnson County, Iowa, as may be designated by the Board of Directors. Written notice stating the date, time and place of any meeting and, in the case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered or mailed by the Secretary of the Association to each Owner and, if applicable, to any Mortgagee not less than ten (10) days prior to the date of such meeting. The notice shall be mailed or delivered to the Owners at their address as it appears in the records of the Association and to a Mortgagee at the address as it appears in the records of the Association. Attendance at any meeting in person or by proxy shall constitute a waiver of notice of such meeting.

Section 2.05. Substitute Annual Meeting. If the annual meeting shall not be held on the day designated by the By-Laws, a substitute annual meeting may be called in accordance with the provisions of Section 2.04 of this Article. A meeting so called shall be designated and treated for all purposes as the annual meeting.

Section 2.06. Voting.

(a) Number of Votes. To avoid fractional votes and to facilitate the orderly conduct of the meeting, each Owner shall be entitled to cast that number of votes on each matter coming before the meeting which is equal to the vote to which the Owner is entitled as provided in the Declaration.

For the purposes of the conducting of meetings and voting at meetings, the Declarant shall be considered included within the term "Owner" for the purposes of these By-Laws. Voting rights shall be determined in accordance with the Declaration as follows:

Class A - Class A members shall be all Owners with the exception of the Declarant and shall be entitled to one vote for each Lot owned. When more than one person holds an interest in any Lot, all such persons shall be members. The vote for such Lot shall be exercised as they among themselves determine, but in no event shall more than one vote be cast with respect to any Lot.

Class B - The Class B member(s) shall be the Declarant and shall be entitled to three (3) votes for each Lot owned. The Class B membership shall cease and be converted to Class A membership when the total votes outstanding in the Class A membership equal the total votes outstanding in the Class B membership. Provided, however, that such conversion of Class B membership must, in any event, take place on or before January 1, 2001.

(b) Multiple Owner. Where the Owner of a Lot constitutes more than one person, or is a partnership, there shall be only one voting representative entitled to all the vote allocable to that Lot. In the event the Owners of one Lot cannot agree on how a vote shall be cast, they shall forfeit their voting right on such issue as fractional voting shall not be permitted. At the time of acquisition of title to a Lot by a multiple Owner or a partnership, those persons constituting such Owner or the partners shall file with the Secretary of the Association a proxy appointing one of such persons or partners as the voting representative for such Lot, which shall remain in effect until such appointed representative relinquishes such appointment in writing, becomes incompetent, dies, such appointment is rescinded by an order of a court of competent jurisdiction or the subject Lot which forms the basis of the vote is conveyed. Such appointed voting representative may grant a proxy to another to vote in such Representative's place at a particular meeting or meetings pursuant to paragraph (d) of this Section 2.06, which shall not constitute a permanent relinquishment of such Representative's right to act as voting representative for the Lot.

(c) Voting by Corporation or Trust. Where a corporation or trust is an Owner or is otherwise entitled to vote, the trustee may cast the vote on behalf of the trust and the agent or other representative of the corporation duly empowered by the Board of Directors of such corporation shall cast the vote to which the corporation is entitled. A mortgagee shall not be entitled to vote unless the mortgagee has become an Owner of any Lot.

(d) Proxy. An Owner may vote either in person or by such owner's duly authorized and designated attorney-in-fact. Where voting is by proxy, the Owner shall duly designate such owner's attorney-in-fact in writing, delivered to the Association prior to the commencement of the meeting.

(e) Quorum. Except as otherwise expressly provided in the Declaration or these By-Laws, the Owners representing fifty percent (50%) of the votes entitled to be cast shall constitute a quorum at all meetings. The term majority of Owners or majority of vote, as used in these By-Laws, shall mean the

Owners entitled to not less than fifty-one percent (51%) of the votes in accordance with the Declaration, as such may be amended from time to time.

ARTICLE III

Board of Directors

Section 3.01. The affairs of the Association shall be governed and managed by the Board of Directors (herein collectively called "Board" or "Directors" and individually called "Director"). The Board of Directors shall be composed of three persons. No person shall be eligible to serve as a Director unless such person is an Owner or is appointed by the Declarant. Where an Owner consists of more than one person or is a partnership, corporation, trust or other legal entity, then one of the persons constituting the multiple Owner, or a partner or an officer or trustee shall be eligible to serve on the Board of Directors, except that no single Lot may be represented on the Board of Directors by more than one person at a time.

Section 3.02. Board of Directors. Until the first annual meeting, the Board of Directors shall be Bill Happel, Gary Miller and Myles N. Braverman, all of whom have been appointed by the Declarant.

Section 3.03. Term of Office and Vacancy. The Board of Directors shall be elected at each annual meeting of the Association. Directors shall hold office for a term of one (1) year or until their successors have been duly elected and qualified.

Any vacancy or vacancies occurring in the Board shall be filled by a vote of a majority of the remaining Directors or by vote of the Owners if a Director is removed in accordance with Section 3.04 of this Article III.

Section 3.04. Removal of Directors. A Director or Directors, except the initial Directors, may be removed with or without cause by a majority of the votes entitled to be cast at a special meeting of the Owners duly called and constituted. In such case, such Director's successor shall be elected at the same meeting from eligible Owners nominated at the meeting. A Director so elected shall serve until the next annual meeting of the Owners or until such Director's successor is duly elected and qualified.

Section 3.06. Duties of the Board of Directors. The Board of Directors shall provide for the administration of the Association, the maintenance and upkeep, including the maintenance and replacement of the equipment and

improvements thereon of the Common Areas, and the collection and disbursement of the Common Expenses and assessments. These duties include, but are not limited to:

(a) protection and surveillance of the Common Areas and repair and replacement of the improvements thereon;

(b) procuring of utilities used in connection with the Common Areas, removal of garbage and waste, lawn care and snow removal from the Common Area and the walks and driveways located on the lots within the subdivision;

(c) landscaping and maintenance of the Common Areas;

(d) surfacing, paving and maintaining driveways located in the Common Area;

(e) assessment and collection from the Owners of the Owner's pro rata share of the Common Expenses and assessments;

(f) preparation of an annual budget, a copy of which will be mailed or delivered to each Owner at the same time as the notice of annual meeting is mailed or delivered;

(g) preparing and delivering annually to the Owners a full accounting of all receipts and expenses incurred in the prior year; such accounting shall be delivered to each Owner simultaneously with delivery of the annual budget;

(h) keeping a current, accurate and detailed record of receipts and expenditures affecting the Property, specifying and itemizing the Common Expenses and assessments; all records and vouchers shall be available for examination by an Owner at any time during normal business hours. All records and vouchers shall also be available for examination by the holder of any first mortgage lien on any unit or units at any time during normal business hours.

Section 3.07. Powers of the Board of Directors. The Board of Directors shall have such powers as are reasonable and necessary to accomplish the performance of their duties. These powers include, but are not limited to, the power:

(a) to employ a managing agent or a real estate management company (either being hereinafter referred to as "Managing Agent") to assist the Board in performing its duties;

(b) to purchase for the benefit of the Owners such equipment, materials, labor and services as may be necessary in the judgment of the Board of Directors;

(c) to procure public liability and property damage insurance and Workmen's Compensation insurance, if necessary, for the benefit of the Owners and the Association;

(d) to employ legal counsel, architects, contractors, accountants and others as in the judgment of the Board of Directors may be necessary or desirable in connection with the business and affairs of the Association;

(e) to include the costs of all of the above and foregoing as Common Expenses and assessments and to pay all of such costs therefrom;

(f) to consent to amendments to the Declaration as therein provided;

(g) to adopt, revise, amend and alter from time to time reasonable rules and regulations with respect to use, occupancy, operation and enjoyment of the Property;

(h) to open and maintain a bank account or accounts in the name of the Association; and

(i) to perform such duties as are consistent with the Declaration.

Section 3.08. Limitation on Board Action. The authority of the Board of Directors to enter into contracts shall be limited to contracts involving a total expenditure of less than \$10,000.00 without obtaining the prior approval of a majority of Owners, except in the following cases:

(a) contracts for replacing or restoring portions of the Common Areas damaged or destroyed by fire or other casualty where the cost thereof is payable out of insurance proceeds actually received;

(b) proposed contracts and proposed expenditures expressly set forth in the proposed annual budget as approved by the Owners at the annual meeting.

Section 3.09. Compensation. No Director shall receive any compensation for any service rendered to the Association except to such extent of reimbursement for actual expenses incurred in the performance of the Directors duties.

Section 3.10. Meetings. Regular meetings of the Board of Directors may be held at such time and place as shall be determined from time to time by a majority of Directors. The Secretary shall give notice of regular meetings of the Board to each Director personally or by United States mail at least five (5) days prior to the date of such meeting.

Special meetings of the Board may be called by the President or any two members of the Board. The person or persons calling such meeting shall give written notice thereof to the Secretary who shall either personally or by mail and at least three (3) days prior to the date of such special meeting, give notice to the Board members. The notice of the meeting shall contain a statement of the purpose for which the meeting is called. Such meeting shall be held at such place and at such time within Iowa City, Johnson County, Iowa, as shall be designated in the notice.

Section 3.11. Waiver of Notice. Before any meeting of the Board, any Director may, in writing, waive notice of such meeting and such waiver shall be deemed equivalent to the giving of such notice. The presence of any Director at a meeting shall, as to such Director, constitute a waiver of notice of the time, place and purpose thereof. If all Directors are present at any meeting of the Board, no notice shall be required and any business may be transacted at such meeting.

Section 3.12. Quorum. At all meetings of the Board a majority of the Directors shall constitute a quorum for the transaction of business and the votes of the majority of the Directors present at a meeting at which a quorum is present shall be the decision of the Board.

Section 3.13. Non-Liability of Directors. The Directors shall not be liable to the Association for any error or mistake of judgment exercised in carrying out their duties and responsibilities as Directors, except for their own individual willful misconduct, bad faith or gross negligence. The Association shall indemnify and hold harmless each of the Directors against any and all liability to

any person, firm or corporation arising out of contracts made by the Board of Directors on behalf of the Association unless any such contract shall have been made in bad faith or contrary to the provisions of the Declaration or By-Laws. It is intended that the Directors shall have no personal liability with respect to any contract made by them on behalf of the Association. Every contract made by the Board shall provide that the Board of Directors, in executing such contract, is acting as Agent for the Association and shall have no personal liability thereunder.

Section 3.14. Additional Indemnity of Directors. The Association shall indemnify any person, such person's heirs, assigns and legal representatives, made a party to any action, suit or proceeding by reason of the fact that such person is or was a Director of the Association, against the reasonable expenses, including attorneys' fees, actually and necessarily incurred by such person in connection with the defense of such action, suit or proceeding, or in connection with any appeal therein, except as otherwise specifically provided herein in relation to matters as to which it shall be adjudged in such action, suit or proceeding that the Director is liable to the Corporation or that the Director improperly received personal benefit. No Director shall be considered or deemed to be guilty of or liable for negligence or misconduct in the performance of such Director's duties where, acting in good faith, such Director relied on the books and records of the Association or statements or advice made by or prepared by the Managing Agent of the Association or any officer or employee thereof, or any accountant, attorney or other person, firm or corporation employed by the Association to render advice or service unless such Director had actual knowledge of the falsity or incorrectness thereof; nor shall a Director be deemed guilty of or liable for negligence or misconduct by virtue of the fact that such Director failed or neglected to attend a meeting or meetings of the Board of Directors.

Section 3.15. Bond. The Board of Directors may require any or all officers and employees of the Association handling or responsible for Association funds to be covered by an adequate bond. The premiums on such bonds if required shall constitute a common expense.

Section 3.16. Informal Action of Directors. Action taken by a majority of the Directors without a meeting is nevertheless Board action if written consent to the action in question is signed by all of the Directors and filed with the minutes of the proceedings of the Board, whether done before or after the action is taken.

ARTICLE IV

Officers

Section 4.01. Officers of the Association. The principal officers of the Association shall be the President, Vice President, Secretary and Treasurer, all of whom shall be elected by the Board. The Directors may appoint an Assistant Treasurer and an Assistant Secretary and such other officers as in their judgment may be necessary. Any two or more offices may be held by the same person, except that the duties of the President and Secretary shall not be performed by the same person.

Section 4.02. Election of Officers. The officers of the Association shall be elected annually by the Board at the initial meeting of each new Board. Upon an affirmative vote of a majority of all members of the Board, any officer may be removed either with or without cause and such Officer's successor elected at any regular meeting of the Board or at any special meeting of the Board called for such purpose.

Section 4.03. The President. The President shall be elected from among the Directors and shall be the chief executive officer of the Association. The President shall preside at all meetings of the Association and of the Board, shall have and discharge all the general powers and duties usually vested in the office of president or chief executive officer of an association or a stock corporation organized under the laws of Iowa, including but not limited to the power to appoint committees from among the Owners as the President may deem necessary to assist in the affairs of the Association and to perform such other duties as the Board may from time to time prescribe.

Section 4.04. The Vice President. The Vice President shall be elected from among the Directors and shall perform all duties incumbent upon the President during the absence or disability of the President. The Vice President shall also perform such other duties as these By-Laws may pre-scribe or as shall, from time to time, be imposed upon the Vice President by the Board or by the President.

Section 4.05. The Secretary. The Secretary shall be elected from among the Directors. The Secretary shall attend all meetings of the Association and of the Board and shall keep or cause to be kept a true and complete record of the proceedings of such meetings, shall perform all other duties incident to the office of the Secretary, and such other duties as from time to time may be prescribed by the Board. The Secretary shall specifically see that all notices of the

Association or the Board are duly given, mailed or delivered, in accordance with the provision of these By-Laws.

Section 4.06. The Treasurer. The Board shall elect from among the Directors a Treasurer who shall maintain a correct and complete record of account showing accurately at all times the financial condition of the Association and such other duties incident to the office of Treasurer. He shall be the legal custodian of all monies, notes, securities and other valuables which may from time to time come into possession of the Association. The Treasurer shall immediately deposit all funds of the Association coming into the Treasurer's hands in some reliable bank or other depository to be designated by the Board and shall keep such bank account in the name of the Association. The Treasurer shall also delegate duties to the management.

Section 4.07. Assistant Officers. The Board of Directors may, from time to time, designate and elect from among the Owners an Assistant Secretary and Assistant Treasurer who shall have such powers and duties as the officers whom they are elected to assist shall delegate to them and such other powers and duties as these By-Laws or the Board of Directors may prescribe.

Section 4.08. Compensation. No officer shall receive compensation from the Association for acting as such unless prospectively approved by a majority vote of the Directors at any regular or special meeting.

ARTICLE V

Assessments

Section 5.01. Annual Accounting. Annually, after the close of each calendar year and prior to the date of the annual meeting of the Association, the Board shall cause to be prepared and furnished to each Owner an unaudited financial statement, which statement shall show all receipts and expenses received, incurred and paid during the preceding calendar year.

Section 5.02. Proposed Annual Budget. Annually, on or before the date of the annual meeting of the Association, the Board of Directors shall cause to be prepared a proposed annual budget for the ensuing calendar year estimating the total amount of the Common Expenses and assessments for the ensuing year and furnish a copy of such proposed budget to each Owner prior to the annual meeting. The annual budget shall be submitted to the Owners at the annual meeting of the Association for adoption and, if so adopted, shall be the basis for the Regular Assessments (hereinafter defined) for the ensuing

calendar year. At the annual meeting of the Owners, the budget may be approved in whole or in part or may be amended in whole or in part by a majority of the votes entitled to be cast at such meeting; provided, however, that in no event shall the annual meeting of the Owners be adjourned until an annual budget is approved at such meeting.

Section 5.03. Regular Assessments.

(a) The annual budget as adopted shall, based on the estimated cash requirement for the Common Expenses and assessments in the ensuing year as set forth in said budget, contain a proposed assessment against each Lot. Immediately following the adoption of the annual budget, each Owner shall be given written notice of such assessment against each respective Lot (herein called the "Regular Assessment"). The Regular Assessment against each Lot shall be paid in equal monthly installments, commencing on the first day of February of such calendar year and on the first day of each calendar month thereafter through and including the following January 1. Payment of the monthly installments of the Regular Assessment shall be made to the Homeowners Association. The Regular Assessment for the year shall become a lien on each separate Unit as of February 1 of each calendar year.

(b) The Common Expenses shall include, but are not limited to, the following:

(1) the expenses, costs and charges incurred in connection with the administration, operations and management of the Association and Common Areas and Facilities;

(2) the cost of maintenance, repair, replacement and restoration of the Common Areas and Facilities, or any part thereof;

(3) The cost of lawn care for the individual Lots and the cost of snow removal from the driveways and walks located on the individual lots;

(4) The cost of the Association's share of the maintenance of the stormwater storage basin located on OL#2 in Walden Hills Subdivision;

(5) the cost of all insurance premiums on all policies of insurance required to be or which have been obtained by the Board of Directors pursuant to the provisions of the Declaration;

(6) such amounts as the Board of Directors may deem proper for the convenience, comfort and well being of the Lot Owners, and for the operation, management, and maintenance of the Property, including, without limitation, an amount for working capital of the Association, for a general operating reserve, for a reserve fund for replacements, and to make up any deficit in the Common Expenses for any prior year; except to the extent that the Declarant is obligated to make up such deficit;

(7) any other expense lawfully agreed upon.

Section 5.04. Special Assessments. From time to time Common Expenses of an unusual or extraordinary nature or not otherwise anticipated may arise. At such time and without the approval of the Owners, unless otherwise provided in these By-Laws or the Declaration, the Board of Directors shall have the full right, power and authority to make special assessments which, upon resolution of the Board, shall become a lien on each Lot in a uniform manner (herein called "Special Assessment").

Section 5.05. Commencement of Assessments. The first annual budget and the regular assessment to be charged against each Lot pursuant to the Declaration shall be determined by the Declarant. Thereafter, the annual budget and the regular assessments to be charged against each Lot pursuant to the Declaration shall be determined by the Owners at the first Annual Meeting of the Association to be held on the third Tuesday in January of each year.

Section 5.06. Failure of Owner to Pay Assessments. Each Owner shall be personally liable for the payment of all Regular, Interim and Special Assessments. Where the Owner constitutes more than one person, the liability of such persons shall be joint and several. If any Owner shall fail, refuse or neglect to make any payment of any Regular, Interim or Special Assessment when due, the lien for such Assessment on the Owner's Lot may be filed and foreclosed by the Board for and on behalf of the Association as provided by law. The Board may, at its option, bring a suit to recover a money judgment for any unpaid Regular, Interim or Special Assessment without foreclosing or waiving the lien securing the same. In any action to recover a Regular, Interim or Special Assessment, whether by foreclosure or otherwise, the Board, for and on behalf of the Association, shall be entitled to recover costs and expenses of such action incurred, including but not limited to reasonable attorneys' fees, from the Owner of the respective Lot.

Section 5.07. Maintenance and Repairs. Every Owner shall promptly perform all maintenance and repair within his own Lot, which, if neglected, would

affect the value of the Property and is the responsibility of the Owner to make personally. Such maintenance and repairs include, but are not limited to, internal water lines, gas lines, telephones, air conditioning, doors, windows, all exterior maintenance to the structure located on a Lot, and outside lighting.

The Association, in the performance of its maintenance duties, may, from time to time, make use of the external water outlets and faucets on the various units, provided, however, that the Association may do so only if it provides monitoring for the amount of water used and reimburses the Owner whose outlet or faucet is used for the amount of water consumed by the Association in the performance of its duties within 90 days from the date or dates of use.

ARTICLE VI

Restrictions on Use

Section 6.01. The following restrictions on the use and enjoyment of the Lots, Common Areas, and the Property shall be applicable to Lot 51 Walden Hills and in addition to those set forth in the Declaration and recorded plats. These are as follows:

(a) All Lots shall be used exclusively for residential purposes and the occupancy for a single family or no more than three unrelated adults.

(b) No waste shall be committed on any Lot or the Common Area.

(c) No industry, trade, or any commercial or religious activity, educational or otherwise, designed for profit, altruism or otherwise, shall be conducted, practiced or permitted on the Property.

(d) No advertising signs, billboards, unsightly objects, or nuisances shall be erected, placed or permitted to remain on the Properties, nor shall said Properties be used in any way or for any purpose which may endanger the health or unreasonably disturb the Owner of any Lot or any resident thereof. No business activities of any kind whatever shall be conducted in any building or in any portion of said Property; provided, however, the foregoing covenants shall not apply to the business activities, signs and billboards, or the construction and maintenance of buildings, if any, of Declarant, its agents and assigns during the construction and sale period of the Declarant, its successors, and assigns.

(e) All Owners and members of their families, their guests, or invitees, and all occupants of any Lot or other persons entitled to use the same and to use and enjoy the Common Areas or any part thereof, shall observe and be governed by such rules and regulations as may from time to time be promulgated and issued by the Board governing the operation, use and enjoyment of the Common Areas.

(f) No boats, campers, trailers of any kind, buses, mobile homes, trucks or any other unconventional vehicles of any description, shall be permitted, to be parked or stored anywhere within the Property; provided, however, that nothing herein shall prevent the parking or storage of such vehicles completely enclosed within a garage.

(g) No Owner shall be allowed to plant trees, landscape or do any gardening in any of the Common Areas, except with express permission from the Board.

Section 6.02. Right of Board to Adopt Rules and Regulations. The Board may promulgate such additional rules and regulations regarding the operation of the Property, including but not limited to the use of the Common Areas, as it may deem necessary from time to time and such rules as are adopted may be amended by a vote of a majority of the Board, and the Board shall cause copies of such rules to be delivered or mailed promptly to all Owners.

ARTICLE VII

Amendment to By-Laws

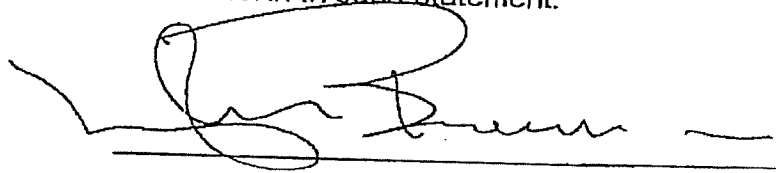
Section 7.01. These By-Laws may be amended by a vote of not less than seventy-five percent (75%) of the vote of the Owners in a duly constituted meeting called for such purpose. Provided, however, that no amendment to these By-Laws which affects the value or quality of the Lots or Common Area may be adopted without the prior approval of the holders of a majority of first mortgage liens upon any Lot or Lots, and provided further that a majority in interest of the mortgages shall have the right to veto any amendment adopted while Class B membership exists. Provided further that no amendment to these By-Laws may be adopted, so long as Class B membership exists, without the prior approval of the Department of Housing and Urban Development if at the time of such Amendment there are outstanding FHA or VA mortgage loans on any Lot to which the Declaration is applicable.

ARTICLE VIII

Mortgagees

Section 8.01. Notice to Association. Any Owner who places a first mortgage lien upon his Lot or the mortgagee being the holder of any such first mortgage lien, shall notify the secretary of the Association and provide the name and address of the mortgagee. A record of such mortgagee and such name and address shall be maintained by the Secretary.

Section 8.02. Notice of Unpaid Assessments. The Association shall, upon request of a mortgagee, a proposed mortgagee or purchaser who has a contractual right to purchase a Lot, furnish to such mortgagee or purchaser a statement setting forth the amount of the unpaid Regular, Interim or Special Assessments against the Lot, which statement shall be binding upon the Association and the Owners, and any mortgagee or grantee of the Lot shall not be liable for nor shall the Lot conveyed be subject to a lien for any unpaid assessments in excess of the amount set forth in such statement.

A handwritten signature in black ink, appearing to be "J. R. Brown", is written over a horizontal line.