

By Laws Phase II

75- 00984

17 JAN 17 PM 3:10 HALCO, INC.
CERTIFIED COPY OF RESOLUTION
ALLEN COUNTY INDIANA Adopted November 1, 1974

KNOW ALL MEN BY THESE PRESENTS, That I, THOMAS M. SHOAFF, the
duly elected, qualified and acting Secretary of Hallco, Inc., and as such
Secretary, having custody of the corporate records and seal of said
corporation:

DO HEREBY CERTIFY THAT the following is a true, correct and
complete copy of a certain resolution relating to the creation of an
Association by the corporation, passed by the Board of Directors of said
corporation at a meeting held on the 1st day of November, 1974,
at the office of the corporation, and which meeting was duly called and
held, and at such meeting a quorum of said Directors was continuously
present and voting, to-wit:

RESOLVED, That the "CODE OF BY-LAWS, WOODMARK SUBDIVISION
PHASE II ASSOCIATION," attached to these minutes as
Exhibit A and incorporated herein by reference, shall
be and are hereby approved as the BY-LAWS of the
WOODMARK SUBDIVISION PHASE II ASSOCIATION which
Hallco, Inc., as developer of that Subdivision, was
authorized and directed to cause to be created pursuant
to Article IX of the DECLARATION OF COVENANTS, CONDITIONS
AND RESTRICTIONS OF WOODMARK SUBDIVISION PHASE II,
placed of record with the Office of the Recorder of
Allen County, Indiana, as Instrument No. 74-24554.

I DO CERTIFY FURTHER THAT the CODE OF BY-LAWS, WOODMARK SUBDIVISION
PHASE II ASSOCIATION, attached as Exhibit A to this sworn statement and
incorporated herein by reference, is a true and accurate copy of the
CODE OF BY-LAWS, WOODMARK SUBDIVISION PHASE II ASSOCIATION attached to the
minutes of the aforesaid Board of Directors' meeting of November 1, 1974,
and approved by the said Board of Directors.

IN WITNESS WHEREOF, I, THOMAS M. SHOAFF, as Secretary of Hallco, Inc.,
have hereunto set my hand as such Secretary, this 17th day of January, 1975.

THOMAS M. SHOAFF, Secretary

STATE OF INDIANA, COUNTY OF ALLEN, SS:

SUBSCRIBED AND SWORN TO before me, a Notary Public in and for
said County and State, this 17th day of January, 1975.

Anita L. Baker

Anita L. Baker, Notary Public

My Commission Expires:

October 1, 1975

CODE OF BY-LAWS

WOODMARK SUBDIVISION PHASE II ASSOCIATION

CODE OF BY-LAWS

WOODMARK SUBDIVISION PHASE II ASSOCIATION

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CODE OF BY-LAWS
OF
WOODMARK SUBDIVISION PHASE II 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 and Restrictions creating Woodmark Subdivision Phase II and placed of record with the Allen County Recorder's Office as Instrument No. 74-24554. The 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 in paragraph 1 of the Declaration containing definitions of terms. The provisions of these By-Laws shall apply to the Premises and the administration and conduct of the affairs of the Association.

Section 1.02. Individual Application. All of the future Owners, tenants, future tenants, or their guests and invitees, or any other person that might use or occupy a Home or any part of the Premises, 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 Managers, approving the annual budget, providing for the collection of Common Expenses, and for such other purposes as may be required by the Declaration or these By-Laws.

Section 2.02. Annual Meetings. The first annual meeting of the Owners shall be held within six (6) weeks following the conveyance by the Declarant of two-thirds (2/3) of the Homes situate or to be situate in WOODMARK SUBDIVISION PHASE II. The term, WOODMARK SUBDIVISION PHASE II, for purposes of this paragraph shall be deemed to include the original Tract and all portions of the Additional Tract I which are or may be annexed to the original Tract pursuant to the terms of the Declaration and/or the By-Laws. Providing, however, that in no event shall said first annual meeting be held later than October 1, 1978, and providing, further, that the Declarant may at any time prior to the conveyance of such percentages of Homes, and prior to the latest possible date for the first annual meeting, as provided for above, call for the first annual meeting of the members, and pursuant to such meeting the Association shall henceforth assume the duties and responsibilities ascribed to it by the Declaration and these By-Laws. Subsequent regular annual meetings of the members shall be held as the Board of Directors may decide at the first meeting of the Board following

the first annual meeting of the members. If the day for the annual meeting of the members is a legal holiday, the meeting will be held at the same hour on the first day following which is not a legal holiday.

Section 2.03. Special Meetings. A special meeting of the members of the Association may be called by resolution of the Board of Managers or upon a written petition of the Owners who have not less than twenty-five per cent (25%) of the total 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 Allen County, Indiana, as may be designated by the Board of Managers. 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 upon the records of the Association and to the Mortgagee at the address as it appears on 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. Voting.

(a) Number of Votes. Each Owner shall be entitled to cast one vote on each matter coming before the meeting for each membership held by such Owner.

(b) Multiple Owner. Where the Owner of a Home constitutes more than one person, or is a partnership, there shall be only one voting representative entitled to the vote allocable to that Home. At the time of acquisition of title to a Home by a multiple Owner or a partnership, those persons constituting such Owner or the partners shall file with the Secretary of the Association a written proxy appointing one of such persons or partners as the voting representative for such Home, which shall remain in effect until the appointment is revoked in writing, the representative relinquishes such appointment in writing, becomes incompetent, dies, or such appointment is otherwise rescinded by order of a court of competent jurisdiction. Such appointed voting representative may grant a proxy to another to vote in his place at a particular meeting or meetings pursuant to Paragraph (d) of this Section 2.05, which shall not constitute a permanent relinquishment of his right to act as voting representative for the Home.

(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.

(d) Proxy. An Owner may vote either in person or by his duly authorized and designated attorney-in-fact. Where voting is by proxy, the Owner shall duly designate his attorney-in-fact in writing, delivered to the Association prior to the commencement of the meeting. All proxies shall be revocable and shall automatically cease upon conveyance by the member of his Home or interest therein giving rise to his right to vote.

(e) Quorum. Except where otherwise expressly provided in the Declaration, these By-Laws or the Act, those representing a majority of the total vote shall constitute a quorum at all meetings. If, however, such quorum shall not be present or represented at any meeting, the members entitled to vote at said meeting shall have power to adjourn the meeting to another date or time, without notice other than announcement at the meeting, until a quorum as aforesaid shall be present and represented.

(f) 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.

(4) Nomination and Election of Board of Managers. Nomination for election to the Board of Managers shall be made by a Nominating Committee. Nominations may also be made by any Owner from the floor at the annual meeting, or by written nomination submitted by any Owner to the Board at least ten (10) days prior to the annual meeting. The Nominating Committee shall consist of a Chairman, who shall be a member of the Board of Managers, and two or more members of the Association. The Nominating Committee shall be appointed by the Board of Managers prior to each annual meeting of the members, to serve from the close of such annual meeting until the close of the next annual meeting and such appointment shall be announced at each annual meeting. The Nominating Committee shall make as many nominations for election to the Board of Managers as it shall in its discretion determine, but not less than the number of vacancies that are to be filled. Such nominations may be made from among members or non-members. Voting for Board of Managers 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. Each voting Owner shall sign his ballot.

(5) Other Business. Such other business as any party may properly bring before the meeting.

(6) Adjournment.

ARTICLE III

Board of Managers

Section 3.01. The affairs of the Association shall be governed and managed by the Board of Managers (herein collectively called "Board" or "Managers" and individually called "Manager"). The Board of Managers shall be composed of five (5) persons if the number of Homes constructed and being served in WOODMARK SUBDIVISION PHASE II by said Board shall be under sixty (60). If the number of Homes constructed and being served

constructed and being served by said Board shall exceed sixty (60), the Board of Managers shall be increased to seven (7). If the number of Homes shall increase beyond sixty (60) during the term of any existing Board of Managers, the number of Managers shall not be increased until the next regular meeting at which time new Managers are to be elected.

Section 3.02. Initial Board of Managers. The initial Board of Managers serving until the first regular annual meeting of Owners as hereinabove provided for in Section 2.02 shall be: Charles N. Hall and five other members to be designated by him. All such members of the initial Board of Managers shall be officers, directors or representatives of Declarant. Declarant retains the right to replace any of the said members prior to the first regular annual meeting of Owners, providing only that at no time shall the total number of parties serving on said Board be less than five (5).

Section 3.03. Additional Qualifications. 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 Managers, except that no single Home may be represented on the Board of Managers by more than one person at a time.

Section 3.04. Term of Office and Vacancy. The Board of Managers shall be elected at each annual meeting of the Association. Managers 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 Managers or by vote of the Owners if a Manager is removed in accordance with Section 3.05 of this Article III.

Section 3.05. Removal of Managers. A Manager or Managers may be removed with or without cause by vote of a majority of the total vote at a special meeting of the Owners duly called and constituted. In such case, his successor shall be elected at the same meeting from eligible Owners nominated at the meeting. A Manager so elected shall serve until the next annual meeting of the Owners or until his successor is duly elected and qualified.

Section 3.06. Duties of the Board of Managers. The Board of Managers shall provide for the administration of the WOODMARK SUBDIVISION PHASE II, the maintenance, upkeep and replacement of the Common Areas, exterior maintenance of structures and all lands, unless otherwise provided, and the collection and disbursement of the Common Expenses. These duties include, but are not limited to:

- (a) protection, surveillance, maintenance and replacement of the Common Areas and Premises, and ensuring proper maintenance of all exterior portions of Homes;
- (b) procuring of utilities used in connection with WOODMARK SUBDIVISION PHASE II, removal of garbage and waste, and snow removal from the Premises;
- (c) landscaping, painting, decorating, maintaining and furnishing of the Common Areas and exterior Premises, and exterior of the buildings, garages and walls;
- (d) surfacing, paving and maintaining streets, parking areas, garages and sidewalks;
- (e) assessment and collection from the Owners of the Owner's pro rata share of the Common Expenses; determination of whether expenses incurred with respect to the same are allocable to all or fewer than all the Owners; and the allocation of all expenses among the respective Homes of the Project;
- (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 Premises, specifying and itemizing the Common Expenses; all records and vouchers shall be available for examination by an Owner at any time during normal business hours;
- (i) enforcing all rules and regulations established by the Declaration, By-Laws or Board with respect to the Owners or occupants of Homes within WOODMARK SUBDIVISION PHASE II, or relating to their use, maintenance or repair of any property within the boundaries of said SUBDIVISION;
- (j) enforce the lien against any property for which assessments are not paid within thirty (30) days, or such other period of time as the Board shall from time to time determine, after due date or to bring an action at law against the Owner personally obligated to pay the same.

Section 3.07. Powers of the Board of Managers. The Board of Managers 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 Managers;
- (c) to procure for the benefit of the Owners fire and extended coverage insurance covering the Buildings and the property to the full insurable value thereof and 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 Managers may be necessary or desirable in connection with the business and affairs of WOODMARK SUBDIVISION PHASE II or the Association.
- (e) to include the costs of all of the above and foregoing as Common Expenses and to pay all such costs therefrom;
- (f) to open and maintain a bank account or accounts in the name of the Association;
- (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) suspend the voting rights and right to use of the recreational facilities of a member during any period in which such member shall be in default in the payment of any assessment levied by the Association. Such rights may also be suspended after notice and hearing, for a period not to exceed sixty (60) days for infraction of published rules and regulations;
- (i) exercise for the Association all powers, duties and authority vested in or delegated to this Association and not reserved to the membership by other provisions of these By-laws or the Declaration;
- (j) declare this office of a member of the Board of Managers to be vacant in the event such member shall be absent from three (3) consecutive regular meetings of the Board of Managers.

Section 3.08. Limitation on Board Action. The authority of the Board of Managers to enter into contracts shall be limited to contracts involving a total expenditure of less than \$3,500.00 without obtaining the prior approval of a majority of Owners or, where such expenses are payable by less than all of the Owners, by a majority of those bearing the expense, except in the following cases:

- (a) contracts for replacing or restoring portions of the Common Areas, premises or structures thereon damaged or destroyed by fire or other casualty, or contracts for restoring portions of Buildings or Homes in need of repair;
- (b) proposed contracts and proposed expenditures set forth in the proposed annual budget as approved by the Owners at the annual meeting;
- (c) Contracts for repair, replacement or maintenance of improvements within the Project or affecting any property constituting all or a portion of the Project where delay in the said repair, replacement or maintenance would increase substantially the costs and expense of the same and or would subject the property of the Project or the persons therein to substantial risk of injury or damage;
- (d) Contracts executed by the Board as constituted prior to the first regular annual meeting of the Owners as provided for in Section 2.02 above.

Section 3.09. Compensation. No Manager shall receive any compensation for his services as such except to such extent as may be expressly authorized by a majority of the Owners. However, any Manager may at any time be reimbursed for his actual expenses incurred in the performance of his duties, and such reimbursement shall not require express approval of all the Owners or any portion thereof.

Section 3.10. Meetings. Regular meetings of the Board of Managers may be held at such time or times, not less frequently than quarterly, and at such place as shall be determined from time to time by a majority of Managers. The Secretary shall give notice of regular meetings of the Board to each Manager 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 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 Allen County, Indiana, as shall be designated in the notice.

Section 3.11. Action Taken Without a Meeting. The Managers shall have the right to take any action in the absence of a meeting which they could take at a meeting by obtaining the written approval of all the managers. Any action so approved shall have the same effect as though taken at a meeting of the managers.

Section 3.12. Waiver of Notice. Before any meeting of the Board, any Manager 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 Manager at a meeting shall, as to such Manager, constitute a waiver of notice of the time, place and purpose thereof. If all Managers are present at any meeting of the Board, no notice shall be required and any business may be transacted at such meeting.

Section 3.13. Quorum. At all meetings of the Board a majority of the Managers shall constitute a quorum for the transaction of business and the votes of the majority the Managers present at a meeting at which a quorum is present shall be regarded as the act of the Board.

Section 3.14. Non-Liability of Managers. The Managers shall not be liable to the Co-owners for any error or mistake of judgment exercised in carrying out their duties and responsibilities as Managers, except for their own individual willful misconduct, bad faith or gross negligence. The Owners shall indemnify and hold harmless each of the Managers against any and all liability to any person, firm or corporation arising out of contracts made by the Board on behalf of WOODMARK SUBDIVISION PHASE II or 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 Managers

shall have no personal liability with respect to any contract made by them on behalf of WOODMARK SUBDIVISION PHASE II or the Association and that in all matters the Board is acting for and on behalf of the Co-owners and as their agent. The liability of any Owner arising out of any contract made by the Board or out of the aforesaid indemnity in favor of the Managers shall be limited to such percentage of the total liability or obligation thereunder as is equal to his percentage of the total votes of the Co-owners. Every contract made by the Board or the Managing Agent on behalf of WOODMARK SUBDIVISION PHASE II or the Association shall provide that the Board of Managers and the Managing Agent, as the case may be, is acting as agent for the Co-owners and shall have no personal liability thereunder, except in their capacity as Owners and then only to the extent of their percentage of the total voting power of the Co-owners.

Section 3.15. Additional Indemnity of Managers. Co-owners shall indemnify any person, his heirs, assigns and legal representatives, made a party to any action, suit or proceeding by reason of the fact that he is or was a Manager of the Association, against the reasonable expenses, including attorneys' fees, actually and necessarily incurred by him 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 such Manager is liable for gross negligence or misconduct in the performance of his duties.

The Co-owners shall also reimburse to any such Manager the reasonable costs of settlement of or judgment rendered in any action, suit or proceeding, unless it shall be established that the Manager was guilty of

gross negligence or misconduct. In making such findings and notwithstanding the adjudication in any action, suit or proceeding against a Manager, no Manager shall be considered or deemed to be guilty of or liable for negligence or misconduct in the performance of his duties where, acting in good faith, such Manager relied on the books and records of the Association or statements or advice made by or prepared by the Managing Agent of WOODMARK SUBDIVISION PHASE II 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 Manager had actual knowledge of the falsity or incorrectness thereof; nor shall a Manager be deemed guilty of or liable for negligence or misconduct by virtue of the fact that he failed or neglected to attend a meeting or meetings of the Board of Managers.

ARTICLE IV

Officers

Section 4.01. Officer of the Association. The principal officers of the Association shall be the President, Vice President, Secretary and Treasurer and such other officers as the Board may from time to time by resolution create, all of whom shall be elected by the Board. The Managers may appoint an Assistant Treasurer and an Assistant Secretary and such other officer 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 intial 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 his 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 Managers and shall be the chief executive officer of the Association. He 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 Indiana, including but not limited to the power to appoint committees from among the Co-owners as he 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 Managers 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 prescribe or as shall, from time to time, be imposed upon him by the Board or by the President.

Section 4.05. The Secretary. The Secretary shall be elected from among the Managers. 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 provisions of these By-Laws.

Section 4.06. The Treasurer. The Board shall elect from among the Managers 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. He shall immediately deposit all funds of the Association coming into his 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.

Section 4.07. Assistant Officers and Committees. The Board of Managers may, from time to time, designate and elect from among the Co-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 Managers may prescribe.

Section 4.08. Special Appointments. The Board may elect such other officers as the affairs of the Association may require, each of whom shall hold office for such period, have such authority, and perform such duties as the Board may, from time to time, determine.

Section 4.09. Committees. The Association shall appoint a Nominating Committee as provided in these By-Laws. In addition, the Board of Managers shall appoint other committees as deemed appropriate in carrying out its purpose.

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 a financial statement prepared by a certified public accounting firm then serving the Association, 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 regular annual meeting of the Association, the Board of Managers shall cause to be prepared a proposed annual budget for the ensuing calendar year estimating the total amount of the Common Expenses 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 Co-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 Co-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 total vote; provided, however, that if a majority of the total vote cannot be secured at the annual meeting for the approval of any proposed annual budget or proposed annual budget as amended, the meeting can by proper action and vote be continued to another time or date, and at such time or date, upon the convening of a proper quorum, a majority of those present may approve the budget in its original or any amended form.

Section 5.03. Regular Assessments. The annual budget as adopted shall, based on the estimated cash requirement for the Common Expenses allocable to all Homes in the ensuing year as set forth in said budget, contain a proposed assessment against each Home based on the square footage of each Home. The Board may at its option classify Homes into one or more size categories as it deems fair and equitable and apportion assessment to Homes within a given size category on an equal basis regardless of square footage differentiations of Home within a given category. Classifications or categories of Homes by size may be amended by the Board at the beginning of any new fiscal year and shall be applicable until thereafter amended by the Board. Common Expenses attributable to the Woodmark Recreational Area shall be allocated between the Co-owners as members

of that entity in accordance with that entity's rules and regulations. Where the annual budget contains expenses allocable to fewer than all the Homes, said budget shall further contain a proposed assessment against each of such Homes obligated for said expense in accordance with the determination of the Board and the provisions of the Declaration and the By-Laws. Immediately following the adoption of the annual budget, each Owner shall be given written notice of such assessment against each respective Home (herein called the "Regular Assessment"). The Regular Assessment against each Home 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. Provided, however, that where the expenses included within the Regular Assessment shall for any reason include expenses which must be paid by the Association and/or the Board other than in equal installments over the period of the year, the Board may at its discretion amend or adjust the charges or assessments against the Homes to cause such assessments to coincide in amount with the payout schedule to which the Association or Board is subject over the period of such year. Such adjustments or variations in monthly assessments shall be made only where the Board finds the same to be necessary and appropriate in the interests of good accounting practices, and wherever possible, the Board shall attempt to cause assessments to be in like amounts over the year. Payment of the monthly installments of the Regular Assessment shall be made to the Board of Managers or the Managing Agent or mortgagee, as directed by the Board of Managers. The Regular Assessment for the year shall become a lien on each separate Home as of February 1 of each calendar year.

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 Co-owners, unless otherwise provided in these By-Laws, the Declaration or the Act, the Board of Managers shall have the full right, power and authority to make special assessments which, upon resolution of the Board, shall become a

lien on each Home, prorated in accordance with the respective obligation of each Home to bear such expense as determined by the Board and as provided in the Declaration and By-Laws (herein called "Special Assessment").

Special Assessments may be assessed in a single lump sum or ratably over a period of time as the Board in its discretion shall determine. In making such determination, however, the Board shall give due consideration to the expenses and obligations, if any, incurred by the Association and/or the Board in connection with the matters giving rise to the Special Assessment, and the Board shall exercise every effort to cause Special Assessments to be charged to Home Owners in a manner which is fair and equitable and in a manner which will create as little undue burden or hardship as possible among the respective Home Owners, consistent with good accounting practices.

Section 5.05. Interim Assessments. Notwithstanding any other provision in the By-Laws or Declaration, it is herein expressly provided that prior to the first regular meeting of the Co-owners of the Association as provided for in Section 2.02 of these By-Laws, and the initiation of Regular Assessments approved at the annual meetings of such Owners, as hereinabove provided for, the Board shall make "Interim Assessments" against each Home of WOODMARK SUBDIVISION PHASE II initiating with the purchase of the Home and continuing therefrom on a monthly basis until Regular Assessments shall have been formally initiated. Said Interim Assessments shall be in such amount as the Board shall deem necessary and appropriate to cover the costs attributable to each Home for the maintenance, upkeep and repair of such Home and the common areas enjoyed thereby, and the services rendered on behalf of or for the benefit of such Home. Interim Assessments may, but shall not be obligated to, cover any expenses which might properly be included among the expenses of a Regular or Special Assessment, providing only that all Interim Assessments shall be related to benefits received by or extended to the Homes assessed as hereinabove and hereinafter provided for.

Interim expenses shall apply only against purchased Homes and shall not apply against vacant and/or unsold Homes held by the

Declarant or its successor in interest. If any additional phase of WOODMARK SUBDIVISION PHASE II shall be annexed following the first annual meeting of the Co-owners and the initiation of Regular Assessments, as hereinabove provided for, the Homes of such annexed phase shall be subject only to Interim Assessments as hereinabove defined and provided for until such time as all Homes of such phase or annexed portion of the SUBDIVISION shall have been sold by Declarant, or until the Declarant or its successor in interest as Owner of all remaining unsold Homes of such phase shall agree to submit such unsold Homes to the Regular Assessments. Upon the occurrence of either of the said prerequisites, the Homes of any such annexed phase of the SUBDIVISION shall be subject to the Regular Assessment.

It shall be understood that Interim Assessments shall be in lieu of Regular Assessments as called for under the By-Laws or the Declaration. Interim Assessments may vary between Homes as the Board shall deem fit, providing only that all Interim Assessments shall be premised upon benefits received by or extended to the Homes assessed, and no variation shall exist in the application of Interim Assessments to the Homes subject to the same except to the extent that the Board shall determine that such variation in assessment is supported by commensurate variation in the benefits received by or extended to the respective Homes assessed. Where certain Homes are subject to Regular Assessments and certain others are subject to Interim Assessments as hereinabove provided for, said Regular Assessments and Interim Assessments may or may not be in like amount as determined by the Board in light of the purposes, objectives, and needs covered by the respective assessments as applied by the Board and as hereinabove expressly provided for.

Section 5.06. Failure of Owner to Pay Assessments. Each owner shall be personally liable for the payment of all Regular, Special and Interim Assessments. Where the Owner constitutes more than one person, the liability of such persons shall be joint and several.

(a) If any Owner shall fail or refuse to make any such payment of any assessment when due, the amount thereof shall constitute a lien on the Home of the Owner, and upon the recording of notice thereof by the Association, such lien shall be constituted upon such Owner's Home prior to all other liens and encumbrances, recorded or unrecorded, except only (i) taxes, special assessments and special taxes theretofore or thereafter levied by any political subdivision or municipal corporation of this State and other State or Federal taxes which by law are a lien on the interest of such Owner prior to pre-existing recorded encumbrances thereon, and (ii) encumbrances on the interest of such owner recorded prior to the date such notice is recorded, which by law would be a lien thereon prior to subsequently recorded encumbrances.

(b) The Association shall send a notice, postage prepaid, to any such encumbrancer whose encumbrance was recorded prior to the time of recording the notice of lien provided for in this section, at the address shown in the recorded encumbrance; provided that if such encumbrancer has furnished the Association with another address, then such other address shall be used, and said Association shall not foreclose its said lien until at least thirty (30) days after the date of depositing such notice in the United States mails, postage prepaid, to the address of such encumbrancer.

(c) Any encumbrancer holding a lien on a Home may pay any common expenses payable with respect to such Home and, if so provided in an encumbrance, may add the amount of such payment to the unpaid balance secured by his lien, and such added amount shall have the same priority and lien rights as the unpaid balance to which added.

(d) The lien provided for in this section shall be in favor of the Association and shall be for the benefit of all other Owners, and may be foreclosed by an action brought in the name of the Association in a like manner as a mortgage of real property. The Association, acting on behalf of the Owners, shall have the power to bid in the interest

so foreclosed at foreclosure sale and to acquire, hold, lease, mortgage and convey the same; and to subrogate so much of its right to such lien as may be necessary or expedient to an insurance company which will continue to give total coverage in spite of nonpayment of such defaulting Owner's portion of the premium.

(e) Suit to recover a money judgment for unpaid assessments shall be maintainable without foreclosing or waiving the lien securing the same.

(f) The Board shall further have the power to suspend the voting rights and right to use of the recreational facilities of a member during any period in which such members shall be in default in the payment of any assessment levied by the Association.

(h) In the event any person shall acquire or be entitled to the issuance of a tax deed, public trustee's deed, sheriff's deed, commissioner's deed, etc., the interest so acquired shall be subject to all the provisions of this Declaration and to the terms, provisions, covenants, conditions and limitations contained in the Declaration, the By-Laws of the Association or any restrictions or exceptions affecting such interest then in force.

Section 5.07. Obligations of Rental Homes. Notwithstanding any other provision of the By-Laws or Declaration, it is herein expressly provided that Homes which shall be unsold and which shall remain the property of the Declarant and/or its successor in interest, and which shall further be held as rental units by such Owner, shall not be subject to normal Interim, Regular or Special Assessments as hereinabove provided for unless the said Owner shall expressly acknowledge and consent to the subjection of such Homes to said assessments. It is expressly provided that the Declarant or its successor in interest shall have the right to provide such benefits and services to said rental Homes as the said Owner shall deem appropriate and in the best interests of such Homes as rental property without regard to whether such services and/or benefit are also being enjoyed by other Homes of WOODMARK SUBDIVISION PHASE II. Such added services or benefits, however, shall in no way be in derogation of the restrictive covenants, limitations upon

use or restraints upon alienation otherwise provided for in the By-Laws and Declaration. Notwithstanding any provision of this paragraph, it is further expressly provided herein that to the extent any Homes retained by the Declarant or its successor in interest and utilized by said Owner as rental property shall receive the benefit of any expenses included within any Interim, Regular or Special Assessments, said rental Homes shall bear their pro rata share of such expenses to the extent of the benefits received the same as though they were included within and subject to the Interim, Regular or Special Assessments.

Section 5.07. Maintenance and Repairs. Every Owner shall promptly perform all maintenance and repair within his own Home, 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, plumbing, electric lines, appliances, gas lines, telephones, air conditioning, doors, windows, lamps and all other accessories belonging to the Owner and appurtenant to the Home.

ARTICLE VI

Restrictions on Use

Section 6.01. Restrictive Covenants. The following restrictions on the use and enjoyment of the Home, Common Areas, Limited Areas and the Property shall be applicable to WOODMARK SUBDIVISION PHASE II and the Owners and Residents of Homes therein and shall be in addition to those set forth in the Declaration. These are as follows:

(a) All Homes shall be used exclusively for residential purposes and the occupancy for a single family.

(b) No additional buildings shall be erected or located on the Tract other than the Buildings expressly approved by the Board and the Architectural Committee. No buildings or structures shall be moved from other locations onto said premises, and no subsequent buildings or

structures other than buildings shown on the Plans shall be built on any parcel where the Declarant theretofore programmed and constructed a building. No structures of a temporary character, trailer, basement, tent, shack, garage, barn, or other outbuilding shall be used on any portion of the premises at any time as a residence either temporarily or permanently.

Notwithstanding any provisions herein contained to the contrary, it shall be expressly permissible for the Declarant to maintain during the period of construction and sale of said Buildings and Homes, upon such portion of the premises as the Declarant may choose, such facilities as in the sole opinion of the Declarant may be reasonably required, convenient or incidental to the construction and sale of Homes and interests, including, but without limitation, a business office, storage area, construction yards, signs, model Homes and sales office.

(c) Nothing shall be done or kept in any Home or on the Premises which will cause an increase in the rate of insurance on any Building or the contents thereof. No Owner shall permit anything to be done or kept in his Home or on the Premises which will result in a cancellation of insurance on any Building or contents thereof, or which would be in violation of any law or ordinance.

(d) No waste shall be committed in the Home, or on the Premises.

(e) No Owner shall cause or permit anything to be hung or displayed on the outside of the windows or placed on the outside of a Building, and no sign, awning, canopy, shutter or radio or television antenna or other attachment or thing shall be affixed to or placed upon the exterior walls or roof or any other parts of any Building without the prior consent of the Board; nor shall any billboards, unsightly objects, or nuisances be erected, placed or permitted to remain on the premises.

(f) No animals, livestock or poultry of any kind shall be raised, bred or kept in any Home or on the Premises except that pets such as dogs, cats or customary household pets may be kept in a Home. Said pets shall not be allowed to run loose over the Premises or over the Recreational Areas thereof; and all pets must be on leashes and in the company of their master or owner when they are in any of the aforesaid areas. Provided, however, that the Board may dispense with this requirement as to any particular pet where they find such pet does not create a nuisance, disturbance, inconvenience or irritation to other Owners of Homes within the SUBDIVISION, and does not cause damage or detriment to the premises or improvements thereon. Where, however, any pet shall be found to create a nuisance, disturbance, inconvenience or irritation to other Owners within the Project or to cause damage or detriment to the premises or improvements of the Project in being allowed to remain unleashed and unaccompanied upon the premises, then this requirement shall be strictly enforced by the Board and such pet shall not be allowed outside any Home without a leash and without the presence of its master or owner. Where any pet is the source of repeated complaints to the Board as a result of allegedly causing or creating a nuisance, unreasonable disturbance, noise, or irritation to Owners, or damage to property, and the Board finds such complaints to be justified, the Board may in addition to requiring that such pet be permitted outside only on a leash and in the company of its master or owner, further impose such additional conditions or restraints upon the continued possession of such animal by its owner and/or any party residing within the Project as the Board shall deem necessary and appropriate to prevent such complaints and to protect the interests of the Home Owners generally. Where the imposition of conditions or restraints

upon the possession of the pet in question appear to the Board to be incapable of resolving the problems caused by such pet, or where such restraints are imposed and found to be ineffective, the Board may, in its discretion, order any pet permanently removed from the Property upon five (5) days' written notice from the Board to the respective owner of such pet or notice to any party within the Project harboring or responsible for such pet.

(g) 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. No "for sale", "for rent" or "for lease" signs or other window or advertising display shall be maintained or permitted on any part of the Property or any Home without the prior consent of the Board. No advertising signs, billboards, unsightly objects, or nuisances shall be erected, placed or permitted to remain on the premises, nor shall the premises be used in any way or for any purpose which may endanger the health or unreasonably disturb the Owner of any Home or any resident thereof. Provided further, however, the foregoing covenants shall not apply to the business activities, signs and billboards or the construction and maintenance of buildings, if any, of the Declarant, its agents and assigns during the construction and sale period, and of the Association, its successors and assigns, in furtherance of its powers and purposes as hereinafter set forth.

(h) Nothing shall be done or permitted in any Home which will impair the structural integrity of any Building or which would structurally change any Building, except as otherwise provided in the Declaration or these By-Laws.

(i) No clothes, sheets, blankets, rugs, laundry or other things shall be hung out or exposed on any part of the Premises. The Premises shall be kept free and clear of rubbish, debris and other unsightly

materials. All equipment, garbage cans, wood piles, service yards or storage piles shall be prohibited unless the same shall in the judgment of the Board be adequately screened by planting, fencing or otherwise so as to conceal them from the view of neighboring Homes and streets.

(j) No planting or gardening shall be done and no fences, hedges or walls shall be erected or maintained upon said premises, except such as are installed in accordance with the initial construction of the buildings located thereon or as approved by the Association's Board of Managers or their designated representative. The Owners are hereby prohibited and restricted from using any land or air space outside the exterior building lines, except as may be allowed by the Association's Board of Managers or as provided in this Declaration. It is expressly acknowledged and agreed by all parties concerned that this paragraph is for the mutual benefit of all Owners and is necessary for the protection of said Owners.

(k) Any cooperative action necessary or appropriate to the proper maintenance and upkeep of the common elements and all exteriors and roofs of the Homes, including but not limited to, recreation and parking areas and walks, shall be taken by the Association.

(l) No exterior additions or alterations to any Building nor changes in fences, hedges, walls and other structures shall be commenced, erected or maintained until the plans and specifications or an appropriate statement showing the nature, kind, shape, height, materials, location and approximate cost of same shall have been submitted to and approved in writing as to conformity and harmony of external design and location with existing structures in the Property by the Architectural Committee. The members of such Committee shall not be entitled to compensation for services performed pursuant to this paragraph unless otherwise approved by the Members at a meeting of the Association.

(m) The Association's Board of Managers shall have the right and power to provide for the construction of additional recreational and other common facilities, from time to time, as in their discretion appears to be in the best interests of the Association and the Project. Any such construction, improvements, or additions shall be authorized by an affirmative vote of not less than a majority of the total votes of the Co-owners.

(n) No boats, campers, trailers of any kind, buses, mobile homes, trucks, or any other unconventional vehicles of any description, shall be permitted, 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.

(o) All Owners and members of their families, their guests, or invitees, and all occupants of any Home 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 and Limited Areas.

(p) The Board of Managers shall have the power, authority and obligation to determine all matters affecting or relating to the interpretation, application and enforcement of the Restrictive Covenants set forth in this Article VI of the By-Laws. Any decision or determination made by such Board pursuant to its powers and obligations as set forth in this Paragraph shall be deemed binding upon all parties and all Owners unless it shall be shown that said determination was made in bad faith with an intent to unfairly discriminate between Owners or was made in contravention of the express terms and conditions of the Declaration and/or the By-Laws.

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 exterior Premises and Recreational 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

PARTY WALLS

Section 7.01. The rights and duties of the Owners within this SUBDIVISION with respect to party walls shall be governed by the following:

(a) Each wall which is constructed as a part of the original construction of the building, any part of which is placed on the dividing line between separate residence units, shall constitute a party wall. With respect to any such wall, each of the adjoining Owners shall assume the burdens and be entitled to the benefits of these restrictive covenants, and, to the extent not inconsistent herewith or with other provisions of the Declaration and By-Laws, the general rules of law regarding party walls shall be applied thereto.

(b) In the event any such party wall is damaged or destroyed through the act of one adjoining Owner, or any of his guests or agents or members of his family (whether or not such act is negligent or otherwise culpable) so as to deprive the other adjoining Owner of the full use and enjoyment of such wall, then the first of such Owners shall forthwith proceed to rebuild and repair the same to as good condition as formerly without cost to the adjoining Owner.

(c) In addition to meeting the other requirements of these restrictive covenants and of any building code or similar regulations or ordinances, any Owner proposing to modify, make additions to, or

rebuild his Home in any manner which requires the extension or other alteration of any party wall, shall first obtain the written consent of the adjoining Owner.

(d) In the event of a dispute between two or more Owners with respect to the alteration, repair or rebuilding of a party wall or with respect to the sharing of the cost thereof, the determination of the Board as to the respective rights, liabilities, responsibilities and obligations of the parties to alter, repair or rebuild the same and to divide and/or share the expense thereof shall be binding upon all parties concerned. Provided, however, that no member of the Board shall take part in voting upon or making any decision in a dispute to which he or a member of his family is a party.

(e) These covenants shall be binding upon the heirs and assigns of any Owners, but no person shall be liable for any act of omission respecting any party wall except such as took place while the Owner.

ARTICLE VIII

AMENDMENT TO BY-LAWS

Section 8.01. These By-Laws may be amended by a vote of not less than sixty-six per cent (66%) of the total vote of the Co-Owners in a duly constituted meeting called for such purpose, or in any regular meeting of the members.

ARTICLE IX

MORTGAGES

Section 9.01. Notice to Association. Any Owner who places a first mortgage lien upon his Home or the Mortgagee shall notify the Secretary of the Association and provide the name and address of the Mortgagee. A record of such Mortgagee and name and address shall be maintained by the Secretary and any notice required to be given to the Mortgagee pursuant to the terms of the Declaration or these By-Laws shall be deemed effectively given if mailed to such Mortgagee at the address shown in such record at the

time provided. Unless notification of any such mortgage and the name and address of Mortgagee are furnished to the Secretary, either by the Owner or the Mortgagee, no notice to any Mortgagee as may be otherwise required by the Declaration or these By-Laws shall be required and no Mortgagee shall be entitled to vote on any matter to which he otherwise may be entitled by virtue of the Declaration or By-Laws or proxy granted to such Mortgagee in connection with the mortgage.

Section 9.02. 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 Home, furnish to such Mortgagee or purchaser a statement setting forth the amount of the unpaid Regular, Interim, or Special Assessments against the Home, which statement shall be binding upon the Association and the Co-Owners, and any Mortgagee or grantee of the Home shall not be liable for nor shall the Home conveyed be subject to a lien for any unpaid assessments in excess of the amount set forth in such statement.