

**BY-LAWS
OF
THE PARK ON MOUNTAIN SPRINGS OWNERS ASSOCIATION, INC**

**ARTICLE 1
DEFINITIONS**

Unless the context otherwise specifies or requires, the terms defined in Article I hereunder shall, for all purposes of the By-Laws have the meaning herein specified.

Articles The term "Articles" shall mean the Articles of Incorporation of The Park on Mountain Springs Property Owners Association, Inc. (the "Association") which are filed in the office of the Secretary of the State of Arkansas, a true copy of which is on file at the principal office of the Association, together with such amendments to the Articles as may from time to time be properly made.

Association The term "Association" shall mean The Park on Mountain Springs Property Owners Association

Bill of Assurance The term "Bill of Assurance" shall mean the Bill of Assurance and all subsequent amendments and supplements thereto, filed in the office of the Circuit Clerk of Lonoke County, Arkansas, and affecting The Park on Mountain Springs.

The term "Board" shall mean the Board of Directors of the Association.

By-Laws The term "By-Laws" shall mean this instrument as it may be amended from time to time pursuant to the provisions of this instrument.

Common Area The term "Common Area" shall mean all real property owned or maintained by the Association for the common use and enjoyment of the Owners.

Common Charges The term "Common Charge" or "Common Expense" shall those common expenses incurred for the operation, care, use, upkeep or maintenance of The Park on Mountain Springs, including any Common Area as set forth in Article VIII of this instrument.

Developer The term "Developer" shall mean Mountain Springs Development, LLC, its successors and assigns.

Director The term "Director" shall mean any Person serving on the Board of Directors of the The Park on Mountain Springs Property Owners Association, Inc.

Fiscal Year The term "fiscal year" shall mean the calendar year, unless changed or modified by the Board of Directors, of the Association.

Grantor The term "Grantor" shall mean Mountain Springs Development, LLC.

Managing Agent The term "Managing Agent" shall mean an individual or corporation which may be hired by the Board to oversee the maintenance and management of The Park on Mountain Springs as the Board.

Member The term "Member" shall mean and refer to any Unit Owner who by virtue of holding title to a Unit is a Member of the Association If any Unit Owner holds title to more than one (1) Unit, then the Unit Owner shall hold memberships equal to the number of Units owned.

Person The term "Person" shall mean an individual or individuals, corporation, unincorporated association, partnership, joint venture, trustee, conservator, administrator, or other Legal entity which has the right to hold title to real property.

Property The term "Property" shall mean the land, buildings, and all other improvements thereon which are subject to the Bill of Assurance and all amendments thereto.

Rules and Regulations The term "Rules and Regulations" shall mean the rules and regulations as adopted by the Board pursuant to the covenants and this instrument, as they may be amended from time to time.

Unit The term "Unit" shall mean and refer to any single-family residence, located in The Park on Mountain Springs which may be separately conveyed and to which a Unit number is assigned.

Unit Owner The term "Unit Owner" shall mean and refer to the record Owner, whether one or more persons or entities, of a fee simple title to any Unit which is located on the Property, but excluding those having such interest merely as security for the performance of an obligation.

The Park on Mountain Springs The term "The Park on Mountain Springs" shall mean all of the real estate described in Article II of this instrument, together with any land and improvements added thereto.

ARTICLE II
GENERAL

SECTION 1 The Property The Property is located in Lonoke County, Arkansas with the legal description set forth as attached in Exhibit "A."

SECTION 2 The Association The Association has been organized to perform the functions described herein except for those performed by others as set forth herein. The Association is charged with the duties and has the powers prescribed by law and set forth in the Articles, By-Laws and the Bill of Assurance neither the Articles nor the By-Laws shall, for any reason be amended or otherwise changed or interpreted so as to be inconsistent with the Bill of Assurance.

The Association is an organization owned by the Unit Owners in The Park on Mountain Springs and used by them to manage and regulate The Park on Mountain Springs. Each Unit Owner shall have the same proportion of interest in the Association as the number of Units in The Park on Mountain Springs except as provided in Article III.

Each Unit Owner, for so long as he is such a Unit Owner, shall be deemed a Member of the Association upon becoming a Member of the Association, the rights, duties, privileges, immunities and liabilities of being an Unit Owner shall be those set forth in and shall be exercised in accordance with the Bill of Assurance, the Articles, and these By-Laws and may be amended or adopted by the Association or by the Board, as provided therein.

Membership in the Association shall not be transferred, pledged or alienated in any way except upon transfer of title of a Unit, and then only to the transferee of title, except in the instance of suspension as provided hereunder. Any attempt to make a prohibited transfer shall be null and void.

SECTION 3 Provisions of By-Laws Applicable The provisions of these By-Laws are applicable to The Park on Mountain Springs.

SECTION 4 By-Laws Applicable to Present and Future Owners All present and future Unit Owners, mortgagees, lessees, and occupants of Units and their

employees, and any other person(s) who may use the Common Area and other facilities of The Park on Mountain Springs in any manner, are subject to these By-Laws, all covenants, agreements, restrictions, easements and declarations of record, and the Bill of Assurance The acceptance of a deed of conveyance or the entering into a lease or the act of occupancy of a Unit shall constitute an agreement that all of the above documents, restrictions and conditions, as they may be amended from time to time, are accepted, ratified and will be complied with.

SECTION 5 Future Additions to The Park on Mountain Springs The Developer shall have the right but not the obligation to expand The Park on Mountain Springs to include additional properties, regardless of whether or not the said properties are presently owned by the Developer UNDER NO CIRCUMSTANCES does this right represent a binding obligation of the Developer to make such proposed additions.

In the event such properties are added, such Persons who become an Owner of record in any Unit which is subject by the Bill of Assurance to assessments by the Association shall become a Member of the Association, and the rights, duties, privileges, immunities and liabilities of being an Unit Owner shall be those set forth in and shall be exercised in accordance with the Bill of Assurance, the Articles, and these By-Laws and may be amended or adopted by the Association or by the Board, as provided therein

SECTION 6 Office of the Association The Office of the Association and the Board shall be located in Lonoke County, Arkansas or such other locations in this State as may be selected by the Board which the Owners and listed mortgagees have been given written notice of.

SECTION 7 Documents Available for Review Copies of these By-Laws, the Articles or the Bill of Assurance, as they may be amended from time to time, and all books and records of the Association shall be made available for inspection by Members of the Association and their authorized agents during regular business hours.

ARTICLE III

MEMBERSHIP, VOTING RIGHTS, AND SHARES

SECTION 1 Membership A Unit Owner, as herein defined, in any Unit which is subject by the Bill of Assurance to assessments by the Association shall become a Member of the Association provided that any such Person who holds such interest merely

as a security for the performance of an obligation shall not be a Member All such Persons constituting one (1) Unit Owner shall vote their membership as they, among themselves, determine but in no event shall one (1) Unit Owner constitute more than one (1) Member. In the event a Unit Owner owns more than one (1) Unit, then such Unit Owner shall have the same number of memberships as the number of Units to which title is held, as each ownership of one (1) Unit entitles the owner to one (1) membership.

SECTION 2 Voting Rights Every Member shall be entitled to one (1) vote per Unit owned by it in the election of Directors for the Board In the event a Unit Owner owns more than one (1) Unit, then such Member shall be entitled to one (1) vote for each such membership in the election of Directors for the Board For all other purposes, the Association shall have (2) two classes of voting membership:

(a) Class A - Class A Members shall be all those Owners of Units with the exception of the Grantor A Class A Member shall be entitled to one (1) vote for each Unit in which he holds the interest required for membership as described in Section 1 above;

(b) Class B - Class B Members shall be the Grantor and shall be entitled to three (3) votes for each Unit in which the Grantor holds the fee, provided that the Class B membership shall cease and become converted to Class A membership on the happening of either of the following events, whichever occurs earlier:

(1) When Grantor has sold seventy five percent (75%) of all Units and proposed Units in The Park on Mountain Springs; or

(2) Twenty (20) years from the date the Association is organized from and after the happening of these events, whichever occurs earlier, the Class B Member shall be deemed to be a Class A Member entitled to one (1) vote for each Unit, whether built upon or not, in which it holds the interest required for membership under Section 1 above.

SECTION 3 Regulatory Approval Annexation of additional properties; mergers and consolidations; dedication of Common Areas, dissolution, and amendment of the Articles or the Bill of Assurance shall require the prior approval of the U S Department of Housing and Urban Development as long as Class B Membership exist.

Additionally, the US Department of Housing and Urban Development shall have the right to veto any actions by the Association as long as Class B memberships exist.

ARTICLE IV

BOARD OF DIRECTORS

SECTION 1 Directors The number of Directors which shall constitute the whole Board shall be five (5) The number of Directors which shall constitute a quorum of the Board is three (3) Until succeeded by the Directors elected by the Members, the Directors need not be Unit Owners Upon expiration of the term of each Director of the initial Board, the successors to such Director, elected by the Members of the Association, shall be a Unit Owner Except as provided in the Articles with respect to the initial Board, Directors shall be elected on a staggered basis. In any event however, each Director shall hold office until such time as his successor has been elected In the event that a corporation or other legal entity is a Member of the Association, it may designate one or more Persons who shall be eligible to serve as Director on its behalf.

SECTION 2 Election of Directors Subject to the provisions of these By-Laws concerning the initial Board, at each Annual Meeting of the Association or at a Special Meeting called for this purpose, the Members shall elect Directors to fill such vacancies as may exist on the Board There shall be no cumulative voting by written proxy is permitted for Members. The candidates receiving the highest number of votes, up to the number of Directors to be elected shall be deemed elected a quorum of the membership at an annual or special called meeting shall be twenty-five percent (25%) of the Members.

SECTION 3 Resignation Any Director may resign at any time by giving written notice to the President or to the Secretary of the Board.

SECTION 4 Powers and Duties of the Board The Board shall have the powers and duties necessary for the administration of the affairs of the Association and may do all such acts and things, except for those things and matters which are by these By-Laws and by the Bill of Assurance reserved to the Member of the Association acting at a properly called meeting. Such powers and duties of the Board shall include, but shall not be limited to the following:

(a) Adoption of Rules and Regulations relating to the care, use, upkeep and maintenance of the Common Areas and facilities of The Park on Mountain Springs.

(b) Determination of the Common Expenses, including assessments for a maintenance reserve fund, required for the affairs of the Association including, subject to the limitations imposed by the Association or by the Bill of Assurance, the operation and maintenance of the Property and the allocation of income and expenses.

(c) Collection of the Common Charges from the Unit Owners- including the right to enforce these collections by methods described elsewhere in these By-Laws.

(d) Opening of bank accounts on behalf of the Association and designating the signatories required therefore.

(e) Owning, conveying, encumbering, managing, leasing and otherwise dealing with Units conveyed to it or purchased by it as the result of enforcement of a lien for common expenses, or otherwise.

(f) Obtaining of insurance for the benefit of The Park on Mountain Springs.

(g) Making of repairs, additions, improvements to or alterations of the Property and Sites in accordance with the other provisions of these By-Laws and as described in the Bill of Assurance.

(h) Enforcement of obligations of the Unit Owners.

SECTION 5 Employment of Managing Agent The Board may employ for the Association a Managing Agent at a compensation established by the Board, to perform such duties and services as the Board shall authorize, including, but not limited to all of the powers granted to the Board by these-By-Laws. The management agreement shall be terminable for cause or upon reasonable notice and run for a period of from one (1) to three (3) years, renewable by consent of the Association and the Managing Agent.

SECTION 6 The Initial Board and Subsequent Boards The initial Board shall consist of, Mr. John See, Ms. Kathy See. Mr. Jim Childress, Mr. Jay O'Neal, Mr. Michael Stewart, Ms. Rhonda House. The initial Board shall serve until the first Annual Meeting held pursuant to Article V, Section I of the these By-Laws. At the first Annual Meeting, the Board of Directors shall be elected by the Members of the Association to serve for staggered terms, one (1) Director having a term of one (1) year from the first Annual Meeting, two (2) Directors of the Board having a term of two (2) years from the first Annual Meeting, and, two (2) Directors of the Board having a term of three (3) years from the first Annual Meeting. As a vacancy occurs in each of the Board positions, then

the newly elected Directors shall serve a term of three (3) years. Upon the vacancy the occurring in each of these Board positions, the newly elected Director shall hold a three (3) year term. Each election shall result in staggered terms for the various Directors in order that all Directors will not be elected during the same year in order to provide continuity of membership.

SECTION 7 Removal of Directors Except for the Directors of the initial Board, Directors may be removed for cause and a successor elected by an affirmative vote of the majority of the Members of the Association. However, removal of Directors of the initial Board prior to the expiration of their respective terms shall require a majority vote of all Members and approval of the Grantor.

SECTION 8 Vacancies in the Board Vacancies in the Board caused by any reason other than the removal of a Director under Section 7 of this Article, shall be filled by unanimous vote of the remaining Directors at a special meeting of the Board held for that purpose, which meeting shall be held promptly after the occurrence of any such vacancy, and each person so elected shall be a Director until the next Annual Meeting of the Association, or until a Special Meeting of the Association is duly called and held for the express purpose of electing a Director to fill the vacancy until the expiration of the term. Except for Directors of the initial Board, no Director shall continue to serve as such if, during his term of office, he shall cease to be a Unit Owner.

SECTION 9 Board Meeting Following First Annual Meeting Following the first Annual Meeting of the Association, there shall be a meeting of the Board within thirty (30) days thereafter, at such time and place as shall be fixed by the Members at the meeting at which such Board shall have been elected.

SECTION 10 Regular Meetings Regular meetings of the Board may be held at such time and place as shall be determined from time to time by a majority of the Board. Notice of regular meetings of the Board shall be given to each Director, by mail, at least five (5) business days prior to the day named for such meeting.

SECTION 11 Special Meetings Special meetings of the Board may be called by the President on five (5) business days notice to each Director given by mail, which notice shall state the time, place and purpose of the meeting Special meetings of the

Board shall be called by the President or Secretary in like manner and on like notice on the written request of at least one (1) Director.

SECTION 12 Waiver of Notice of Meeting Any Director may at any time waive notice of any meeting of the Board in writing and such waiver shall be deemed equivalent to the giving of such notice.

SECTION 13 Quorum. At all meetings of the Board, three (3) Directors shall constitute a quorum for the transacting of business, and the votes of a majority of the Directors present at a meeting at which a quorum is present shall constitute the decision of the Board. If at any meeting of the Board, there shall be less than a quorum present, a majority of those present may adjourn the meeting from time to time.

SECTION 14 Fidelity Bonds Unless otherwise voted by the Members, the Board shall obtain adequate fidelity bonds for all officers and employees of the Association handling or responsible for the Association funds. The premium on such bonds shall constitute a Common Expense.

SECTION 15 Compensation of Board No elected Director of the Board shall receive any compensation from the Association for acting as such, except for reimbursement of necessary and duly incurred expenses.

SECTION 16 Directors Not Liable The Directors shall not be liable to the Members of the Association for any mistake of judgment, negligence, or otherwise, except for their own individual willful misconduct or bad faith. The Association shall and does indemnify and hold harmless each Director against all contractual liability to others arising out of contract made by the Board on behalf of the Association unless any such contract shall have been made in bad faith or contrary to the provisions of the Bill of Assurance or contrary to these 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. It is also intended that the liability of any Unit Owner arising out of any contract made by the Board out of the aforesaid indemnity in favor of the Directors shall be limited to such proportion of the total liability thereunder as the number of Units owned by him bears to the total number of Units in The Park on Mountain Springs. Every agreement made by the Board or by the Managing Agent on behalf of the Association shall provide that the Directors or the Managing Agent, as the case may be, are acting only as agents for the

Association and shall have no personal liability thereunder (except as a Unit Owner), and that each Unit Owner's liability thereunder shall be limited to that proportion which the number of Units owned by him bears to the total number of Units in The Park on Mountain Springs.

SECTION 17 Records The Board shall cause to be kept detailed records of the actions of the Board and of the Managing Agent, if any, minutes of the meetings of the Board, minutes of the meetings of the Members and financial records and books of account of the Association.

SECTION 18 Annual Report An Annual Report of the receipts and expenditures of the Association shall be made at the end of each fiscal year by an independent, disinterested" certified public accountant. The Board shall cause this report to be made and a copy of said report shall be kept on file at the office of the Association and shall be made available for inspection by Members and their authorized agents during reasonable business hours.

ARTICLE V

ASSOCIATION MEMBERS' MEETINGS

SECTION 1 Annual Meetings: Election of Directors Within two (2) years following the date the Association is organized; the Board shall call the first Annual Meeting of the Members. Thereafter, "Annual Meetings shall be held on the anniversary date of such meeting" in each succeeding year; the date of the Annual Meeting may be changed by a proper amendment of these By-Laws At such meeting, Directors shall be elected by ballot of the Members of the Association, in accordance with the requirements of Article IV of these By-Laws. The Members of the Association may also transact such other business as may properly come before it. For purposes of this article, the term Member shall include both Class A and Class B Members as defined in article III hereof.

SECTION 2 Location of Annual Meeting The Annual Meetings shall be held at the principal office of the Association or at such suitable place convenient to the Members as may be designated by the Board.

SECTION 3 Special Meetings It shall be the duty of the President to call a special meeting of the Members of the Association as directed by the Board or upon

petition signed by at least thirty four percent (34%) of the Members of the Association, delivered to the Secretary.

SECTION 4 Notice of Meeting It shall be the duty of the Secretary to mail or deliver a notice of each annual or special meeting, stating the purpose thereof as well as the time and place where it is to be held, to each Member, at least ten (10) but not more than sixty (60) days prior to such meeting. The mailing or delivery of a notice in the manner provided in these By-Laws shall be considered notice served. Notice of a meeting need not be given to a Member if a written waiver thereof executed before, during or after the meeting by such Member or his duly authorized attorney or agent, is filed with the records of the meeting.

SECTION 5 Quorum Except as otherwise provided in these By-Laws, the presence in person or by proxy of ten percent (10%) of the Members shall constitute a quorum at all meetings of the Members of the Association. If any meeting of the Association cannot be held because a quorum has not attended, a majority in interest of the Members who are present at such meeting, either in person or by proxy, shall adjourn the meeting to a time not less than forty-eight (48) hours from the time the original meeting was called for.

SECTION 6 Voting The Member(s), or some person designated by such Member(s) to act as proxy on his or their behalf, who need not be a Unit Owner, shall be entitled to cast their vote(s) at any meeting. The designation of any proxy shall be made in writing to the Secretary and shall be revocable at any time upon written notice to the Secretary. Any or all Members may be present at any meeting and may vote or take any other action as a member either in person or by proxy. Each Member (including the Grantor, if the Grantor shall then own one (1) or more Units) shall be entitled to cast one (1) vote at all meetings which vote shall be weighed by multiplying it by the number of Units, whether built upon or not, owned by each Member, and the vote of the Grantor shall be weighed by multiplying it by three (3) times the total number of Units, whether built upon or not, owned by it, until such time as Class B membership is converted to Class A membership as provided in Article III, Section 2 of these By-Laws. The votes attributable to each Member must be voted as an entirety and if Owners of a Unit shall be

unable to agree on the vote to be cast on any issue their right to vote on that issue shall be deemed to have been waived.

SECTION 7 Majority Defined As used in these By-Laws, the term "majority of Members" shall mean those Members having more than fifty percent (50%) of the total authorized votes of all Members present in person or by proxy and voting at any meeting determined in accordance with the provisions of Section 6 of this Article. The vote of the majority of the members present at a meeting at which a quorum shall be present shall be binding upon all members for all purposes except when a higher percentage vote is required by law, the Bill of Assurance or these By-Laws.

ARTICLE VI OFFICERS

SECTION 1 Principal Officers of the Corporation The principal officers of the Association shall be the President, Vice-President, Secretary, and the Treasurer. The President, Vice-President, Secretary and Treasurer shall be elected by and from the Board. Any vacancies which may occur in these offices shall be filled by the Board. The successors so chosen shall serve until the next Annual Meeting of the Members of the Association or until a special meeting of the Members of the Association properly and duly called for this purpose. The Board may appoint an Assistant Treasurer an Assistant Secretary, and such other officers as in its judgment may be necessary.

SECTION 2 Officers Chosen by Board Those officers of the Association to be chosen by the Board shall be elected annually at a meeting of the Board described in Article IV, Section 6 of these By-Laws, and shall hold office at the pleasure of the Board and until their successors are elected.

SECTION 3 Removal of Officers Chosen by Board Upon the affirmative vote of the majority of the Board at a regular or special meeting called for that purpose, any officer chosen by the Board may be removed, either with or without cause, and his successor elected.

SECTION 4 President The President shall be the chief executive officer of the Association. He shall preside at all meetings of the Association and of the Board. He shall have all of the general powers and duties which are incidental to the office of President, including but not limited to the power to appoint committees from among the

Unit Owners from time to time, as he may in his discretion decide are appropriate to assist in the conduct of the affairs of the Association. He is elected by the Board.

SECTION 5 Vice President The Vice-President shall take the place of the President, and shall perform his duties whenever the President shall be absent or unable to act. If neither the President nor the Vice-President is able to act, the Board shall appoint some other Member of the Board to act in place of the President, on an interim basis. The Vice-President shall also perform such other duties as shall from time to time be imposed upon him by the Board or by the President. The Vice-President is elected by the Board.

SECTION 6 Secretary The Secretary shall keep the minutes of all meetings of the Association and of the Board; shall have charge of such books and papers as the Board may direct; and shall perform all the duties incidental to the office of Secretary, and as described elsewhere in these By-Laws or the Bill of Assurance. The Secretary is elected by the Board and needs to be a Member of the Association”.

SECTION 7 Treasurer The Treasurer shall have the responsibility for all funds and securities and shall be responsible for keeping full and accurate financial and books of account showing all receipts and disbursements and for the preparation of required financial data. He shall be responsible for the deposit of all monies and other valuable effects in the name of the Board or the Managing Agent in such depositories as may from time to time be designated by the Board and he shall perform all duties incidental to the office of Treasurer. No payment voucher shall be paid unless and until approved by the Treasurer or in his absence the Assistant Treasurer the Treasurer is elected by the Board and needs to be a Member of the Association.

SECTION 8 Execution of Documents for the Board All agreements, contracts, deeds, leases, checks, and other instruments of the Association may be executed by the President or by such other person(s) as may be authorized by the Board.

SECTION 9 Compensation of Officers No elected officer shall receive any compensation from the Association for acting as such, except for reimbursement of necessary and duly incurred expenses.

SECTION 10 Resignation Any officer may resign at any time by giving written notice to the Board, the President, or the Secretary. Any such resignation shall

take effect at the date of the receipt of such notice or at any later time specified therein. Unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

ARTICLE VII

ARTICLES

SECTION 1 Notice Procedure Whenever under the provisions of the Bill of Assurance or the By-Laws, notice is required to be given to the Board, any Managing Agent, or Member, it shall not be construed to mean personal notice; but such notice may be given in writing, either by mail, by depositing the same in a post office or letter box in a postpaid sealed wrapper, addressed to the Board, such Managing Agent or Member, respectively, at such address as appears on the books of the Association. Notice shall be deemed given as of the date of mailing or by delivery to such person's address, provided that such mailing is made in the State of Arkansas.

SECTION 2 Waiver of Notice Whenever any notice is required to be given under the provisions of the Bill of Assurance, the law, or these By-Laws, a waiver thereof, in writing, signed by the person or persons entitled to the notice, whether before or after the time stated therein, shall be deemed the equivalent thereof.

ARTICLE VIII

OPERATION OF THE PROPERTY

SECTION 1 Budget The Board shall from time to time and at least annually, prepare a budget for the Association and in connection therewith, determine the amount of Common Expenses of the Association and allocate and assess each Common Charge among the Unit Owners Common Expenses shall include among other things, the cost of all insurance premiums on all policies of insurance required to be, or which have been obtained by the Board pursuant to the provisions of these By-Laws. Other examples of Common Expenses include the amount charged for the operation, care, use, upkeep and maintenance of the entire The Park on Mountain Springs, including without limitation, any amount for working capital of the Association, for a general operating reserve for a reserve fund for replacements, to make up any deficit in the Common Expenses of any prior year Common Expenses may also include such amounts as may be required for the purchase or lease by the Board on behalf of all Unit Owners, any Unit

which is to be sold at foreclosure or other judicial sale, such purchase or lease to be in accordance with provisions of Article VIII of this instrument.

The Board shall advise all Unit Owners promptly and in writing of the amount of the Common Expenses payable by each of them as determined by the Board, and shall make available at the office of the Association copies of each budget on which such charges are based. The Grantor will be required to pay Common Charges in full on any Unit owned by it.

No assessment may be used to maintain property in which the Association does not have an interest. However, the Association shall maintain, as necessary, all roadway rights-of-ways that are adjacent to or adjoining the Property and all entrance ways into the property. This expense may be shared with other property owner associations.

SECTION 2 Payment of Common Charges All Unit Owners shall pay Common Charges assessed by the Board pursuant to the provisions of these By-Laws, annually or in advance or at such other time that the Board shall determine.

The assessment for Common Charges shall not increase during anyone fiscal year of the Association more than fifteen percent (15%) over the prior fiscal year, unless seventy-five percent (75%) of the Members of the Association vote the assessments a greater amount. No Unit Owner shall be liable for the payment of any part of the Common Charges assessed against his Unit subsequent to the transfer of a conveyance by him recorded in the records of the Circuit Clerk's office of Lonoke County, including conveyance to the Board made in accordance with the provisions of Article VIII of these By-Laws. A purchaser of a Unit shall be liable for the payment of the Common Charges assessed and unpaid against such Unit prior to the acquisition by him of such Unit, and a mortgagee or other purchaser of a Unit and at a foreclosure sale of such Unit shall be subject to and liable for a lien for the payment of Common Charges assessed both prior to and subsequent to the foreclosure sale. This section shall not be construed to obligate any mortgagee to collect payment of Common Charges on behalf of the Association.

SECTION 3 Powers to Subsequent Membership In the event of default by any Unit Owner in the payment of the Common Charges, or any other amounts owed the Association, the Board shall have the power to suspend the Unit Owner's membership in

the Association, and such suspension shall remain in effect only until such amounts as are owed are paid.

SECTION 4 Foreclosure In any action brought by the Board to foreclose a lien on a Unit because of unpaid Common Charges, the Unit Owner shall be required to pay a reasonable rental for the use of his Unit. If such nonpayment continues after the foreclosure, and the plaintiff in such foreclosure action shall be entitled to the appointment of a receiver to collect the same. The Board acting on behalf of the Owners, shall have the power to bid upon such Unit at the foreclosure sale and to acquire, hold, lease, convey, mortgage (but not to vote the share(s) appurtenant thereto), or otherwise deal with the same. A suit to recover a money judgment for unpaid Common Charges shall be maintainable without foreclosing or without waiving the lien securing same.

SECTION 5 Statement of Unpaid Common Charges The Board shall promptly provide any Unit Owner requesting same in writing, with a written statement of all unpaid Common Charges due from such Unit Owner in a form suitable for recording and the same when recorded in the Circuit Clerk's Office of Lonoke County, Arkansas shall operate to discharge the Unit from any other sums not included in such statement then unpaid, at least as to bonafide third parties relying on such statement.

In all events, the lien for assessments created herein shall be subject to and subordinate to the lien or any recorded first mortgage or deed of trust. Failure to pay Common Charges shall not constitute a default under an insured mortgage.

SECTION 6 Maintenance All maintenance, repair, and replacements in the covenants, to the Common Areas, or to those areas concerning which easements, if any, have been conveyed to the Association shall be done by the Board or its appointee and shall be included as a Common Expense of the Association.

SECTION 7 Cost Allotment Improvement

(a) If fifty percent (50%) or more but less than seventy-five percent (75%) of the Members agree to make an improvement to a Common Area or any area concerning which an easement has been granted to the Association, the cost of such improvement shall be borne by the Members so agreeing.

(b) If seventy-five percent (75%) or more of the Members agree to make an improvement to a Common Area or any area concerning which an easement has been

granted to the Association, the cost of such improvement shall be borne by all Members as a Common Expenses.

(c) All improvements undertaken pursuant to this Article VIII, Section 7 shall be subject to the written approval of the Board.

SECTION 8 Rules and Regulations The use of the Units and the Common Areas shall be subject to rules and regulations from time to time adopted by the Board and to rules and regulations from time to time adopted by the Association. Copies of said rules and regulations shall be made available at the office of the Association to each Unit Owner prior to their effective date.

ARTICLE IX

INDEMNIFICATION OF OFFICERS AND DIRECTORS

SECTION 1 Mandatory Indemnification In accordance with Ark. Code Ann. §§4-33-852 and 4-33-856, the Corporation shall indemnify any director or officer and his or her estate or personal representative who is wholly successful, on the merits or otherwise, in the defense of any proceeding to which the officer or director is a party by virtue of his or her status as an officer or director of the Corporation.

SECTION 2 Permissible Indemnification Pursuant to Ark. Code Ann. § 4-33-851, and except as provided in Article IX, Section 3 below, the corporation may indemnify an officer or director made a party to a proceeding by virtue of his or her status as an officer or director, against liability incurred in the proceeding if the following conditions are met:

- (1) The officer or director conducted himself or herself in good faith;
- (2) With respect to conduct in his or her official capacity, the officer or director had reason to believe that his or her conduct was in the best interests of the corporation; and
- (3) In cases of conduct not in his or her official capacity, the officer or director had reason to believe that his or her conduct was at least not opposed to the best interests of the Corporation.

SECTION 3 Prohibition of Indemnification in Certain Cases The Corporation shall not indemnify an officer or director in connection with any proceeding by or in the right of the Corporation in which the officer or director was adjudged liable

to the Corporation, or in connection with any other proceeding charging improper personal benefit to the officer or director, whether or not involving action in his or her official capacity, in which the officer or director was adjudged liable on the basis that personal benefit was improperly received by the officer or director.

SECTION 4 Procedures for Authorizing Indemnification of Directors Before the Corporation may indemnify any director pursuant to Article IX, Section 2 above, a determination must be made that indemnification of a director is permissible because the director has met the standards of conducts set forth in Article IX, Section 2. The Board of Directors shall make that determination by a majority vote of a quorum consisting of directors who are not at the time parties to the proceeding. Provided, however, that if such a quorum cannot be obtained, then the determination shall be made either by a committee designated by the Board of Directors or by special legal counsel in accordance with Ark. Code Ann. § 4-33-855(b) (2) and (3). Furthermore, the Corporation may not indemnify a director until twenty (20) days after the effective date of the written notice of the proposed indemnification to the Attorney General of the State of Arkansas. The Corporation may pay for or reimburse the reasonable expenses incurred by an officer or director who is a party to a proceeding, in advance of final disposition of the proceeding upon authorization made in accordance with Ark Code Ann. § 4-33-855 and upon satisfaction of all the conditions prescribed in Ark Code Ann. § 4-33-853.

SECTION 5 Insurance The Corporation may purchase and maintain insurance on behalf of its officers and directors to insure against liabilities inserted against or incurred by the Corporation's officers and directors in that capacity or arising from their status as officers and directors, whether or not the Corporation would have the power to indemnify them against the same liability under the preceding sections of this Article IX.

SECTION 6 Definitions The following definitions apply to the indemnification provisions of this Article IX:

(a) Proceeding "Proceeding" means any threatened, pending or completed civil action suit or proceeding whether judicial, administrative, or investing, and whether formal or informal.

(b) Liability "Liability" means the obligation to pay a judgment, settlement, penalty, fine (including an excise regarding an employee benefit plan), or reasonable expenses actually.

(c) Expenses Indemnification against expenses which is mandated or permitted under this Article V is limited to reasonable expenses, including attorneys' fees, incurred in connection with a proceeding.

ARTICLE X INSURANCE

SECTION 1 Physical Damage All buildings and improvements owned by the Association, and all of the personal property owned by the Association, shall be insured for the benefit of the Association, the Unit Owners and Mortgagees of a Unit as their interest may appear, against risks of physical damage as follows:

(a) Amounts As to real property, for an amount equal to not less than the agreed amount of its replacement cost; as to personal property, for an amount equal to its actual cash value prior to obtaining any insurance on real property under this section, and at least annually thereafter, the Board shall obtain an appraisal from a qualified appraiser for the purpose of determining the replacement cost of such real property.

(b) Risks Insured Against The insurance shall afford protection against loss or damage by reason of:

- (1) Fire and other perils normally covered by extended coverage;
- (2) Vandalism and malicious mischief;
- (3) Such other risk of physical damage as from time to time may be customarily covered with respect to buildings and improvements similar in construction, location and use as those on the Property, including without limitation, builder's risk coverage for improvements under construction; and
- (4) Such other risks of physical damage as the Board may from time to time deem appropriate

SECTION 2 Liability Insurance The Board shall obtain and maintain public liability insurance for bodily injury and property damage in such limits as the Board may from time to time determine, insuring the Association, the Board, the Managing Agent (at the discretion of the Board), with respect to their liability arising from operation,

maintenance or repair of The Park on Mountain Springs, which is the responsibility of the Association including, without limitation, liability arising from construction operations Common Area maintenance, and also insuring each Unit Owner including the Grantor with respect to its liability arising from ownership of the said Unit such liability insurance shall also cover cross-liability claims among Unit Owners and the Association. The Board shall review such limits at least annually. The insurance provided under this section shall include, without limitation, the following provisions

(a) That the insurance shall not be affected or diminished by any act or neglect of any Unit Owner or any occupants or Unit Owners of any improvements when such act or neglect is not within the control of the Association;

(b) That the insurance shall not be affected or diminished by failure of any improvements to comply with any warranty or condition when such failure to comply is not within the control of the Association; and

(c) Waivers by the insurer of rights of subrogation other than those based on fraud or criminal acts, against the Association or the Unit Owners.

ARTICLE XI

DAMAGE TO OR DESTRUCTION OF PROPERTY

SECTION 1 Duty to Repair or Restore Any portion of The Park on Mountain Springs owned by the Association which is damaged or destroyed shall be repaired or restored promptly by the Association, as provided in this Article. The Architectural Control Committee as established by the Property Bill of Assurance of The Park on Mountain Springs ("Architectural Control Committee") and the Board may waive this requirement.

SECTION 2 Estimate of Cost Promptly after damage to or destruction of some portion of the Common Area, and thereafter as it deems advisable, the Board shall obtain reliable and detailed estimates of the cost of repair or restoration. If the cost in the opinion of the Board may exceed Five Thousand United States Dollars (\$5,000), the Board may retain the services of an architect or engineer or construction consultant to assist in the determination of such estimate and in the supervision of repair and restoration.

SECTION 3 Collection of Construction Funds Construction funds may consist of insurance proceeds, condemnation awards, proceeds of assessments against Unit Owner, payments by Unit Owners for damage to or destruction of lots or improvements thereto, and other funds received on account of or arising out of injury or damage to the buildings, etc.

(a) Insurance Proceeds - The Board shall adjust losses under physical damage insurance policies of the Association.

(b) Assessments against Unit Owners - If the insurance proceeds are insufficient to effect the necessary repairs or restoration, such deficiency shall be charged against all Unit Owners as a Common Expense The proceeds of assessments for such Common Expenses shall be paid by the Board directly to the Vendor making the repairs and restoration.

(c) Payments by Others - Any other funds received on account of or arising out of injury or damage to the buildings, etc shall be administered directly by the Board.

ARTICLE XII
TERMINATION AND DISSOLUTION
OF THE CORPORATION

SECTION 1 Events of Dissolution The Corporation shall be dissolved upon the earlier to occur of the following Events of Dissolution.

(a) The affirmative vote of a majority of the members of the Board of Directors of the Corporation then in office, taken at a meeting of the Board of Directors called specifically for that purpose, or upon the written consent of all members of the Board of Directors entitled to vote thereon, and upon the affirmative vote of the Unit Owners by sixty seven percent (67%) of the votes cast or a majority of the Unit Owners' voting power, whichever is less; or

(b) Substantially all of the assets of the Corporation are dedicated to a public body or transferred to a nonprofit organization with similar purposes and the Company ceases business operations.

Notwithstanding the dissolution of the Corporation, the business of the Corporation and the affairs of the members, as such, shall continue to be governed by this Agreement until the winding up of the Corporation occurs.

SECTION 2 Distribution of Assets Upon the occurrence of an Event of Dissolution of the Corporation, the Board shall wind up all Corporation affairs, at which time the Corporation shall apply and distribute the proceeds in the following order

(a) Pay the debts and liabilities of the Corporation and the expenses of liquidation if any, in the order of priority as provided by law, and set up any reserves which the Board shall deem reasonably necessary to provide for any contingent or unforeseen liabilities or obligations of the Corporation. Any reserves so established shall be paid over to an escrow agent, to be held in escrow for the purpose of paying such contingent or unforeseen liabilities or obligations, for so long as the Board shall deem it necessary; and

(b) Dedicate all of the remaining assets of the Corporation to a public body or to a nonprofit organization with similar purposes.

SECTION 3 Terminations The Corporation shall be terminated when

(a) all property owned by the Corporation shall have been disposed of and;

(b) the net proceeds, if any, after satisfaction of liabilities to creditors, shall have been dedicated as provided in Article XII, Section 2. If there are insufficient proceeds to satisfy all liabilities to creditors, the Corporation shall be terminated when all assets are disposed of. The establishment of any reserves in accordance with the terms and conditions herein specified shall not extend the term of the Corporation.

ARTICLE XIII

AMENDMENTS TO BY-LAWS

These By-Laws may be altered, amended or repealed and new By-Laws may be adopted by the Members at any regular or special meeting of the Members. Provided, however, that unless the amendments are unanimously adopted by action without a meeting pursuant to Article III hereof or unless notice is waived, the Corporation shall provide seven (7) days written notice to the Directors that the amendment will be voted upon at the meeting, and the notice must state that the purpose, or one of the purposes, of the meeting is to consider the proposed amendment of the By-Laws, and the notice shall

also contain or be accompanied by a copy or a summary of the amendment or state the general nature of the amendment. Any amendment to the By-Laws must be approved by a sixty seven percent (67%) majority of the Members.

**ARTICLE XIV
CONFLICTS**

In the event any of the provisions of these By-Laws are in conflict with any federal or state statutes or regulations, the Articles or the Bill of Assurance, or any amendment or supplement thereto, as the case may be, the statutes, regulations, Articles or the Bill of Assurance shall control.

**ARTICLE XV
MISCELLANEOUS**

SECTION 1 Invalidity The invalidity of any part of these By-Laws shall not impair or affect in any manner the validity, enforceability or effect of the balance of these By- Laws.

SECTION 2 Captions The captions herein are inserted only as a matter of convenience and for reference, and in no way define, limit or describe the scope of these By-Laws or the intent of any provisions thereof.

SECTION 3 Gender The use of the masculine gender in these By-Laws shall be deemed to include the feminine and neuter gender, and the use of the singular shall be deemed to include the plural, whenever the context so requires.

SECTION 4 Waiver No restriction, condition, obligation, or provisions contained in these By-Laws shall be deemed to have been abrogated or waived by reason of any failure to enforce the same, irrespective of the number of violations or breaches thereof which occur.

SECTION 5 Attorney Fee In any legal or equitable proceeding for the enforcement or to restrain the violation of this instrument or any provisions thereof, by reference or otherwise, the prevailing party or parties shall be entitled to attorney fees in such amount as the court finds reasonable. All remedies provided for herein, or at law or equity, shall be cumulative and not exclusive.

SECTION 6 Conveyance of Common Area The Common Area shall not be mortgaged or conveyed without the consent of a sixty seven percent (67%) majority of the Members (excluding Grantor)

CERTIFICATION OF ADOPTION

The foregoing By-Laws of the Corporation have been duly adopted this ____ day of _____, 2004, by action of the Board of Directors of the Corporation pursuant to the laws of this State

IN TESTIMONY THEREOF, witness the hand of the undersigned Corporation on such date.

(SEAL)

Secretary

**AMENDMENT TO THE BY-LAWS
THE PARK ON MOUNTAIN SPRINGS PROPERTY OWNERS
ASSOCIATION, INC.
OCTOBER 4, 2011**

“The Park on Mountain Springs Subdivision POA annual dues are due and payable on October 1. Property owners have until November 30th of 2011 to pay their annual dues. Beginning December 1, 2011, a late fee of \$10 per month shall be charged until that property owner is current. In addition, if all dues and late fees are not paid by January 1 2012, the POA shall place a lien upon the referenced property that will consist of all unpaid dues, late fees, filing fees, reasonable attorney’s fees and any other charges incurred with properly filing the lien in the county records of the Circuit Clerk of Lonoke County.

The POA is allowing the grace period in 2011 to extend to November 30th. However, in 2012, the POA dues for the 2012-2013 year shall be due and payable on October 1 and delinquent if not paid by November 1. Beginning November 1, 2012 a late fee of \$10 per month will be assessed. In addition, if all dues and late fees are not paid by January 1 2013, the POA shall place a lien upon the referenced house that will consist of all unpaid dues, late fees, filing fees, reasonable attorney’s fees and any other charges incurred with properly filing the lien in the county records of the Circuit Clerk of Lonoke County.”

For reference, please see the Bill of Assurance of The Park on Mountain Springs and the By-Laws of The Park on Mountain Springs Owners Association, Inc. In the event a lien is filed of record, the POA can and will act to collect the amounts owed to ensure the sustainability of the POA. We feel the areas maintained by the POA add value to all homes in The Park on Mountain Springs and we want to continue to operate the association effectively.

Carolyn Calhoun made the motion, Richard Dieringer seconded this motion. The motion passed unanimously.