

BY-LAWS OF

THE LAKE ARTHUR ESTATES HOMEOWNERS ASSOCIATION, INC.

A Corporation Not for Profit under the Laws of the State of Florida

These are the By-Laws of **THE LAKE ARTHUR ESTATES HOMEOWNERS ASSOCIATION, INC.**, (hereinafter called "Association"), a corporation not for profit, incorporated under the laws of the State of Florida. The Association has been organized for the purpose of administering a homeowners association pursuant to Chapter 720, Florida Statutes, as amended (hereinafter called "the Act").

SECTION 1. ASSOCIATION.

1.1 Office. The office of the Association shall be at 6488 Highway 85, North, Crestview, Florida 32536, or such other place as shall be selected by a majority of the Board of Directors.

1.2 Fiscal Year. The fiscal year of the Association shall run from January 1 to December 31 of each year.

1.3 Terms. All terms used herein shall have the same definitions as contained within the Declaration of Covenants, Conditions and Restrictions for the Lake Arthur Estates subdivision.

SECTION 2. MEMBERS.

2.1 Qualifications. The members of the Association shall consist of all Lot Owners of lots in **LAKE ARTHUR ESTATES**.

2.2 Membership. Membership in the Association shall be established by recording in the public records of Okaloosa County, Florida, a deed or other instrument conveying a subdivision lot to a party other than the Developer. The grantee in such instrument shall immediately become a member of the Association. The membership of any prior owner of the same lot shall be terminated upon recording of the deed and delivery of a copy to the Association.

2.3 Designation of Voting Representative. When more than one person holds an interest in any Lot, all such persons shall be members. The vote for such Lot shall be exercised as they determine, but in no event shall more than one vote be cast with respect to any Lot. The member entitled to cast the vote for the jointly owned lot shall be designated by a Certificate of Appointment of Voting Representative (certificate) signed by all of the lot owners, which certificate shall be filed with the Association. If a lot is owned by a member who is a corporation, the party entitled to cast the vote for the lot shall be designated by a certificate signed by the president or vice president and attested by the secretary or assistant secretary of the corporation and filed with the Association. Such certificate shall be valid until revoked or until superseded by a subsequent certificate or until a change in the ownership of the lot. The designation may be revoked and a substitute Voting Member designated at any time at least five (5) days prior to a meeting. If a designation of a Voting Member is not filed with the Secretary at least five (5) days prior to any meeting, no vote shall be cast at such meeting by or for the multiple lot owners.

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2.4 Restraint Upon Alienation of Assets. The share of a member in the funds and assets of the Association shall not be assigned, hypothecated or transferred in any manner, except as an appurtenance to his or her lot.

SECTION 3. MEMBERS' MEETINGS.

3.1 Place. All meetings of the members of the Association shall be held at the office of the Association or such other place as may be stated in the notice of the meeting.

3.2 Membership List. At least five (5) days before every election of directors, a complete list of the Voting Members of the Association, arranged numerically by lot number, shall be prepared by the Secretary. Such list shall be kept at the office of the Association and shall be open to examination by any member at any reasonable time during regular business hours or during any Association meetings. Changes in the list of Voting Members shall only be made pursuant to Section 2 of these By-Laws.

3.3 Regular Meetings. Annual meeting of the Members of the Association shall be held on the first weekend in the month of December of each year or at such other date as may be authorized by the Board of Directors. Any lot owner may tape record or videotape a meeting of the lot owners subject to reasonable rules adopted by Board of Directors.

3.4 Special Meetings. Special meetings of the members for any purpose may be called by the President, and shall be called by the President or Secretary at the request, in writing, of either a majority of the Board of Directors or of a majority of the Voting Members. Such request shall state the purpose of the proposed meeting. In addition, special meetings of the members shall be called at the request of ten percent (10%) of the voting members for the purpose of recall of a member or members of the Board of Directors. Lot owners shall have the right to participate in the special meetings with reference to all designated agenda items. The Association may adopt reasonable rules governing the frequency, duration, and manner of the lot owner participation. Any lot owner may tape record or videotape a special meeting of the lot owners subject to reasonable rules adopted by the Board of Directors.

3.5 Notice. Notices of meetings of the owners shall be by written notice, which notice must include an agenda. Written notice shall be mailed or delivered to each lot owner at least fourteen (14) days before an annual meeting and at least ten (10) days before a special meeting, and shall be posted in a conspicuous place on the Association property at least fourteen (14) continuous days before an annual meeting and at least ten (10) days before a special meeting. Upon notice to lot owners, the Board shall by duly adopted rule, designate a specific location of the subdivision's common elements, upon which all notices of lot owner meetings shall be posted. The method of the mailing of the notice to lot owners shall comply with the provisions of Florida Statutes.

3.6 Participation. All members shall be entitled to participate in any meeting of the Association but only Voting Members shall have the right to vote on any matter brought before such meeting. Each Voting Member shall be entitled to cast a number of votes equal to the number of lots owned by the member. Wherever in these By-Laws the vote of a certain percentage of the Voting Members is required to take an action it shall be deemed to mean that percentage of the total number of votes of Voting Members.

3.7 Transfer of control of the Association. When lot owners other than the Developer own thirty percent (30%) of the lots in the subdivision, the lot owners, other than the Developer, shall be entitled to elect no less than one-third (1/3) of the members of the Board of Directors of the Association. Lot owners other than the Developer are entitled to elect no less than a majority of the members of the Board of Directors of the Association:

(a) Three (3) years after fifty percent (50%) of the lots have been conveyed to the purchasers;

(b) Three (3) months after ninety percent (90%) of the lots have been conveyed to the purchasers;

(c) Seven (7) years after recording the Declaration of Covenants and Restrictions, whichever occurs first.

The Developer is entitled to elect at least one member of the Board of Directors of the Association as long as the Developer holds at least five percent (5%) of the lots in all phases of the subdivision. Following the time the Developer relinquishes control of the Association, the Developer may exercise the right to vote any Developer-Owned Lots in the same manner as any other lot owner, except for purposes of reacquiring control of the Association or selecting the majority members of the Board of Directors.

3.8 Proxies. Lot owners may not vote by general proxy, but may vote by limited proxies substantially conforming to a limited proxy form adopted by the Board of Directors and consistent with Florida law. Only limited proxies may be used to establish a quorum. Limited proxies shall be used for votes taken to waive or reduce reserves; for votes taken to waive financial statements; for votes taken to amend the Declaration; for votes taken to amend the Articles of Incorporation or By-Laws; and for any other matter which Florida law requires or permits to be determined by a vote of the lot owners. No proxy, limited or general, shall be used in the election of Board Members. Lot owners may vote in person at all meetings.

3.9 Vote Required to Transact Business. When a quorum is present in person or by limited proxy at any meeting, the majority of Voting Members present in person or by proxy and voting shall decide any question brought before the meeting, unless the question is one which requires more than a majority vote by express provision of Florida Statutes, the Association's Articles of Incorporation, these By-laws, or the Declaration of Covenants and Restrictions, in which case the express provision shall govern and control the number of votes required.

3.10 Quorum. Twenty percent (20%) of the total number of Voting Members of the Association shall constitute a quorum at all meetings of the members, except as otherwise provided by statute or the Declaration of Covenants, Conditions and Restrictions for the subdivision. If a quorum is not present at any meeting, the Voting Members may adjourn the meeting. Any rescheduled meeting must be properly noticed.

SECTION 4. DIRECTORS.

4.1 Number. The affairs of the Association shall be managed by Board of Directors, consisting of not less than three (3) or more than five (5) directors. The number of directors shall be determined from time to time by the Voting Members.

4.2 Term. Each director shall be elected to serve for a term of three (3) years, which terms shall be staggered, or until his or her successor shall be elected and shall qualify, except that directors elected prior to the lot owners' initial meeting shall serve only until such meeting.

4.3 First Board of Directors. The first Board of Directors shall consist of three (3) persons appointed by Developer, who shall hold office and exercise all powers of the Board at the pleasure of Developer, until other directors are named or elected pursuant to these By-Laws.

4.4 Vacancy and Replacement. Vacancies in the Board of Directors shall be filled in the same manner as election of Directors. If a vacancy occurs on the Board as a result of a recall and less than a majority of the Board members are removed, the vacancy may be filled by the affirmative vote of a majority of the remaining directors. If vacancies occur on the Board as a result of a recall and a majority or more of the Board members are removed, the vacancies shall be filled by the calling of a special election for new board members, to be held at a special meeting of lot owners, which shall be properly noticed.

4.5. Election of Directors. Directors shall be elected by written ballot or voting machine. Proxies shall not be used in electing Directors, either in general elections or elections to fill vacancies caused by recall, resignation or otherwise. Not less than sixty (60) days before a scheduled election, the Association shall mail or deliver, whether by separate association mailing or included in another association mailing or delivery to each lot owner entitled to vote, a first notice of the date of the election. Any lot owner desiring to be a candidate for the Board of Directors, shall give written notice to the Secretary of the Association not less than forty (40) days before a scheduled election. Together with the written notice and agenda, the Association shall mail or deliver a second notice of the election to all lot owners entitled to vote therein, together with a ballot which shall list all candidates. Upon request of the candidate, the Association shall include an information sheet, no larger than eight and one-half inches by eleven inches (8 1/2 x 11), which must be furnished by the candidate no less than thirty-five (35) days before the election to be included in the mailing of the ballot, with the cost of mailing or delivering and copying to be borne by the Association. The voting shall be in accordance with Florida Statutes. Elections shall be decided by a plurality of those ballots cast. At least 20% of the eligible voters must cast a ballot to have a valid election of the members of the Board of Directors. No lot owner shall permit any other person to vote his ballot, and any such ballots improperly cast shall be deemed invalid. A lot owner who needs assistance in casting a ballot may obtain assistance in casting the ballot. The regular election shall occur on the date of the annual meeting. An election and balloting are not required unless more candidates file notices of intent to run or are nominated than vacancies exist on the Board.

4.6. Removal. Directors may be removed with or without cause by an affirmative vote of a majority of the voting members. The removal/recall of Directors shall be in accordance with Florida law. No director shall continue to serve on the Board, if during his term of office, his membership in the Association is terminated for any reason.

4.7 Powers and Duties of Board of Directors. All of the powers and duties of the Association shall be exercised by the Board of Directors, or its delegate, subject only to approval by lot owners and institutional mortgagees when such approval is specifically required. The powers and duties of the directors include but are not limited to the following:

(a) Assess. To make and collect Assessments against members to pay the Common Expenses and the expenses incurred by the Association and to make and assess members for capital improvements, replacements, and reserve accounts.

(b) Disburse. To disburse the proceeds of Assessments in the exercise of its powers and duties and in the best interests of the members.

(c) Maintain. To maintain, repair, replace and operate the Association's property as required by the Declaration of Covenants, Conditions and Restrictions.

(d) Purchase. To purchase the necessary equipment and tools required for the maintenance, care, and preservation of the Association's property.

(e) Insure. To insure and keep insured the Association's property in the manner set forth in the Declaration of Covenants, Conditions and Restrictions and to purchase such other insurance as the Board may deem advisable, including officers' and directors' liability insurance.

(f) Enforce. To enjoin or seek damages from any lot owner for violation of these By-Laws and the terms and conditions of the Declaration of Covenants, Conditions and Restrictions.

(g) Employ. To employ and contract with a maintenance service contractor or manager, or either of them, for the maintenance, service and management of the Association's property, and to employ accountants, attorneys, and other professionals as needed.

(h) Regulate. To make reasonable rules and regulations concerning the use and occupancy of the lots and Association's property consistent with the Declaration of Covenants, Conditions and Restrictions.

(i) Fines. To levy and collect fines for violations of the covenants and subdivision rules by lot owners.

(j) Miscellaneous. To exercise all other powers as granted under Florida law.

4.8 Annual Statement. The Board will present a full and clear statement of the business and financial condition of the association at the annual meeting of the members.

4.9 Compensation. The directors shall not be entitled to any compensation for service as directors.

SECTION 5. DIRECTORS' MEETINGS.

5.1 Organizational Meetings. The first meeting of each new Board elected by the members shall be held immediately upon adjournment of the meeting at which they were elected or as soon thereafter as may be practicable. The annual meeting of the Board shall be held at the same place as the general members' meeting.

5.2 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 directors. Notice of regular meetings shall be given to each director, personally or by mail, telephone, e-mail or facsimile, at least five days' in advance of the time named for such meeting and shall be posted conspicuously on the subdivision property at least forty-eight (48) continuous hours in advance, except in an emergency.

5.3 Special Meetings. Special meetings of the Board may be called by the President on forty-eight (48) hours notice to each director, provided notice of such meeting is posted in a conspicuous place on the subdivision property for at least forty-eight (48) continuous hours preceding this meeting. Special meetings shall be called by the President or Secretary in like manner and on like notice upon the written request of two (2) directors.

5.4 Adjourned Meetings. If at any meeting of the Board there is less than a quorum present, the majority of those present may adjourn the meeting. Any rescheduled meeting must be properly noticed.

5.5 Quorum. A quorum at a directors' meeting shall consist of a majority of the entire Board. The acts approved by a majority of those present at a meeting at which a quorum is present, shall constitute the act of a Board, except when approval by a greater number of directors is required by the subdivision's governing documents.

5.6 Joinder in Meeting by Approval of Minutes. The joinder of a director in any action taken at a meeting by signing and concurring in the minutes of that meeting shall constitute the presence of such director except for the purpose of determining a quorum.

5.7 Presiding Officer. The presiding officer of a director's meeting shall be the President of the Association. In the absence of the presiding officer, the directors present shall designate one of their number to preside.

5.8 Procedures for Meetings. All meetings of the Board of Directors may be tape recorded or videotaped by lot owners. All lot owners shall have the right to attend such meetings and this includes the right to speak at such meetings with reference to all designated agenda items. The tape recording and/or videotaping of the meeting by lot owners shall be in accordance with Florida law and the rules adopted by the Board of Directors. The Association may adopt reasonable rules governing the frequency, duration, and manner of lot owner statements. Notice of the meeting shall specifically incorporate an identification of the agenda items. The notice of the meeting, together with the identification of the agenda items, shall be posted conspicuously on the subdivision property at least forty-eight (48) continuous hours preceding the meeting, except in emergency. Any item not included on the Notice may be taken up on an emergency basis by at least a majority plus one of the members of the Board. Such emergency action shall be noticed and ratified at the next regular meeting of the Board. Written notice of any

meeting at which non-emergency special assessments, or at which amendment to rules regarding lot use will be considered shall be mailed or delivered to the lot owners and posted conspicuously on the subdivision property not less than fourteen (14) days prior to the meeting. Evidence of compliance with fourteen (14) day notice shall be made by Affidavit executed by the person providing the notice and filed among the official records of the Association. Upon notice to the lot owners, the Board, by duly adopted rule, shall designate a specific location on the Association property upon which all notices of the board meetings shall be posted. Notice of any meeting in which regular Assessments against lot owners are to be considered for any reason shall specifically contain a statement that Assessments will be considered and the nature of any such Assessments.

SECTION 6. OFFICERS.

6.1 Officers. The executive officers of the Association shall be a President, Treasurer, and Secretary, each of whom shall be elected at the annual meeting of the Board of Directors. Any two of said offices may be held by one person except that the President shall not also be the Treasurer of the association. The Board also may elect a member to the office of Vice President, if deemed necessary and appropriate by the Board. The Board may appoint such other officers and agents that it may deem necessary, who shall hold office at the pleasure of the Board and who shall have such authority and perform such duties as from time to time may be prescribed by said Board.

6.2 Qualification. No person shall be entitled to hold office except a Voting Member or the designated voting member of a corporate Voting Member or the designated voting member for a lot owned by multiple owners. All officers shall be required to be members of the Board.

6.3 Term. The officers of the Association shall hold office until their successors are chosen and qualify in their stead. Any officer elected or appointed by the Board may be removed at any time by the affirmative vote of a majority of the Voting Members of the Association.

6.4 The President. The President shall be the chief executive officer of the Association and shall preside at all meetings of the members and directors. The President shall be an ex-officio member of all standing committees, shall manage the business of the association, and shall see that all orders and resolutions of the Board are carried into effect.

6.5 The Secretary.

(a) The Secretary shall keep minutes of the members' meetings and of the Board of Directors' meetings in one or more books provided for that purpose, and shall make the same available to inspection by any lot owner or his authorized representative and board members at reasonable times.

(b) The Secretary shall see that all notices are duly given in accordance with the provisions of the subdivision documents or as required by law.

(c) The Secretary shall be custodian of the association records and of the seal of the association. Minutes of meetings of members and of the board shall remain as association records for at least seven (7) years.

(d) The Secretary shall keep a register of the name and post office address of each member.

(d) In general, the Secretary shall perform all duties incident to the office of the Secretary and such other duties as may be assigned by the President or by the Board of Directors.

6.6 The Treasurer

(a) The Treasurer shall keep full and accurate records of receipts and disbursements in books belonging to the association, and shall deposit all monies and other valuable effects in the name of and to the credit of the association in such depositories as may be designated by the Board of Directors or these By-Laws.

(b) The Treasurer shall disburse the funds of the association as ordered by the Board, taking proper vouchers for such disbursements, and shall render to the President and directors at the regular meetings of the Board, an account of all transactions as Treasurer, and of the financial condition of the association. The Treasurer, in conjunction with the Board, shall prepare an annual budget for approval in accordance with Chapter 720 of Florida Statutes and the subdivision documents.

6.7 Vacancies. If any office becomes vacant by reason of death, resignation, disqualification or otherwise, the remaining directors by a majority vote may choose a successor or successors who shall hold office for the unexpired term.

6.8 Resignations. Any director or other officer may resign his office at any time. Such resignation shall be made in writing, and shall take effect at the time of its receipt by the association, unless some time be fixed in the resignation, and then from the date so fixed. The acceptance of a resignation shall not be required to make it effective.

SECTION 7. APPROVAL BY VOTING MEMBERS.

7.1 The Association shall act through its Board of Directors and only the following matters shall require an affirmative vote of the Voting Members of the Association:

- (a) Alterations, improvements or additions to the Common Areas: 2/3 of the Voting Members;
- (b) Amendments to the By-laws, Articles of Incorporation, or Declaration of Covenants and Restrictions: 2/3 of the Voting Members;
- (c) Termination of the Subdivision: 100% of the Voting Members;
- (d) Removal of Directors: Majority of the Voting Members;
- (e) Dedicate or transfer all or any part of the Common Area to any public agency, authority, or utility: 2/3 of the Voting Members; and
- (f) Special assessments and increase of annual assessments over fifteen percent (15%) of previous year's assessments: 2/3 of the Voting Members.

SECTION 8. CONDUCT OF MEETING.

All meetings of the Members and of the Board shall be governed by Robert's Rules of Order.

SECTION 9. FISCAL MANAGEMENT.

The provisions for fiscal management of the Association are set forth in the Declaration of Covenants, Conditions and Restrictions and are supplemented by the following provisions:

9.1 Accounts. The funds and expenditures of the Association shall be credited and charged to the appropriate account as set forth below.

(a) **Current Expenses.** All funds to be used during the year for the maintenance of the Common Areas and the operation and working capital of the Association shall be held in the Current Expense Account. Any balance in this fund at the end of each year may be used to pay Common Expenses incurred in any successive year or may be placed in the Reserve Fund Account.

(b) **Reserve Fund Account.** All funds to be expended for replacement, acquisition, and repair of capital improvements and subdivision infrastructure which are a part of the Common Areas shall be held in the Reserve Fund Account separate from any operating accounts.

9.2 Budget.

(a) The Board of Directors shall adopt a detailed budget for each calendar year which will include the estimated funds required to pay the Common Expenses and provide and maintain funds for the foregoing accounts according to good accounting practices and as may be required by law. If an adopted budget requires assessment against the lot owners in any year of an amount exceeding one hundred fifteen percent (115%) of the assessments for the preceding year, and if ten percent (10%) of the lot owners file objections to the adoption thereof, the Board of Directors shall call a special meeting of the lot owners in accordance with and on such notice as is specified Article IV of the Declaration of Covenants, Conditions and Restrictions, If an assessment exceeding 115% of the previous year's assessment is not ratified, then the budget shall be adjusted to eliminate any expenditures necessitating the increased assessment.

(b) In determining whether the assessment exceeds one hundred fifteen (115%) of similar assessments in prior years, reasonable reserves for repairs or replacements, expenses which cannot be reasonably anticipated to be incurred on a regular or annual basis, and assessments for betterment shall not be considered in the computation.

9.3 Assessments. Assessments against the lot owners for their shares of the items of the budget, when applicable, shall be made by the Board of Directors for the fiscal year annually on or before November 30 of the year preceding the year for which the Assessments are made. Such Assessments shall be payable by all lot owners within thirty (30) days of assessment. However, the Board may change the manner in which assessments are payable for any assessments other than the assessment as set forth in the Declaration of Covenants, Conditions and Restrictions. If an annual assessment is not made as required, an assessment shall be presumed to have been made in the amount of the prior annual assessment and payments thereon shall be due on or before the thirtieth (30th) day following the usual annual assessment date, unless and until changed by an amended assessment. The budget and assessments therefore may be amended at anytime by the Board of Directors, consistent with these By-laws.

9.4 Assessments for Emergencies. Assessment for emergencies that cannot be paid from the annual assessments shall be due only after thirty (30) days notice is given to the lot owners concerned and shall be paid in such manner as the Board of Directors of the Association may require in the notice of assessment.

9.5 Depository. The funds of the Association will be deposited in such banks or savings and loan associations as shall be designated from time to time by the Board of Directors. Withdrawals of funds from such accounts shall be only by checks signed by at least two members of the Board.

9.6 Fidelity Bonds. The Association shall obtain and maintain adequate insurance or fidelity bonding of all persons who control or disburse funds of the association. The insurance policy or fidelity bond must cover the maximum funds that will be in the custody of the Association at any one time. As used in this paragraph, the term "persons who control or disburse funds of the association" includes, but is not limited to, those individuals authorized to sign checks and the president, secretary, and treasurer of the association. The association shall bear the costs of bonding.

9.7 Financial Reports. The Association shall prepare and distribute to members as required by Florida Statutes, an annual financial report on the Association finances.

SECTION 10. RULES AND REGULATIONS.

10.1 As to Common Elements. The Board of Directors may from time to time adopt or amend previously adopted rules and regulations governing the operation, use, maintenance, management and control of the Common Areas. The Secretary shall from time to time post in a conspicuous place on the subdivision property, a copy of the rules and regulations adopted by the Board and shall deliver a copy of such rules and regulations to each lot owner. Any rules and regulations adopted shall be uniformly applied, reasonable, and non-discriminatory.

10.2 As to Subdivision Lots. The Board of Directors may from time to time adopt or amend previously adopted rules and regulations governing and restricting the use and maintenance of the subdivision lots. Copies of rules and regulations shall be furnished to each lot owner prior to the time they shall become effective. Where applicable or desirable, a copy shall be posted in a conspicuous place on the subdivision property, and shall be delivered to each lot. Any amendments to rules and regulations adopted shall be reasonable, uniformly applied, and non-discriminatory.

SECTION 11. DEFAULT.

11.1 Foreclosure. If a lot owner does not pay any assessments required to be paid to the Association within thirty (30) days from the due date, the Association, acting in its own behalf, may record and foreclose the lien encumbering the lot owner's lot created by non-payment of the required monies in the same manner as mortgage liens are foreclosed. The Association shall have the right to bid on the subdivision lot at a foreclosure sale and to acquire, hold, mortgage, sell, and convey the lot. In lieu of foreclosing its lien, or in addition thereto, the Association may bring suit to recover a money judgment for assessments required to be paid to the Association against a lot owner. The Association

shall be entitled to recover the costs of any legal action together with a reasonable attorney's fee.

11.2 Association Expenses. If the Association becomes the owner of a subdivision lot, expenses may be incurred in the resale of the lot, which shall include, but not be limited to advertising expenses, real estate brokerage fees, customary closing costs, and expenses necessary to facilitate the resale of the lot. All monies remaining after deducting the foregoing items of expenses shall be returned to the former lot owner..

11.3 Enforcement. If a violation of the provisions of the subdivision documents occurs, the Association, on its own behalf, may bring appropriate action to enjoin such violation, to enforce the provisions of the documents, to sue for damages, impose fines or take all such courses of action at the same time, or such other legal remedies as are appropriate.

11.4 Consent to the Foregoing Provisions. Each lot owner for himself, his heirs, successors and assigns, agrees to the foregoing provisions relating to default and injunctive relief, regardless of the harshness of the remedy available to the Association, and regardless of the availability of other equally adequate legal procedures. It is the intent of all lot owners to give to the Association a method and procedure which will enable it at all times to operate on a business-like basis, to collect those monies due and owing it from lot owners and to preserve each lot owner's right to enjoy his lot and home free from unreasonable restraint and nuisance.

SECTION 12. MORTGAGE OF LOT.

The Association shall maintain a suitable register for the recording of the name and address of mortgagees of owners' lots. Any mortgagee of a lot owner, may, but is not obligated to, notify the Association in writing, of its mortgage, in which case its name and address will be entered in the register. If notice of default is thereafter given any member, under any applicable provision of the subdivision documents, a copy of such notice shall be mailed to the mortgagee named in the register.

SECTION 13. AMENDMENT OF BY -LAWS.

The By-Laws of the Association may be altered, amended or repealed, unless specifically prohibited herein, at any regular or special meeting of the members by a two-thirds (2/3) vote of the Voting Members of the Association. No modification or amendment to the By-Laws shall be valid unless set forth or annexed to a duly recorded amendment to the Declaration of Covenants, Conditions and Restrictions. No modification or amendment shall be valid if made by reference to title or number only.

SECTION 14. COMPLAINTS.

When a lot owner files a written complaint or inquiry by certified mail with the Board of Directors, the Board shall respond to the lot owner within thirty (30) days of receipt of the complaint. The Board shall give a substantive response to the complainant and shall notify the complainant if a legal opinion has been requested. The failure to act within 30 days and to notify the lot owner within thirty (30) days after the action taken precludes the Board from recovering attorney's fees and costs in any subsequent litigation, administrative proceeding, or dispute resolution arising out of the complaint.

SECTION 15. FINES.

15.1 Procedure. Before a lot owner, or its occupant, licensee, or invitee, can be fined for failure to abide by a provision of the subdivision's documents, the following procedure shall be followed:

(a) The party against whom the fine is sought to be levied shall be afforded an opportunity for hearing after reasonable notice of not less than fourteen (14) days and said notice shall include:

- (i) A statement of the date, time and place of the hearing;
- (ii) A statement of the provisions of the subdivision documents and/or rules which allegedly have been violated; and
- (iii) A short and plain statement of the matters asserted by the Association.

(b) The party against whom the fine may be levied shall have an opportunity to respond, to present evidence, and to provide written and oral argument on all issues involved and shall have an opportunity at the hearing to review, challenge, and respond to any material considered by the Association.

(c) The hearing shall be held before a committee of other lot owners appointed by the President. If the committee does not agree with the fine, the fine may not be levied.

(d) No fine may exceed \$100.00 per violation and the same shall not constitute a lien against a lot. A fine may be levied on the basis of each day being a separate violation, with a single notice and opportunity for a single hearing, provided that no such fine shall in the aggregate exceed \$1,000.00.

THESE BY-LAWS WERE ADOPTED AND EXECUTED THIS 23rd DAY OF March, 2005.

**LAKE ARTHUR ESTATES HOMEOWNERS
ASSOCIATION. INC**

By: William A. Bailey
Its President