

**STONEWATER
HOMEOWNERS ASSOCIATION**

BYLAWS

ARTICLE I

NAME AND PURPOSE

Section 1. Name. The name of this Michigan nonprofit corporation is Stonewater Homeowners Association, herein referred to as the “Association”, and it is formed on a Membership basis.

Section 2. Purpose. The purpose of the Association is to maintain and preserve the Common Areas to enhance property values within the Stonewater Subdivisions (the “Subdivisions”). The Association is organized under the applicable laws of the State of Michigan for those specific and general purposes set forth in Article II of the Association’s Articles of Incorporation and as discussed in the First Amended and Restated Declaration of Covenants, Conditions and Restrictions (the “Declaration”) recorded in Wayne County Records, as amended.

ARTICLE II

DEFINITIONS

Section 1. Definitions. Certain terms are utilized not only in this Amended and Restated Bylaws but are or may be used in various other instruments such as, by way of example and not limitation, the Declaration, Articles of Incorporation and any Association Rules and Regulations of the Association, and deeds, mortgages, liens, land contracts, easements and other instruments affecting the establishment or transfer of interests in the Subdivisions. Wherever used in such documents or any other pertinent instruments, the terms below are defined as follows:

- A) "Active Member" is a Member of the Association who is in good standing, having paid any and all Assessments, fines or fees levied by the Association, and has full Membership and voting rights.
- B) “Advisory Hearing Board” or “AHB” reviews reported Director Code of Conduct violations and rules whether or not a violation has occurred in accordance with Article VI below. The AHB is formed only after a written report of a potential violation is received by the Association and is dissolved after completing their ruling(s).
- C) “Affiliate” is any person (individual, firm, corporation, limited liability company, partnership, association, trust, or other legal entity, or any combination of the foregoing) who controls, is controlled by, or is under common control of a person. A person is controlled by another person if the person is a general partner, officer, member, director, or employee of the person, directly or indirectly, individually or with 1 or more persons or subsidiaries owns, controls, or holds power to vote more than 20% of the person, controls in any manner the election of a majority

of the directors of the person, or has contributed more than 20% of the capital of the person.

- D) "Architectural Control Committee" or "ACC" means the Committee that may be appointed as provided in Article VIII below and the Declaration.
- E) "Amenity" is a desirable or useful feature, structure or place created by the developer or the Association to enhance the Membership's quality of life. Stonewater's amenities include, but are not limited to, six lakes, a stream, beach, Parkshore Lake islands, walking paths, gazebos, waterfalls and ponds, lake fountains, stone walls and bridges, pergola, Bayshore deck, pedestrian bridges, fencing, boat launches, and private parks.
- F) "Assessments" means the various forms of payment to the Association that are required to be made by Members (defined below), including any interest, late fees, fines, costs and attorneys' fees incurred in collecting the same.
- G) "Annual Assessments" are collected annually to fund the Association's financial obligations, including, but not limited to, debt repayment, operating expenses, new capital projects, operating maintenance reserves, and Replacement Reserve Fund.
- H) "Special Assessments" must be approved by two-thirds (2/3's) of the Members and are restricted to only fund for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, repair or replacement of a new or existing capital improvement to a Common Area or to repay a loan acquired for such purpose for which the funding was approved.
- I) "Association" means Stonewater Homeowners Association, a Michigan nonprofit corporation of which all Owners are Members. The Association shall administer, operate and manage the Subdivisions and administer, operate, manage and maintain the Common Areas (defined below) in accordance with all applicable laws and the Subdivision Documents (defined below). Any action required of, or permitted to, the Association shall be exercisable by its Board of Directors unless specifically reserved to the Members by the Subdivision Documents or Michigan law.
- J) "Association Meetings" includes Board Meetings, Annual Membership Meetings, Special Membership Meetings and town hall or informational Membership meetings.
- K) "Board of Directors" or "Board" or "Directors" means the persons elected or appointed to govern the Association's affairs in accordance with the Declaration, Articles of Incorporation, and the Bylaws.
- L) "Bylaws" means this instrument, as the same may be amended from time to time.
- M) "Common Areas" mean those areas of land and lakes within the Subdivisions designated on the Plats (defined below) as Common Areas or as being for the beneficial use and enjoyment of the Members, including any facilities or other improvements located on such land, the same being owned by the Association on behalf of the Members. As of the recording of this Amended and Restated Bylaws, the Common Areas consist of the private parks shown on the Plats, including, Bayshore Park, Creekside Park West, Creekside Park East, Hillside Park East, Hillside Park West, South Mystic Shores Park, North Mystic Shores Park, Overlook Park, Parkshore Park East, Parkshore Park West, Parkshore Preserve North, Parkshore Preserve South, Peninsula Park, Ridgeview Park, Sandshore Park, Shorebrook Park, Shorebrook Park

East, Shorebrook Park West, Spring Hill Park, Stonewater Community Gardens, Stonewater Park North, Stonewater Park South, Trailside Park East, Trailside Park West, Waterway Park, and Wildlife Park, Stonewater Creek (a.k.a. Johnson Sump Drain), the leaching basins and other common storm water drainage facilities, the lakes shown on the Plats contained within or adjacent to the Subdivision, the Landscaping Areas, the Restoration Work (defined in the Declaration, Article XI) and any other common landscaped areas, walking paths, sidewalks in Common Area parks, entryway signage and related improvements, boulevard medians, green belts along roads, walkway easements, cul-de-sac islands, storm water detention areas, storm sewers, intercept storm water drainage system (Lot's #105 & #106; Lots #168 - #170) and appurtenances not in County dedicated rights of way and detention areas, if any, all recreational amenities, and all areas of the Subdivision not privately owned or which may be transferred to the Association from time to time. "Common Areas" do not include the sidewalks which the Members are individually responsible for as provided in this Declaration. Title to the Common Areas is vested in the Association subject to the rights and easement of enjoyment in and to such Common Areas by the Members.

- N) "Conflict of Interest" exists when a Director (or agent of the Association) enters into a transaction or arrangement that might benefit their private interests over those of the Association or might result in a possible excess benefit transaction. A Conflict of Interest shall be deemed to exist when:
- 1) A Conflict of Interest shall be deemed to exist when any director knowingly has, directly or indirectly, through employment, business, investment, or family, have an interest in any entity with which the Association has, or is contemplating, a transaction or arrangement. Compensation includes direct and indirect remuneration, as well as, gifts or favors of \$50 or more, or a lesser amount set by Board policy, shall be considered substantial.
 - 2) A Conflict of Interest shall be deemed to exist when any director has a significant relationship with a non-profit or for-profit entity that has, or is negotiating, a transaction with the Association. Compensation is not required to deem a Conflict of Interest.
 - 3) A Conflict of Interest shall be deemed to exist when a director's property will disproportionately benefit from a board decision relative to other Members of the Association.
- O) "Declaration" means the First Amended and Restated Declaration of Covenants, Conditions and Restrictions all its Exhibits, as the same may be amended from time to time.
- P) "Election Review Board" or "ERB" is formed if a Board election is contested by a candidate. The ERB will review the election documentation, convene a hearing, and call witnesses. The ERB ruling is limited to either (1) certify the election results, (2) change the election results and, if necessary, break any ties by random draw, or (3) call for a new election. The ruling of the ERB is final and binding.
- Q) "Governing Documents" means and includes the Amended and Restated Declaration, the Amended and Restated Bylaws, and the Association's Articles of Incorporation.
- R) "Limited Common Areas" or "Limited Common Area Recreational" are designated by the Association as Common Areas specifically limited use to less than all the Members in accordance with the Declaration.

- S) “Lot” means any Lot on the recorded Plats of the Subdivisions.
- T) “Managing Agent” is the entity hired by the Association to manage the Common Area property, with responsibilities including, but not limited to, collection of Assessments, disbursement of funds, and hiring of contractors.
- U) “Membership” or “Member” is Every person or entity who is a record Owner of fee interest in any Lot is a mandatory Member of the Association.
- V) “Operating Fund” is funding for annual maintenance services to the Common Areas, as well as, pays for the management and administration of the affairs of the Association. These funds are to be kept in separate bank accounts from other reserve funds.
- W) “Operating Maintenance Reserve” A separate operating account established for the maintenance of common facilities, that are not major repair or replacement projects but, that because of their significant cost and periodic occurrence (i.e. not annually), necessitates cash to be accumulated until needed. These funds are to be held in a separate bank account specifically for Operating Maintenance Reserve projects as defined in the Preventative Maintenance Plan.
- X) “Owner” means the record Owner, whether one or more persons or entities, of the fee simple title to any Lot. The term “Owner” shall not include a mortgagee of a Lot unless and until such mortgagee acquires fee simple title to the Lot by foreclosure or other proceeding or conveyance in lieu of foreclosure and shall not include any interest in a Lot held as security for the performance of any obligation. Both land contract vendors and vendees shall be considered Owners and shall be jointly and severally liable for all obligations and responsibilities of Owners under this Amended and Restated Bylaws.
- Y) “Plats” refers to the Plat of the Subdivision as recorded in Wayne County records.
- Z) “Preventative Maintenance Plan” or “PMP” is integrated to include both operating maintenance activities and long-term major repair and replacement activities to extend the useful life of our Common Areas. A PMP can provide a significant financial benefit over the long-term if properly executed.
- AA) “Replacement Reserve Fund” is funding set aside to pay for future major repairs or replacement of existing Common Area components. These funds are to be kept in separate bank accounts from other Operating Funds.
- BB) “Reserve Study” involves the identification of Common Area components that will be subject to a future major repair or replacement, the estimation of their remaining useful lives and replacement costs, a recommendation of the annual funding levels for the Replacement Reserve Fund, and a target Replacement Reserve Fund balance forecasted for a twenty-five (25) year period.
- CC) “Property” means the Property described in Exhibit A of the Declaration, together with the improvements and additions to the Property. The Property includes four hundred twenty-four (424) Lots and the Common Areas.
- DD) “Subdivisions” means all Subdivisions listed in Exhibit A of the Declaration and covered by the Plats.

- EE) “Subdivision Documents” means and includes the Amended and Restated Declaration, the Amended and Restated Bylaws, the Plats, the Association’s Articles of Incorporation, and any Association Rules and Regulations.
- FF) “Third-Party Administrator” or “TPA” is an organization or person that handles certain administrative responsibilities for an Association election. These services can be performed by the Managing Agent, however the TPA shall not be a Member of the Association or a related party to any member of the Association.

Section 2. Interpretation. The provisions of this Amended Bylaws, Amended and Restated Declaration, the Articles of Incorporation, and any Association Rules and Regulations shall be liberally construed to effectuate the purposes expressed in these documents with respect to the competent operation of the Association and the Property, the beautification, betterment, protection and harmony of the external design and appearance of the Property, and the preservation of values of the Lots and Dwellings.

ARTICLE III

ASSOCIATION MEMBERSHIP AND VOTING

Section 1. Membership. Every person or entity who is a record Owner of fee interest in any Lot is a mandatory Member of the Association. Membership in the Association is attached to and may not be separated from ownership of any Lot. No Member, whether one or more persons, is entitled to more than one (1) Membership per Lot owned. In the event a Member is more than a one-person entity, votes and Common Areas rights of use and enjoyments will be as provided herein.

Section 2. Voting Rights. Each Member in good standing (has currently paid any and all Assessments, fines or fees levied by the Association) is entitled to one (1) vote for each Lot owned. Members not in good standing must be notified in writing twenty (20) calendar days in advance of any Membership vote and allowed to make payment prior to the vote to reinstate their voting rights.

As set forth in the Stonewater Homeowners’ Association governing documents, the Members have the power to decide certain actions by Membership vote as listed below:

- A) Election or removal of Directors,
- B) Increases of Annual Assessments above the maximum allowed by the Board of Directors as defined in the Governing Documents,
- C) Special Assessments,
- D) Removal of a Common Area Amenity that is not directly replaced in-kind,
- E) Adding a new Amenity or increasing the number of an existing Amenity, to the Common Areas or modify the use of an existing Common Area Amenity, as well as, funding any or all of this type of project with a loan,
- F) Authorize judicial actions as set forth in the Governing Documents,

- G) Approve the Board of Directors establishing any Limited Common Areas or Limited Common Area Recreational Facilities,
- H) Transfer any or part of the Common Areas to any person(s) or entity,
- I) Annex additional Property into the Subdivision,
- J) Transferring the responsibility for maintenance of Members sidewalks to the Association,
- K) Amendments to Governing Documents, and
- L) Any other actions set forth in the governing documents not listed above.

Section 3. Multiple Ownership. When more than one person or entity holds the fee simple title to any Lot (“multiple ownership”), all such persons are Members, but in no event are they entitled to cast more than one (1) vote for the Lot. This single vote will be exercised as the multiple Owners, among themselves, unanimously agree, and if they cannot agree no vote shall be cast. Attendance of any one of such persons at a Membership Meeting, in person, absentee ballot, electronic ballot or by proxy, shall be deemed to be attendance by all members who own the same Lot, and such person shall be entitled to cast the vote of all such members unless the Secretary has been previously notified in writing that such is not the case within thirty (30) days of the date set for the meeting.

If a person owns more than one Lot, such person shall be treated as a separate member for each Lot owned by him or her for all purposes of these Bylaws and shall be entitled to one vote for each such Lot.

Section 4. Active Members. Notwithstanding Section 1 of this Article III, only eligible individuals who are in good standing will be considered Active Members of the Association. Only Active Members will be eligible for election or appointment as Directors or officers of the Association, or for Membership on an Association Committee. Only Active Members will be entitled to vote on any matter coming before the Association for decision.

Section 5. Voting Percentage Denominator. Except as otherwise set forth in these Bylaws or in the other Subdivision Documents, when reference is made to a majority or specific percentage of Members, such reference is deemed to be reference to a majority or specific percentage of the votes of Active Members.

Section 6. Membership Voting. Votes may be cast in person or by absentee ballot for a given vote. The Board of Directors may permit the casting of votes by a defined method that directly delivers the vote to a Board approved Third-Party Administrator (TPA) and these absentee ballots will be counted in establishing the Membership meeting’s quorum.

The TPA must maintain the following internal controls to ensure voting accuracy:

- A) able to authenticate the Member’s identity,
- B) able to authenticate the validity of each ballot or proxy to ensure the vote is not altered,
- C) able to identify and prevent ineligible votes (more than one vote per Lot, Members not in good standing, and non-Members),
- D) for the election of Directors, able to protect Members privacy in their selection, and

- E) able to store and keep votes accessible to election officials for recount, inspection, and review purposes.

Any proxies, written votes or other votes cast by means allowed in these Bylaws, including by electronic transmission to the designated TPA, must be filed at or before the appointed time of each Membership Meeting or voting deadline if no meeting is held (in accordance with Article IV, Section 8) with the Association's Secretary or such other person (if the Secretary is running for re-election, not able to attend the meeting, or there is a vote to remove the Secretary from the Board) the Board may designate. The TPA will transfer collected proxies, absentee ballots, and any electronic ballot tallies to the Secretary or Board designate within the agreed upon deadline.

Section 7. Cumulative Voting: Members may cast one vote per Board of Director seat open for that election. Cumulative voting will not be allowed.

Section 8. Electronic Voting. Votes may be cast by electronic transmission to a TPA able to perform the internal controls described in Section 6, and authenticate the validity of each electronic vote to ensure the vote is not altered in transit.

As used in these Bylaws, "electronic transmission" means transmission by any method not directly involving the physical transmission of paper, which creates a record that may be retrieved and retained by the Association and may be directly reproduced in paper form by the Association through an automated process.

Section 9. Electronic and Paper Ballots. The Board does not have the right to force Members to vote electronically. Members have the option to decide if they wish to vote electronically. Members, who do not consent to vote electronically, must still be permitted to vote by a paper ballot or by absentee ballot. After closing the polls, the electronic votes and the paper votes will be tabulated together and reviewed by election officials; then the Board Secretary or their designate will certify the results. The voting results will be announced and published in the meeting minutes.

Section 10. Proxies. A Member may execute a written proxy for quorum only. The proxy shall be executed by a defined method that directly delivers the proxy to an approved TPA, who delivers it to the Association Secretary or Board designate.

- A) A proxy must be unique to each meeting and only executed once.
- B) The proxy shall be deemed sufficient if it meets the voting accuracy criteria used for ballots in Section 6, internal controls A-C; no witnesses to the execution of any proxy shall be required.
- C) The TPA, Board Secretary or their designate has the right to contact the Member directly to authenticate a proxy.

Section 11. Closing of Polls. At any meeting where a Membership vote is required, the Board President, or his/her designee, shall announce at the meeting when the polls close for each vote of the Members. After the polls close, ballots, proxies, votes and any revocations or changes to ballots, proxies or votes, shall not be accepted.

ARTICLE IV

MEETINGS

Section 1. All Meetings. Any meeting of the Association cannot be held unless notice is given consistent with the appropriate Section of this Article. All meetings of the Association will be conducted in accordance with Roberts Rules of Order or some other generally recognized manual of parliamentary procedure, when not otherwise in conflict with the Declaration, Articles of Incorporation, these Bylaws, or Michigan law. The Board President, or his/her designee, has the authority to establish the rules for the conduct of the meeting, which must be fair to all Members of the Association. At all meetings, the Board President, or his/her designee, shall preside and shall determine the order of business.

Only Members or their proxy shall attend Association Meetings. The Board may invite non-Member as participants for a portion of any meeting.

This Section requires that all Board actions requiring a vote shall be made at a meeting open to the Members with the exception as called out in Section 3 for confidentiality or in Section 8 when actions can be taken without a meeting.

Section 2. Board Meetings. The Board of Directors will conduct open meetings at least 6 times/year, at such time and place as determined by the Board of Directors and all Members are encouraged to attend.

Section 3. Executive Meeting or Closed Working Sessions. An “executive” meeting or “closed” working session, which is defined as “a Board Meeting or part of a Board Meeting that is closed to the Members” used for discussing topics that require confidentiality. The Board will go into an executive meeting or closed working session for the purpose of:

- A) considering the purchase or lease of real Property,
- B) consulting with their attorney,
- C) considering an employment application,
- D) considering material exempt from disclosure under state or federal law, or
- E) discussions requiring confidentiality on topics, such as, Member violations, assessment of liens, foreclosures, and payment plans proposed by delinquent Members.

Any Board votes on matters discussed in an executive meeting or closed working session, that no longer requires confidentiality, must occur in an open meeting.

Section 4. Annual Membership Meetings. The Annual Meeting of the Association’s Membership shall be in the month of September commencing the third Tuesday of September at such a time and place as shall be determined by the Board of Directors. At such meetings, there shall be elected by ballot of the Members, a Board of Directors in accordance with the requirements of these Bylaws. The Members may also transact at Annual Membership Meetings such other business of the Association as published in the agenda for the meeting. No business that requires a vote shall be conducted at the Annual Membership Meeting unless that business was identified in the meeting notice and voting instructions.

Section 5. Special Membership Meetings. It shall be the duty of the Board President or a majority of the Board of Directors to call a Special Membership Meeting as directed by resolution of the Board of Directors or upon a petition signed by one-third (1/3) of the Members in good standing presented to the Board Secretary. Notice of any Special Meeting shall state the time and place of such meeting and the purposes thereof. No business shall be transacted at a Special Meeting except as stated in the notice. Any actions taken at a Special Membership Meeting must be in compliance with Section 7 of this Article.

Section 6. Town Hall or Informational Meetings. The Board President or a majority of the Board of Directors may call a Town Hall or Informational Meeting to provide information to or receive input and feedback from the Members. Any polling votes taken at these meetings are for informational purposes only and shall not constitute a duly called Membership meeting regardless of Membership participation.

Section 7. Notice and Quorum for Meetings.

- A) Board Meetings. Notices for the Board Meetings, including times and locations, are to be posted on <http://Stonewatersub.org> not less than five (5) business days prior to the meetings. The presence of a majority of the Board of Directors at each regular meeting shall constitute a quorum for the transaction of Board business. If at any regular meeting there is less than a quorum of Directors present, the majority of those present may adjourn the meeting.
- B) Executive Board Meetings. Notices for a special closed Board Meeting for a specific purpose may be called by the Association's President, including times and locations, with three (3) days' notice to all Board Members. Any executive meetings held must be reported in an open Board Meeting minutes. Board Members must unanimously elect to waive the notice requirement. If there is less than a quorum of Directors present, the majority of those present may adjourn the meeting.
- C) Annual Membership Meetings. The Board Secretary or other Board designated person shall issue written notice of the Annual Membership Meeting. The meeting notice shall be sent by electronic transmission or personal delivery to all Members at least twenty (20) calendar days in advance of the meeting and shall set forth the purposes thereof. At the first Annual Meeting, the presence of Members in good standing or of their proxies or previously submitted absentee or electronic ballots entitled to cast twenty-five percent (25%) of all Membership votes shall constitute a quorum. The written vote of any person furnished at or prior to a duly called meeting, at which meeting such person is not otherwise present in person or by proxy, or by such date as is established for voting in cases where no meeting is held, shall be counted in determining the presence of a quorum with respect to the question upon which the vote is cast. In the event the required quorum is not present at the September meeting, a subsequent meeting shall be conducted within 30 days at such time and place as shall be determined by the Board of Directors. Notice of the subsequent meeting, if needed, shall be sent by electronic transmission or personal delivery to all Members at least twenty (20) calendar days prior to the September meeting. The required quorum at any subsequent meeting shall be seventy-five percent (75%) of the required quorum at the September meeting.
- D) Special Membership Meetings: The Board Secretary or other Board designated person shall issue written notice of a Special Membership Meeting. The meeting notice shall be sent by electronic transmission or personal delivery to all Members at least twenty (20) calendar days

in advance of the Special Meeting and shall set forth the purpose thereof. At the first Special Meeting, the presence of Members in good standing or of their proxies or previously submitted absentee ballots entitled to cast thirty percent (30%) of all Member votes shall constitute a quorum. In the event the required quorum is not present at the Special Meeting, a subsequent meeting shall be called as soon as practical but no later than thirty (30) calendar days of the original meeting, by written notice sent by first class mail to all Members at least twenty (20) calendar days in advance of the subsequent meeting. The required quorum at any subsequent meeting shall be seventy-five percent (75%) of the required quorum of the original Special Meeting. The Special Membership Meeting shall be conducted even if the majority of the Board of Directors is not present at the special or its subsequent meeting.

- E) Town Hall or Informational Meetings. The Board Secretary or other Board designated person shall issue written notice of the Town Hall or Informational Meeting. The meeting notice shall be sent by electronic transmission or personal delivery to all Members at least twenty (7) calendar days in advance of the Town Hall or Informational Meeting and shall set forth the purpose thereof. This is no required quorum for these meetings, as no Membership actions may be taken as the result of any informational votes taken.

Section 8. Action Without Meeting.

- A) Members: Any action, which could be taken at a meeting of Members (except the election or removal of Directors), may be taken without a meeting by written ballot of the Members. Ballots shall be solicited in the same manner as provided in Section 7 of this Article for the giving of notice of meeting of Members. Such solicitations shall specify:
- 1) the number of responses needed to meet the quorum requirements;
 - 2) the percentage of approvals necessary to approve the action; and
 - 3) the time by which ballots must be received in order to be counted.
- 4) The form of written ballot shall afford an opportunity to specify a choice between approval and disapproval of each matter and shall provide that, where the Member specifies a choice, the vote shall be cast in accordance therewith. Approval by written ballot shall be constituted by receipt, within the time period specified in the solicitation, of (a) a number of ballots which equals or exceeds the quorum which would be required if the action were taken at a meeting; and (b) a number of votes which equals or exceeds the number of votes which would be required for approval if the action were taken at a meeting at which the total number of votes cast was the same as the total number of ballots cast. The results of each ballot action shall be certified by the Board Secretary and shall be electronically reported to the Members within five (5) business days of the vote certification.
- B) Board of Directors: Any action required or permitted to be taken by the Board may be taken without a meeting if, before the action, Members of the Board unanimously consent thereto in writing or electronic transmission. The written consents shall be filed with the next Board Meeting minutes as an interim action. Any action taken by written consent is effective when the last Director signs the consent, unless the consent specifies a later effective date.

The consent shall have the same effect as a vote of the Board for all purposes except in the situation where there are newly elected Directors who have yet to start serving their term.

Such newly elected Directors must give their unanimous support to any actions taken in the interim period for a motion for the action can be voted on by the current Board. Otherwise, the action must be tabled until the next Board Meeting is conducted and the new Directors begin their term.

- C) Any action taken without a meeting must be included as an agenda item at the next Board Meeting and recorded in the meeting minutes.

Section 9. Remote Communication. The Board of Directors may participate in any meeting by means of conference telephone or other means of remote communication through which all persons participating in the meeting can communicate with the other participants. Participation in a meeting by such means constitutes presence in person at the meeting.

Section 10. Minutes: Presumption of Notice. Minutes or a similar record of the preceding of all Association Meetings must be kept by the Association and posted to <http://Stonewatersub.org> within five (5) business days of the minutes being approved. Minutes or a similar record of the proceedings of meetings of Members, when signed by the Board President or Board Secretary, shall be presumed truthfully to evidence the matter set forth therein. A recitation in the minutes of any such meeting that notice of the meeting was properly given shall be prima facie evidence that such notice was given.

ARTICLE V

BOARD OF DIRECTORS

Section 1. Management. The affairs of the Association shall be managed by its Board of Directors. The Board of Directors shall have control of and be responsible for the management of the affairs and Property of the Association.

Section 2. Number. The number of Directors shall consist of five (5) including the officers.

Section 3. Tenure and Term. The Members of the Board of Directors shall, upon election, enter upon the performance of their duties at the next Board Meeting and shall continue in office until their successors shall be duly elected and qualified.

- A) Members of the Board of Directors serve two-year terms.
- B) Their terms shall be staggered so that at the time of each Annual Membership Meeting, two (2) Directors will be elected on even numbered years and Three (3) Directors will be elected on odd numbered years.
- C) In the situation when a Director fails to finish their term with more than one (1) year remains in that term and a replacement was not elected, the Annual Membership Meeting will also include the election of a one-year term Director.

Section 4. Compensation. Members of the Board of Directors shall not receive any compensation for their services as Directors.

Section 5. Required Disclosures. Both Directors and Board of Directors' Candidates have required disclosures to the Membership. Director information will be posted on the Association website and candidate information will be contained in the meeting notice sent in advance of the Annual or Special Membership Meeting. The required disclosures include:

- A) years living in Stonewater,
- B) subdivision name they reside,
- C) participation in Association Committees or special projects,
- D) whether or not they live on a waterfront lot, and
- E) must mention if they have ever been removed from a HOA Board prior to the expiration of their term of office in the past (failure to disclose would result in immediate removal from the Board).

Section 6. Board of Director Candidates. Candidates for open positions on the Board of Directors shall declare their intention to run between forty-five (45) and thirty (30) calendar days in advance of any meeting called for this purpose, hereafter referred to as Declared Candidates. All Declared Candidates, shall have a reasonable opportunity to communicate their qualifications to the Members in a candidate statement, and must be able to meet the qualifications of Section 8, if elected. Candidates may not be nominated from the floor.

Section 7. Election Rules and Procedures. The Board shall establish a documented Election Rules and Procedures from time to time with respect to the Board of Director's election process. The Election Rules must include controls to enforce these Bylaws and the Declaration requirements to:

- A) identify the designated representative authorized to vote for each Lot,
- B) request candidates declare their intention between forty-five (45) and thirty (30) days in advance of said meeting,
- C) notify all Members at least twenty (20) days in advance of a meeting called to elect Director(s),
- D) ensure candidates make the required disclosures and are qualified,
- E) issue only one ballot per Lot, and
- F) make provisions for close-margin recounts and challenges to the results.

Automatic recounts can be witnessed by the candidates who have a 5 vote or less margin. The Election Rules shall state the election challenge process. Election challenges can only be made by losing candidates and witnessed automatic recounts cannot be challenged.

Section 8. Qualified. Directors must be qualified to obtain and retain their position by meeting the following criteria:

- A) No two Members of the Board of Directors related by blood or marriage/domestic partnership within the second degree of consanguinity ("relation by blood") or are Affiliates may serve on

the Board of Directors at the same time.

- B) Each Member of the Board of Directors shall be a Member who has paid their Annual and Special Assessments, including late fees and fines, in full within sixty (60) days of the Assessment for the current year. During the period there is a balance owed to the Association, the Director is not an Active Member and is not permitted to vote in accordance with Article III, Section 4. If the Director has an outstanding balance sixty-one (61) days after the assessment, and notwithstanding the provisions of Section 9 below, the Director shall be deemed removed from the Board of Directors for the remainder of the Director's term and the vacancy will be filled in accordance with Section 10 below.
- C) Each Member of the Board of Directors shall attend at least seven (7) Association Meetings per calendar year. If based on the current meeting schedule, it is not possible for a Director to attend seven (7) Association Meetings, and notwithstanding the provisions of Section 9 below, the Director shall be deemed removed from the Board of Directors for the remainder of the Director's term and the vacancy will be filled in accordance with Section 10 below.
- D) Each Member of the Board of Directors shall not be absent for three (3) consecutive Board meetings. Upon missing the third consecutive Board meeting, notwithstanding the provisions of Section 9 below, the Director shall be deemed removed from the Board of Directors for the remainder of the Director's term and the vacancy will be filled in accordance with Section 10 below.
- E) Each Member of the Board shall have signed the Board Member Code of Ethics, Behavior, and Conduct Rules and adhere to the Code of Conduct.

Section 9. Forfeiture. Any Member of the Board of Directors who fails to fulfill any of his or her requirements as set forth in Section 8 of this Article shall automatically forfeit his or her seat on the Board.

- A) The Secretary shall notify the Director in writing that his or her seat has been declared vacant, if the Director is the Secretary, the President shall make the written notification.
- B) The Board of Directors may forthwith immediately proceed to fill the vacancy pursuant to Section 10 of this Article.
- C) Members of the Board of Directors who are removed for failure to comply with the requirements of Section 8 of this Article are not entitled to hold a Director position again for a minimum of one (1) year, commencing with the date of removal.

Section 10. Vacancies. Whenever any vacancy occurs in the Board of Directors, the vacancy shall be filled by a qualified candidate, without undue delay, by a majority vote of the remaining Members of the Board of Directors at a Board Meeting or by the Members at a duly called Annual Membership Meeting or Special Membership Meeting, whichever comes first. Each person so appointed shall be a Director until a successor is elected at the next Annual Membership Meeting or a Special Membership Meeting may be called for this purpose.

Section 11. Removal Due to Conduct. Any Member of the Board of Directors may be removed as the result of a Code of Conduct violation, pursuant to Section 4 of Article VI, for which the Director refuses to resign, at any time, by a minimum vote of all but one of the Members of the Board of Directors, if in their judgment the best interest of the Association would be served thereby.

- A) Each Member of the Board of Directors must receive written notice of the proposed removal at least ten (10) days in advance of the proposed action.
- B) An officer who has been removed as a Member of the Board of Directors shall automatically be removed from office.

Members of the Board of Directors who are removed for failure to meet the minimum requirements in Section 8 of this Article in these Bylaws automatically forfeit their positions on the Board pursuant to Section 9 of this Article, and are not entitled to the removal procedure outlined in Section 11 of this Article. The vacancy will be filled by the requirements in Section 10.

Section 12. Removal by Members. A Members' petition with an affirmative vote of more than twenty-five percent (25%), of all Members in good standing, may call a vote to remove any one or more of the Directors, with or without cause. Any Director whose removal has been proposed by the Members shall be given an opportunity to be heard at the next regular or Special meeting of the Association. At the meeting of the Association duly called and held, by the affirmative vote of more than fifty percent (50%) of all Members in good standing attending the meeting, said Director or Directors, shall be removed and the vacancy filled by the requirements in Section 10.

Section 13. Resignation. A Director may resign at any time, and the resignation shall take effect on receipt of written notice by the Association or at a subsequent time set forth in the notice of resignation. The vacancy will be filled in accordance with Section 10 above.

Section 14. Board Voting. A simple majority of the full Board is required to approve an action, unless stated otherwise. Under no circumstances, shall a Board action be taken by less than three (3) votes in the affirmative when the Board has four (4) or more Directors. If a Board is unable to get a simple majority, due to the required recusal of Directors with a conflict or potential Conflict of Interest as required by the Association's Conflict of Interest Policy, the action shall be put before the Membership and determined by the majority.

- A) Electronic Voting. Electronic voting by directors is only allowed if all Directors sign a Unanimous Directors' Written Consent and electronically send that to the Association's document file. This would be a valid Director action since it is action by the unanimous written consent of all Directors.
- B) Presumption of Assent. A Director, who is present at a meeting of the Board of Directors, at which action on any Association matter is taken, shall be presumed to have assented to the action taken, unless the Director expressly enters their dissent or abstains to such action at the time the Board votes thereon.
- C) Community Input. Before the Board of Directors votes on any significant actions, including whether or not to put said action up for a Membership vote, related to a Common Area Amenity that is not in-kind and could impact Members enjoyment of that Amenity, the Board shall make a written request to receive Members input at least one Association Meeting, held with at least with twenty (20) days' notice, and by Member's written response, held open for at least ten (10) days following said meeting, as it relates to any of the following actions that:
 - 1) changes the Stonewater theme, for example, replacing the stone monument walls with brick

walls or turning off lake fountains or waterfalls and ponds mid-week to cut operating expenses;

- 2) removes an Amenity and does not directly replace it in-kind;
- 3) modify an existing Amenity's use or appearance, which is not in-kind or routine maintenance, such as, converting a waterfall pond into landscaping or a pergola to a covered picnic area replacing the post and rail 6 Mile fence to an picket fence, or painting the gazebos a different color;
- 4) increases the quantity of existing amenities, such as, adding more fountains, paved surfaces, or park structures; or
- 5) adds a new Amenity.

Section 15. Emergency Power. When, due to a natural disaster or death, a majority of the Directors are incapacitated or otherwise unable to attend the meetings and function as Directors, the remaining Members of the Board of Directors shall have all the powers necessary to function as a complete Board, and for the purpose of doing business and filling vacancies shall constitute a quorum, until such time as all Directors can attend or vacancies can be filled pursuant to these Bylaws.

Section 16. Board of Directors' Powers and Duties. The Board of Directors shall be responsible for the affairs of the Association and shall have all of the powers and duties necessary for the administration of the Association's affairs, as provided by law, and may do all acts and things as are not by the Declaration, Articles of Incorporation of the Association, or these Bylaws directed to be done and exercised exclusively by the Members. In addition to the duties imposed by these Bylaws or by any resolution of the Association that may hereafter be adopted, the Board of Directors shall have the power to and be responsible for the following, in way of explanation, but not limitation:

- A) Preparation and adoption of an annual budget.
- B) Determine the annual assessment.
- C) Prepare a roster of the Lots, and the applicable Annual and Special Assessments, thereto to be maintained in the office of the Association.
- D) Send a written notice of the Assessment to every Lot Owner.
- E) Approve opening of bank accounts on behalf of the Association, designate the signatories required and oversee all finances;
- F) Collect assessments, deposit the proceeds, and using the proceeds to administer the Association;
- G) Furnish to any Lot Owner liable for such Assessment, a certificate in writing signed by an officer of the Association that states whether such Assessment has been paid and the amount of any due but unpaid amounts owed to the Association.
- H) Provide for the operation, care, upkeep, and maintenance of all areas which are the maintenance responsibility of the Association or other areas as deemed necessary by the Board of Directors.

- I) Ensure all taxes and Assessments against the Property of the Association be paid.
- J) Procure and maintain adequate insurance.
- K) Record all the Board of Directors' actions in the meeting minutes.
- L) Supervise agents, employees and contractors to ensure their duties are properly performed and may take legal action if they breach their contract.
- M) Make and amend Association Rules and Regulations if and when required;
- N) Enforce by legal means the provisions of the Declaration, these Bylaws, and the Association Rules and Regulations adopted by it, and bring any proceedings which may be instituted on behalf of or against the Members concerning the Association;
- O) Manage any necessary rebuild of damaged Common Area Property.
- P) Propose Special Assessments when needed.
- Q) Borrow money in furtherance of the Association's business in accordance with Article XI, Section 7.
- R) Contract for the Association a professional Management Agent or agents at a compensation established by the Board of Directors to perform such duties and services as the Board of Directors shall authorize.
- S) Establish Committees as the Board of Directors deems necessary
- T) Represent Association on matters of interest before any governmental and administrative bodies, boards or agencies.

ARTICLE VI

BOARD OF DIRECTORS CODE OF CONDUCT

Section 1. Code of Conduct. The Board of Directors shall maintain a high standard of ethical conduct in the performance of the Association's business. To ensure the Association's Members maintain confidence in and respect for the entire Board, all Directors must abide by the following Code of Conduct, standards of behavior, ethical rules, and enforcement procedures, applicable to all Members of the Board. All Directors must sign the Board Member Code of Ethics, Behavior, and Conduct Rules, acknowledging they have read it, understand it, and agree to abide by it to qualify as a Director. Refusal to sign the Board Member Code of Ethics, Behavior, and Conduct Rules immediately after election will result in the candidate forfeiting the Director's position and may be shared with the Association members. If a Director refuses to abide by this Code of Conduct or the Board Member Code of Ethics, Behavior, and Conduct Rules, the Director may be removed from the Board as described Section 4 below.

Section 2. Directors should:

- A) Act as a representative of the entire community
 - 1) Strive at all times to serve the best interests of the Association as a whole regardless of their personal interests.
 - 2) Act impartially in making decisions about the community and not act to favor particular Members of the community.
 - 3) Before any action to remove or modify an existing Amenity, or add a new Amenity, promote the Board request feedback from Members.
 - 4) Use sound judgment in making business decisions for the Association, by reviewing and considering the available information, circumstances and resources.
 - 5) Exercise reasonable inquiry in Association financial decisions.
 - 6) Advocate for the Board to consult with experts when situations warrant professional advice.
- B) Adhere to the Association's Conflict of Interest Policy.
- C) Act within the boundaries of their authority, as defined by law and the governing documents of the Association. Read, review and refer to the Subdivision Documents when in doubt of your Director or officer powers and duties.
- D) When approached by Members outside of Association Meetings, provide an opportunity for residents to comment on decisions facing the Association.
- E) Perform duties without bias for or against any individual or group of Members or non-Member residents.
- F) Disclose personal or professional relationships with any company or individual who has or is seeking to have a business relationship with the Association. Board Members should avoid any appearance of impropriety in the performance of their duties.
- G) Maintain confidentiality of information when appropriate. While the Board has an obligation to inform the community of its actions, there are legal requirements for maintaining confidentiality in connection with litigation issues in order to protect the community's interest.
- H) Be prompt, professional and courteous during all meetings, and act with tact, respect and courtesy towards others.

The above list of examples is offered for illustration purposes only, and is not intended to be exclusive.

Section 3. Directors should not:

- A) Reveal confidential information provided by contractors or share information with those bidding for Association contracts unless specifically authorized by the Board.
- B) Make unauthorized promises to a contractor or bidder.
- C) Advocate or support any action or activity that violates a law or regulatory requirement.

- D) Use their positions or decision-making authority for personal gain or to seek advantage over another Member or non-Member resident.
- E) Make a decision based solely on advancing another Board Member's interest or in exchange for another Board Members vote for your own interest.
- F) Seek preferential treatment by the Board, any of its committees, or any contractors or suppliers.
- G) Spend unauthorized Association funds for their own personal use or benefit.
- H) Accept any gifts of more than \$50 value—directly or indirectly—from Members, residents, contractors or suppliers.
- I) Willingly misrepresent facts to advance a personal cause or influence the community to advance a personal cause.
- J) Use his/her position to enhance his/her financial status through the use of certain contractors or suppliers.
- K) Misrepresent known facts in any issue involving Association business.
- L) Divulge or use personal information about any Association Homeowner, resident or agent that was obtained in the performance of Board duties.
- M) Make personal attacks on colleagues, staff or residents.
- N) Harass, threaten or attempt through any means to control or instill fear in any Board Member, Member, non-Member resident, employee, service provider or contractor.
- O) Reveal to any Member, non-Member resident or other third party the discussions, decisions and comments made at any closed executive meeting of the Board.

The above list of examples is offered for illustration purposes only, and is not intended to be exclusive.

Section 4. Violations of Code. Any Member's written complaint of a Director or Directors, for a violation of the Board Member Code of Ethics, Behavior, and Conduct Rules or Code of Conduct, shall be brought to an Advisory Hearing Board (AHB) within 14 calendar days from the receipt of the complaint. The AHB shall be comprised of five (5) randomly selected Members by the Association's Managing Agent.

- A) If determined by the AHB, that any Board Member violated this Code of Conduct Agreement, the Board Member in violation will voluntarily resign from the Board immediately after the AHB ruling in accordance with Article V, Section 13.
- B) The AHB ruling is final and cannot be appealed. The Board may seek injunctive relief against him/her, following the hearing, unless circumstances necessitate the issuance of injunctive relieve prior to such hearing. The Board Member also agrees that the Board shall be relieved of posting an Injunctive Bond as a condition of its injunctive remedy.
- C) If such Board Member is found in violation of the Code of Conduct, any attorney's fees or court fees incurred by the Board in an enforcement effort shall be paid by such Board Member.

ARTICLE VII

OFFICERS

Section 1. Officers. The Board shall elect principal officers of the Association to include a President, a Secretary and a Treasurer, all of whom must be Members of the Board of Directors. The Directors may appoint such other officers as in their judgment may be necessary. No officer shall receive any compensation from the Association for acting in that capacity.

- A) President. The President shall be the Chief Executive Officer of the Association. The President shall preside at all Membership and Board meetings of the Association. The President shall have all of the general powers and duties which are usually vested in the office of the President of an Association, including, but not limited to, the power to:
- 1) Appoint Committees from among the Members of the Association in the President's discretion as may be deemed appropriate to assist in the conduct of the affairs of the Association;
 - 2) Appoint chairs of Committees;
 - 3) Identify Members for special assignments;
 - 4) Have general superintendence and direction of all other officers of the Association and see that their duties are properly performed as set forth below;
 - 5) Sign all official documents thereof on behalf of the Association;
 - 6) Set the agenda for the Association;
 - 7) See that all orders and resolutions of the Board are carried into effect; and
 - 8) Perform all legal duties pertaining to the office of President in a non-profit Michigan corporation.
- B) Secretary. The Secretary is responsible for providing for the preparation and preservation of adequate records of the proceedings and activities of the Board, including elections. The Secretary shall prepare or have prepared the minutes of all Membership and Board meetings of the Association, and shall direct the distribution of meeting notices, agendas, and minutes. The Secretary shall, in general, perform all duties incident to the office of the Secretary.
- C) Treasurer. The Treasurer shall have responsibility to exercise supervision over the Association's finances, including to:
- 1) Maintain a current record of the status of all Memberships (i.e., as to whether they are currently in good standing) and to make that record available to the President for all Membership and Board meetings of the Association;
 - 2) Prepare and mail out Annual Assessment notices, as well as notices of any late fees, fines or Special Assessments, to the Members;
 - 3) Collect Assessments from the Memberships;

- 4) Review all cash transactions in the monthly check registers, and provide guidance on cash investments;
- 5) From time to time, review and update the Association Cash Management Policy for both operating and Replacement Reserve Funds.
- 6) Furnish the President and the Board with an accurate statement of the financial condition of the Association, by reviewing the monthly general ledgers for proper account classifications, at such times or intervals as the President or the Board may request it;
- 7) Prepare a monthly financial statement, for distribution to the Members, showing the financial condition of the Association;
- 8) Furnish the President and the Board with a proposed annual budget not less than fourteen (14) calendar days prior to the Annual Meeting (for review prior to the dissemination of the annual budget);
- 9) Be responsible for overseeing the audit of Association finances; and
- 10) Perform all legal duties pertaining to the office of Treasurer in a non-profit Michigan corporation.

Section 2. Election and Term. The officers of the Association shall be elected by the Board of Directors at the next Board Meeting following the Board election at the Annual Membership Meeting. Each officer shall hold office for the term of one (1) year and until a successor is elected and qualified. Directors may hold two (2) or more offices, but an officer shall not execute, acknowledge, or verify an instrument in more than one capacity if the instrument is required by law or the Articles of Incorporation or Bylaws to be executed, acknowledged, or verified by two or more officers.

Section 3. Vacancies. Vacancies in any office may be filled by the affirmative vote of a majority of the Members of the Board at any Membership or Board meeting. Each person appointed to fill a vacancy shall remain an officer for a term equal to that remaining of the officer whose death, removal, or resignation created the vacancy and until a successor has been duly elected and qualified.

Section 4. Resignation. An officer may resign at any time, and the resignation shall take effect on receipt of written notice by the Association or at a subsequent time set forth in the notice of resignation. The Board of Directors may forthwith immediately proceed elect another Director to fill the vacancy at the next Board Meeting or as an action without a meeting pursuant to Article IV, Section 8.

Section 5. Officer Removal. Upon affirmative vote of a majority of the Members of the Board of Directors, any officer may be removed either with or without cause, and may forthwith immediately proceed elect another Director to fill the vacancy. No such removal action may be taken, however, unless the matter shall have been included in the notice of such meeting. The officer who is proposed to be removed shall be given an opportunity to be heard at the meeting.

Section 6. Duties. The officers shall have such other duties, powers and responsibilities as shall, from time to time, be authorized by the Board of Directors

ARTICLE VIII

COMMITTEES

Section 1. All Committees. The Board shall establish committees or subcommittees as deemed necessary to pursue its stated objectives.

- A) Committees will consist of a minimum of three Members in good standing.
- B) Committee Chairs shall be appointed by the President, and may be dismissed with or without cause.
- C) Committee Chairs shall be expected to attend Board Meetings and to be prepared to present a report at those meetings or provide a report in advance to the Board President.
- D) Committee Members shall be appointed by the President and will serve at the pleasure of the Board of Directors and may be dismissed with or without cause by the President or Committee Chair.

Section 2. Standing Committees. The President shall appoint an Architectural Control Committee (ACC), as provided in the Declaration and has the exclusive right to appoint and remove all Members in his or her sole discretion.

The Association may establish additional standing committees, as deemed necessary by the Board of Directors, for Association programs and activities of a long-standing nature. Members serving on these Committees shall agree to serve in the position for a minimum period of one year.

Recommended Standing Committees are as follows:

- A) Beautification (Common Grounds) Committee: The Beautification Committee's purpose is to help ensure the beauty of Stonewater's Common Areas is maintained and to identify opportunities for improvement of the quality of life and overall appearance of our Common Areas including Johnson Creek, but not the lakes. It shall be the responsibility of the Beautification Committee to propose for discussion and approval by the Board of Directors, measures that will serve to retain and enhance the overall appearance and quality of life of the subdivision, including landscaping, maintaining the six (6) entranceways and its waterfalls and ponds, border fencing, and preserving our private parks and its pathways and structures.
- B) Finance Committee: The Finance Committee's purpose is to assist the Board of Directors in its fiscal oversight by providing additional financial expertise and advice. It shall be the responsibility of the Finance Committee to make financial recommendations to the Board regarding the Annual Budget, Annual Assessment, Replacement Reserve spending and funding, cash management and ad hoc financial analysis. The Treasurer will chair the Finance Committee and qualified at-large community Members will be selected as deemed necessary.
- C) Lakes Committee: The Lakes Committee's purpose is to ensure a consistent comprehensive Stonewater Lakes and Shoreline Management Plan is in place to protect our natural resources for the enjoyment of our residents and our property values. It shall be the responsibility of the Lakes Committee to propose, for discussion and approval by the Board of Directors, measures that will serve to maintain, repair or enhance the overall quality our lakes and shoreline.

- D) Social Committee: The Social Committee's purpose is to create experiences that bring Stonewater Members together and foster a strong sense of community. Activities should provide an opportunity for significant social interaction among the Members, such as organizing annual picnics, and issuing communications, such as newsletters, that create kinship throughout the community. The committee will be responsible for planning and executing tasks with the support of volunteers, the Board and the Managing Agent.

Ad Hoc Committees. The President may establish ad hoc (temporary) committees, with the consent of the Board of Directors, whenever a need arises within the Association for assistance in addressing a problem or resolving an issue that goes beyond the scope or capabilities of the existing board and its standing committees.

ARTICLE IX

INDEMNIFICATION

Section 1. Indemnification of Directors and Officers and Volunteers. The Association shall indemnify every Director, officer and volunteer of the Association against all expenses and liabilities, including reasonable attorney fees and amounts paid in settlement incurred by or imposed upon the Director, officer or volunteer in connection with any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative and whether formal or informal, to which the Director, officer or volunteer may be a party or in which they may become by reason of their being or having been a Director, officer or volunteer of the Association, whether or not they are a Director, officer or volunteer at the time the expenses are incurred, so long as the person acted in good faith and in a manner that they reasonably believed to be in or not opposed to the Association's best interests and, with respect to any criminal action or proceeding, had reasonable cause to believe that their conduct was lawful; provided, however, that the Association shall not indemnify any person with respect to any claim, issue, or matter as to which the person has been finally adjudged to be liable for gross negligence or willful and wanton misconduct in the performance of his duty to the Association unless and only to the extent that a court shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, the person is fairly and reasonably entitled to indemnification for those expenses as the court shall deem proper.

Section 2. Approval of Indemnification. An indemnification under Section 1 hereof of this Article IX, unless ordered by a court, shall be made by the Association only as authorized in the specific case upon a determination that indemnification of the Indemnitee is proper in the circumstances. This determination shall be made promptly in any of the following ways:

- A) by a majority vote of a quorum of the Board consisting of Directors who were not parties to the action, suit, or proceeding;
- B) if the quorum described in the foregoing subsection (a) is not obtainable, then by a majority vote of the remaining Directors who are not parties to the action, provided the remaining Directors shall consist of not less than two (2) disinterested Directors; or
- C) by independent legal counsel in a written opinion.

The Board of Directors shall notify all Members of payment of any indemnification that it has approved at least ten (10) days before payment is made. The indemnification rights of this Article shall be at all times construed to be consistent with those contained in the Articles of Incorporation of the Association.

Section 3. Directors' and Officers' Insurance. The Association shall provide liability insurance for every Director and every officer of the Association for the same purposes provided above in Section 1 and in such amounts as may reasonably insure against potential liability arising out of the performance of their respective duties. No Director or officer shall collect for the same expense or liability under Section 1 above and under this Section 3; however, to the extent that the liability insurance provided to a Director or officer was not waived by such Director or officer and is inadequate to pay any expenses or liabilities otherwise properly indemnifiable under the terms of this Article, a Director or officer shall be reimbursed or indemnified only for such excess amounts under Section 1 above or other applicable statutory indemnification.

Section 4. Settlement by Association. The right of any person to be indemnified shall be subject always to the right of the Association by its Board of Directors, in lieu of such indemnity, to settle any such claim, action, suit or proceeding at the sole expense of the Association by the payment of the amount of such settlement and the costs and expenses incurred in connection therewith.

ARTICLE X

ASSESSMENTS

Section 1. Annual Assessments. The maximum annual assessment may be increased or decreased annually, when it is determined by the Board of Directors of the Association during the annual budgeting process per Article XI, Section 13, with some exceptions noted below. Notwithstanding the foregoing, in no event shall the Annual Assessment be increased during any calendar year by more than ten percent (10%) of the Annual Assessment levied in the preceding calendar year except with a vote of two-thirds (2/3) of the Members of the Association who are voting in person, absentee ballot, or electronic ballot, at a Special Membership Meeting duly called for this purpose, at which quorum has been met.

The Annual Assessment may be adjusted by the Board outside the normal budgeting process, provided it does not conflict with the increase restrictions stated above, in the event of:

- A) The annual budget is amended in accordance with Article XI, Section 13, the Board may amend the Annual Assessment up or down in accordance with the revised annual budget.
- B) The need to service a loan. (Once the loan is repaid, the Board shall assess reducing the Annual Assessment.)

Section 2. Special Assessments. In addition to the Annual Assessments provided for herein, the Association may levy Special Assessments applicable to an assessment year only for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, repair or replacement of a new or existing capital improvement to a Common Area or to repay a loan acquired for such purposes, provided, however, that any such Special Assessment shall first be approved by two-

thirds (2/3) of the votes of the Members who are voting in person, absentee ballot, or electronic ballot at a Special Membership Meeting duly called for this purpose and at which quorum has been met. The Special Assessment would apply to all Members and who have the right to use the Common Area as provided elsewhere herein.

Section 3. Emergency Funding. In an emergency situation where there is an eminent threat to Members property, Common Areas, or public health or safety, and there is not sufficient funding to address the issue, the Board may seek to secure a loan. As soon as reasonably possible, the Board can call for a vote of an Annual Assessment increase to fund the loan payments in order to secure the loan and/or request Members approve a Special Assessment to fund the emergency situation or promptly repay such a loan.

Section 4. Uniform Assessment Rate. All Annual and Special Assessments shall be fixed and established at the same rate for all Lots except to the extent the Board of Directors establishes Limited Common Areas or Limited Common Area Recreational, the costs and expenses of which shall be assessed only to the Members having use rights in the Limited Common Areas or Limited Common Area Recreational.

Section 5. Charges for Compliance with Ordinances, Laws, Rules or Regulations and Street Cleaning. Each Lot, during and immediately after construction of any structure on the Lot, is subject to such charges as are necessary to defray the cost of street cleaning and to pay any other costs imposed by the Township or any other governmental entity on the Association that are directly or indirectly related to construction activities on Lots in the Subdivision. Any cost imposed by the Township or any other governmental entity on the Association that directly or indirectly relates to the construction activities on one or more Lots shall be assessed against, and shall be payable by, the Members (or land contract or option purchasers) of the Lots which the costs are attributable.

Section 6. Effect of Non-Payment of Assessments or Charges, Personal Obligation of the Lot Owner and Liens and Remedies of the Association. In the event any assessment or charge is not paid on the due date, then such assessment or charge shall become delinquent. A lien shall thereupon arise and shall, together with interest thereon and costs of collection (as hereinafter provided), be and become a continuing lien on such Lot until paid in full. Such lien shall be binding upon the Lot, the Members thereof and his or her heirs, personal representatives, successors and assigns. Such Assessments and charges shall also be a personal obligation and debt of each Member and shall be binding upon each Member, and remain the Member's obligation and debt for the statutory period. In the event the assessment is not paid in full by the due date such assessment will become delinquent, at which time a late charge in the amount of One Hundred Dollars (\$100.00) will be applied. If the delinquent balance along with any and all late fees is not paid in full within thirty (30) days after delinquency, the assessment shall bear interest from the date of delinquency at the rate of seven percent (7%) per annum. The Association may bring an action at law against the Lot Owner personally obligated to pay the same or foreclose the lien against the Lot. The costs of preparing and filing the complaint in such action and/or in connection with the foreclosure shall be added to the amount of such assessment(s) and interest. In the event a judgment is obtained, the judgment shall include interest on the assessment(s) as above provided and reasonable attorney's fees together with all costs and expenses of the action.

ARTICLE XI

FINANCE

Section 1. Fiscal Year. The Association's fiscal year shall be an annual period commencing on January 1 to December 31 of each year. The commencement date of the Association's fiscal year shall only be subject to change by the Board of Directors for accounting reasons or other good cause.

Section 2. Contracts. Except as otherwise provided by resolution of the Board, all contracts or other agreements of the Association, shall be executed on its behalf by the Treasurer, President or other persons to whom the Association has delegated authority to execute such documents in accordance with policies approved by the Board. **Any exceptions to this Section shall be approved by the majority of the Board of Directors.**

- A) From time to time, the Board shall approve standard Terms and Conditions for Association contracts and shall be used in every request for quotation from contractors.
- B) Service contract terms shall generally be three (3) years or less. Service contracts shall provide the Association the right to terminate the agreement, with or without cause and without penalty upon thirty (30) days written notice.
- C) All service contracts over \$3,000 must be competitively bid by at least three (3) or more qualified vendors.
- D) The Board shall use sound judgement, not just the lowest bid, in awarding contracts. Consideration of the bidder's financial condition, qualifications and capability to execute, as well as, other factors may carry more weight in certain conditions. Therefore, all Directors who will be voting on the decision shall be provided at least three (3) business days to review bids before voting.
- E) Any motion approving a contract shall identify the company awarded the contract and the Board shall record the key decision factors in their selection in the meeting minutes. Documents regarding the Board's due diligence including the bidding companies and their bids, explanation if there were less than three (3) bids, and the decision factors related to the company contracted shall be retained by the Association per Article XIII, Section 6(G),

Section 3. Fidelity Bonds. The Board of Directors may require that all officers and agents of the Association handling or responsible for Association funds shall furnish adequate fidelity bonds. The premiums of such bonds shall be expenses of administration.

Section 4. Insurance. The Association shall obtain and maintain, to the extent required by law or reasonably available, insurance coverage for commercial property and general liability, directors and officers errors and omissions, commercial umbrella, workmen's compensation and such other forms of insurance as the Board considers desirable. The Board shall decide the conditions or standards for the insurance it obtains.

The Board shall review the Association's insurance coverage at least every three (3) years for adequacy of coverage and obtain at least three (3) competitive bids to ensure the best value.

Section 5. Banking and Financial Investment. Association funds shall only be held in

accounts that are fully insured or backed by the full faith and credit of the United States Government. The Association may only utilize depositories or instruments where there is no risk of principal loss for investment of its monies.

- A) Association Operating Funds, Operating Maintenance Reserve Funds, and Replacement Reserve Funds shall be physically separated with their own respective checking and savings or depository instruments. Any unbudgeted transfers between funds requires a Board vote and shall be recorded in the meeting minutes.
- B) Association funds shall be deposited in such bank or savings Association as the Board may designate and shall be only be withdrawn, upon by the order of such officers, or agents as are designated by the resolution of the Board of Directors from time to time.
- C) Association checks, drafts, or other orders for payment of money, shall be signed by such officer(s) or agent(s) of the Association and in such a manner as shall from time to time be determined by resolution of the Board.
- D) All checks of the Association shall be drawn to the order of the payee. No payments shall be made with cash, gift cards or other untraceable financial instruments.

Section 6. Cash Management. The Board shall establish a documented Cash Management Policy from time to time with respect to the investment of Operating Funds and Replacement Reserve Funds.

Section 7. Loans. By the power of the Stonewater Homeowners Association Articles of Incorporation, Article II (h), the Board may secure a loan on behalf of the Association. Such indebtedness issued in the Association's name, must be authorized by resolution by the Board of Directors. In the event that the proposed borrowing is for the purpose of adding a new Amenity to a Common Area or modifying the use of the existing Common Areas, the Board shall first obtain Membership approval for the project, as well as, the loan in the same manner as for Special Assessments set forth in the Subdivision Documents.

Once a loan is secured, the Treasurer shall disclose to the Membership the terms of the loan, including all debt covenants, annual payments, and the anticipated time of repayment. The Association's CPA firm will be consulted on how to record the loan and the loan payments, as well as, determine whether Operating or Replacement Reserve Funds should service this debt.

Section 8. Gifts and Donations. The Association may accept any contribution, gift, bequest or devise for the general purpose or for any special purpose of the Association.

Section 9. Books and Accounts. The books of account shall be prepared by a qualified individual, preferably Certified Public Accountant. The Treasurer and President shall assess the quality of accounting services and from time to time; the Board by a majority vote may select a replacement.

The Treasurer is responsible for reviewing the monthly check registers, bank statements, and general ledger associated with the financial statements, to ensure the transactions are properly coded and to verify there are no unauthorized transactions.

The Board of Directors must approve all write-offs of delinquencies in a timely manner (delinquencies shall not to exceed one year past due), and approve the collection activity for any account placed in collection for the enforcement of any necessary property liens and foreclosures.

The Association shall prepare interim financial statements and a summary of Replacement Reserve Fund expenditures on a monthly basis. The financial statements shall provide a comparative revenue and expense statement of current results to prior year and budget. It is recommended the Treasurer provide the Association a monthly financial report to provide insight into the financial results.

The Board may decide from time to time on the form, classifications, procedures, and other standards applicable to its books and accounts. These records shall be in accordance with generally accepted accounting principles and consistently applied.

Section 10. Operating Maintenance Reserve. A separate operating savings account shall be established for the maintenance of Common Area components, that are not a major repairs or replacement project but rather, that because of the significant maintenance cost and periodic occurrence (i.e. not annually), necessitates cash to be accumulated until needed. It is recommended, the cash flow method be used for calculating funding based on the board approved Association's Preventative Maintenance Plan (PMP). The Operating Maintenance Reserve is a subset of the Operating Fund.

Section 11. Operating Fund. The Association shall maintain an Operating Fund for providing annual maintenance services to the Common Areas, as well as, manage and administer the affairs of the Association.

- A) Revenues. All revenue proceeds, except Special Assessments for Replacement Reserve Fund Projects, are to be directly deposited in an Operating Fund bank accounts and providing special attention to not exceed the FDIC level for each account. The majority of the funding is received in December and January and these funds must be carefully managed throughout the year. Revenue proceeds that are budgeted for the Replacement Reserve Fund shall be transferred in accordance with the approved budget timing unless the Board approves otherwise.
- B) Minimum Balance. The Board shall establish a minimum threshold Operating Fund balance from time to time based on a risk assessment. The recommended threshold shall be at least ten percent (10%) of Annual Assessment revenue plus the calculated Operating Maintenance Reserve amount as advised by PMP. The minimum balance shall serve as a contingency fund for budget deficits, unanticipated audit or tax adjustments.
- C) In the event the Operating Fund balance falls below the minimum threshold, the Board shall report the situation in the meeting minutes. The Board will then have thirty (30) days or until the next Board Meeting, whichever comes first, to provide a corrective action plan to replenish the Operating Fund balance to or above the minimum threshold.

Section 12. Replacement Reserve Fund. The Association shall maintain a Replacement Reserve Fund for future major repairs and replacement of Common Area components. The Association should carefully analyze their reserve requirements to determine what amount should be set aside.

- A) At least every third year, the Association shall commission a third-party Reserve Study in accordance with Article XII Replacement Reserve Fund Requirements.
- B) The Board shall establish a minimum threshold Replacement Reserve Fund balance, from time to time.

- C) In the event the Replacement Reserve Fund balance falls below the minimum threshold, the Board shall report the situation in the meeting minutes. The Board will then have thirty (30) days or until the next Board Meeting, whichever comes first, to provide a corrective action plan to replenish the Replacement Reserve Fund balance to or above the minimum threshold.
- D) The Board shall maintain a roll-forward report after the issuance of the Reserve Study to determine a revised targeted year end RRF balances for the first year presented in the Reserve Study forecasted 3 years into the future. The report will contain project timing adjustments and identify the anticipated or actual spending variance to the Reserve Study cost estimates, along with any changes in funding to offset spending variances. The roll-forward report is based on the Reserve Study Reserve Funding Plan schedule, actual replacement fund activity since the Reserve Study, and anticipated timing and spending which varies from the Reserve Study. At a minimum, the report shall be updated as a part of the budgeting process and again at year end to track in order to monitor the adequacy of the Replacement Reserve Fund and the future funding requirement. It is recommended the Board appoint a Finance Committee to assist in preparing this report for each Board Meeting.
- E) Upon a Member's request, the board will provide the Members a copy of the Reserve Study, noting any exceptions made to the recommendation and the rationale for said exceptions. The latest roll-forward report may also be provided upon request.

Section 13. Annual Budget. The Board shall adopt and approve an annual budget of operating revenues and expenses, along with the planned Replacement Reserve Funding and replacement reserve expenditures. As a part of the budgeting process, the Managing Agent may prepare the first draft of the budget. The Board shall perform their due diligence by reviewing:

- A) All major service contracts,
- B) Preventative Maintenance Program,
- C) Common Areas, including a walking through the Property and identifying maintenance and replacement priorities for the coming year,
- D) Utility usage and expected rate changes,
- E) Out of the ordinary expenses, such as loan interest, anticipated legal or other professional fees, recommended discretionary maintenance services, or changes to the type of services being provided,
- F) The Reserve Study and current roll-forward report
- G) Goals (cost to implement and savings generated), and
- H) Annual Assessment.

The Board will present the next year's budget (preliminary, proposed or approved) at the Annual Membership Meeting.

A copy of the approved annual budget report should be promptly furnished to each Member by no later than November 15th. This report shall contain a summary of the Board's due diligence and detail amounts set aside for special projects or contingencies, which are often classified as beautification or common grounds improvement. The determination of the Annual Assessment

shall also be disclosed to the Members in the budget report with the rationale for any changes.

The Board may amend an approved budget, up until February 15th of the budget year, provided it relates to:

- A) Following Board elections, the newly formed Board chooses to amend the budget approved by a prior Board to meet their goals,
- B) There is a newly signed long-term contract resulting in significant change to operating expenses, or
- C) The Board approves a loan and/or an Annual Assessment increase, or the Membership approves additional Assessments that was not reflected in the original budget.

The Board must approve the revision in an open meeting stating the reason; followed by redistribution of the revised budget to the Members.

Section 14. Financial Planning. In conjunction with the annual budget, the Board shall establish a high level, long-term Financial Plan that is reviewed and revised annually and includes the following:

- A) Long-term strategic goals,
- B) Long-term Operating and Replacement Reserve Fund budget, incorporating the financial impact of the strategic goals, covering the next three to five years,

The Board must approve the Financial Plan in an open meeting; followed by the distribution of the Financial Plan to the Members by no later than November 15th.

Section 15. Auditing and Tax Return. At the close of each fiscal year, the financial statements of the Association shall be audited by a qualified independent Certified Public Accountant (CPA) and a tax return preparer. The CPA firm shall be approved by the Board of Directors.

A copy of the independent auditor's report shall be promptly furnished to each Member, which includes the annual audited financial statements of the Association. If the audit is not complete by the Annual Membership Meeting, the Board shall provide an explanation for the delay and anticipated date for the release of this report.

The President and Treasurer of the Association shall review and approve the tax return, and the President will sign it on behalf of the Association.

ARTICLE XII

REPLACEMENT RESERVE FUND REQUIREMENTS

Section 1. Replacement Reserve Fund. Assessments must be sufficient to, among other things, establish and maintain adequate future major repair and replacement reserve for the Common Area components due to their damage, exhaustion, or obsolescence.

Section 2. Funding Plan. It is recommended, the pooling or cash flow method be used for

the funding plan to accumulate funds to meet the anticipated expenditures; and the cash flow method be used for all budgetary Reserve Study calculations. The cash flow method will calculate funding based on the aggregation of all components projected future expenditures.

Section 3. Threshold Funding. The cash flow method shall be used to establish a threshold funding goal to keep the reserve balance above a specified dollar or percent funded amount. The threshold funding amount shall include a safety margin set above the funding required for all anticipated costs and their expected timing over the projection period. From time to time, the Board shall establish the safety margin, but it shall not be less than \$200,000 in cash.

The threshold funding goal will provide a layer of global risk management against many future unknowns which must be assumed in the Reserve Study. If the Reserve Fund asset level drops below \$200,000, the Board shall document this in the Board Meeting minutes, and shall provide a plan on how the Replacement Reserve Funds will be restored above the safety margin.

Section 4. Reserve Study Requirements. The Association shall commission an onsite Reserve Study (or an update of a previously issued report that includes an onsite analysis evaluation of components) to be prepared at least every three (3) years. The Association shall prepare an annual Reserve Study roll-forward report to help assess when another Reserve Study should be commissioned. The Reserve Study shall:

- A) Include the identification, evaluation, and quantification and measurement of components based on a site analysis.
- B) Be prepared by a company that follows the International Capital Budgeting Institute’s (ICBI) Generally Accepted Reserve Study Principles and Generally Accepted Reserve Study Standards, and will use an inflation adjusted cost method.
- C) Provide a financial forecast for a 25-year period of future expenditures, to understand the required Replacement Reserve Fund contributions to fund these future expenditures.

The Association will make all Replacement Reserve Fund disclosures to its Members as described in Article XI, Section 12.

Section 5. Reserve Study Parameters. The Association’s Reserve Study, in order to be prepared and maintained on a consistent basis, will be based upon the following parameters:

- A) The study will include all components with a replacement life cycle of three (3) or more years. Replacement cost shall include the purchase cost of the repair or replacement component, including all costs to place the component into service, including shipping or delivery costs, sales tax, installation cost, cost to remove the component being replaced, and any design or other costs associated with the acquisition and installation of the new component.
- B) The study will exclude all components:
 - 1) with a replacement life cycle of less than three years (3)
 - 2) with a replacement cost of less than \$3,000
 - 3) with a replacement life cycle of more than twenty-five (25) years remaining life, but will still be listed on the report
 - 4) Underground utilities, such as water lines, wastewater lines, gas, electrical, and cable wiring

will not be included in the Reserve Study. However, all Members should recognize that utility lines such as these generally have a life of 40-60 years.

- C) The Replacement Reserve Study financial projection will include provisions for:
- 1) Investment earnings
 - 2) Inflation
 - 3) Income taxes

ARTICLE XIII

BOOKS AND RECORDS

Section 1. Books and Records. The Association shall keep complete books and records of account, minutes of the proceedings of the Board of Directors and Membership meetings, and a record of all actions taken by the Board without a meeting. In addition, the Association shall keep a copy of the Articles of Incorporation, Bylaws, Declaration, and Restrictions, Association Rules and Regulations and Board Resolutions available to all its Members.

- A) To reduce costs, the Association shall electronically distribute to Members monthly unaudited financial statements which includes a project summary of Replacement Reserve Fund expenditures, and the Board of Director's meeting minutes. On an annual basis, the Association shall electronically distribute to Members the audited financial statements, annual operating budget, and budgeted annual Replacement Reserve Funding and planned reserve spending. Members are responsible for providing current contact information to the Association to receive electronic distribution of confidential financial documents.
- B) Association meeting minutes from open meetings will also be published on the Associations website and available to all Members.
- C) Any Member may inspect the books and records, subject to the Association's Rules and Regulations, during reasonable business hours at the Association's principal office or at such other location as may be mutually arranged. The Member must make a written request for the specific document(s) with reasonable particularity their purpose for the inspection. The Association shall respond within 5 business days of receiving the request as whether or not it is deemed to demonstrate a proper purpose.

Section 2. Privileged Records. Board communications with the Association's Attorneys are deemed privileged and therefore, these records will not be subject to inspection except as provided by law.

Section 3. Confidential Records. Association books and records are considered confidential to the Members for Association purposes and cannot be used for commercial or other improper purposes. Members selling their Lot must request documents for prospective purchasers. The Board may withhold certain records and documents to protect a Member's right to privacy and therefore, these records will not be subject to inspection except as provided by law. Confidential

Board documents include, but are not limited to, legal actions, violations, delinquencies, and proxies or absentee ballots related to the Board elections and Executive Board Meeting minutes.

Section 4. Private Member Information. Member's private telephone numbers and email addresses will be stored with the Managing Agent and shared with limited Association volunteers, such as Directors and Committee Members with a proper purpose. Those who are granted access to this private information must relinquish these records when their proper purpose or role has ended.

Section 5. Relinquishing Records. All outgoing Officers, Directors, Committee Members or other Association agents must relinquish all official documents, privileged records, private Member information, and any materials and Property of the Association in his or her possession, or under his or her control, to the Board Secretary and/or successor within 10 days after their termination of their status; with the exception of documents previously distributed to all Members (financial statements, Board minutes, etc.). Any additional hard or electronic copies of Association records must also be surrendered or destroyed.

Section 6. Document Retention. The Association shall manage records to protect document integrity, improve accessibility, control retention, and ensure proper destruction of documents in alignment with operating the Association and legal requirements. From time to time, the Association may establish retention or destruction policies or schedules for specific categories of records in order to ensure legal compliance, easier access and/or cost management. In the case of documents relevant to litigation, preserve all related documents until it is determined they are no longer needed.

Whenever possible, retained documents should be kept in electronic format in two locations. In addition, all documents requiring permanent retention, as well as, tax, legal, banking, insurance claims, and audited financial statements will also be retained in hard copy by the managing agent.

Minimum retention periods for specific categories are identified below:

- A) Corporate Documents. Corporate records must be permanently retained and include Articles of Incorporation, Bylaws, Declaration, Board Meeting Minutes, Board Resolutions, Declaration variances granted, Reserve Studies and Association Rules and Regulations.
- B) Drawings, Charts and Maps. All records related to the Common Areas design, construction, infrastructure, and Property maps shall be permanently retained.
- C) Tax Records. Tax records include, but are not limited to, income and expense supporting documents and tax returns. Tax records should be retained for at least seven years from the date of filing the tax return.
- D) Board and Committee Materials. Board and committee materials not included in Corporate documents should be kept for no less than three years.
- E) Legal files. Legal counsel should be consulted to determine the retention period of particular documents, but generally should be retained for ten or more years.
- F) Public Releases. The Association should retain permanent records of any press releases, publicly filed documents and developer sales and marketing materials.

- G) Contracts. Final, execution copies of all contracts entered into by the Association should be retained for at least three years beyond the life of the agreement (including any stated warranties or performance guarantees). All competitive bids related to a signed contract are subject to Members' inspection and must be retained for one year after the signing of the contract.
- H) Banking and Accounting. Bank statements, check registers, general ledgers, and accounts payable ledgers should be kept the same as tax records.
- I) Audited Financial Statements and Records. External audit reports should be kept permanently.
- J) Budgets. Budgets will be retained for 10 years.
- K) Insurance. Expired insurance policies, records, claims accident reports, etc. should be kept permanently. Insurance claims documents should be retained for 6 years after settlement.
- L) Elections. For board of director elections, retain all documents for 3 calendar days after proclaiming the winners and the vote tally sheets for at least one year. In the case of a contested election, all documents should be retained until there is a ruling by the ERB.
- M) All Other Membership Votes. Membership vote tallies shall be published in the meeting minutes which are a part of the permanent records. Retain all other documents for at least one year except as noted below:
 - 1) Increases of Annual Assessments above the maximum allowed by the Board of Directors as defined in the Subdivision Documents for latter of one year or 90 days after all newly increased Annual Assessments have been collected.
 - 2) Special Assessments for latter of three years or 90 days after all Special Assessments have been collected.
 - 3) Authorization for civil action other than enforcing the Declaration and Bylaws, Legal counsel should be consulted to determine the retention period of particular documents, but generally should be retained for ten or more years.
 - 4) Establish any Limited Common Areas or Limited Common Area Recreational Facilities for one year after the completion of the project and a separate legal entity is established.
 - 5) Transfer any or part of the Common Areas, legal counsel should be consulted to determine the retention period of particular documents, but generally should be retained for one or more years.
 - 6) Annexation of additional property into the Subdivision, legal counsel should be consulted to determine the retention period of particular documents, but generally should be retained for one or more years.
- N) Member records. Retain all Assessment, late fees, and fines payment information along with violation letters for minimum of 6 years or until Member no longer owns the property and has a zero-balance due.
- O) Correspondence. Unless correspondence falls into one of the above categories, two years is a sufficient retention period.

ARTICLE XIV

AMENDMENTS

Section 1. Method. These Bylaws may be amended or repealed and new Bylaws adopted by the Association, at an Annual or Special Membership Meeting, by a two-thirds (2/3) affirmative vote of the Members present at the meeting, or by absentee ballot or electronic ballot, provided the following was included with the electronic transmission or personal delivery of the meeting notice:

- A) notice of such intention to amend these Bylaws has been given to the Members,
- B) a summary of the proposed changes, and
- C) Members were provided a complete copy of the proposed amended Bylaws.

Section 2. Proposal. Amendments to these Bylaws may be proposed by the Board of Directors of the Association acting upon the vote of a majority of the Directors or by one-third (1/3) or more in number of the Members of the Association whether meeting as Active Members or by instrument in writing signed by them.

Section 4. Revision Distribution. A copy of the amended Bylaws shall be furnished to every Member of the Association after adoption within thirty (30) calendar days; provided, however, that any amendment adopted in accordance with this Article shall be binding upon all Members irrespective of whether such persons actually receive a copy of the amendment on the date of adoption.

ARTICLE XV

CONFLICTS AND SEVERABILITY

Section 1. Conflicts. In the case of any conflict between provisions of the Articles of Incorporation and these Bylaws, the Articles of Incorporation shall control. In the case of any conflict between the provisions of the Declaration and these Bylaws, the Declaration shall control.

Section 2. Severability. In the event that any of the terms or provisions of the Bylaws are held to be partially or wholly invalid or unenforceable for any reason whatsoever, such holding shall not affect, alter, modify or impair in any manner whatsoever any of the other terms or provisions of these Bylaws held to be valid and enforceable.