

BYLAWS OF
THE HIGHLANDS PROPERTY OWNERS ASSOCIATION

ARTICLE I. NAME, LOCATION AND PRINCIPAL OFFICE

These are the Bylaws of The Highlands Property Owners Association (“Association”) which shall have its principal office located in the City of Mooresville, County of Hendricks and State of Indiana.

ARTICLE II. DEFINITIONS

All capitalized terms used in these Bylaws that are not otherwise defined in the Articles hereof shall have the meanings ascribed to them in Article I of the Declaration of Covenants, Conditions, and Restrictions dated May 15, 2014 (“Declarations”), unless the context in which the same are used shall otherwise require. All capitalized terms used in these Bylaws that are defined in any of the Articles hereof shall have the meanings ascribed to them in such Articles, unless the context in which the same are used shall otherwise require. Each of the said capitalized terms shall be applicable to singular and to plural nouns, as well as to verbs of any tense.

ARTICLE III. PURPOSE

The Association is formed to provide certain maintenance and other services for the Owners, as set forth in the Declarations.

ARTICLE IV. APPLICABILITY

All present and future Owners shall be subject to these Bylaws and to any rules and regulations issued by the Association from time to time.

ARTICLE V. MEMBERSHIP, VOTING RIGHTS, SUSPENSION OF VOTING
RIGHTS

Section 1. *Membership*. Every Person who is an Owner of any residential property (“Property”) which is subject to the Declarations, covenants of record, and to assessment by the Association shall be a member of the Association.

Section 2. *Voting Rights*. The Association shall have one class of voting membership. When more than one Person holds an interest in a Property, all such Persons shall be members. The vote for such Property shall be exercised as they among themselves determine, but in no event shall more than one vote be cast with respect to any Property.

Section 3. *Suspension of Voting Rights*. Any Owner who fails to pay any assessments to the Association within six (6) months after the same are due shall not be entitled to vote at any meeting of the Association.

ARTICLE VI. QUORUM, PROXIES AND WAIVERS

Section 1. *Quorum*. At least fifty one percent (51%) of the Owners (present either in person or by proxy) constitutes a quorum. If a quorum is not present or represented at any meeting of the Association, the meeting may be adjourned. At least five (5) business days' written notice of any such adjourned meeting shall be given to all Owners. At such adjourned meeting any business may be transacted which might have been transacted at the meeting originally called.

Section 2. *Vote required to Transact Business*. When a quorum is present at any meeting, the vote of a majority of the Owners who are authorized to vote and who are present in person or proxy shall decide any question brought before such meeting and such vote shall be binding upon all Owners, unless the question is one upon which by express provision of the Declarations or of these Bylaws, a different vote is required, in which case such express provisions shall govern and control the decision of such question.

Section 3. *Right to Vote*. Each Owner is entitled to one vote. Votes may be cast either in person or by proxy unless voting privileges are suspended as provided herein.

Section 4. *Proxies*. All proxies shall be in writing and shall be filed with the Secretary prior to the beginning of the meeting which the same are to be used. A notation of such proxies shall be made in the minutes of the meeting.

Section 5. *Waiver and Consent*. Wherever voting is required by any provision of the Declarations or of these Bylaws, the meeting and vote may be dispensed with if all Owners who would have been entitled to vote upon the action if such meeting were held, shall consent in writing to such action being taken.

Section 6. *Place of Meeting*. Meetings shall be held at an Owner's Property or any suitable place convenient to the Owners as may be designed by the Board of Directors ("Board") and designated in the notices of such meetings.

Section 7. *Annual Meeting*. The annual meeting of the Association shall be held on the last Saturday of April at 9:00 am EST or such other date and time as if fixed by the Owners. At such meetings, officers of the Board shall be elected. The Owners may also transact such other business as may properly come before the meeting.

Section 8. *Special Meetings*. In addition to any other meeting held by the Board, the Board shall hold a special meeting of Owners if at least ten percent (10%) of the Owners submit to the Board at least one (1) written demand for the special meeting that: (1) describes the purpose for which the meeting is to be held; and (2) is signed by the Owners requesting the special meeting.

If the Board does not communicate a notice of the date, time, and place for a special meeting not more than thirty (30) calendar days after the date the Board receives a valid written demand for the special meeting, an Owner who signed the written demand

may: (1) set the date, time, and place for the special meeting; and (2) send out the notice for the special meeting to the other Owners.

Section 9. *Notice of Meetings*. It shall be the duty of the Secretary to communicate notice of each annual or special meeting, stating the purpose thereof as well as the time and place where it is to be held, to each Owners at least ten (10) business days but not more than thirty (30) calendar days prior to such meeting. The communication of a notice in the manner provided in these Bylaws shall be considered notice served.

Section 10. *Order of Business*. The order of business at all meetings shall be as follows:

- (a) Roll call
- (b) Proof of notice of meeting or waiver of notice
- (c) Appointment of inspectors of election, unless waived by a majority of the Owners (in the event there is an election)
- (d) Election of Officers (in the event there is an election)
- (e) Report of Officers
- (f) Report of committees
- (g) Unfinished business
- (h) New business

ARTICLE VII. POWERS OF THE ASSOCIATION

Section 1. *Powers*. The Board shall have the power to:

1. Determine and levy a) assessments and special assessments to cover the cost of common expenses and performing the maintenance and services described in the Declarations b) fines and penalties for an Owner's failure to comply with the Declarations
2. To open bank accounts and to designated the signatories to such bank accounts.
3. To collect delinquent assessments, fines, and penalties by recording and enforcing liens, suit or otherwise, to abate nuisances and to enjoin or seek damages from Owners for violations of any rules and regulations adopted from time to time.
4. To make reasonable rules and regulations and to amend them from time to time. Such rules and regulations and amendments thereto shall be binding when voted upon, approved, and distributed to each Owner.
5. To hire and terminate contractors as set forth in the Declarations, and to purchase supplies and equipment, to enter into contracts, to provide or receive maintenance and other services, and generally to regulate the matters hereinabove set forth.
6. To acquire, manage and dispose of all rights, titles and interests in real and personal property consistent with the purposes of the Association as set forth in the Declarations.
7. Create one (1) or more committees whose members serve at the pleasure of the Board and shall consist of one (1) or more members of the Board.
8. Do all things necessary or convenient, consistent with law, to further the business, activities, and affairs of the Association.

9. To do all things necessary or convenient to carry out the Association's affairs, including the purposes and powers outlined in Ind. Code § 23-17-4

Section 2. *Compensation.* Officers of the Association, as such, shall receive no compensation for their services other than reimbursement for out of pocket expenses incurred for the benefit of the Association and with prior written approval of a majority of the Officers.

Section 3. *Annual Statement and Annual Budget.* A full and clear statement of the business conditions and affairs of the Association, including a copy of the prior year's IRS tax return, a balance sheet and profit and loss statement prepared in accordance with generally accepted accounting standards, and a statement regarding any taxable income attributable to the Association, and a notice of the holding of the annual meeting of the Association will be prepared by the Board and distributed to all Owners at least ten (10) business days prior to each annual meeting.

The Board shall also prepare an annual budget. The annual budget must reflect: (1) the estimated revenues and expenses for the budget year; and (2) the estimated surplus or deficit as of the end of the current budget year. At least ten (10) business days prior to each annual meeting, the Board shall provide each Owner with a: (1) (A) an electronic copy of the proposed annual budget; or (B) written notice that a paper copy of the proposed annual budget is available upon request at no charge to the Owner; and (2) a written notice of the amount of any increase or decrease in a regular annual assessment paid by the Owners that would occur if the proposed annual budget is approved.

The annual budget must be approved by a majority of the Owners in attendance at the annual meeting called and conducted in accordance with these Bylaws. If the number of Owners in attendance at the annual meeting does not constitute a quorum, the Board may adopt an annual budget for the Association for the ensuing year in an amount that does not exceed one hundred percent (100%) of the amount of the last approved Association annual budget.

Section 4. *Fidelity Bonds.* All officers and contractors of the Association handling or responsible for Association funds shall upon request from the Board obtain and furnish adequate fidelity bonds. The premium on such bonds for an Officer shall be an expense of the Association.

Section 5. *Managing Agent.* A managing agent may be retained under an annual term contract or otherwise at an hourly compensation rate established by the Board, to perform such duties and services as the Board shall authorize, including, but not limited to all of the duties listed in these Bylaws. Such duties and services shall be performed in compliance with applicable laws and on a nondiscriminatory basis with regard to the Properties and Owners.

ARTICLE VIII. OFFICERS

Section 1. *Elective Officers.* The members of the Board who also serve as the Officers of the Association shall be chosen by the Owners and shall consist of a President, a Vice

President, a Secretary and a Treasurer. The Owners may also choose one or more Assistant Secretaries and Assistant Treasurers and such other officers as in their judgment may be necessary. The President must be an Owner whose primary place of residence is within the Association boundaries.

Section 2. *Term.* Each Officer shall hold office for a period of one year or until their successors are chosen and qualify in their stead. Any officer may be removed with or without cause, at any time, as outlined in Section 8 below.

Section 3. *The President.* The President shall be the chief executive officer of the Association; he/she shall preside at all meetings of the Board, shall be an ex-officio member of all standing committees, shall have the general and active management of the business of the Association, and shall see that all orders and resolutions of the Board are carried into effect.

Section 4. *The Vice-President.* The Vice President shall take the place of the President and perform his/her duties whenever the President shall be absent or unable to act.

Section 5. *The Secretary.* The Secretary and/or Assistant Secretary shall attend all meetings of the Board and record all votes and the minutes of all proceedings in a book to be kept for that purpose and shall perform like duties for the standing committees when required. He or she shall give, or cause to be given, notice of all meetings and special meetings of the Board, shall serve as the registered agent, and shall perform such other duties as may be prescribed by the Board or by the President, under whose supervision he/she shall be.

Section 6. *The Treasurer.* The Treasurer shall have the custody of the Association funds and assets and shall keep full and accurate chronological accounts of receipts and disbursements in books belonging to the Association including the vouchers for such disbursements, and shall promptly deposit all monies, and other valuable effects in the name and to the credit of the Association in such depositories as may be designated by the Board. These duties may also be exercised by the managing agent, if any. However, such managing agent shall not replace the Treasurer.

He or she shall promptly disburse the funds of the Association as he/she may be ordered by the Board, making proper vouchers for such disbursements and shall render to the President and Directors, at the regular meeting of the Board or whenever they may require it, an account of all his/her transactions as Treasurer and of the financial condition of the Association. He or she shall prepare, sign, and file tax returns with governmental entities and keep detailed financial records and books of account of the Association, including a separate account for each Owners, which among other things, shall contain the amount of each assessment, the date when due, the amount paid thereon and the balance remaining unpaid.

Section 7. *Agreements, etc.* All agreements and other instruments shall be executed by two (2) Officers which shall consist of the President and Secretary or such other person as may be designated by the Board. Unless pertaining to a contract entered into by the

Board that would resolve, settle, or otherwise satisfy an act of enforcement against the Association for violating a state or local law, the Board may not enter into any contract that would result in a new assessment or the increase in an existing assessment payable by the affected Owners in the amount of more than five hundred dollars (\$500) per year for each affected Owner unless: (1) the Board holds at least two (2) meetings concerning the contract; and (2) the contract is approved by the affirmative vote of at least two-thirds (2/3) of the affected Owners. The Board shall give notice of the first meeting held to each Owner and at least ten (10) business days before the date the meeting occurs.

Section 8. *Removal.* An Officer may be removed from office upon the affirmative vote or the agreement in writing of a majority of the Owners at a special meeting for any reason deemed by the Owners to be in the best interests of the Association. A special meeting to so remove an Officer shall be held, subject to the notice provisions of these Bylaws upon the written request of ten percent (10%) of the Owners. However, before any Officer is removed from office, he/she shall be notified in writing prior to the special meeting at which a motion will be made to remove him/her that such a motion will be made, and such Officer shall be given an opportunity to be heard at such special meeting should he/she be present prior to the vote on his/her removal. Owners shall elect at a special meeting persons to fill vacancies on the Board caused by the removal of an Officer.

ARTICLE IX. NOTICES

Section 1. *Definitions.* Whenever under the provisions of the Declarations or of these Bylaws, notice is required to be given to the Owners, shall not be construed to mean personal notice; but such notice may be given in writing by email, by mail, by depositing the same in a post office or letter box in a postpaid envelope, addressed to the Owner at such address as appears on the books of the Association or the property tax records of the Owner's Property in the Hendricks County Assessor's Office. The Association shall maintain any electronic mail addresses or facsimile (fax) numbers of those Owners who have consented to receive notice by electronic mail or facsimile (fax). Electronic mail addresses and facsimile (fax) numbers provided by an Owner to receive notice by electronic mail or facsimile (fax) shall be removed from the Association's records when the member revokes consent to receive notice by electronic mail or facsimile (fax). However, the Association is not liable for an erroneous disclosure of an electronic mail address or a facsimile (fax) number for receiving notices.

Section 2. *Service of Notice—Waiver.* Whenever any notice is required to be given under the provisions of the Declarations or of these Bylaws, a waiver thereof, in writing, signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed the equivalent thereof.

ARTICLE X. FINANCES

Section 1. *Checks.* All checks or demands for money and notes of the Associations shall be signed by both the President and Treasurer, or by such other officer as may from time

to time be designated by the Board if the President or Treasurer is unable to be located or sign.

Section 2. *Operating Account.* There shall be established and maintained an account with a state or federally chartered bank whose deposits are insured with the FDIC which is to be known as the Operating Account and into which shall be promptly deposited the operating portion of all monthly and special assessments as fixed and determined for all members. Disbursements from said account shall be for the general needs of the operation of the Association including, but not limited to, compensation, repairs, maintenance and other operating expenses.

Section 3. *Other Accounts.* The Association shall maintain any other accounts it shall deem necessary to carry out its purposes.

Section 4. *Borrowing Money.* This section does not apply to money borrowed by the Association that is needed to: (1) resolve, settle, or otherwise satisfy an act of enforcement against the Association for violating a state or local law; or (2) address an emergency that affects the public health, safety, or welfare.

The Board may not borrow money during any calendar year on behalf of the Association in an amount that exceeds the greater of: (1) one thousand dollars (\$1,000) during any calendar year; or (2) if the Association operated under an annual budget in the previous calendar year, an amount equal to at least ten percent (10%) of the previous annual budget of the homeowners association; unless borrowing the money is approved by the affirmative vote of 2/3 of the Owners voting under this section.

An Owner may cast one (1) vote under this section for each Property owned by that Owner. A vote held under this section must be conducted by paper ballot. The Board shall distribute ballots to Owners eligible to vote under this section at least thirty (30) calendar days before the date the votes are to be opened and counted. Votes cast under this section shall be opened and counted at an annual or special meeting held by the Association.

ARTICLE XI. INSURANCE

The Board shall maintain liability insurance, to the extent obtainable and when mandatory under applicable laws, insuring each Officer of the Association, against liability for any negligent act of omission or commissions attributable to them for when any of them, or the Association, may be liable. Worker's compensation insurance shall not be maintained unless required under Indiana laws. All insurance premiums for such coverage shall be paid for by the Association.

ARTICLE XII. AMENDMENTS

These Bylaws may be altered, amended or added to at any annual or special meeting provided: (1) that the notice of the meeting shall include a full statement of the proposed amendment, and (2) that the amendment shall be approved by vote of 2/3 of the Owners.

No amendment, however, shall affect or impair the validity or priority of the Owners' interests and the interests of holders of a mortgage encumbering any Property.

ARTICLE XIII. GENERAL PROVISIONS

Section 1. *Fiscal Year.* The fiscal year of the Association shall begin on January 1 of each year unless otherwise fixed by resolution of the Board.

Section 2. *Examination of Books and Records.* Each Owner, or its respective representatives and first mortgagees, shall be entitled to a reasonable examination of the books and records of the Association at any time upon reasonable notice.

Section 3. *Construction.* Whenever the masculine singular form of the pronoun is used in these Bylaws, it shall be construed to mean the masculine, feminine or neuter, singular or plural, whenever the context so required.

Section 4. *Conflicts.* In the case of any conflict between the Declarations and these Bylaws, the Bylaws shall control.

Section 5. *Governing Law and Severability.* The Association intends for these Bylaws to be governed by Indiana law and to comply with Indiana Code § 23-17 and 32-25.5. Should any of the covenants, terms or provisions herein imposed be or become unenforceable at law or in equity, the remaining provisions of these Bylaws shall, nevertheless, be and remain in full force and effect.

Section 6. *Grievances.* The Board will annually review and adopt changes to grievance resolution procedures that allow an opportunity for all Owners to appeal a decision or action by the Association, the Board, or its committees. Until alternative procedures are adopted, such procedures will follow the Non-Binding Arbitration Rules of the American Arbitration Association.

Section 7. *Enforcement Procedures.* The Association shall have the right to assess reasonable penalties and fines against an Owner for any violation of the Declarations by the Owner or guests, residents, or lessees of the Owner's Property. At an annual or special meeting, the Board shall have the power to determine appropriate penalties and fines and create an Enforcement Committee to be comprised of at least three (3) Owners, one of which shall be an Officer, and one of which shall be designated as the Chairperson thereof. The Enforcement Committee shall serve a term consistent with the term of its appointment by the Board. Members of the Enforcement Committee may be replaced with or without cause by majority vote of the Board.

(a) *Conduct of Enforcement Hearing.* The Alleged Noncomplying Owner shall be given reasonable opportunity to be heard and review and present evidence.

(b) *Powers of the Enforcement Committee.* The Enforcement Committee shall have the power to: (i) Adopt rules for the conduct of its hearings which shall be based upon the Indiana Rules of Civil Procedure; (ii) Effectuate the provisions set forth in this provision;

(iii) Issue orders consistent with this provision; and (iv) Recommend to the Board Noncomplying Owners pay a fine or penalty based upon the violation of the Declarations. (c) Notice to Alleged Noncomplying Owners. Alleged Noncomplying Owners shall be given reasonable notice at least ten (10) business days in advance of said hearing to correct, remedy, or cure the alleged violation of the Declarations. No Alleged Noncomplying Owner or any other Owner shall be given notice of hearing before the Enforcement Committee unless said Alleged Noncomplying Owner has first been notified in writing of the alleged noncomplying condition, what actions are necessary to rectify the alleged noncomplying condition, and given reasonable time frame of at least five (5) business days in which to rectify the alleged noncomplying condition.

Section 8. *Indemnification.* The Officers and the Board shall not be liable to any third party or the Owners for any mistake of judgment, negligence, or otherwise, except for their own individual willful misconduct or bad faith. The Association shall indemnify and hold harmless each of the Officers unless any such action or contract shall have been made in bad faith or contrary to the provisions of Indiana law, the Declarations, or these Bylaws. It is intended that the Officers and the Board shall have no personal liability with respect to any action or contract made by them in good faith on behalf of the Association. It is understood and permissible for the Board to contract with an Officer and/or Owners and they shall not be charged with self-dealing by virtue thereof. It is also intended that the liability, if any, of an Officer arising out of any action or contract made in good faith by the Board or out of the aforesaid indemnity in favor of the Officers and the Board shall be limited to the amount of the annual assessment obligated to be paid as an Owner.