

HOLMES RUN ACRES RECREATION ASSOCIATION, INC.
BY-LAWS

February 16, 2010
(With amendments)

ARTICLE I
ISSUE AND TRANSFER OF STOCK

Article I, Section 1. The Board of Directors is authorized to accept the subscriptions of and to issue the capital stock of the Corporation to a number not to exceed 500 shares. Such stock must be paid in full, at a price no less than its par value, prior to its issuance. The price of the shares shall be established and reviewed annually by the Board of Directors and shall be based on its judgment. All shareholders are required to pay the annual membership, fees and dues in full. The Board of Directors shall annually determine these charges.

Article I, Section 2. The Board of Directors shall maintain complete control over the sale, transfer and repurchase of stock in the Corporation. Should a shareholder wish to sell or transfer his stock in the Corporation, he must submit written notice to the Board of Directors stating his intent. It shall be the policy of the Board of Directors to authorize such sale, transfer, or repurchase of stock in the following manner.

- a. A shareholder selling his residence may sell or transfer his share of stock to his successor in interest in his residence. However, the share of stock will not be issued to the new owner if there are any unpaid assessments, fees or other obligation due to the Corporation.
- b. A shareholder may request the Board of Directors to purchase his share of stock. The Board may repurchase the stock except in the following instances:
 - (1) If the repurchase of an existing share of stock would cause the Corporation to be placed in a precarious financial position.
 - (2) If the number of treasury shares exceed 100.

Article I, Section 3. If the Board of Directors defaults or defers on the repurchase of stock for reasons specified in Article I, Section 2, b. and a moratorium on the repurchase of shares is declared by the Board of Directors, the names of those shareholders offering in writing their shares for repurchase will be placed on a waiting list until such time as repurchasing is resumed. The repurchasing will be done in the order that the shareholder's names appear on the waiting list.

Article I, Section 4. The repurchase price of a repurchased share shall be reduced by any amount the shareholder is in arrears at the date of repurchase.

Article I, Section 5.

- a. Shareholders are responsible for keeping the Corporation informed as to their current mailing address and/or email address so that they may receive official

notifications from the Corporation such as fees that are due the Corporation, and the consequences of not paying those fees.

- b. If a First Class mailing is returned by the United States Postal Service with a notification that a forwarding address is not known, the Corporation will consider the notification delivered to the shareholder.
- c. If an email sent to a shareholder is returned as “not deliverable” that association will consider the notification delivered to the shareholder.

Article I, Section 6. A shareholder who fails to pay the annual fees, dues or assessments by the end of the Corporation’s fiscal year shall be considered to have abandoned their share. At such time, all rights and privileges of membership shall automatically be forfeited and the share shall revert to the ownership of the Corporation. The Board reserves the right to pursue any outstanding fees, dues, or assessments owned to the Corporation

ARTICLE II **STOCKHOLDER MEETINGS**

Article II, Section 1. An annual meeting of the shareholders shall be held at such time and place as the Board of Directors may designate.

Article II, Section 2. A special meeting of the shareholders may be called by the President, and shall be called upon the written request of not fewer than 25 shareholders.

Article II, Section 3. At least thirty (30) days before the date of any annual meeting or seven days before any special meeting of the shareholders, the secretary shall cause written notice thereof to be mailed or delivered to each shareholder on the records of the Corporation.

Article II, Section 4. At any stockholder’s meeting, representation of one-fourth of the eligible shareholders, either in person or by proxy, shall constitute a quorum. An eligible shareholder is one who has no outstanding financial obligations due to the Corporation. Prospective shareholders who are buying a share of stock on a time payment plan are eligible to vote if payments remain current. No business may be transacted unless a quorum is present.

ARTICLE III **ELECTION AND REPLACEMENT OF DIRECTORS**

Article III, Section 1. There shall be at least nine (9) but not more than fifteen (15) Directors elected by the shareholders to manage the affairs of the Corporation. Directors shall serve for a term of two (2) years and shall be divided into an A and a B group, each of which will be elected on alternate years, except for the initial election when both groups will be elected. The A group’s initial term will be for one (1) year only.

Article III, Section 2. A nominating committee of at least four (4) shareholders, appointed by the Board of Directors, shall make nomination for Directors. Space shall be provided on the ballot for the names of write-in candidates. The secretary shall mail official ballots and voting instructions to all eligible shareholders at least fourteen (14) days prior to the annual meeting. Ballots for the election of Directors may be submitted in person, or may be mailed in sealed envelopes marked Official Ballot

H.R.A.R.A., signed and addressed to the secretary, who will deliver all such ballots unopened to the appointed tellers selected by the President from the shareholders present at the annual meeting. Members of the Board of Directors may not serve as tellers.

Article III, Section 3. If a Director fails to attend regular meetings of the Board of Directors for three (3) consecutive months or otherwise fails to perform any of the duties as a Director, that office may be declared vacant by the Board of Directors and the vacancy filled as herein provided. Any Director or Officer of the Corporation may be removed from the office by the affirmative vote of two-thirds of the eligible shareholders present at a special meeting called for the purpose, but only after than Director has been given an opportunity to be heard.

Article III, Section 4. Vacancies on the Board of Directors occurring during the term may be filled by the President with the approval of the majority of the Directors at a duly constituted Board meeting.

ARTICLE IV **MEETINGS OF DIRECTORS**

Article IV, Section 1. A regular meeting of the Board of Directors shall be held at least once a month. The President or, in his absence, the Vice President may call a special meeting of the Board of Directors at any time and shall do so upon the written request of one-third of the Directors. The President shall fix the time and place of each meeting. As the Board of Directors may prescribe, adequate notice of each meeting shall be given to each member of the Board.

Article IV, Section 2. A majority of the Board of Directors shall constitute a quorum and Directors must be present to vote.

ARTICLE V **OFFICERS**

Article V, Section 1. The Officers of the Corporation shall be a President, Vice President, Treasurer and Secretary, all of whom shall be elected by the Board of Directors from their members. Officers shall be elected annually and, unless sooner removed as herein provided, shall hold office until the first meeting of the Board of Directors held after the annual meeting and election.

Article V, Section 2. The President shall preside at all meetings of the stockholders and at all meetings of the Board of Directors. He shall perform such other duties as customarily pertain to the office of President, or as he may be directed to perform by resolution of the Board of Directors. The President shall serve as an ex-officio member of all committees, both temporary and permanent, except that the President shall not serve as a member of any nominating committee.

Article V, Section 3. The Vice President shall have and exercise all the powers, authority and duties of the President during the absence of the latter, or his inability to act. The Vice President shall also act as chairman of the Planning Committee.

Article V, Section 4. The Treasurer shall be responsible for the custody of all funds, securities, insurance and other intangible assets of the Corporation. He shall be responsible for plans and policies relating to the financial management of the Corporation and shall serve as chairman of the Finance Committee. He shall be responsible for the maintenance of full and complete records of all assets and

liabilities of the Corporation, and of all financial transactions. He shall be responsible for the preparation of such tax reports and other financial reports as may be required by local, state and federal governments. Subject to board approval, the Treasurer may employ an Assistant Treasurer who shall assist the Treasurer in the duties of the office and serve as the Treasurer's agent.

Article V, Section 5. The Secretary of the Corporation shall have custody of the corporate seal and the records of the Corporation, except those records required under Article V, Section 4, and shall prepare and maintain full minutes of all meetings of the shareholders and the Board of Directors. The Secretary shall conduct all related correspondence of the Corporation, and shall give proper notice of all meetings to the shareholders. The President may appoint an Assistant Secretary to assist the Secretary in the performance of the duties.

ARTICLE VI **STANDING COMMITTEES**

Article VI, Section 1. The President of the Corporation shall appoint the committee chairpersons specified in Section 2-9. Unless otherwise directed, all chairpersons of the standing committees shall be members of the incumbent Board of Directors. Subject to Board approval, the President may appoint as chairpersons of any special committee any shareholder who is in good standing in the Corporation.

Article VI, Section 2. A Swimming Pool Operating Committee shall prepare rules for the use and operation of the swimming pools and will operate the pools.

Article VI, Section 3. An Engineering and Maintenance Committee will plan for and supervise the construction, maintenance and repair of all recreational facilities and properties of the Corporation.

Article VI, Section 4. A Building and Grounds Committee will be charged with the external upkeep of the building and grounds and landscaping.

Article VI, Section 5. A Membership Committee shall be responsible for reviewing applications for membership and making appropriate recommendations to the Board of Directors. This committee shall also be responsible for promotion work in connection with the sale of memberships as well as keeping an accurate up-to-date roster of shareholders.

Article VI, Section 6. A Finance Committee shall include as members the chairpersons of all other standing committees and the President of the Corporation, shall be responsible for the overall financial management of the Corporation and shall advise the Board of Directors on all financial matters. It shall prepare and submit to the Board recommended financial plans and policies, including an annual budget. It shall submit at each regular meeting of the Board a financial statement of the condition of the Corporation as of the last day of the preceding month. It shall regularly review and apprise the Board of Directors of the financial operations of the Corporation. The Treasurer shall recommend to the President at the end of each fiscal year the appointment of a Chairperson of an Audit Committee, or a Certified Public Accountant to review the accounts and books of the Corporations. It shall make studies and recommendations relative to the insurance coverage of the Corporation.

Article VI, Section 7. The Vice President will chair a Planning Committee and shall devise and present to the Board of Directors both short and long range plans consistent with the purpose of the Corporation.

Article VI, Section 8. A Publications Committee shall be responsible for the preparation, reproduction and distribution of a periodic newsletter containing general information of the Corporation.

Article VI, Section 9. An Activities Committee shall be responsible for the planning, organization, catering and special publicity for all social functions of the Corporation at the pools.

Article VI, Section 10. A Legal Advisor shall be appointed by the President, which legal advisor shall provide or recommend legal counsel as directed by the Board of Directors.

Article VI, Section 11. Action taken by the standing committees shall be valid until the next meeting of the Board of Directors at which time such action will be reported to the Board which will affirm, modify or reject by appropriate motion the said action. The President shall be authorized to appoint such other committees as he shall deem necessary or expedient for the welfare of the Corporation.

ARTICLE VII **PROPERTY AND FINANCES**

Article VII, Section 1.

- a. The Corporation is authorized to contract obligations for the purpose of capital improvements, the total of which may not exceed one-half of the assessed valuation of all corporate property.
- b. The Corporation is not authorized to contract for any obligation, other than 1.a. above, in excess of its liquid assets except by majority vote of the shareholders in financial good standing in the Corporation who are present and voting either in person or by proxy at an annual or special meeting.

Article VII, Section 2.

- a. Any obligation or expenditure of the corporate assets requires the prior approval of the Board of Directors.
- b. Not later than January 31 of each year, the Board of Directors shall adopt a Capital Improvements Budget for the current year and the next succeeding three (3) years. Such Budget shall identify improvements to be undertaken during each year covered by the budget and shall specify the sources of financing for the improvements.

Article VII, Section 3. Property, other than land, with a value of \$500 may be transferred only after two-thirds of the Directors shall have approved such a transfer; and in the case of land, after a majority of the shareholders present in person or by proxy and voting have approved such a transfer at an annual or special meeting.

Article VII, Section 4. The funds of the Corporation shall be deposited as designated by written resolution of the Board of Directors, in national banks, savings and loan associations, or trust companies, and only in institutions the deposits of which are insured by the United States Government, or in money market funds invested in United States Government securities. All funds shall be deposited within seven (7) days of their receipt.

Article VII, Section 5. The funds of the Corporation may not be loaned to or invested with any Officer, Director or shareholder of the Corporation.

Article VII, Section 6. All disbursements of funds of the Corporation shall be made by checks signed by any one of the following: Treasurer, Assistant Treasurer, Vice President or President. Checks in excess of \$1,000 must be signed by two of the authorized Officers, one of whom must be the President or the Vice President. The Board of Directors may by resolution provide for the establishment and maintenance of cash working funds for the use of various committees and Officers not to exceed \$50. Expenditures from these funds are to be reported to the Treasurer by receipts at the time the funds are replenished.

Article VII, Section 7. The Board of Directors will secure the faithful performance of the authorized persons listed in Article 6 above and such other persons as the Board of Directors may designate, by means of an adequate fidelity bond.

Article VII, Section 8. Liability insurance shall be maintained in force in an amount determined sufficient to protect the Corporation, the Officers, the Board of Directors and the shareholders.

Article VII, Section 9.

- a. The financial accounts of the Corporation shall be reviewed annually by an Ad Hoc Auditing Committee or a Certified Public Account (CPA). The President shall appoint the Chairperson of the Audit Committee or a CPA as recommended by the Treasurer. The Board of Directors shall vote on the appointment. The Chairperson of the Audit Committee shall then select no less than two board members or other association member owners to serve on the audit committee. No one with the authority to sign checks for the Corporation shall be appointed to serve on the Audit Committee.
- b. The Treasurer shall submit the association's financial books to the auditing committee chairperson, or the Certified Public Accountant, at the end of the fiscal year. The results of the audit by the committee or the CPA shall be presented to the Board of Directors for approval and to be summarized in its yearly report to membership.

Article VII, Section 10. The Board of Directors shall set annual fees for the operation of the Corporation. All shareholders and members are required to pay an applicable annual fee. If necessary, the Board of Directors may assess the shareholders for funds needed for major repairs and/or capital improvements and/or funds required to pay amounts due for the operation of the corporation.

ARTICLE VIII
GENERAL

Article VIII, Section 1. All powers, authority, duties and functions of the shareholders, Directors, Officers and employees of the Corporation shall be exercised in strict conformity with applicable provisions of law and regulations and of the Charter and By-Laws of this Corporation.

Article VIII, Section 2. When any Officer is absent or otherwise unable to perform the duties of his/her office, the Board of Directors may by resolution designate another member of the Board of Directors to act temporarily in his/her place.

Article VIII, Section 3. Copies of the organization papers of this Corporation, its By-Laws and any amendments thereto, and the stock book of the Corporation shall be preserved in a place of safekeeping. Returns of elections and proceedings of all meetings of the Directors and shareholders shall be recorded in the minutes books. The minutes of all meetings shall be signed by the President or Secretary or by those acting in their places.

Article VIII, Section 4. On or before January 31st of each year, the President shall deliver or mail an annual report to the shareholders for the Board of Directors.

Article VIII, Section 5. Neither shareholders of the Corporation, members of their households, nor guests shall be denied the use of the pool under the rules established by the Operating Committee or by the Board of Directors except for failure to pay fees, unacceptable conduct at the swimming pool site or any place else on properties belonging to the Corporation, or exposure or contraction of a disease or other conditions judged by the pool management as likely to endanger the health of other swimming pool users.

Article VIII, Section 6. Any extension of the recreational facilities for purposes other than those normally connected with a swimming pool shall be approved by a majority present at a shareholders meeting.

Article VIII, Section 7. All meetings of both shareholders and Directors shall be conducted according to the provisions of the latest edition of Roberts Rules of Order, Revised, except when adherence to the said provisions is clearly in contravention of these By-Laws or the Corporate Charter.

Article VIII, Section 8. The Board of Directors may grant members inactive status upon written request therefore. In granting such status, the Board of Directors may impose such conditions as deemed necessary to protect the interests of the Corporation.

ARTICLE IX
AMENDMENTS TO BY-LAWS

Article IX, Section 1. Amendments to these By-Laws may be adopted by the affirmative vote of two-thirds of the Directors present at a duly held meeting of the Board of Directors. Shareholders shall be notified of such amendments within thirty (30) days after their adoption by the Board of Directors.

Such amendments shall be thereafter effective until rejected by a majority vote of the shareholders present in person or by proxy at a duly held meeting.

Article IX, Section 2. Amendments to these By-Laws may also be adopted by the affirmative vote of two-thirds of the shareholders present at a duly held meeting. To be considered at a shareholders meeting, proposed amendments:

- a. Must be signed by not less than five (5) eligible shareholders and submitted to the secretary in writing at least thirty (30) days prior to the meeting.
- b. May be submitted for consideration by the Board of Directors.

The Secretary shall give notice to the shareholders of all proposed amendments at least fifteen (15) days prior to the duly called meeting.

ARTICLE X **INDEMNIFICATION**

Article X, Section 1. The Corporation shall indemnify each Director, Officer and employees of this Corporation against expenses (including attorney's fees), judgments, decrees, fines, penalties or amounts paid in settlement in connection with the defense of any past, pending or threatened action, suit or proceeding, criminal or civil, to which he was, is or may be made a party to by reasoning of being or having been such a Director, Officer or employee, provided a determination is made by the Board of Directors of this Corporation, acting at a meeting at which a quorum consisting of Directors who neither were nor are parties to or threatened with any such action, suit or proceedings is present, that:

- a. such Director, Officer or employee is not guilty of willful misconduct in the performance of his duty to the corporation of which he is or was a Director, Officer, or employee;
- b. he acted in good faith in what he reasonably believed to be in the best interest of such corporation; and
- c. in any matter the subject of a criminal action, suit, or proceeding, he had no reasonable cause to believe that his conduct was unlawful.

Article X, Section 2. The forgoing rights of indemnification shall not be deemed exclusive of any other rights to which such Director, Officer, or employees may be entitled apart from the provisions of this By-Law.