

BY-LAWS
OF
PORTER COVE HOMEOWNERS ASSOCIATION, INC.

ARTICLE I
NAME

Section 1.1 Name. The name of this Corporation shall be Porter Cove Homeowners Association, Inc., hereinafter referred to as "Corporation".

ARTICLE II

PURPOSES

Section 2.1 Purposes. The purposes of the Corporation are:

(a) To own, maintain and operate common properties and facilities, to administer and enforce covenants and restrictions applying to the property located within Porter Cove Subdivision and to collect and distribute assessments and charges therefore.

(b) To engage in any and all activities related or incidental to the foregoing, including, but not limited to, powers to acquire, own, hold, use, sell, lease, mortgage, or pledge any property real or personal, tangible or intangible, legal or equitable, to loan or invest its own money upon such security or on such securities as may from time to time be determined by the Board of Directors.

(c) To do any and all things necessary, convenient or expedient as permitted by the Indiana Nonprofit Act for the accomplishment of any of the purposes or the furtherance of any of the powers hereinabove set forth, either alone or in association with other corporations, firms or individuals.

(d) No part of the net earnings of the Corporation other than by acquiring, constructing or providing management maintenance in care of association property and other than by a rebate of excess membership dues, fees or assessments shall inure to the benefit of or be distributable to its members, trustees, officers or other private persons, except that the Corporation shall be authorized and empowered to pay reasonable compensation for services rendered and to make payments and distributions in furtherance of the purposes set forth.

(e) Notwithstanding any other provisions set forth herein, the Corporation shall not carry on any activities not permitted to be carried on by a Corporation exempt from federal income tax under Section 528 of the Internal Revenue Code of 1986 or corresponding provisions of any future additions of the Internal Revenue Code.

ARTICLE III

MEETINGS OF MEMBERS

Section 3.1 Annual Meeting. An annual meeting of the members shall be held on the first Monday in the month of February, for the purpose of electing directors and for the transaction of such other business as may come before the meeting. If the day fixed for the annual meeting shall be a legal holiday in the State of Indiana, such meeting shall be held on the next succeeding business day.

Section 3.2 Special Meetings. Special meetings of the members may be called by the President, Board of Directors or not less than one-third of the members having voting rights.


Section 3.3 Place of Meeting. The Board of Directors may designate any place, either within or without the State of Indiana, as the place of meeting for any annual meeting or for any special meeting called by the Board of Directors. If no designation is made or is a special meeting be otherwise called, the place of meeting shall be the principal office of the Corporation in the State of Indiana but if all of the members shall meet at any time and place, either within or without the State of Indiana and consent to the holding of a meeting, such meeting shall be valid without call or notice, and at such meeting any corporate action may be taken.

Section 3.4 Notice of Meetings. A written or printed notice stating the place, day and hour of the meeting and, in the case of a special meeting, the purpose for which the meeting is called, shall be delivered or mailed by the Secretary, or by the Officer or person calling the meeting to each member of record entitled to vote at that meeting, at the address which appears on the records of the Corporation, at least ten (10) days before the date of meeting. Notice of any meeting of members may be waived in writing filed with the Secretary or by attendance in person.

Section 3.5 Informal Action by Members. Any action required by law to be taken at a meeting of the members, or any action which may be taken at a meeting of members, may be taken without meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the members entitled to vote with respect to the subject matter thereof.

Section 3.6 Voting Rights. Each member shall be entitled to cast one (1) vote for each residential lot owned.

Section 3.7 Designation of Voting Representative. The vote for any membership which is held by more than one person shall be exercised by any one of them unless any objection or protest by any holder of such membership is made prior to the completion of a vote, in which case the vote of the membership shall not be counted.

Section 3.8 Quorum. At any duly called meeting of the Corporation, the number of members present at such meeting, together with those members represented by valid proxy, shall constitute a quorum, so long as not less than ~~one third~~ (1/3) of the voting members are either present or represented by proxy. 

Section 3.9 Proxies. At any meeting of members, a member entitled to vote may vote by proxy executed in writing by the members of his duly authorized attorney-in-fact. No proxy shall be valid after eleven months from the date of its execution, unless otherwise provided in the proxy.

Section 3.10 Voting List. The Secretary, or Assistant Secretary of the Corporation, shall keep at all times, at the principal office of the Corporation, a complete and accurate list of all members entitled to vote at any meeting of the members which may be inspected by any member, for any purpose, at any reasonable time.

ARTICLE IV BOARD OF DIRECTORS

Section 4.1 General Powers. The control and management of the affairs of the Corporation shall be vested in its Board of Directors. The Board may appoint and remove personnel, managers or engage the services of a management firm to provide maintenance,

repair and replacement of the Common Areas and Facilities or any other service generally related to the purposes of the Corporation. With the exception of Directors appointed by the Developer, all Directors must be members of the Corporation.

Section 4.2 Number and Tenure. The initial Board of Directors of this Association shall consist of three (3) members appointed by Donald Coker, James Zimmer and Mary Davies (hereinafter referred to as the "Developer"). At such time as 250 lots have been sold and conveyed, then the number of Directors shall be increased to five (5) to be elected by the membership. The initial Board of Directors may, at any time prior to the completion of the sale the maximum number of lots be increased to five (5) members, with the additional members being either appointed by the existing Board or elected by the membership at the discretion of the Board. A Director may be removed upon a showing of malfeasance or nonfeasance of office.

Section 4.3 Classification of Directors. At such time as the maximum number of lots have been sold, the Board shall be increased from three (3) members to five (5) members unless the Board has elected to increase its membership to five (5) members prior to such time. If it has not already been increased to five (5) members, then all of the Directors shall be elected at the next annual members' meeting. Each member of the Board of Directors shall be elected to a two (2) year term.

Section 4.4 Regular Meetings. A regular annual meeting of the Board of Directors shall be held without other notice than these By-laws, immediately after and at the same place as, the annual meeting of members. The Board of Directors may provide by resolution the time and place, either within or without the State of Indiana, for the holding of additional regular meetings of the Board without other notice than such resolution.

Section 4.5 Special Meetings. Special meetings of the Board of Directors may be called by or at the request of the President or any two Directors. The person or persons authorized to call special meetings of the Board may fix any place, either within or without the State of Indiana, as the place for holding any special meeting called by them.

Section 4.6 Notice of Special Meetings. Notice of any special meeting of the Board of Directors shall be given at least two (2) days previously thereto by written notice delivered personally or sent by mail or telegram to each Director at his address as shown by the records of the Corporation. Any Director may waive notice of any meeting. The attendance of the Director at any meeting shall constitute a waiver of notice of such meeting, except where a Director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the Board need be specified in the notice or waiver of notice of such meeting, unless specifically required by law or these By-laws.

Section 4.7 Quorum. A majority of the entire Board of Directors shall constitute a quorum. However, when filling vacancies occurring in the Board of Directors, a majority of the existing Directors shall constitute a quorum.

Section 4.8 Manner of Acting. The act of a majority of the Directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.

Section 4.9 Informal Action by Directors. Any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting, if prior to such action a written consent to such action is signed by all members of the Board or of such committee as the case may be, and such written consent is filed with the minutes of proceedings of the Board or committee.

Section 4.10 Power to Appoint Executive Committee. The Board of Directors shall have power to appoint by resolution adopted by majority of the entire Board an executive committee composed of two or more Directors, who, to the extent provided in such resolution, shall have and exercise the authority of the Board of Directors in the management of the business of the Corporation between meetings of the Board.

Section 4.11 Power to Make By-Laws. The Board of Directors shall have the power to make and alter any By-law or By-laws, including the fixing and altering of the number of Directors.

Section 4.12 Power to Elect and Appoint Officers. The Board of Directors shall select a president, one or more vice-presidents, a secretary and a treasurer. The Board shall have the power to appoint such other officers and agents as the Board may deem necessary for transaction of the business of the Corporation. Any officer or agent may be removed by the Board of Directors whenever in the judgment of the Board, the interest of the Corporation will be served thereby. The Board shall also have power to fill any vacancy in any office occurring for any reason whatsoever.

Section 4.13 Delegation of Powers. For any reason deemed sufficient by the Board of Directors, whether occasioned by absence or otherwise, the Board may delegate all or any of the powers and duties of any officer to any other officer or Director, but no officer or Director shall execute, acknowledge or verify any instrument in more than one capacity.

Section 4.14 Powers and Duties of the Board of Directors. All the powers and duties of the Corporation existing under Indiana law, the several Declarations of Covenants and Restrictions, Articles of Incorporation, and these By-laws shall be exercised exclusively by the Board of Directors, its agents, contractors or employees, subject only to approval by the membership when such is specifically required. The Board may delegate such of its duties and/or responsibilities as it may deem appropriate.

Section 4.15 Assessments. The Board shall make and collect assessments against members to defray the costs and expenses of the management and operation of the Corporation and the common areas, including but not limited to the entrance signs and the detention pond.

Section 4.16 Disbursements. The Board shall use the proceeds of the assessments in the exercise of its powers and duties.

Section 4.17 Maintenance. It shall be responsibility of the Board to maintain, repair and/or replace the following:

- a. All common areas; and
- b. All incidental damage caused by work done by direction of the Board.

Section 4.18 Insurance. The Board of Directors shall be authorized to acquire insurance coverage from time to time as it may deem appropriate.

Section 4.19 Regulation. The Board shall have the right to promulgate such reasonable rules and regulations as it may deem necessary with respect to the maintenance use and enjoyment of the common areas as well as the use of individual units. Such rules and regulations shall be circulated to all members and copies shall be made available for inspection by the Secretary charged with keeping a formal record of all proceedings by the Board. The rules and regulations may be amended or retracted from time to time by the Board.

Section 4.20 Committees. The Board shall have the power to designate and appoint such committees as it may deem necessary to properly manage and operate the Corporation. Individuals other than Board members may be appointed to such committees.

Section 4.21 Enforcement. The Board shall have the general power to enforce any and all of the provisions, covenants, and restrictions set forth in the Articles of Incorporation and/or these By-laws.

ARTICLE V **OFFICERS**

Section 5.1 Officers. The Board of Directors shall elect or appoint the officers of the Corporation. The officers of the Corporation shall be a President, one or more Vice-Presidents, a Secretary, a Treasurer and such other officers as may be deemed desirable by the Board of Directors. Any two or more offices may be held by the same person, except the offices of President and Secretary.

Section 5.2 Election and Term of Office. The officers of the Corporation shall be elected annually from among and by the Board of Directors at the regular annual meeting of the Board of Directors. Each officer shall hold office for one year or until his successor shall have been duly elected and shall have qualified, unless earlier removed by the Board of Directors. All officers and agents can be removed at any time by the affirmative vote of the majority of the members of the Board of Directors. Officers shall be eligible for reelection.

Section 5.3 President. The President shall be the chief executive officer of the Corporation. He shall preside at all meetings of the Board of Directors and membership. Under the Board's direction he shall have general supervision over the affairs of the Corporation and over the other officers. He shall sign all written contracts of the Corporation. He shall perform all such other duties as are incident to this office.

Section 5.4 Vice-President. The Vice-President shall perform the duties specified in Section 5.3 of this Article in the absence or disability of the President. In addition, he shall perform duties and assignments which may from time to time be delegated by the President or the Board.

Section 5.5 Treasurer. The Treasurer shall have custody of all monies and securities of the Corporation and shall give bond in such sums and with such surety as the Directors may require, conditioned upon the faithful performance of his office. He shall perform all such other duties as are incident to this office as Treasurer.

Section 5.6 Secretary. The Secretary shall have the responsibility for providing that notices required by these By-laws be issued, and shall provide that minutes of all meetings of the Board of Directors and membership be adequately kept. He shall have responsibility for all corporate books, records and papers, any and all written contracts of the Corporation and shall be custodian of the corporate seal. He shall perform all such other duties as are incident to his office.

Section 5.7 Vacancies. Vacancies among elected and appointed officers occurring during the annual terms thereof shall be filled by the Board of Directors.

ARTICLE VI **COMMITTEES**

Section 6.1 Standing and Special Committees. The President shall, with the approval of the Board of Directors, appoint such standing or special committees of such size as the President of Board of Directors may deem necessary to properly carry on the activities and effect the purposes of the Corporation. Such committees shall perform as the President or the Board of Directors may direct.

ARTICLE VII
CONTRACTS, CHECKS, DEPOSITS AND FUNDS

Section 7.1 Contracts. The Board of Directors may authorize any officer or officers, agent or agents of the Corporation, in addition to the officers so authorized by these By-laws, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Corporation, and such authority may be general or confined to specific instances.

Section 7.2 Checks, Drafts, etc. All checks, drafts, or orders for the payment of money, notes or other evidences of indebtedness issued in the name of the Corporation, shall be signed by such officer or officers, agent or agents of the Corporation and in such manner as shall from time to time be determined by resolution of the Board of Directors, such instruments shall be signed by the Treasurer, and countersigned by the President or Vice-President of the Corporation.

Section 7.3 Accounts. The receipts and expenditures of the Corporation shall be credited and charged to accounts in accordance with generally accepted accounting principles.

There shall be at least two accounts established at a local financial institution authorized to do business in Porter County, Indiana. One account, which may be a management company's trust account, shall be utilized as its day-to-day operating account. The second account shall be an interest-bearing account established for the Reserve Assessment. Such other accounts may be established from time to time as the Board may deem necessary.

Section 7.4 Budget. The Board of Directors shall adopt a budget for each fiscal year which shall include the estimated funds required to defray common expenses and to provide and maintain funds for the necessary accounts in accordance with generally accepted accounting principles. Copies of the budget and proposed assessment shall be transmitted to each member at least thirty (30) days preceding the fiscal year for which said budget has been made.

Section 7.5 Assessments. The Board of Directors shall make and collect assessments according to the provisions of these By-laws.

Section 7.6 Bank Depository. The depository of the Corporation shall be such bank or banks authorized to do business in Porter County, Indiana, as shall be designated from time to time by the Directors and in which the monies of the Association shall be deposited. Withdrawals of monies from such accounts shall be only checks signed by such persons as are authorized by the Board of Directors.

Section 7.7 Accounting. An annual accounting shall be prepared and submitted to the members not later than ten (10) days prior to the annual meeting.

Section 7.8 Bonds. Fidelity bonds shall be required by the Board of Directors from all persons handling or responsible for the Association's funds. The bonds shall name the Association as the obligee and the premiums shall be paid as a Common Expense by the Association. The bonds shall provide for ten (10) days written notice to the Association before the bond can be cancelled or substantially modified for any reason. The amount of the bond shall be determined by the Board of Directors but in any event shall be in an amount sufficient to cover the maximum funds that will be in the custody of the Association or persons handling or responsible for the Association's funds at any time while the policy is in force.

ARTICLE VIII BOOKS AND RECORDS

Section 8.1 Books and Records. The Corporation shall keep correct, current and complete books and records of accounts, including the Covenants and amendments thereto, By-laws, rules and financial statements, and shall also keep minutes of the proceedings of its members, Board of Directors and committees having and of the authority of the Board of Directors, and shall keep at the principal office a record giving the names and addresses of the members entitled to vote. All books and records of the Corporation may be inspected by any member, or his agent or attorney, the holder, insurer, or guarantor of any first mortgage that is secured by a residential lot for any proper purpose at any reasonable time. All costs of inspection shall be borne by person requesting the same.

ARTICLE IX
FISCAL YEAR

Section 9.1 Fiscal Year. The fiscal year of the Corporation shall begin on the 1st day of January and end on the last day of December in each year.


ARTICLE X
CORPORATE INDEMNIFICATION

Section 10.1 Indemnification. To the extent not inconsistent with the laws of the State of Indiana, every person (and the heirs and personal representatives of such person) who is or was a director or officer of the Corporation shall be indemnified by the Corporation as provided in the Act.

ARTICLE XI
AMENDMENTS TO BYLAWS

Section 11.1 Amendments. These By-laws may be amended by the affirmative vote of a majority of the Board of Directors, provided that the text of the proposed amendments shall have been sent to all Directors with the call for the meeting at least ten (10) days in advance of such meeting.

Adopted this 17th day of August, 2000.


Secretary