



AMENDED BY-LAWS
OF
MOUNTAIN TERRACE ESTATES HOMEOWNERS ASSOCIATION, INC.

ARTICLE I
General Purposes

The purposes for which the Association is formed, and the powers which it may exercise, are set forth in the Articles of Incorporation, Bill of Assurance, these By-laws and the Arkansas Non-Profit Association Act.

ARTICLE II
Name and Location

Section 1. Name.

The name of this corporation is Mountain Terrace Estates Homeowner's Association, Inc. (the "Association")

Section 2. Office.

The principle office of the Association shall be located at 100 Mountain Terrace Circle, Maumelle, Arkansas.

ARTICLE III
Members

Section 1. Members.

Each fee owner of a unit property in the Mountain Terrace Estates, Maumelle, Pulaski County, Arkansas shall be a member. Such fee owner shall be entitled to one vote per unit property owned, subject to the Amended Bill of Assurance and By-laws, governing the development. Because this Association is a membership Association, it shall issue no stock. When more than one person holds the interest in a property, the vote shall be exercised by such person as the several persons may designate, but in no event shall more than one vote be cast with respect to any unit property.

Section 2. Member Not in Good Standing.

If a member willfully fails to comply with the Bill of Assurance, these By-laws, or the Rules of the Association or willfully obstructs the purposes and proper activities of the Association, including a failure to timely pay dues, assessments and penalties, if any, the member shall, upon determination of the Board of Directors, be considered a "member not in good standing" and shall not be entitled to attend Association activities, vote at member meetings or receive any other benefit or right granted to members in the Bill of Assurance, By-laws, the Articles of Incorporation, or the Rules. A member not in good standing shall only be entitled to receive notices of the Association relating to such member's status, including delinquencies in the payment of assessments.



Section 3. Member Meetings.

(a) The Annual Meeting of Members of the Association shall be held on such date or dates determined from time to time by the Board of Directors of the Association. The first Annual Meeting shall be held on a date within twelve months after the formation of the Association. Each successive Annual Meeting shall be held on a date not more than twelve months following the preceding Annual Meeting. Special Meetings of Members may be held on such date or dates as may be fixed by the Board of Directors of the Association from time to time and by the members on such date or dates as permitted by law.

(b) Any Annual or Special Meeting of Members may be held in Maumelle as the Board of Directors of the Association may from time to time fix. In the event the Board of Directors shall fail to fix such place or time, or in the event members are entitled to call or convene a Special Meeting in accordance with law; then, in such event, such meeting shall be held at such place in Maumelle, Arkansas as the Board of Directors or the Members calling the meeting so specify.

(c) Annual or Special Meetings of Members may be called by the Board of Directors or by any officer of the Association instructed to do so by the Board of Directors, except to the extent that directors may be required by law to call a meeting, and shall be called by the Secretary on behalf of the members, when required to do so by law.

(d) Written notice stating the place, day, hour, and the agenda of the meeting shall be given for all meetings. Such notice shall state the person or persons calling the meeting and the transaction of such other business as the Board of Directors shall specify in the notice. Notice of a Special Meeting shall state the purpose or purposes for which the meeting is called. At any Annual or Special Meeting, only the business/agenda stated in the Notice of Meeting may be transacted thereat. Notice of any Annual or Special Meeting shall be given either personally, by e-mail, or by first class mail not less than 20 days nor more than 50 days before the date of the meeting, to each member in good standing at his/her address or e-mail address recorded on the records of the Association, or at such other address which the member may have furnished in writing to the Secretary of the Association. Notice by mail shall be deemed to have been given when deposited with postage prepaid in a post office or other official depository under the exclusive jurisdiction of the United States Post Office. Notice by e-mail shall be deemed to have been given when electronically mailed. Any meeting of members may be adjourned from time to time. In such event, it shall not be necessary to provide further notice of the time and place of the adjourned meeting if announcement of the time and place of the adjourned meeting is given at the meeting so adjourned. In the event the Board of Directors fixes a new record date for an adjourned meeting, a new notice shall be given, in the same manner as herein provided. No notice need be given to any member who executes and delivers a Waiver of Notice before or after the meeting. The attendance of a member in person at the meeting without protesting the lack of notice of a meeting shall constitute a waiver of notice by such member. Any notice of a meeting to members relating to the election of directors, shall set forth any amendments to the By-Laws of the Association adopted by the Board of Directors, together with a concise statement of the changes made.



(e) At every meeting of members, there shall be available a list or record of members in good standing as of the record date, certified by the officer responsible for its preparation, and upon request therefore, any member who has given written notice to the Association, which request shall be made at least 10 days prior to such meeting, shall have the right to inspect such list or record at the meeting. Such list shall be evidence of the right of the persons to vote at such meeting, and all persons who appear on such list or record to be members may vote at such meeting. All members in good standing and eligible to vote shall sign the record sheet before the meeting begins.

Section 4. Annual Report.

At each Annual Meeting of Members, the Board of Directors shall present an Annual Report. Such report shall be filed with the records of the Association and entered in the minutes of the proceedings of such Annual Meeting of Members.

Section 5. Order of Meetings.

Meetings of the members shall be presided over by the following officers, in order of seniority – President, Vice-President or, if none of the foregoing is in office or present at the meeting, by a temporary President to be chosen by a majority of the members in attendance. The Secretary or an Assistant Secretary of the Association shall act as Secretary of every meeting.

Section 6. Quorum and Ballots.

The members present at any meeting of the members shall constitute a quorum at any meeting of the Association for the transaction of business. The voting powers of the members of this Association shall be equal and each household shall have one vote only regardless of the number of owner/members in such household. Voting by proxy and voting by ballot shall be allowed. A signed MTEHOA proxy form is required to be in the possession of the proxy to vote for an absent member in good standing. All ballots shall be executed and signed by a member of the Association, only on a form authorized, printed, and distributed by the Association. Except to the extent provided by law and these By-Laws, the act of the members shall be by a majority of the members present at the time of vote plus the votes cast by proxy and ballot, a quorum being present at such time.

Section 7. Order of Business.

The order of business at the regular meetings and so far as possible at all other meetings shall be:

- (1) Calling to order and proof of quorum;
- (2) Proof of notice of meeting;
- (3) Reading and action on any unapproved minutes;
- (4) Reports of officers and committees;
- (5) Election of directors;
- (6) Unfinished business;
- (7) New business; and
- (8) Adjournment.



Members may also submit business issues for consideration at the Annual Meeting by presenting to the directors at a regular meeting of the Board of Directors a type-written version of such issue(s) for review and approval, if the consideration of such issue is in the best interests of the Association as determined by the directors and legal counsel for the Association. Any amendment, resolution or election issue made from the floor at the annual meeting or not made in accordance herewith shall be automatically tabled until the next year's annual meeting.

Section 8. Record Date.

A record date is set for the purpose of determining members entitled to notice of, to vote, to express consent or dissent from any proposal without a meeting, to determine members entitled to receive distributions or allotment of rights, or for any other proper purpose.

- (a) The record date for the determination of members entitled to vote at a meeting of members shall be the close of business on the day preceding the day of which notice is given, or, if no notice is given, the day on which the meeting is held.
- (b) The record date for determining members for any purpose other than voting shall be the close of business on the day on which the resolution of directors relating thereto is adopted.
- (c) Establishment of a record date shall apply to any adjournment of any meeting; unless a new record date is fixed by the Board of Directors for such adjourned meeting.

ARTICLE IV Board of Directors

Section 1. Directors.

The Association shall be managed by a Board of Directors. Each director shall be at least 21 years of age, and shall be a member of the Association during his/her directorship and shall be a member in good standing. The number of directors constituting the entire Board shall be not less than three (3) nor more than nine (9). Subject to the foregoing, the number of Board of Directors may be fixed from time to time by action of the members of the Association or of the Directors. The number of Directors may be increased or decreased by action of the members or the Board of Directors, provided that any action by the Board of Directors to affect such increase or decrease shall require the vote of a majority of the entire Board of Directors. No decrease shall shorten the term of any director then in office.

Section 2. Election of Directors.

At the first Special Meeting of Members of the Association, held August 3, 2009, the newly elected directors shall serve for a term of twenty-nine months, ending January 2012. At subsequent Annual Meetings, directors shall be elected to fill expired terms and shall serve two-year terms.

Section 3. Removal or Resignation.

- (a) Any or all of the directors of the Board of Directors may be removed with or without cause by a two-thirds (2/3) vote of the members of the Association who are voting in person or by proxy at a meeting duly called for this purpose. The Board of Directors may remove any director thereof for malfeasance, misfeasance, or failure to attend meetings only.



(b) A director may resign at any time by giving written notice to the Board of Directors or any officer of the Association. Unless otherwise specified in the notice, the resignation shall take effect upon receipt thereof by the Board of Directors or such officer. Acceptance of such resignation shall not be necessary to make it effective.

Section 4. Vacancies.

Newly-created directorships or vacancies in the Board of Directors may be filled by a vote of the majority of the Board of Directors then in office, although less than a quorum, unless otherwise provided in the Articles of Incorporation of the Association. Vacancies occurring by reason of the removal of directors without cause shall be filled by a vote of the members. A director elected to fill a vacancy caused by resignation, death, or removal shall be elected to hold office for the unexpired term of his/her predecessor or the next annual meeting of the members, whichever occurs first.

Section 5. Meetings of Directors.

(a) A regular Annual Meeting of the Board of Directors shall be held immediately following the Annual Meeting of Members. All other meetings shall be held at such time and place as shall be fixed by the Board of Directors from time to time.

(b) No notice shall be required for regular meetings of the Board of Directors for which the time and place have been fixed. Special meetings may be called by or at the direction of the President, or by a majority of the directors then in office.

(c) Written, oral, or any other method of notice of the time and place shall be given for special meetings of the Board of Directors in sufficient time for the convenient assembly of the Board of Directors. The notice of any meeting need not specify the purpose of such meeting. The requirement for furnishing notice of a meeting may be waived by any director who signs a Waiver of Notice before or after the meeting or who attends the meeting without protesting the lack of notice to him/her.

(d) Board meetings are open to any owner in good standing. Any owner may submit an item to the Board for discussion. Written notice of the item to be discussed must be submitted to the President one week ahead of a scheduled Board of Directors Meeting. Owner may only speak to the issue submitted in writing and when recognized by the officer conducting the meeting.

Section 6. Quorum.

Except to the extent herein or in the Articles of Incorporation of the Association provided, a majority of the entire directors of the Board of Directors shall constitute a quorum. At any meeting held to remove one or more directors a quorum shall consist of a majority of the directors present at such meeting. Whenever a vacancy on the Board of Directors shall prevent a quorum from being present, then, in such event, the quorum shall consist of a majority of the directors of the Board of Directors excluding the vacancy. A majority of the directors present, whether or not a quorum is present, may adjourn a meeting to another time and place. Except to the extent provided by law and these By-Laws, the act of the Board of Directors shall be by a majority of the directors present at the time of vote, a quorum being



present at such time. Any action authorized by resolution, in writing, by all of the directors entitled to vote thereon and filed with the minutes of the Association shall be the act of the Board of Directors with the same force and effect as if the same had been passed by unanimous vote at a duly called meeting of the Board.

Section 7. President.

The President of the Board shall preside at all meetings of the Board of Directors. In the absence of the President, the Vice-President shall preside, or in his/her absence, any other Board Director chosen by the Board, shall preside.

Section 8. Executive Committee.

Whenever the Board of Directors shall consist of more than three persons, the Board of Directors may designate from their number, an executive committee and other standing committees. Such committees shall have such authority as the Board of Directors may delegate, except to the extent prohibited by law. In addition, the Board of Directors may establish special committees for any lawful purpose, which may have such powers as the Board of Directors may lawfully delegate.

ARTICLE V
Duties of Directors

Section 1. Board Powers.

The Board of Directors, subject to restrictions of law, the Articles of Incorporation, the Bill of Assurance, or these By-laws shall exercise all of the powers of the Association, and, without prejudice to or limitation upon their general powers, it is hereby expressly provided that the Board of Directors shall have, and are hereby given, full power and authority in respect to the matters and as hereinafter set forth:

- (a) To select and appoint all officers, agents, or employees of the Association or remove such agents or employees of the Association for just cause, prescribe such duties and designate such powers as may not be inconsistent with these By-laws, fix their compensation or pay for faithful services.
- (b) To prescribe, adopt, and amend, from time to time, such equitable uniform rules and regulations, policies and guidelines as, in their discretion, may be deemed essential or convenient for the conduct of the business and affairs of the Association, the common property and Mountain Terrace Estates and the guidance and control of its officers and employees, and to prescribe adequate penalties for the breach thereof.
- (c) At least once each year, an internal audit of the books and accounts of the Association shall be performed by the Audit Committee, selected from the Members and appointed by the Board of Directors. A report shall be submitted to the Board for approval. An external audit may be requested "as needed" by the Board of Directors or a two-thirds (2/3) vote of the membership who are voting in person or by proxy at a meeting duly called for this purpose.



(d) To select one or more banks to act as depositories of the funds of the Association and to determine the manner of receiving, depositing, and disbursing the funds of the Association. To determine the form of checks and the person or persons by whom the same shall be signed, with the power to change such banks and the person or persons signing such checks and the form thereof at will.

ARTICLE VI

Officers

Section 1. Officers.

The Association shall have a President, Vice-President, Secretary, Treasurer and such other officers as the Board of Directors may determine. The director receiving the most votes for the Board of Directors at the initial meeting of the members of the Association shall become the initial President. The director receiving the second most votes shall become Vice-President/President-elect. Each year, thereafter, at the Annual Meeting of Members, an election for new directors shall be held to fill vacancies. The Board of Directors shall appoint the Vice-President/President-elect, Secretary, and Treasurer from the existing Board at the Board of Directors Annual Meeting.

Section 2. Terms of Office and Qualifications.

Each officer shall hold office until the Annual Meeting of the Board of Directors, and until his/her successor has been duly elected/appointed and qualifies. The President, Vice President, Secretary and Treasurer, as well as Board directors, shall be required to be an owner of a lot in Mountain Terrace Estates and a member of the Association. A non-voting assistant Secretary or Treasurer may be appointed by the Board and does not require membership.

Section 3. Duties of Officers.

(a) The President shall be the chief executive officer of the Association, shall have the responsibility for the general management of the affairs of the Association, and shall carry out the resolutions of the Board of Directors. The President shall, when duly authorized by the Board of Directors, sign and execute all contracts in the name of the Association. He/she may also sign checks, drafts, notes and orders for the payment of money, which shall have been duly authorized by the Board of Directors. The President or a director appointed by the President shall entertain bids for major contracts and submit same to the Board of Directors for approval. Once approval of the Board of Directors is secured, the President may sign all said contracts in the name of the Association. After the Architectural Committee Chairman has inspected the completed contracted work and approved payment, the President or Treasurer shall issue payment to the contractor.

(b) During the absence or disability of the President of the Association, the Vice-President shall have all the powers and functions of the President. The Vice-President shall perform such duties as may be prescribed by the Board of Directors from time to time.



(c) The Treasurer shall have the care and custody of all of the funds and securities of the Association, and shall deposit said funds in the name of the Association in such bank accounts as the Board of Directors may from time to time determine. The Treasurer shall, when duly authorized by the Board of Directors, sign and execute all contracts in the name of the Association. He/she may also sign checks, drafts, notes and orders for the payment of money, which shall have been duly authorized by the Board of Directors.

(d) The Secretary shall keep the minutes of the Board of Directors and the minutes of the members. He/she shall have custody of the seal of the Association, if any, and shall affix and attest the same to documents duly authorized by the Board of Directors as necessary. He/she shall serve all notices for the Association that shall have been authorized by the Board of Directors, and shall have charge of all books and records of the Association.

ARTICLE VII

Committees

Section 1. Standing Committees.

The following committees composed of members of the Association and one Board Director shall be the standing committees of the Association:

(a) Architectural Control Committee. This committee shall consist of 5 members and shall include the President and 4 members in good standing who are not members of the Board of Directors. The non-board members shall be appointed and may be removed by the Board of Directors. It shall be the duty of the Architectural Control Committee to perform those duties set forth in the Bill of Assurance of the Association. The Architectural Control Committee shall meet at such times and places as the President may determine. Correct minutes of all the business transacted at all of the meetings of the Architectural Control Committee shall be carefully kept and a copy entered in the minute book of the Architectural Control Committee immediately after each session.

(b) Policies and Procedures Committee. This committee shall consist of 5 members and shall include the Secretary and 4 members in good standing who are not members of the Board of Directors. The non-board members shall be appointed and may be removed by the Board of Directors. This committee shall have general supervision of revisions to the Bill of Assurance, By-laws, and Rules of the Association. The Board of Directors shall have the final approval on changes presented to the membership.

(c) Audit Committee. This committee shall consist of 3 members, and shall include the Vice-President and 2 members in good standing who are not members of the Board of Directors. The non-board members shall be appointed and may be removed by the Board of Directors. It shall be the duty of the Audit Committee to perform an internal audit once a year and present a written report to the Board of Directors.

(d) Budget & Finance Committee. This committee shall consist of 3 members and shall include the Treasurer and 2 members in good standing who are not members of the Board of Directors. The non-board members shall be appointed and may be removed by the Board of Directors. It shall be the duty of the Budget & Finance Committee to compile a yearly budget and present it to the Board of Directors for approval.



Section 2. Committee Membership.

Unless otherwise specified, the members of the committees of the Association shall be appointed annually by the Board of Directors and must be members in good standing. Each committee member shall hold office until a successor shall have been duly appointed.

Section 3. Committee Meetings.

Meetings of a committee may be called by the President of the Board or the committee chairperson. The President shall be advised of any call for a committee meeting.

ARTICLE VIII

Fiscal Year

The fiscal year of the Association shall begin on the first day of January and end on the last day of December.

ARTICLE IX

Assessments

Section 1. Payment of Assessments.

Annual or yearly assessments shall be paid on a yearly or monthly basis. Monthly payments of the annual or yearly assessments are due on the 1st of each month and delinquent after the 10th of each month. If payment is not received by the 10th of the month, a \$25.00 late charge may be assessed. When selling a unit, the seller is responsible for the monthly assessment payments up to and including the month of the closing, regardless of the day of the month. New Owners assessments shall become payable the first of the month following the transfer of ownership of the home. All assessments are nonrefundable.

Section 2. Nonpayment of Assessments.

When any member shall be in default in the payment of assessments, fees or penalties as set out in Article III, Section 2, the Board shall consider such member to be a member not in good standing and pursue any and all legal action afforded in accordance with the Bill of Assurance and By-Laws of Mountain Terrace Estates, including all phases, and the Association may deny the owner voting rights and privileges until all assessments are paid in full /or any infraction of the Bill of Assurance, By-Laws, or Rules of the Association has been complied with.

Section 3. Maximum Annual Assessment.

The maximum annual assessment is determined as follows:

- (a) From and after January 1, 2006, the maximum annual assessment for each series may be increased each year by the Board in amounts not more than 5% above the maximum assessment for the previous year without a vote of the membership.
- (b) From and after January 1, 2006, the maximum annual assessment for each series may be increased above 5% by a vote of two-thirds (2/3) of the members who are voting in person or by proxy at a meeting duly called for this purpose.
- (c) The Board of Directors may fix the annual assessment for each series at an amount not in excess of the maximum.



Section 4. Special Assessment.

Special assessments shall be paid to Mountain Terrace Homeowner's Association, Inc. and shall be collected at the closing of the property when purchased from the developer. These assessments are mandatory and non-refundable with the purchase of any new construction unit. They include: (1) Common Area facilities ownership - \$2100.00 (2) Reserve Operating - equal to one month's dues (3) Reserve Repair & Replacement - equal to one month's dues.

Section 5. Special Assessments for Capital Improvements and/or Major Repairs.

In addition to the annual assessments authorized above, the Association may levy, in any assessment year, a special assessment applicable to that year only for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, repair, or replacement of a capital improvement upon the Common Area, including fixtures and personal property related thereto, provided that any such assessment shall have the assent of two-thirds (2/3) of the votes of the members who are voting in person or by proxy at a meeting duly called for this purpose.

Section 6. Notice and Quorum for Any Action Authorized Under Section 3, 4, and 5.

Written notice of any meeting called for the purpose of taking any action authorized under Sections 3, 4, or 5 of this Article shall be sent to all members not less than 30 days or more than 60 days in advance of the meeting. At the first such meeting called, the presence of members or of qualified ballots entitled to cast sixty percent (60%) of all the votes of the membership shall constitute a quorum. If the required quorum is not present, another meeting may be called subject to the same notice requirement, and the required quorum at the subsequent meeting shall be one-half (30%) of the required quorum at the preceding meeting. No such subsequent meeting shall be held more than 60 days following the preceding meeting.

Section 7. Uniform Rate of Assessments.

Both annual and special assessments must be fixed at a uniform rate for all Lots in each series of lots and shall be collected on a monthly basis.

Section 8. Date of Commencement of Annual Assessments: Due Dates.

The Board of Directors shall fix the amount of the annual assessment against each Lot at least thirty (30) days in advance of each annual assessment period. Written notice of a change in the annual assessment shall be sent to every Owner subject thereto. The Association shall, upon demand and for a reasonable charge, furnish a certificate signed by an officer of the Association setting forth whether the assessments on a specified Lot have been paid. A properly executed certificate of the Association as to the status of assessments on a Lot is binding upon the Association as of the date of its issuance.

Section 9. Effect of Nonpayment of Assessments: Remedies of the Association.

Any assessment not paid within thirty (30) days after the due date together with any late charges may bear interest from the due date at the rate of six percent (6%) per annum. A property lien may be filed for dues, late fees, interest, and filing fees on the 10th of the next month following the delinquency. No Owner may waive or otherwise escape liability for the assessments provided for herein by non-use of the Common Area or abandonment of his Lot.



Section 10. Violation Penalty Assessments.

When any member is in violation of the Bill of Assurance, By-Laws, or Rules of the Association the following procedure may be implemented.

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|---------------------------------------|--|
| 1. Occurrence of Violation: | Notification of Violation Letter 1 is mailed |
| 2. 5 days from postmark of letter 1: | Assessment of Violation Penalty charged,
Penalty Letter 2 with a bill is mailed |
| 3. 10 days from postmark of letter 2: | Lien is filed for penalty and filing fees
Notification of Lien Letter 3 is mailed |

Penalty amount may be one month assessment for each month member is in violation. Lien shall be released after the full assessment and filing fees are paid to the Association.

Section 11. Developer Responsibilities & Assessments.

Developer shall assume all responsibility for builder's insurance and termite contract while under construction and until the closing of sale to the original owner. Developer shall pay an amount equal to one-third (1/3) monthly dues per month to the HOA for lawn care only, when exterior of unit is complete with sod and/or landscaping. The Association's responsibility for exterior repairs shall begin at the end of the Builders Warranty. Developer shall provide a one year warranty to buyer of a new unit for all interior and a two year warranty on exterior areas. Developer's termite contracts shall be with the same company as the Association, this being the most cost effective method for transferring to the Association.

ARTICLE X

Contracts, Loans, Checks and Deposits

Section 1. Contracts.

The Board of Directors may authorize any officer or officers, or property manager, to seek out bids, negotiate, and enter into any contract or execute and deliver any instrument in the name of and on behalf of the Association. Final approval for major contracts shall be authorized by the Board of Directors.

Section 2. Checks, Drafts, Etc.

All checks or drafts drawn on the Association's account, and notes or other evidence of indebtedness issued in the name of the Association shall be signed by the President or the Treasurer.

Section 3. Deposits.

All funds received by the Association, except petty cash, shall be promptly deposited in banks, trust companies or other depositories as the Board of Directors may select, and held for the benefit of the Association or designated beneficiaries.

Section 4. Bonds.

All Board of Directors officers and directors are covered by insurance attached to the Homeowners policy. Any assistant to the officers or Board directors, who deposits, handles monies, manages accounting, or signs checks must be bonded.



Section 5. Gifts.

The Board of Directors, or anyone designated by the Board of Directors, may accept on behalf of the Association any contribution, gift, bequest, or devise for the general purpose or any special purpose of the Association. The acceptance of such gift shall be subject to the approval of the Board of Directors.

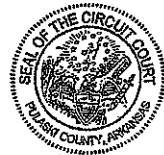
ARTICLE XI Indemnification

Section 1.

The Association shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed actions, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Association against such person) by reason of the fact that the person is or was a director, officer, employee, or agent of the Association, or is or was serving at the request of the Association as a director, officer, employee, or agent or another Association, authority, partnership, joint venture, trust, or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by the person in connection with such action, suit or proceeding if the person acted in good faith and in a manner the person reasonably believed to be in or not opposed to the best interests of the Association, and with respect to any criminal action or proceeding, had no reasonable cause to believe the subject conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner in which the person reasonably believed to be in or not opposed to the best interests of the Association, and, with respect to any criminal action or proceeding, had reasonable cause to believe that the subject conduct was unlawful.

Section 2.

The Association shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Association to procure a judgment in its favor by reason of the fact that the person is or was a director, officer, employee, or agent of the Association, or is or was serving at the request of the Association as a director, officer, employee, or agent of another Association, authority, partnership, joint venture, trust, or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by the person in connection with the defense or settlement of such action or suit if the person acted in good faith and in a manner the person reasonably believed to be in or not opposed to the best interests of the Association and except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable for negligence or misconduct in the performance of the person's duty to the Association unless and only to the extent that the court in which such action or suit was brought shall determine on application that, despite the adjudication of liability but in view of all circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which such court shall deem proper.



Section 3.

To the extent that a director, officer, employee or agent of the Association has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in subsections, (2) or (3), or in defense of any claim, issue or matter therein, the person shall be indemnified against expenses (including attorney's fee) actually and reasonably incurred by the person in connection therewith.

Section 4.

Any indemnification under subsections (2) or (3), (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 director, officer, employee, or agent is proper in the circumstances because the person has met the applicable standards of conduct set forth in subsections (2) or (3). Such determination shall be made (1) by the Board of Directors by a majority vote of a quorum consisting of directors who were not parties to such action, suit or proceeding, or (2) by the general membership of the Association.

Section 5.

Expenses (including attorneys' fees) incurred in defending a civil or criminal action, suit or proceeding may be paid by the Association in advance of the final disposition of such action, suit or proceeding as authorized in the manner provided in subsection (4) upon receipt of an undertaking by or on behalf of the director, officer, employee, or agent to repay such amount unless it shall ultimately be determined that the person is entitled to be indemnified by the Association as authorized in this section.

Section 6.

The indemnification provided by this Article shall not be deemed exclusive of any other rights to which those indemnified may be entitled under the provisions of any other document or agreement, both as to action in the person's official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be a director, officer, employee, or agent and shall inure to the benefit of the heirs, executors, and administrators of such person.

Section 7.

The Association shall have the power to purchase and maintain insurance on the behalf of any person who is or was a director, officer, employee, or agent of the Association, or is or was serving at the request of the Association as a director, officer, employee, or agent of another Association, authority, partnership, joint venture, trust, or other enterprise against any liability asserted against him/her and incurred by him/her in any such capacity or arising out of his/her status as such, whether or not the Association would have the power to indemnify him/her against such liability under the provisions of this Article.

Section 8.

The powers and duties of the Association to indemnify any person under this section shall apply with equal force whether an action, suit, or proceeding is threatened or commenced in this state or outside this state.



ARTICLE XII
Miscellaneous

Section 1. Records.

The Association shall keep at the principal office of the Association, complete and correct records and books of account, and shall keep minutes of the proceedings of the members, the Board of Directors, or any committee appointed by the Board of Directors, as well as a list or record containing the names and address of all members.

Section 2. Amending By-Laws by Members.

All By-Laws of the Association shall be subject to alteration or repeal, and new by-laws may be made, by a majority vote of the members entitled to vote in the election of directors, at a special meeting of the members called for such purpose.

Section 3. Amending By-Laws by Board of Directors.

The Board of Directors shall have the power to make, alter or repeal, from time to time, By-Laws of the Association, except that the Board may not amend or repeal any by-law in which control thereof is vested exclusively in the members. If any by-law regulating an impending election of directors is adopted, amended or repealed by the Board, there shall be set forth in the notice of the next meeting of members for the election of directors, the by-law so made, amended or repealed, together with a concise statement of the changes made.

CERTIFICATION

We certify that the foregoing constitutes the true and current by-laws of this Association and that the same are in full force and effect and have not been amended.

Given under our hands this 5th day of April, 2010.

President

Secretary

ACKNOWLEDGEMENT

STATE OF ARKANSAS
COUNTY OF PULASKI

On this day before me, the undersigned Notary Public, personally appeared Annine Hughes, President and Ann Lewis, Secretary of Mountain Terrace Estates Homeowners Association, Inc. to me personally known, being authorized by proper resolution of its Board of Directors, has executed the foregoing instrument for the consideration and purpose herein contained.

WITNESS my hand and official seal this 5th day of April 2010.

Notary Public

Peggy Sue Ambrose
Notary Public - Arkansas
Faulkner County
My Commission Exp. 5/1/2013

My Commission Expires: 5/1/2013