

**BY-LAWS  
OF  
CHALLAIN PLACE PROPERTY OWNERS ASSOCIATION, INC.**

**ARTICLE I**

**DEFINITIONS**

Unless the context otherwise specifies or requires, the terms defined in Article I hereunder shall, for all purposes of the By-Laws have the meaning herein specified.

Articles. The term "Articles" shall mean the Articles of Incorporation of Challain Place Property Owners Association, Inc. (the Association) which are filed in the office of the Secretary of the State of Arkansas, a true copy of which is on file at the principal office of the Association, together with such amendments to the Articles as may from time to time be properly made.

Association. The term "Association" shall mean Challain Place Property Owners Association, Inc.

Bill of Assurance. The term "Bill of Assurance" shall mean the Bill of Assurance and subsequent amendments and supplements thereto, filed in the office of the Circuit Clerk of Pulaski County, Arkansas, affecting the Challain Place Neighborhood.

Board. The term "Board" shall mean the Board of Directors of the Association.

By-Laws. The term "By-Laws" shall mean this instrument as it may be amended from time to time pursuant to the provisions of this instrument.

Common Area. The term "Common Area" shall mean all real property, including roadway and streets, owned or maintained by the Association for the common use and enjoyment of the Owners.

Common Charges. The term "common charge" or "common expense" shall be those common expenses incurred for the operation of the Common Area in Challain Place as set forth in Article VIII of this instrument.

Developer. The term "Developer" shall mean Deltic Timber Corporation, its successors and assigns.

Fiscal Year. The term "fiscal year" shall mean the calendar year, unless changed or modified by the Board of Directors of the Association.

Grantor. The term "Grantor" shall mean Deltic Timber Corporation.

**Lot.** The term "Lot" shall mean any Lot within the Property which may be purchased by any Person or owned by the Grantor.

**Managing Agent.** The term "Managing Agent" shall mean an individual or corporation hired by the Board to oversee the maintenance and management of Challain Place Property Owners Association, Inc. as the Board may direct.

**Member.** The term "Member" shall mean and refer to any Owner who by virtue of holding title to any Lot is a Member of the Association. If any Owner holds title to more than one Lot, he shall be entitled to an additional membership for each additional Lot he owns. The Developer may be a Member if it owns real property.

**Owner.** The term "Owner" shall mean and refer to the record Owner, whether one or more persons or entities, of a title to any Lot which is a part of the Property, but excluding those having such interest merely as security for the performance of an obligation.

**Person.** The term "Person" shall mean an individual or individuals, corporation, unincorporated association, partnership, joint venture, trustee, conservator, administrator, or other legal entity which has the right to hold title to real property.

**Property.** The term "Property" shall mean the land, buildings, and all other improvements thereon (including the Common Areas owned or maintained by the Association) which is subject to the Bill of Assurance of Challain Place, and all amendments thereto.

**Rules and Regulations.** The term "Rules and Regulations" shall mean the rules and regulations as adopted by the Board pursuant to the Bill of Assurance and this instrument, as they may be amended from time to time.

## ARTICLE II

### GENERAL

SECTION 1. **The Property.** The Property is located in Pulaski County, Arkansas. It is all that Property known as Challain Place as defined in the Bill of Assurance of Challain Place.

SECTION 2. **The Association.** The Association has been organized to perform the functions described herein except for those performed by others as set forth herein. The Association is charged with the duties and has the powers prescribed by law and set forth in the Articles, By-Laws and the Bill of Assurance of Challain Place. Neither the Articles nor the By-Laws shall, for any reason be amended or otherwise changed or interpreted so as to be inconsistent with the Bill of Assurance of Challain Place.



## ARTICLE III

### MEMBERSHIP, VOTING RIGHTS, AND SHARES

**SECTION 1. Membership.** Every Person who is an Owner of record of a fee or individual fee interest in any Lot which is subject by the Bill of Assurance of Challain Place to assessments by the Association shall be a Member of the Association, provided that any such Person who holds such interest merely as a security for the performance of an obligation shall not be a Member. As herein defined, Person may be one or more and all such Persons or entities constituting one Person or Member shall vote their membership as they, among themselves, determine but in no event shall more than one membership be held in the Association for any one Lot. If any Person is an Owner of more than one Lot, then such Owner shall have the same number of memberships as the number of Lots to which he holds title.

**SECTION 2. Voting Rights.** Every Member shall be entitled to one vote per Lot owned by it in the election of Directors for the Board. Where more than one membership is held by a Member, then such Member shall be entitled to one vote for each such membership in the election of Directors for the Board. For all other purposes, the Association shall have two classes of voting membership.

(a) Class A - Class A Members shall be all those Owners of Lots with the exception of the Grantor. A Class A Member shall be entitled to one vote for each Lot in which he holds the interest required for membership as described in Section 1 above.

(b) Class B - Class B Members shall be the Grantor and shall be entitled to three votes for each Lot, whether built upon or not, in which the Grantor holds the title, provided that the Class B membership shall cease and become converted to Class A membership on the happening of either of the following events, whichever occurs earlier:

(1) when Grantor has sold eighty percent (80%) of all Lots and proposed Lots in Challain Place, or

(2) forty years from the date the Association is organized.

From and after the happening of these events, whichever occurs earlier, the Class B Member shall be deemed to be a Class A Member entitled to one vote for each Lot, whether built upon or not, in which it holds the interest required for membership under Section 1 above.

**SECTION 3. Shares.** For purposes of dissolution, or distribution of assets only, Class A and B Members shall be deemed to hold one equal share of the assets of the Association for each Lot in which they hold the interest required for membership, provided that when more than one individual or entity shall hold such interest in any Lot, they shall determine among themselves the distribution of such shares, provided that there shall be no more than one share with respect to any Lot.

## ARTICLE IV

### BOARD OF DIRECTORS

**SECTION 1. Directors.** The number of Directors which shall constitute the whole Board shall be three (3). Until succeeded by the Directors elected by the Members, the Directors need not be Owners. Upon expiration of the term of each member of the first Board, the successors to such Director, elected by the Members of the Association, shall be an Owner. Except as provided in the Articles with respect to the first Board, Directors shall be elected on a staggered basis. In any event however, each Director shall hold office until such time as his successor has been elected. In the event that a corporation or other legal entity is a Member of the Association, it may designate one or more Persons who shall be eligible to serve as Director on its behalf.

**SECTION 2. Election of Directors.** Subject to the provisions of these By-Laws concerning the first Board, at each Annual Meeting of the Association or at a Special Meeting called for this purpose, the Members shall elect Directors to fill such vacancies as may exist on the Board. There shall be no cumulative voting. Voting by written proxy is permitted for Members. The candidates receiving the highest number of votes, up to the number of Directors to be elected shall be deemed elected. A quorum of the membership at an annual or special called meeting shall be twenty-five percent (25%) of the memberships.

**SECTION 3. Resignation.** Any Director may resign at any time by giving written notice to the President or to the Secretary of the Board.

**SECTION 4. Powers and Duties of the Board.** The Board shall have the powers and duties necessary for the administration of the affairs of the Association and may do all such acts and things, except for those things and matters which are by these By-Laws and by the Bill of Assurance of Challain Place reserved to the Members of the Association acting at a properly called meeting. Such powers and duties of the Board shall include, but shall not be limited to the following:

(a) Provisions for the operation, care, upkeep and maintenance of the Common Areas and Lot open areas.

(b) Determination of the common expenses, including assessments for a maintenance reserve fund, required for the affairs of the Association including, subject to the limitations imposed by the Association or by the Bill of Assurance of Challain Place, the operation and maintenance of the Property and the allocation of income and expenses.

(c) Collection of the common charges from the Owners, including the right to enforce these collections by methods described elsewhere in these By-Laws and the Bill of Assurance of Challain Place.

(d) Opening of bank accounts on behalf of the Association and designating the signatories required therefor.

(e) Leasing, managing and otherwise dealing with the Common Areas.

(f) Owning, conveying, encumbering, leasing and otherwise dealing with Lots conveyed to it or purchased by it as the result of enforcement of a lien for common expenses, or otherwise, and also as to other property, real or personal.

(g) Obtaining of insurance for the Common Areas.

(h) Making of repairs, additions, improvements to or alterations of the Property and Lots in accordance with the other provisions of these By-Laws and as described in the Bill of Assurance of Challain Place.

(i) Enforcement of obligations of the Owners.

(j) Adoption of Rules and Regulations relating to the use, upkeep or preservation of Challain Place Neighborhood and the Common Areas.

**SECTION 5. Employment of Managing Agent.** The Board may employ for the Association, a Managing Agent at a compensation established by the Board, to perform such duties and services as the Board shall authorize, including, but not limited to all of the powers granted to the Board by these By-Laws. The management agreement shall be terminable for cause or upon reasonable notice and run for a period of from one to three years, renewable by consent of the Association and the Managing Agent.

**SECTION 6. The First Board and Subsequent Boards.** The first Board shall be appointed by the Grantor and shall consist of three (3) Directors who shall serve until the first Annual Meeting held pursuant to Article V, Section 1 of these By-Laws. At the first Annual Meeting, the Directors shall be elected by the Members of the Association to serve for staggered terms, one Director having a term of one year from the first Annual Meeting, one Director having a term of two years from the first Annual Meeting, and, one Director having a term of three years from the first Annual Meeting. As a vacancy occurs in each of the Board positions, then the newly elected Director shall serve a term of three (3) years. Upon the vacancy occurring in each of these Board positions, the newly elected Director shall hold a three (3) year term. Each election shall result in staggered terms for the various Directors in order that all Directors will not be elected during one year in order to provide continuity of membership.

**SECTION 7. Removal of Directors.** Except for the members of the initial Board, Directors may be removed for cause and successors elected by an affirmative vote of the majority of the memberships of the Association. However, removal of members of the initial Board prior to the expiration of their respective terms shall require a majority vote of all memberships and approval of the Developer.

SECTION 8. Vacancies in the Board. Vacancies in the Board caused by any reason other than the removal of a Director under Section 7 of this Article, shall be filled by vote of a majority of the remaining Directors at a special meeting of the Board held for that purpose, which meeting shall be held promptly after the occurrence of any such vacancy, even though the Directors present at such meeting may constitute less than a quorum and each person so elected shall be a Director until the next Annual Meeting of the Association, or until a Special Meeting of the Association is duly called and held for the express purpose of electing a Director to fill the vacancy until the expiration of the term. Except for members of the first Board, no Director shall continue to serve as such if, during his term of office, he shall cease to be an Owner.

SECTION 9. Board Meeting Following First Annual Meeting. Following the first Annual Meeting of the Association, there shall be a meeting of the Board within thirty (30) days thereafter.

SECTION 10. Regular Meetings. Regular meetings of the Board may be held at such time and place as shall be determined from time to time by a majority of the Directors. Notice of regular meetings of the Board shall be given to each Director, by mail, at least five (5) business days prior to the day named for such meeting.

SECTION 11. Special Meetings. Special meetings of the Board may be called by the President on five (5) business days notice to each Director given by mail, which notice shall state the time, place and purpose of the meeting. Special meetings of the Board shall be called by the President or Secretary in like manner and on like notice on the written request of at least two (2) Directors.

SECTION 12. Waiver of Notice of Meeting. Any Director may at any time waive notice of any meeting of the Board in writing and such waiver shall be deemed equivalent to the giving of such notice.

SECTION 13. Quorum. At all meetings of the Board, a majority of the Directors thereof shall constitute a quorum for the transacting of business and the votes of a majority of the Directors present at a meeting at which a quorum is present shall constitute the decision of the Board. If at any meeting of the Board, there shall be less than a quorum present, a majority of those present may adjourn the meeting from time to time.

SECTION 14. Fidelity Bonds. The Board may obtain adequate fidelity bonds or insurance policies for all officers and employees of the Association handling or responsible for the Association funds. If so obtained the premium on such bonds or insurance policies shall constitute a common expense.

SECTION 15. Compensation of Board. No elected Director shall receive any compensation from the Association for acting as such, except for reimbursement of necessary and duly incurred expenses.

SECTION 16. Directors Not Liable. The Directors shall not be liable to the Members of the Association for any mistake of judgment, negligence, or otherwise, except for their own individual willful misconduct or bad faith. The Association shall and does indemnify and hold harmless each Director against all contractual liability to others arising out of contract made by the Board on behalf of the Association unless any such contract shall have been made in bad faith or contrary to the provisions of the Bill of Assurance of Challain Place or contrary to these By-Laws. It is intended that the Directors shall have no personal liability with respect to any contract made by them on behalf of the Association. It is also intended that the liability of any Owner arising out of any contract made by the Board out of the aforesaid indemnity in favor of the Directors shall be limited to such proportion of the total liability thereunder as the number of Lots owned by him bears to the total number of Lots in Challain Place. Every agreement made by the Board or by the Managing Agent on behalf of the Association shall provide that the Directors or the Managing Agent as the case may be, are acting only as agents for the Association and shall have no personal liability thereunder (except as an Owner), and that each Owner's liability thereunder shall be limited to that proportion which the number of Lots owned by him bears to the total number of Lots in Challain Place.

SECTION 17. Records. The Board shall cause to be kept detailed records of the actions of the Board and of the Managing Agent, if any, minutes of the meetings of the Board, minutes of the meetings of the Members and financial records and books of account of the Association.

SECTION 18. Annual Report. An annual report of the receipts and expenditures of the Association shall be made at the end of each fiscal year. The Board shall cause this report to be made and a copy of said report shall be kept on file at the office of the Association and shall be made available for inspection by Members and their authorized agents during reasonable business hours.

## ARTICLE V

### ASSOCIATION MEMBERS' MEETINGS

SECTION 1. Annual Meetings; Election of Directors. Within two (2) years following the date the Association is organized, the Board shall call the first Annual Meeting of the Members. Thereafter, Annual Meetings shall be held in each succeeding year on a date established by the Board; the date of the Annual Meeting may be changed by a proper amendment of these By-Laws. At such meeting, Directors shall be elected by ballot of the Members of the Association, in accordance with the requirements of Article IV of these By-Laws. The Association may also transact such other business as may properly come before it. For purposes of this Article, the term Member shall include both Class A and Class B Members as defined in Article III hereof.



SECTION 2. Location of Annual Meetings. The Annual Meetings shall be held at the principal office of the Association, or at such suitable place convenient to the Members as may be designated by the Board.

SECTION 3. Special Meetings. It shall be the duty of the President to call a special meeting of the Members as directed by the Board or upon petition signed by at least one-third of the memberships, delivered to the Secretary.

SECTION 4. Notice of Meetings. It shall be the duty of the Secretary to mail or deliver a 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 Member, at least ten (10) but not more than sixty (60) days prior to such meeting. The mailing or delivery of a notice in the manner provided in these By-Laws shall be considered notice served. Notice of a meeting need not be given to a Member if a written waiver thereof executed before, during or after the meeting by such Member or his duly authorized attorney or agent, is filed with the records of the meeting.

SECTION 5. Quorum. Except as otherwise provided in these By-Laws, the presence in person or by proxy of twenty-five percent (25%) of the memberships shall constitute a quorum at all meetings of the Association. If any meeting of the Association cannot be held because a quorum has not attended, a majority in interest of the memberships who are present at such meeting, either in person or by proxy, shall adjourn the meeting to a time not less than forty- eight (48) hours from the time the original meeting was called for.

SECTION 6. Voting. The Member(s), or some person designated by such Member(s) to act as proxy on his or their behalf, who need not be an Owner, shall be entitled to cast their vote(s) at any meeting. The designation of any proxy shall be made in writing to the Secretary and shall be revocable at any time upon written notice to the Secretary. Any or all Members may be present at any meeting and may vote or take any other action as a Member either in person or by proxy. Each Member (including the Grantor, if the Grantor shall then own one or more Lots) shall be entitled to cast one vote at all meetings which vote shall be weighed by multiplying it by the number of Lots, whether built upon or not, owned by each Member, and the vote of the Grantor shall be weighed by multiplying it by three times the total number of Lots, whether built upon or not, owned by it, until such time as Class B membership is converted to Class A membership as provided in Article III, Section 2, of these By-Laws. The votes attributable to each Member must be voted as an entirety and if Owners of a Lot shall be unable to agree on the vote to be cast on any issue their right to vote on that issue shall be deemed to have been waived.

SECTION 7. Majority Defined. As used in these By-Laws, the term "majority of Members" shall mean those Members having more than fifty percent (50%) of the total authorized votes of all Members present in person or by proxy and voting at any meeting determined in accordance with the provisions of Section 6 of this Article. The vote of the majority of Members present at a meeting at which a quorum shall be present shall be binding upon all Members for all purposes except when a higher percentage vote is required by law, the Bill of Assurance of Challain Place or these By-Laws.

## ARTICLE VI

### OFFICERS

SECTION 1. Principal Officers of the Corporation. The principal officers of the Association shall be the President, Vice-President, Secretary and the Treasurer, and shall be elected by the Board. The President and Vice-President shall be members of the Board. Any vacancies which may occur in the offices of Secretary and Treasurer shall be filled by the Board. The Secretary and Treasurer need not be Members of the Association. The Board may appoint an Assistant Treasurer, an Assistant Secretary, and such other officers as in its judgment may be necessary.

SECTION 2. Officers Chosen by Board. Those officers of the Association to be chosen by the Board shall be elected annually at a meeting of the Board described in Article IV, Section 6 of these By-Laws, and shall hold office at the pleasure of the Board and until their successors are elected.

SECTION 3. Removal of Officers Chosen by Board. Upon the affirmative vote of the majority of the Board at a regular or special meeting called for that purpose, any officer chosen by the Board may be removed, either with or without cause, and his successor elected.

SECTION 4. President. The President shall be the chief executive officer of the Association. He shall preside at all meetings of the Association and of the Board. He shall have all of the general powers and duties which are incidental to the office of President, including but not limited to the power to appoint committees from among the Owners from time to time, as he may in his discretion decide are appropriate to assist in the conduct of the affairs of the Association. He is elected by the Board.

SECTION 5. Vice-President. The Vice-President shall take the place of the President, and shall perform his duties whenever the President shall be absent or unable to act. If neither the President nor the Vice-President is able to act, the Board shall appoint some other Director to act in place of the President, on an interim basis. The Vice-President shall also perform such other duties as shall from time to time be imposed upon him by the Board or by the President. The Vice-President is elected by the Board.

SECTION 6. Secretary. The Secretary shall keep the minutes of all meetings of the Association and of the Board; shall have charge of such books and papers as the Board may direct; and shall perform all the duties incidental to the office of Secretary, and as described elsewhere in these By-Laws or the Bill of Assurance. The Secretary is elected by the Board and need not be an Owner.

SECTION 7. Treasurer. The Treasurer shall have the responsibility for all funds and securities and shall be responsible for keeping full and accurate financial and books of account

showing all receipts and disbursements and for the preparation of required financial data. He shall be responsible for the deposit of all monies and other valuable effects in the name of the Board or the Managing Agent in such depositories as may from time to time be designated by the Board and he shall perform all duties incidental to the office of Treasurer. No payment voucher shall be paid unless and until approved by the Treasurer, or in his absence the Assistant Treasurer. The Treasurer is elected by the Board and need not be an Owner. The Assistant Treasurer is appointed by the Board.

SECTION 8. Execution of Documents for the Board. All agreements, contracts, deeds, leases, checks, and other instruments of the Association may be executed by the President or by such other person(s) as may be authorized by the Board.

SECTION 9. Compensation of Officers. No elected officer shall receive any compensation from the Association for acting as such, except for reimbursement of necessary and duly incurred expenses.

SECTION 10. Resignation. Any officer may resign at any time by giving written notice to the Board, the President, or the Secretary. Any such resignation shall take effect at the date of the receipt of such notice or at any later time specified therein. Unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

## ARTICLE VII

### NOTICES

SECTION 1. Notice Procedure. Whenever under the provisions of the Bill of Assurance of Challain Place or the By-Laws, notice is required to be given to the Board, any Managing Agent, or Member, it shall not be construed to mean personal notice; but such notice may be given in writing, either by mail, by depositing the same in a post office or letter box in a postpaid sealed wrapper, addressed to the Board, such Managing Agent or Member, respectively, at such address as appears on the books of the Association. Notice shall be deemed given as of the date of mailing or by delivery to such person's address, provided that such mailing is made in the State of Arkansas.

SECTION 2. Waiver of Notice. Whenever any notice is required to be given under the provisions of the Bill of Assurance of Challain Place, the law, or these By-Laws, a waiver thereof, in writing, signed by the person or persons entitled to the notice, whether before or after the time stated therein, shall be deemed the equivalent thereof.

## ARTICLE VIII

### OPERATION OF THE PROPERTY

SECTION 1. Budget. The Board shall from time to time and at least annually, prepare a budget for the Association and in connection therewith, determine the amount of common expenses of the Association and allocate and assess each common charge among the Owners according to their respective needs of various types of Lots within Challain Place. The common expenses shall include among other things, the cost of all insurance premiums on all policies of insurance, the amount charged for the operation, care, upkeep and maintenance of the entire Challain Place, including without limitation, any amount for working capital of the Association, an amount for a general operating reserve or a reserve fund for replacements, and an amount to make up any deficit in the common expenses of any prior year. The common expenses may also include such amounts as may be required for the purchase or lease by the Board on behalf of all Owners, any Lot which is to be sold at foreclosure or other judicial sale, such purchase or lease to be in accordance with provisions of Article VIII of this instrument.

The Board shall advise all Owners promptly and in writing of the amount of the common charges payable by each of them as determined by the Board, and shall make available at the office of the Association copies of each budget on which such charges are based.

In lieu of assessments being imposed upon such Lots owned by the Developer, the Developer shall underwrite all reasonable costs for the operation of the Association not covered by assessments paid by owners of Lots other than Developer until eighty percent of all Lots are owned by persons or entities other than Developer. Once eighty percent of all Lots are owned by persons or entities other than the Developer, the remaining Lots owned by the Developer shall be subject to the same assessments as Lots by Owners other than the Developer.

No assessment may be used to maintain property in which the Association does not have an interest. However, the Association shall maintain, as necessary, all highway rights-of-ways that are adjacent to or adjoining the Property and all entrance ways into the property. This expense may be shared with other property owner associations.

SECTION 2. Payment of Common Charges. All Owners shall pay the common charges assessed by the Board pursuant to the provisions of these By-Laws, annually or in advance or at such other time that the Board shall determine.

The assessment for common charges shall not increase during any one fiscal year of the Association more than twenty-five percent (25%) or by the percentage increase of the consumer price index over the prior fiscal year, whichever is greater, unless a greater amount is voted for by seventy-five percent (75%) of the memberships of the Association.

No Owner shall be liable for the payment of any part of the common charges assessed against his Lot subsequent to the transfer of a conveyance by him recorded in the records of the Circuit Clerk's office of Pulaski County, including conveyance to the Board made in accordance with the provisions of Article VIII of these By-Laws. A purchaser of a Lot shall be liable for the payment of the common charges assessed and unpaid against such Lot prior to the acquisition by him of such Lot, and a mortgagee or other purchaser of a Lot and at a foreclosure sale of such Lot shall be subject to and liable for a lien for the payment of common charges assessed both prior to and subsequent to the foreclosure sale.

**SECTION 3. Power to Suspend Membership.** In the event of default by any Owner in the payment of the common charges, or any other amounts owed the Association, or the Owner being in violation of any Bylaw or Rule of the Association, the Board shall have the power to suspend the Owner's membership in the Association, and such suspension shall remain in effect only until such amounts as are owed are paid and until Owner is in compliance with the Bylaws and Rules of the Association.

**SECTION 4. Foreclosure.** In any action brought by the Board to foreclose a lien on a Lot because of unpaid common charges, the Owner shall be required to pay a reasonable rental for the use of his Lot, if such continues after the foreclosure, and the plaintiff in such foreclosure action shall be entitled to the appointment of a receiver to collect the same. The Board acting on behalf of the Owners, shall have the power to bid upon such Lot at the foreclosure sale and to acquire, hold, lease, convey, mortgage (but not to vote the share(s) appurtenant thereto), or otherwise deal with the same. A suit to recover a money judgment for unpaid common charges shall be maintainable without foreclosing or without waiving the lien securing same.

**SECTION 5. Statement of Unpaid Common Charges.** The Board shall promptly provide any Owner requesting same in writing, with a written statement of all unpaid common charges due from such Owner in a form suitable for recording and the same when recorded in the Circuit Clerk's office of Pulaski County, Arkansas shall operate to discharge the Lot from any other sums not included in such statement then unpaid, at least as to bonafide third parties relying on such statement.

In all events the lien for assessments created herein shall be subject to and subordinate to the lien or any recorded first mortgage or deed of trust.

**SECTION 6. Maintenance.** All maintenance, repair, and replacements to the Common Areas as defined in the Bill of Assurance of Challain Place or in the Plat or to those areas concerning which easements have been conveyed to the Association, and the painting and decorating of the exterior of the Tracts described in the Plat shall be done by the Board or its appointee and shall be included as a common expense of the Association.

**SECTION 7. Cost Allotment of Improvements.**

(a) If fifty percent (50%) or more but less than seventy-five percent (75%) of the memberships agree to make an improvement to the Common Areas or to areas concerning which an easement has been granted to the Association, the cost of such improvement shall be borne by the Members so agreeing.

(b) If seventy-five percent (75%) or more of the memberships agree to make an improvement to the Common Areas or to areas concerning which an easement has been granted to the Association, the cost of such improvement shall be borne by all Members as a common expense.

(c) All improvements undertaken pursuant to this Section 7 shall be subject to the written approval of the Board.

**SECTION 8. Rules and Regulations.** The use of the Tracts described in the Plat and the Common Areas shall be subject to rules and regulations from time to time adopted by the Board and to rules and regulations from time to time adopted by the Association; copies of said rules and regulations shall be made available at the office of the Association to each Owner prior to their effective date.

**ARTICLE IX**

**INDEMNIFICATION OF OFFICERS AND DIRECTORS**

**SECTION 1. Mandatory Indemnification.** In accordance with Ark. Code Ann. §§ 4-33-852 and 4-33-856, the Association shall indemnify any director or officer and his or her estate or personal representative who is wholly successful, on the merits or otherwise, in the defense of any proceeding to which the officer or director is a party by virtue of his or her status as an officer or director of the Association.

**SECTION 2. Permissible Indemnification.** Pursuant to Ark. Code Ann. § 4-33-851, and except as provided in Section 3 below, the Association may indemnify an officer or director made a party to a proceeding by virtue of his or her status as an officer or director, against liability incurred in the proceeding if the following conditions are met: (1) the officer or director conducted himself or herself in good faith; (2) with respect to conduct in his or her official capacity, the officer or director had reason to believe that his or her conduct was in the best interests of the Association; and (3) in cases of conduct not in his or her official capacity, the officer or director had reason to believe that his or her conduct was at least not opposed to the best interests of the Association.

**SECTION 3. Prohibition of Indemnification in Certain Cases.** The Association shall not indemnify an officer or director in connection with any proceeding by or in the right of the

Association in which the officer or director was adjudged liable to the Association, or in connection with any other proceeding charging improper personal benefit to the officer or director, whether or not involving action in his or her official capacity, in which the officer or director was adjudged liable on the basis that personal benefit was improperly received by the officer or director.

SECTION 4. Procedure for Authorizing Indemnification of Directors. Before the Association may indemnify any director pursuant to Section 2 above, a determination must be made that indemnification of a director is permissible because the director has met the standards of conducts set forth in Section 2 of this Article IX. The Board of Directors shall make that determination by a majority vote of a quorum consisting of directors who are not at the time parties to the proceeding; provided, however, that if such a quorum cannot be obtained, then the determination shall be made either by a committee designated by the Board of Directors or by special legal counsel in accordance with Ark. Code Ann. § 4-33-855(b)(2) and (3). Furthermore, the Association may not indemnify a director until twenty (20) days after the effective date of the written notice of the proposed indemnification to the Attorney General of the State of Arkansas. The Association may pay for or reimburse the reasonable expenses incurred by an officer or director who is a party to a proceeding in advance of final disposition of the proceeding upon authorization made in accordance with Ark. Code Ann. § 4-33-855 and upon satisfaction of all the conditions prescribed in § 4-33-853.

SECTION 5. Insurance. The Association may purchase and maintain insurance on behalf of its officers and directors to insure against liabilities inserted against or incurred by the Association's officers and directors in that capacity or arising from their status as officers and directors, whether or not the Association would have the power to indemnify them against the same liability under the preceding sections of this Article IX.

SECTION 6. Definitions. The following definitions apply to the indemnification provisions of this Article IX:

(a) Proceeding. "Proceeding" means any threatened, pending or completed civil action, suit or proceeding, whether judicial, administrative, or investigative, and whether formal or informal.

(b) Liability. "Liability" means the obligation to pay a judgment, settlement, penalty, fine (including an excise regarding an employee benefit plan), or reasonable expenses actually incurred with respect to a proceeding.

(c) Expenses. Indemnification against expenses which is mandated or permitted under this Article IX is limited to reasonable expenses, including attorneys' fees, incurred in connection with a proceeding.

## ARTICLE X

### INSURANCE

**SECTION 1. Physical Damage.** All buildings and improvements owned by the Association, and all of the personal property owned by the Association, may be insured for the benefit of the Association, the Owners and mortgagees of a Lot as their interest may appear, against risks of physical damage as follows:

(a) **Amounts** - As to real property, for an amount equal to not less than the agreed amount of its replacement cost; as to personal property, for an amount equal to its actual cash value. Prior to obtaining any insurance on real property under this section, and at least annually thereafter, the Board may obtain an appraisal from a qualified appraiser for the purpose of determining the replacement cost of such real property.

(b) **Risks Insured Against** - The insurance shall afford protection against loss or damage by reason of:

- (1) fire and other perils normally covered by extended coverage;
- (2) vandalism and malicious mischief;
- (3) such other risk of physical damage as from time to time may be customarily covered with respect to buildings and improvements similar in construction, location and use as those on the Property, including without limitation, builder's risk coverage for improvements under construction; and
- (4) such other risks of physical damage as the Board may from time to time deem appropriate.

**SECTION 2. Liability Insurance.** The Board may obtain and maintain public liability insurance for bodily injury and property damage in such limits as the Board may from time to time determine, insuring the Association, the Board, the Managing Agent (at the discretion of the Board), with respect to their liability arising from operation, maintenance or repair of Challain Place, which is the responsibility of the Association including, without limitation, liability arising from construction operations, and Common Area maintenance, and also insuring each Owner including the Grantor with respect to its liability arising from ownership of the said Lot. Such liability insurance may also cover cross-liability claims among Owners and the Association. The Board shall review such limits at least annually. The insurance provided under this section shall include, without limitation, the following provisions:



(a) That the insurance shall not be affected or diminished by any act or neglect of any Owner or any occupants or Owners of any improvements when such act or neglect is not within the control of the Association;

(b) That the insurance shall not be affected or diminished by failure of any improvements to comply with any warranty or condition when such failure to comply is not within the control of the Association; and

(c) Waivers by the insurer of rights of subrogation, other than those based on fraud or criminal acts, against the Association or the Owners.

## ARTICLE XI

### DAMAGE TO OR DESTRUCTION OF PROPERTY

SECTION 1. Duty to Repair or Restore. Any portion of Challain Place owned by the Association which is damaged or destroyed may be repaired or restored promptly by the Association, as provided in this Article. The Architectural Control Committee as established by the Declaration of Covenants and Restrictions of Chenal Valley and the Bill of Assurance (the "Architectural Control Committee") or the Board may waive this requirement.

SECTION 2. Estimate of Cost. Promptly after damage to or destruction of some portion of the buildings, and thereafter as it deems advisable, the Board shall obtain reliable and detailed estimates of the cost of repair or restoration. If the cost in the opinion of the Board may exceed \$5,000, the Board may retain the services of an architect or engineer or construction consultant to assist in the determination of such estimate and in the supervision of repair and restoration.

SECTION 3. Collection of Construction Funds. Construction funds may consist of insurance proceeds, condemnation awards, proceeds of assessments against Owner, payments by Owners for damage to or destruction of lots or improvements thereto, and other funds received on account of or arising out of injury or damage to the buildings, etc.

(a) Insurance Proceeds - The Board shall adjust losses under physical damage insurance policies of the Association.

(b) Assessments against Owners - Notwithstanding the limitations of Article VIII, Section 2, if the insurance proceeds are insufficient to effect the necessary repair or restoration of the Common Areas, such deficiency shall be charged against all Owners as a common expense. The proceeds of assessments for such common expenses shall be paid by the Board directly to the Vendor making the repairs and restoration.

(c) Payments by Others - Any other funds received on account of or arising out of injury or damage to the buildings, etc. shall be administered directly by the Board.

## ARTICLE XII

### AMENDMENTS TO BY-LAWS

These Bylaws may be altered, amended or repealed and new Bylaws may be adopted by the Board of Directors at any regular or special meeting of the Board of Directors. Unless notice is waived, the Association shall provide seven (7) days written notice to the directors that the amendment will be voted upon at the meeting, and the notice must state that the purpose, or one of the purposes, of the meeting is to consider the proposed amendment of the Bylaws, and the notice shall also contain or be accompanied by a copy or a summary of the amendment or state the general nature of the amendment. Any amendment must be approved by a majority of the Directors in office at the time the amendment is adopted.

## ARTICLE XIII

### CONFLICTS

In case any of these By-Laws are in conflict with the provisions of any statutes, the Articles or the Bill of Assurance of Challain Place as the case may be, the statutes, Articles, Bill of Assurance of Challain Place shall control.

## ARTICLE XIV

### MISCELLANEOUS

SECTION 1. Invalidity. The invalidity of any part of these By-Laws shall not impair or affect in any manner the validity, enforceability or effect of the balance of these By-Laws.

SECTION 2. Captions. The captions herein are inserted only as a matter of convenience and for reference, and in no way define, limit or describe the scope of these By-Laws or the intent of any provisions thereof.

SECTION 3. Gender. The use of the masculine gender in these By-Laws shall be deemed to include the feminine and neuter gender, and the use of the singular shall be deemed to include the plural, whenever the context so requires.

SECTION 4. Waiver. No restriction, condition, obligation, or provisions contained in these By-Laws shall be deemed to have been abrogated or waived by reason of any failure to enforce the same, irrespective of the number of violations or breaches thereof which occur.

SECTION 5. Attorney Fee. In any legal or equitable proceeding for the enforcement or to restrain the violation of this instrument or any provisions thereof, by reference or otherwise, the prevailing party or parties shall be entitled to attorney fees in such amount as the court finds reasonable. All remedies provided for herein, or at law or equity, shall be cumulative and not exclusive.