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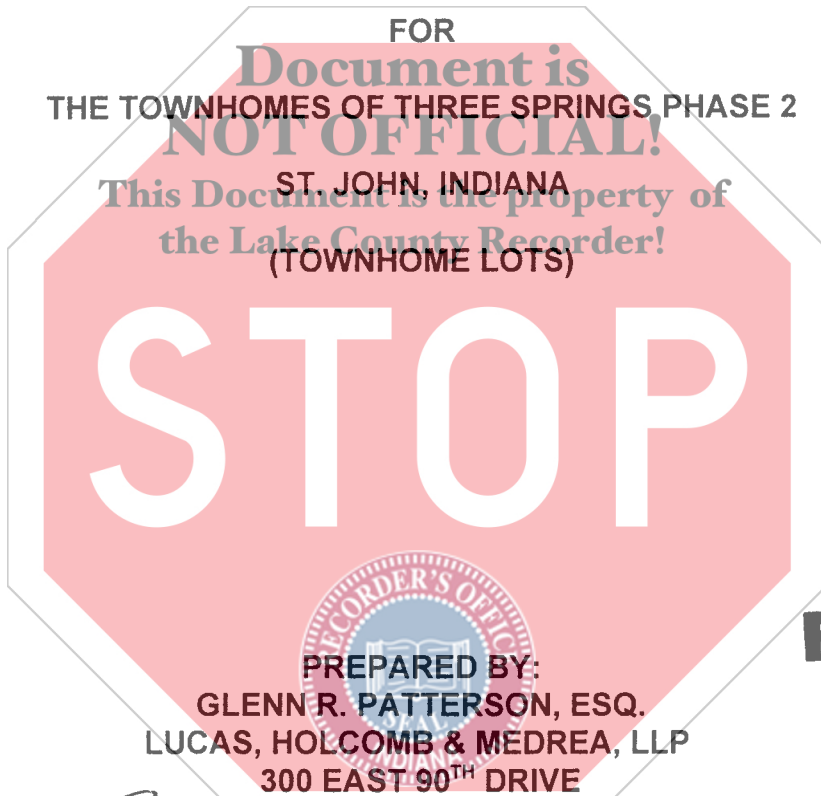
2006 110392

MICHAEL J. GILSON
RECORDER

RETURN TO: GLENN R. PATTERSON, ESQ.
Lucas, Holcomb & Medrea LLP
300 East 90th Drive
MERRILLVILLE, IN 46410

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**DECLARATION OF COVENANTS, CONDITIONS,
RESTRICTIONS AND EASEMENTS**



FILED

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(219) 769-3561

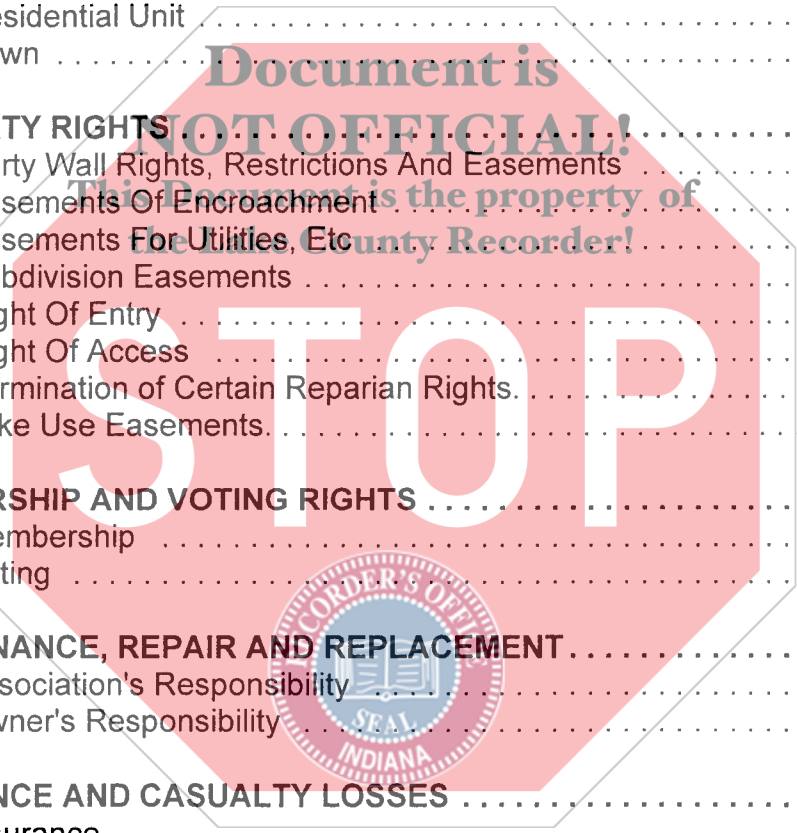
PEGGY HOLINGA KATON
LAKE COUNTY AUDITOR

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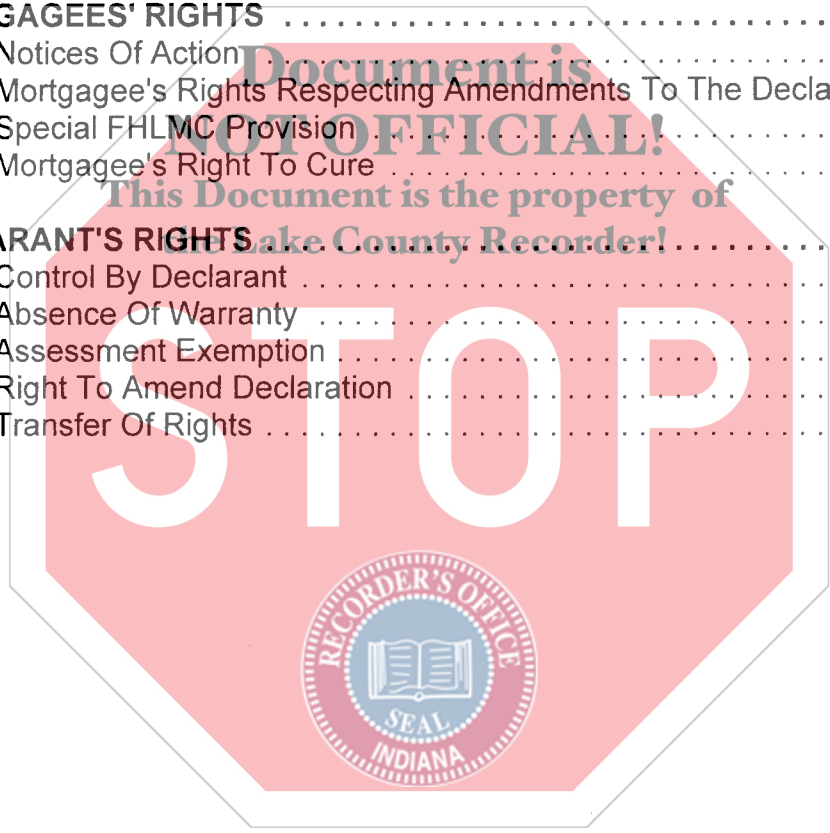
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**DECLARATION OF COVENANTS, CONDITIONS,
RESTRICTIONS AND EASEMENTS FOR
THE TOWNHOMES OF THREE SPRINGS PHASE 2
ST. JOHN, INDIANA
(TOWNHOME LOTS)**

This Declaration of Covenants, Conditions and Restrictions is made this day by
THREE SPRINGS DEVELOPMENT, INC. (hereinafter referred to as "Declarant").

WITNESSETH:

WHEREAS, Declarant is the owner of the real property described as follows:

Lots 75 through 80, inclusive, and Outlot F, in Three Springs Addition, Phase 2, an Addition to the Town of St. John, Indiana, as shown in Plat Book 100, page 50, in the Office of the Recorder of Lake County, Indiana.

(herein the "Property"). Declarant intends by this Declaration to impose upon the Property mutually beneficial restrictions under a general plan of improvement for the benefit of all owners of residential property within the Property made subject to this Declaration and amendments thereto by the recording of this Declaration. Declarant desires to provide a flexible and reasonable procedure for the overall development of the Property, and to establish a method for the administration, maintenance, preservation, use and enjoyment of the Property as are now or may hereafter be subjected to this Declaration;

NOW, THEREFORE, Declarant hereby declares that all of the Property shall be held, sold and conveyed subject to the following easements, restrictions, covenants and conditions which are for the purpose of protecting the value and desirability of and which shall run with the real property subjected to this Declaration and which shall be binding on all parties having any right, title or interest in the Property or any part thereof, their heirs, successors, successors-in-title, and assigns, and shall inure to the benefit of each owner thereof.

**ARTICLE I
DEFINITIONS**

Section 1. "**Assessments**" shall mean Assessments for Common Expenses provided for herein which shall be used for the purposes of promoting the health, safety, welfare, common benefit and enjoyment of the Owners and Occupants of the Residential Units against which the Assessment is levied and of maintaining the Residential Units, all as may be specifically authorized from time to time by the Board of Directors and as more particularly authorized below.

The Assessment shall be levied equally against Owners of Residential Units for such purposes that are authorized by this Declaration or by the Board of Directors from time to time.

Section 2. "Association" shall mean and refer to The Townhomes of Three Springs Phase 2 Association, Inc., an Indiana nonprofit corporation, and its successors and assigns. The "Board of Directors" or "Board" shall be the elected body having its normal meaning under Indiana law. The Association shall be organized and governed in accordance with the Articles of Incorporation and By-Laws, attached hereto as Exhibits "A" and "B", respectively.

Section 3. "Common Expenses" shall mean and include the actual and estimated expenses of operating the Association, including any reasonable reserve, all as may be found to be necessary and appropriate by the Board pursuant to this Declaration, the By-Laws, and the Articles of Incorporation of the Association.

Section 4. "Community-Wide Standard" shall mean the standard of conduct, maintenance, or other activity generally prevailing in the Project. Such standard may be more specifically determined and set forth by the Architectural Review Committee, or by the Board of Directors.

Section 5. "Insurance Trustee" shall mean the Association and its successors, unless the Association shall have appointed another entity as Insurance Trustee pursuant to Article V Section 6.

Section 6. "Lake" shall mean Outlot L, in Three Springs Addition, Phase 2, an addition to the Town of St. John, Indiana, as shown in Plat Book 100, page 50, in the Office of the Recorder of Lake County, Indiana.

Section 7. "Member" shall mean and refer to a person or entity entitled to membership in the Association, as provided herein.

Section 8. "Mortgage" shall include a deed of trust, as well as a mortgage.

Section 9. "Mortgagee" shall include a beneficiary or holder of a deed of trust, as well as a mortgagee.

Section 10. "Mortgagor" shall include the trustor of a deed of trust, as well as a mortgagor.

Section 11. "Occupant" shall mean and refer to one or more Persons or entities which may at any time be entitled to the use and possession of a Residential Unit, or any part thereof, by lease, license, contract or any other means, whether or not lawful, and shall include, without limitation, Owners, tenants, subtenants and their guests and invitees.

Section 12. "Owner" shall mean and refer to one or more persons or entities who hold the record title to any Residential Unit which is part of the Property, but excluding in all cases any party holding an interest merely as security for the performance of an obligation. If a Residential Unit is sold under a recorded contract of sale, the purchaser (rather than the fee owner) will be considered the Owner.

Section 13. "Person" means a natural person, a corporation, a partnership, trustee or other legal entity.

Section 14. "Project" shall mean the Property owned by Declarant and held for development under a common plan from time to time.

Section 15. "Property" shall mean and refer to all of the real property described on page 1 of this Declaration.

Section 16. "Residential Unit" shall mean one of the parcels and the zero lot line home located or to be located thereon, which is a part of the Property intended for independent ownership for use and occupancy as a single family residence. The boundaries of Residential Units shall be the boundary lines of the parcels of the Property conveyed by Declarant to the Owners.

Section 17. "Town" shall mean and refer to the Town of St. John, Indiana.

For the purposes of this Declaration, a Residential Unit shall come into existence on the later of (a) that date on which the construction of the home is substantially complete or (b) that date on which a certificate of occupancy is issued by the appropriate agency of the Town, or other local governmental entity.

**ARTICLE II
PROPERTY RIGHTS**

Section 1. Party Wall Rights, Restrictions And Easements. Subject to any other or additional provisions contained in any written agreement between parties affected, each wall which is built as part of the original construction of a Residential Unit and placed on the boundary line of a Residential Unit shall constitute a party wall and to the extent not inconsistent with the provisions of this Declaration, the general rules of law regarding party walls and of liabilities for property damage due to negligence or willful acts or omissions shall apply thereto. In the event and to the extent that the center of any wall between Residential Units shall encroach into or onto the adjacent Residential Unit, the Owner utilizing said party wall shall have a perpetual exclusive easement appurtenant to his Residential Unit on and over such adjoining Residential Unit for the maintenance, repair and restoration of such wall and his Residential Unit to the extent that the same shall occupy such adjoining Residential Unit, and such wall shall be deemed a party wall for all

purposes of this Declaration. The cost of reasonable repairs and maintenance of a party wall shall be shared equally by the Owners who make use of the wall. If a party wall is destroyed or damaged by fire or other casualty, the Owner who has shared the wall may restore it, and if the other Owner thereafter makes use of the wall, they shall contribute equally to the cost of restoration thereof, without prejudice however, to the right of any such Owner to call for a larger contribution from the other under any rule or law regarding liability for negligence of willful acts or omissions. Notwithstanding any other provision of this Declaration, any Owner who by his negligence or willful act, or the negligence or willful act of his occupancy causes the party wall to be exposed to the elements shall bear the whole cost of furnishing the necessary protection against such elements. The right of any Owner to contribution from any other Owner under this Declaration shall be appurtenant to the land and shall pass to such Owner's successors in title. Easements are hereby declared and granted to Owners having a party wall to install, lay, operate, maintain, repair and replace any pipes, wires, ducts, conduits, public utility lines or structural components through the party walls of two or more Residential Units, whether or not such walls lie all or in part within the boundaries of a Residential Unit. Every portion of a Residential Unit which contributes to the structural support of another Residential Unit shall be burdened with an easement of structural support for the benefit of the other Residential Unit. In addition to the foregoing, the Property and each Residential Unit is subject to the rights, restrictions and easements set forth on the recorded plat of subdivision of Three Springs Addition, Phase 2, an Addition to the Town of St. John as shown on Plat Book 100, page 50 in Lake County, Indiana (herein the "Existing Covenants"). In the event of a conflict between the terms and provisions of the Existing Covenants and those set forth in this Declaration, the terms and provisions of the Existing Covenants shall govern.

Section 2. Easements Of Encroachment. There shall be reciprocal appurtenant easements of encroachment as between each adjacent Residential Unit due to the placement or settling or shifting of the improvements constructed, reconstructed or altered thereon, including, but not limited to, buildings, driveways, sidewalks and roadways (in accordance with and allowed under the terms of this Declaration) to a distance necessary to encompass any constructed encroachment, either now existing or arising in the future; provided, however, in no event shall an easement for encroachment exist if such encroachment occurred due to willful and knowing conduct on the part of an Owner, Occupant or the Association.

Section 3. Easements For Utilities, Etc. Declarant hereby reserves for itself and its designees (including, without limitation, the Town and any utility company) easements upon, across, over and under the Property and the Residential Units for ingress, egress, installation, replacing, repairing and maintaining cable television systems, master television antenna systems, and similar systems, walkways, and all utilities, including, but not limited to, water, sanitary sewers, storm water drainage facilities, meter boxes, telephones, gas and electricity. This reserved easement may be assigned by Declarant by written instrument to the Association, and the Association shall accept the

assignment upon such terms and conditions as are acceptable to Declarant. If this reserved easement is assigned to the Association, the Board shall, upon written request, grant such easements as may be reasonably necessary for the development of the Property.

Without limiting the generality of the foregoing, there are hereby reserved for the Town, easements across all Residential Units for ingress, egress, installation, reading, replacing, repairing and maintaining water meter boxes and storm water drainage facilities.

Notwithstanding anything to the contrary contained in this Section, no sewers, electrical lines, water lines, or other utilities may be installed or relocated on Residential Units, except as may be approved by the Association's Board of Directors or as provided in the development or in any sale agreement with Declarant. Should any entity furnishing a service covered by the general easement herein provided request a specific easement by separate recordable document, the Board of Directors shall have the right to grant such easement without conflicting with the terms hereof. The easements provided for in this Article shall in no way adversely affect any other recorded easement on the Property.

Section 4. Subdivision Easements. The Property is also subject to those easements for the installation and maintenance of utilities and drainage facilities as are shown on the recorded subdivision plat of Three Springs Addition, Phase 2, an Addition to the Town of St. John as shown in Plat Book 100 page 50 in Lake County, Indiana.

Section 5. Right Of Entry. The Association shall have the right and license, but shall not be obligated, to enter into any Residential Unit for emergency, security and safety, which right may be exercised by the Association's Board of Directors, officers, agents, employees, managers and all policemen, firemen, ambulance personnel, and similar emergency personnel in the performance of their respective duties. Except in an emergency situation, entry shall only be during reasonable hours and after notice to the Owner. This right of entry shall include the right of the Association to enter a Residential Unit to cure any condition which may increase the possibility of a fire or other hazard in the event an Owner fails or refuses to cure the condition upon request by the Board. There is hereby granted to the Association, and its agents, employees, and independent contractors, a license to enter upon all Residential Units to the extent necessary or appropriate for the conduct of the Association's responsibility under Article IV.

Section 6. Right Of Access. Each Occupant of a Resident Unit is hereby expressly granted an unrestricted easement for ingress and egress over and upon those sidewalks, driveways and roadways located on adjacent Resident Units and designed for use by such Occupant's Residential Unit.

Section 7. Termination of Certain Riparian Rights. Notwithstanding the proximity of any Lot to the Lake and/or to the waters thereof, any and all riparian and all other Lake use rights which would otherwise be appurtenant to Lots 75, 76 and 80, other than for storm water drainage, are hereby terminated and abolished, without qualification, limitation or exception.

Section 8. Lake Use Easements. Easements appurtenant to Lots 77, 78 and 79 are hereby granted, for the use of the Lake for recreational purposes, provided, however, that the use of motorized watercraft of all types on the Lake is prohibited; and provided, further however, that said easements are subject to the obligation of the Owners of Lots 77, 78, and 79 to pay Lake Use Assessments to the Three Springs Phase 2 Home Owners Association, Inc. or its successor under the Declaration of Covenants, Conditions, Restrictions and Easements for Three Springs Additions Phase 2, St. John, Indiana (Single Family Home Lots).

ARTICLE III
MEMBERSHIP AND VOTING RIGHTS

Section 1. Membership. Every Owner, as defined in Section 12 of Article I, shall be deemed to have a membership in the Association. No Owner, whether one or more persons, shall have more than one (1) membership per Residential Unit owned. In the event the Owner of a Residential Unit is more than one (1) person or entity, votes and rights of use and enjoyment shall be as provided herein. The rights and privileges of membership, including the right to vote, may be exercised by a Member or the Member's spouse, but in no event shall more than one (1) vote be cast for each Residential Unit.

Section 2. Voting. The Association shall have one (1) class of membership. Members shall be entitled on all issues to one (1) vote for each Residential Unit in which they hold an interest required for membership by Section 1 hereof; there shall be only one (1) vote per Residential Unit. When more than one (1) person or entity holds such interest in any Residential Unit, the vote for such Residential Unit shall be exercised as those persons or entities themselves determine and advise the Secretary of the Association prior to any meeting. In the absence of such advice, the Residential Unit's vote shall be suspended in the event more than one (1) person or entity seeks to exercise it.

Any Owner of Residential Units which are leased may, in the lease or other written instrument, assign the voting right appurtenant to that Residential Unit to the lessee, provided that a copy of such instrument is furnished to the Secretary prior to any meeting.

The voting rights of Members shall be subject to the Declarant's rights provisions of Article XVI.

ARTICLE IV
MAINTENANCE, REPAIR AND REPLACEMENT

Section 1. Association's Responsibility. The Association shall have the responsibility, at the cost of the Association, to maintain, repair and replace the retention pond located on Outlot A of the Property, as well as all other storm water retention or detention related facilities located on the Property which are not now the responsibility of

the Town or any other governmental body or agency, and to mow, lawn trim, and fertilize (twice per year), and trim shrubs (twice per year), and to provide driveway and sidewalk snow removal, except as otherwise provide in Article XI Section 12.

Section 2. Owner's Responsibility. Subject only to Section 1 of this Article IV, all maintenance, repair and replacement of the Residential Unit and all structures and other improvements, including fences, located within a Residential Unit, and including common boundary line fences, and the replacement of lawns, trees, shrubbery, driveways and sidewalks, shall be the sole responsibility of the Owner thereof who shall perform such maintenance, repair and replacement in a manner consistent with the Community-Wide Standard of the Project, the Architectural Standards set forth in Article X hereof, any Rules and Regulations regarding Architectural Standards, and all other applicable covenants. The cost of the maintenance, repair and replacement of all common boundary line fences shall be shared equally by the Owners of the Residential Units which have the boundary line in question in common. Notwithstanding the provisions of Article IV Section 1, the Association shall have the responsibility for maintaining, repairing and replacing all common boundary line fences, in the event of any disagreement between the Owners affected respecting same, and shall thereafter have the power and authority to impose and levy a Special Assessment against those Owners for the costs thereof.

ARTICLE V
INSURANCE AND CASUALTY LOSSES

Section 1. Insurance. The Association may, but shall not, under any circumstances, be obligated to, obtain and continue in effect adequate blanket all-risk casualty insurance in such form as the Board of Directors deems appropriate for the full replacement cost of all structures on the Residential Units, as well as public liability insurance. If the Association elects not to obtain such casualty insurance, then each Owner shall obtain such insurance in accordance with Section 2 of this Article. All provisions of this Article shall apply to all policy provisions, loss adjustment and all other subjects of all policies of insurance whether such policies are obtained by the Association or the Owners, or both.

Each Owner shall also obtain a public liability policy covering the Residential Unit owned by such Owner, and shall name the Association and all of its Members as additional insureds for all damages or injury caused by the negligence of such Owner. The public liability policy shall have at least a Three Hundred Thousand Dollars (\$300,000.00) single person limit as respects bodily injury and property damage, a Five Hundred Thousand Dollars (\$500,000.00) limit per occurrence, and a One Hundred Thousand Dollars (\$100,000.00) minimum property damage limit.

Premiums for insurance obtained by the Association shall be a Common Expense of the Association and shall be included in the General Assessment, as defined in Article IX. Premiums for insurance obtained by Owners shall be paid by such Owners.

All casualty insurance coverage obtained by the Association or by any Owner shall be for the respective benefitted parties, as further identified in b. below. Such insurance shall be governed by the provisions hereinafter set forth.

a. All policies shall be written with a company licensed to do business in Indiana and holding a rating of XI or better in the Financial Category as established by A.M. Best Company, Inc., if reasonably available, or, if not available, the most nearly equivalent rating, and shall be for the full replacement cost. All such policies shall provide for a certificate of insurance for each Member to be furnished to the Association.

b. All policies on Residential Units shall be for the benefit of the Residential Unit Owners and their Mortgagees as their interests may appear. The policies may contain a reasonable deductible, and the amount thereof shall be added to the face amount of the policy in determining whether the insurance at least equals the full replacement cost. The deductible shall be paid by the party who would be responsible for the repair in the absence of insurance and in the event of multiple parties shall be allocated in relation to the amount each party's loss bears to the total.

c. Exclusive authority to adjust losses under policies in force on Residential Units shall be vested in the Association's Board of Directors; provided, however, no Mortgagee having an interest in such losses may be prohibited from participating in the settlement negotiations, if any, related thereto.

d. In no event shall any insurance coverage obtained and maintained by the Associations' Board of Directors hereunder be brought into contribution with insurance purchased by individual Owners, Occupants or their Mortgagees.

e. All casualty insurance policies shall have an inflation guard endorsement, if reasonably available, and an agreed amount endorsements, with an annual review by one or more qualified persons, at least one of whom must be in the real estate industry and familiar with construction in the St. John, Indiana area.

f. The Association's Board of Directors and the Owner shall be required to make every reasonable effort to secure insurance policies that will provide for the following:

(1) a waiver of subrogation by the insurer as to any claims against the Association's Board of Directors, its manager, the Owners and their respective tenants, servants, agents and guests;

(2) a waiver by the insurer of its rights to repair and reconstruct, instead of paying cash;

(3) that no policy obtained by the Association may be canceled, invalidated or suspended on account of any one or more individual Owners;

(4) that no policy may be canceled, invalidated or suspended on account of the conduct of any Directors, officer or employee of the Association or its duly authorized manager without prior demand in writing delivered to the Association to cure the defect and the allowance of a reasonable time thereafter within which the defect may be cured by the Association, its manager, any Owner or Mortgagee;

(5) that any "other insurance" clause in any policy exclude Association and individual Owners' policies from consideration; and

(6) that no policy may be canceled or substantially modified without at least ten (10) days' prior written notice to the Association.

In addition to the other insurance required by this Section, the Board shall obtain, as a Common Expense, worker's compensation insurance, if and to the extent necessary, and a fidelity bond or bonds on directors, officers, employees and other persons handling or responsible for the Association's funds. The amount of fidelity coverage shall be determined in the directors' best business judgment, but may not be less than three (3) months' Assessments, plus reserves on hand. Bonds shall contain a waiver of all defenses based upon the exclusion of persons serving without compensation and may not be canceled or substantially modified without at least ten (10) days' prior written notice to the Association.

Section 2. Individual Insurance. By virtue of taking title to a Residential Unit subject to the terms of this Declaration, each Owner covenants and agrees with all other Owners and with the Association that each individual Owner shall carry blanket all-risk casualty insurance on the Residential Unit and structures constructed thereon as provided for in Section 1 of this Article V, unless the Association carries such insurance which they are not obligated to do. Each individual Owner further covenants and agrees that in the event of any loss or damage and destruction the proceeds of such insurance shall be used only in accordance with this Declaration. In the event that the structure is totally destroyed and by a vote of three-fourths (3/4) of all Members entitled to vote (not three-fourths (3/4) of a quorum), it is determined, subject to the further requirements on Section 4 of this Article V, not to rebuild or to reconstruct, the individual Owner shall clear the Residential Unit of all debris and return it to substantially the natural state in which it existed prior to the beginning of construction. A decision not to rebuild or reconstruct shall under no circumstances relieve or discharge an Owner from the obligation to pay Assessments to the Association.

Section 3. Disbursement Of Proceeds. Proceeds of insurance policies shall be paid to the Insurance Trustee to be disbursed as follows:

a. If the damage or destruction for which the proceeds are paid is to be repaired or reconstructed, the proceeds, or such portion thereof as may be required for such purpose, shall be disbursed in payment of such repairs or reconstruction as hereinafter provided. Any proceeds remaining after defraying such costs of repairs or reconstruction

or, in the event no repair or reconstruction is made, shall be disbursed to the affected Owner or Owners and their Mortgagee(s) as their interests may appear. This is a covenant for the benefit of any Mortgagee of a Residential Unit and may be enforced by such Mortgagee.

b. If it is determined, as provided for in Section 2 of this Article, that the damage or destruction for which the proceeds are paid shall not be repaired or reconstructed, such proceeds shall be disbursed in the manner as provided for in Section 3.a. of this Article V.

Section 4. Damage And Destruction.

a. Immediately after the damage or destruction by fire or other casualty to all or any part of a Residential Unit, the Board of Directors, or its duly authorized agent, shall proceed with the filing and adjustment of all claims arising under such insurance and obtain reliable and detailed estimates of the cost of repair or reconstruction of the damaged or destroyed Property. Repair or reconstruction, as used in this paragraph, means repairing or restoring the Residential Units to substantially the same condition in which they existed prior to the fire or other casualty.

b. Any damage or destruction shall be repaired or reconstructed unless by a vote of at least three-fourths (3/4) of all Members entitled to vote (not three-fourths (3/4) of a quorum), the Association shall decide within sixty (60) days after the casualty not to repair or reconstruct. If for any reason either the amount of the insurance proceeds to be paid as a result of such damage or destruction, or reliable and detailed estimates of the cost of repair and reconstruction, or both, are not made available to the Association within said period, then the period shall be extended until such information shall be made available; provided, however, such extension shall not exceed sixty (60) days. No Mortgagee shall have the right to participate in the determination of whether the damage or destruction shall be repaired or reconstructed.

c. In the event that it should be determined by the Association in the manner described above that the damage or destruction shall not be repaired or reconstructed and no alternative improvements are authorized, then and in that event the Residential Unit shall be restored to its natural state by the Owner or Owners thereof and maintained as an undeveloped portion of the Project by the Association in a neat and attractive condition.

Section 5. Repair And Reconstruction. If the damage or destruction for which the insurance proceeds are paid is to be repaired or reconstructed, and such proceeds are not sufficient to defray the cost thereof, the Board of Directors shall, without the necessity of a vote of the Members, levy a Special Assessment against the Owner or Owners of Residential Units affected by such damage or destruction. Additional Assessments may be made in like manner at any time during or following the completion of any repair or reconstruction.

Section 6. Appointment Of Insurance Trustee. The Association, as Insurance Trustee, shall have the right to appoint any federal or state bank which is qualified to offer trust services to the public as Insurance Trustee hereunder, and upon such appointment shall be relieved of all liability and responsibility as Insurance Trustee hereunder.

ARTICLE VI **NO PARTITION**

Except as is permitted in the Declaration or amendments thereto, there shall be no physical partition of a Residential Unit or any part thereof, nor shall any person acquiring any interest in any Residential Unit or any part thereof seek any such judicial partition unless the Property has been removed from the provisions of this Declaration. This Article shall not be construed to prohibit the Board of Directors from acquiring title to real property which may or may not be subject to this Declaration.

ARTICLE VII **CONDEMNATION**

Whenever all or any part of a Residential Unit shall be taken (or conveyed in lieu of and under threat of condemnation by the Owner) by any authority having the power of condemnation or eminent domain, each Owner and the Association shall be entitled to notice thereof. The award made for such taking shall be payable to the Insurance Trustee to be disbursed as follows:

If the taking involves a portion of a Residential Unit on which improvements have been constructed, then, unless within sixty (60) days after such taking by a vote of at least three-fourths (3/4) of all Members entitled to vote (not three-fourths (3/4) of a quorum), the Association shall otherwise agree, the Association shall restore or replace such improvements so taken on the remaining land included in the Residential Unit to the extent lands are available therefore, in accordance with plans approved by the Board of Directors of the Association. If such improvements are to be repaired or restored, the above provisions in Article V hereof regarding the disbursement of funds in respect to casualty damage or destruction which is to be repaired shall apply. If the taking does not include any improvements on the Residential Unit, or if there is a decision made not to repair or restore, or if there are net funds remaining after such restoration or replacement is completed, then such net funds shall be disbursed to the Owner and its Mortgagee as their interests may appear. This is a covenant for the benefit of any Mortgagee of a Residential Unit and may be enforced by such Mortgagee.

ARTICLE VIII **RIGHTS, OBLIGATIONS AND POWERS OF THE ASSOCIATION**

Section 1. Personal Property For Common Use. The Association, through action of its Board of Directors, may acquire, own, lease, hold and dispose of tangible and intangible personal property.

Section 2. Rules And Regulations. The Association, through its Board of Directors, has adopted and approved the rules and regulations attached hereto as Exhibit "C" (the "Rules and Regulations"). Sanctions for violation of the Rules and Regulations may be imposed in accordance with Article XII. The Board shall, in addition, have the power to seek relief in any court for violations or to abate nuisances. In addition, the Association shall permit the Town to enforce ordinances on the Property for the benefit of the Association and its Members.

Section 3. Implied Rights. The Association may exercise any other right or privilege given to it expressly by this Declaration, the Articles of Incorporation or the By-Laws, and every other right or privilege reasonably to be implied from the existence of any right or privilege given to it herein or reasonably necessary to effectuate any such right or privilege.

ARTICLE IX ASSESSMENTS

Section 1. Creation Of Assessments. There are hereby created Assessments for Common Expenses as may be from time to time specifically authorized by the Board of Directors to be commenced at the time and in the manner set forth in Article IX, Section 6. General assessments shall be for expenses determined by the Board to be for the benefit of the Association as a whole (herein "Assessments"). Assessments shall be allocated equally among all Residential Units.

Each Owner, by acceptance of his or her deed or recorded contract of sale, is deemed to covenant and agree to pay these Assessments. All such Assessments, together with interest at the rate of twelve percent (12%) per annum, costs and reasonable attorneys' fees, shall be a charge on the Residential Unit and shall be a continuing lien upon the Residential Unit against which each Assessment is made.

Each such Assessment, together with interest, costs, and reasonable attorneys' fees, shall also be the personal obligation of the person who was the Owner of such Residential Unit at the time the Assessment arose, and his or her grantee shall be jointly and severally liable for such portion thereof as may be due and payable at the time of conveyance to the extent expressly assumed, except no first Mortgagee who obtains title to a Residential Unit pursuant to the remedies provided in the Mortgage shall be liable for unpaid Assessments which accrued prior to such acquisition of title. Assessments shall be paid in such manner and on such dates as may be fixed by the Board of Directors which may include, without limitation, acceleration of the annual Assessment for delinquents. Unless the Board otherwise provides, the Assessments shall be paid annually, in full, in advance, for each budget year described in Article IX, Section 2.

The Association is specifically authorized to enter into subsidy contracts with Declarant or other entities for the payment of some portion of the Common Expenses.

Section 2. Computation Of Assessment. It shall be the duty of the Board, at least sixty (60) days before the beginning of the budget year (the budget year shall be from April 1 through May 31) and thirty (30) days prior to the meeting at which the budget shall be presented to the membership, to prepare a budget covering the estimated costs of operating the Association during the coming budget year. Subject to the provisions of Section 5 of this Article IX, the budget shall include a capital budget separately prepared and shall separately list general expenses. The Board shall cause a copy of the budget, and the amount of the Assessments to be levied against each Residential Unit for the following budget year to be delivered to each Owner at least fifteen (15) days prior to the meeting. The budget and the Assessments shall become effective when adopted by the Board of Directors.

Notwithstanding the foregoing, however, in the event the Board fails for any reason so to determine the budget for the succeeding budget year, then and until such time as a budget shall have been determined as provided herein, the budget in effect for the then current budget year shall continue for the succeeding budget year.

The Board may not, without the vote or written consent of a majority of the votes of the Association, impose an Assessment per Residential Unit which is greater than one hundred fifty percent (150%) of the amount for the previous fiscal year, except for the Assessment levied for the first time.

Section 3. Special Assessments. In addition to the Assessments authorized in Section 1, the Association may levy a Special Assessment or Special Assessments, provided, however, such Assessment for any purpose other than as a sanction against an Owner shall have the vote or written assent of fifty-one percent (51%) of a quorum of Members entitled to vote at a meeting called for that purpose. The Association may also levy a Special Assessment as a sanction against any Member to reimburse the Association for costs incurred in bringing a member and his Residential Unit into compliance with the provisions of the Declaration, the Amendments thereto, the Articles of Incorporation, the By-Laws, and any rules and regulations, which Special Assessment may be levied upon the vote of the Board.

Section 4. Lien For Assessments. When a notice of the lien has been recorded, such recording shall constitute a perfected lien on each Residential Unit prior and superior to all other liens, except (1) all taxes, bonds, assessments and other levies which by law would be superior thereto, and (2) the lien or charge of any first Mortgage of record (meaning any recorded Mortgage or deed of trust with first priority over other Mortgages or deeds of trust) made in good faith and for value.

Such lien, when delinquent, may be enforced by suit, judgment and foreclosure.

The Association, acting on behalf of the Owners, shall have the power to bid for the Residential Unit at foreclosure sale and to acquire and hold, lease, mortgage, and convey the same. During the period owned by the Association, following foreclosure: (a) no right

to vote shall be exercised on its behalf; (b) no Assessment shall be assessed or levied on it; and (c) each other Residential Unit shall be charged, in addition to its usual Assessment, its equal pro rata share of the Assessment that would have been charged such Residential Unit had it not been acquired by the Association as a result of foreclosure. Suit to recover a money judgment for unpaid Assessments, and attorneys' fees, shall be maintainable without foreclosing or waiving the lien securing the same.

Section 5. Capital Budget And Contributions. In the event that the Association becomes the owner of any capital asset, or is charged with the duty for the upkeep, maintenance and repair of a capital asset, the Board of Directors shall annually prepare a capital budget which shall take into account the number and nature of replaceable assets, the expected life of each asset, and the expected repair or replacement cost. The Board shall set the required capital contribution, if any, in an amount sufficient to permit meeting the projected capital needs of the Association, as shown on the capital budget, with respect both to amount and timing by annual Assessments over the period of the budget. The capital contribution required shall be fixed by the Board included within the budget and Assessments, as provided in Section 2 of this Article. A copy of the capital budget shall be distributed to each Member in the same manner as the operating budget.

Section 6. Date Of Commencement Of Annual Assessments. The annual Assessments provided for herein shall commence as to each Residential Unit on the first day of the conveyance by Declarant of title to that Residential Unit to an Owner. Assessments shall be due and payable in a manner and on a schedule as the Board of Directors may provide. The first annual Assessment shall be adjusted according to the number of months then remaining in that budget year.

Section 7. Subordination Of The Lien To First Deeds Of Trust And First Mortgages. The lien of the Assessments, including interest, late charges subject to the limitations of Indiana law, and cost (including attorneys' fees) provided for herein, shall be subordinate to the lien of any first Mortgage upon any Residential Unit. The sale or transfer of any Residential Unit shall not affect the Assessment lien. However, the sale or transfer of any Residential Unit pursuant to judicial foreclosure of a first Mortgage shall extinguish the lien of such Assessments as to payments which became due prior to such sale or transfer. No sale or transfer shall relieve such Residential Unit from lien rights for any Assessments thereafter becoming due. Where the Mortgagee of a first Mortgage of record or other purchaser of a Residential Unit obtains title, his successors and assigns shall not be liable for the share of the Common Expenses or Assessments by the Association chargeable to such Residential Unit by such acquirer. Such unpaid share of Common Expenses or Assessments shall be deemed to be Common Expenses collectible from all of the Residential Units, including such acquirer, his successors and assigns.

Section 8. Initial Assessment Payment. Upon acquisition of record title to a Residential Unit from Declarant, each Owner shall pay to Declarant an amount equal to the amount of the initial General Assessment for that Residential Unit as set forth in Section

2 of this Article IX (prorated to an amount for the period of time from the date of the Owner's acquisition of such record title, to the next May 31, the end of the budget year). This amount shall be deposited by the Declarant into the purchase and sales escrow and disbursed therefrom to the Association.

Section 9. Lake Use Assessments. There are hereby created Lake Use Assessments as may be from time to time specifically authorized and levied by the Board of Directors of Three Springs Phase 2 Home Owners Association, Inc., and levied under and pursuant to Article IX Section 4 of the Declaration of Covenants, Conditions, Restrictions and Easements for Three Springs Addition Phase 2, St. John, Indiana (Single Family Lots).

Section 10. Declarant Exemption. Notwithstanding any term or provision of this Declaration, or of the Articles of Incorporation, By-Laws or Rules and Regulations of the Association, to the contrary, the Declarant is hereby exempt from any and all obligations to pay Assessments on any Residential Unit or on any other part of the Property owned by Declarant.

ARTICLE X ARCHITECTURAL STANDARDS

Section 1. Architectural Review Committee. The Architectural Review Committee (the "ARC") shall consist of at least three (3) and no more than (5) members (except as may otherwise be determined by the Declarant pursuant to Article XVI Section 1), all of whom shall be appointed by the Board of Directors. The ARC shall have exclusive jurisdiction over all construction made on or to the Property or any Residential Unit.

Section 2. Architectural Review Committee Approval Required For Construction. No Owner shall apply for a building permit from the Town, and no construction shall take place until the requirements of this Article have been fully and strictly met, and until the approval of the ARC has been obtained.

The term "construction" as used in this Article includes the erection, installation, modification, addition, improvement, alteration or change of any kind to any building, sidewalk, street, lawn, mailbox, fence, landscaped area, or to any fixture or utility connected or appurtenant thereto, from that originally provided by the Declarant. Specifically, and not in limitation of the generality of the foregoing, Owners and Occupants are expressly prohibited from doing any of the following on the Property or on any Residential Unit without the approval of the ARC:

- a. Constructing a residential structure.
- b. Changing the exterior color or facia materials on any building, or erecting room additions or any other structure.

- c. Changing the materials used for sidewalks, curbs or roadway paving.
- d. Changing trees, shrubs or landscaping.
- e. Re-seeding or re-sodding lawn areas.
- f. Planting flower or vegetable gardens.
- g. Installing flag poles, statutes, figurines, sculptures or other similar items or works of art.
- h. Installing or erecting fences.
- i. Erecting signs other than those allowed by Article XI. Section 5.
- j. Changing the size, height or appearance of any mailbox or mailbox stand or support structure.

Section 3. Review Procedure. Plans and specifications showing the nature, kind, shape, color, size, materials and location of any proposed construction shall be submitted to the ARC for approval as to quality of workmanship and design and harmony of external design with existing structures, and as to location in relation to surrounding structures, topography and final grade elevation, all prior to making application for any building permit from the Town. No permission or approval shall be required to repaint in accordance with an originally approved color scheme, or to rebuild in accordance with originally approved plans and specifications. Nothing contained herein shall be construed to limit the right of an Owner to remodel the interior of his residence, or to paint the interior of his residence any color desired. In the event the ARC fails to approve or to disapprove such plans or to request additional information reasonably required within one hundred eighty (180) days after submission, the plans shall be deemed approved.

Section 4. Enforcement. The Board of Directors shall have the authority and standing, on behalf of the Association, to enforce in courts of competent jurisdiction, decisions of the ARC made in accordance with this Article X. This Article may not be amended without the Declarant's written consent, so long as the Declarant owns any parcel of the Property.

**ARTICLE XI
USE RESTRICTIONS**

Section 1. Residential Restrictions. The Property shall be used only for residential and related purposes as may more particularly be set forth in this Declaration and amendments thereto. The Association, acting through the Board of Directors, shall have standing and the power to enforce use restrictions contained in this Declaration as if such provision were a regulation of the Association.

Notwithstanding any provisions contained in this Declaration to the contrary, so long as construction and initial sale of Residential Units shall continue, it shall be expressly permissible for Declarant to maintain and carry on such facilities and activities as, in the sole opinion of Declarant, may be reasonably required, convenient or incidental to the construction or sale of such residences, including, but not limited to, business offices, signs, model units and sales offices, and the Declarant shall have an easement for access to such facilities. The right to maintain and carry on such facilities and activities shall include specifically the right to use Residential Units owned by the Declarant as models and sales offices. This Section may not be amended without the express written consent of the Declarant; provided, however, the rights contained in this Section 1 shall terminate upon the earlier of five (5) years from the date this Declaration is recorded, or upon the Declarant's recording a written statement that all sales activity has ceased.

Section 2. Nuisances. No nuisance shall be allowed upon any Residential Unit nor shall any use or practice be allowed which would annoy residents or interfere with the peaceful possession and proper use of the Residential Units by its residents, or which will obstruct or interfere with the rights of other Owners or the Association. This provision shall not be construed to prohibit or limit the enforcement of any provision of the Declaration which does not constitute a nuisance, or to prohibit the Association from adopting rules and regulations prohibiting conduct which does not constitute a nuisance.

Section 3. Immoral, Improper, Offensive And Unlawful Uses. No immoral, improper, offensive or unlawful use shall be made of any Residential Unit nor any part thereof and all laws, zoning ordinances and regulations of all governmental bodies having jurisdiction thereof shall be observed. The respective responsibilities of Owners and the Association of complying with the requirements of governmental bodies regarding the maintenance, modification or repair of Residential Units shall be the same as provided in Article IV hereof.

Section 4. Uses Affecting Insurance Rates. An Owner shall not permit or suffer anything to be done or kept in a Residential Unit which will increase the insurance rates on any adjacent Residential Unit.

Section 5. Signs And Other External Items. No Owner shall display any sign (except for temporary but tasteful "for sale" or "for rent" signs), advertisement or notice of any type on the exterior of a Residential Unit and no Owner shall erect any exterior antennae or aerials upon any Residential Unit. No clothesline or other similar device shall be allowed on any portion of any Residential Unit, except within an enclosed private courtyard.

Section 6. Animals. An Owner may not keep, raise or breed any animals, livestock or poultry in or on a Residential Unit, provided, however, that two (2) pets only shall be allowed to be kept in or on a Residential Unit, subject to any rules and regulations of the Association.

Section 7. Vehicles. No motor homes, campers, trailers, boats of any kind, or trucks in excess of 3/4-ton capacity, shall be parked at any time on any Residential Unit, except inside closed garages in a manner that shall allow the garage door to be closed entirely.

Section 8. Leasing Restrictions. All lease or rental agreements must be in writing. Residential Units shall not be leased for an initial term of less than six (6) months, nor for less than thirty (30) days for any term thereafter.

Section 9. Rules And Regulations. The Rules and Regulations concerning the use of the Residential Units may be amended by the Association acting by and through its Board of Directors each of which shall be deemed to be incorporated herein by reference and made a part hereof, as amended from time to time; provided, however, copies of all the Rules and Regulations other than the initial Rules and Regulations attached hereto as Exhibit "C" shall be furnished to each Owner prior to the time that the same become effective. All Rules and Regulations promulgated from time to time shall be deemed to be reasonable and enforceable, so long as they bear any relationship to the safety, health, happiness and enjoyment of life of all of the Owners, are in furtherance of a plan to provide for the congenial occupation of the Residential Units, to promote and protect the cooperative aspects of ownership, the value of the Residential Units, and/or facilitate the administration of the community as a first class, safe, healthy, happy, quiet and restful residential community, and are not arbitrary and capricious. The Board of Directors of the Association is hereby granted the specific power and authority to enforce the Rules and Regulations in accordance with the provisions of Article XII.

Section 10. Other Restrictions. In addition to the foregoing, the Property and each Residential Unit is subject to the terms and provisions of the covenants, conditions and restrictions contained in the recorded plat of subdivision of Three Springs Addition, Phase 2, an Addition to the Town of St. John as shown on Plat Book 100 page 50 in Lake County, Indiana (herein the "Existing Restrictions"). In the event of a conflict between the terms and provisions of the Existing Restrictions and those set forth in this Declaration, the terms and provisions of the Existing Restrictions shall govern.

Section 11. Minimum Floor Plan Size. Each townhome located on a Residential Unit shall have a minimum floor area of 1,300 square feet.

Section 12. Fences. Fences, if approved by the ARC, shall be one style, one color, and one height, as approved by the ARC, and shall be manufactured, installed or erected by suppliers and contractors approved in advance by the ARC. No fence shall be constructed or erected on the address street side of a line which is the rear most wall of the townhome extended to the lot lines. Notwithstanding the provisions of Article IV, Section 1, the Owner shall be responsible for mowing, lawn trimming, lawn fertilizing, shrub trimming and snow removal inside of all fenced-in areas of that Owner's Residential Unit.

Notwithstanding the foregoing, all fencing is prohibited on Lots 77, 78, and 79, except to the minimum extent required by ordinances of the Town in connection with swimming pools; provided, however, that all swimming pool fences must be approved by the ARC prior to applying for a swimming pool building or fence permit from the Town.

Section 13. Mailboxes. A mailbox shall be provided and installed by the Declarant. Replacement mailboxes shall be of the same design and shall be installed at the same location as those installed by the Declarant.

Section 14. Storage. No exterior storage shed, lean-to or enclosure is allowed on any Residential Unit and exterior dog runs or animal enclosures are strictly prohibited.

Section 15. Roof Protrusions and Satellite Dishes. All plumbing stacks and roof protrusions shall be located at the rear of the structure roof. Satellite dishes not exceeding twenty-four inches (24") in diameter and thirty-six inches (36") in height may be installed at the rear of the Residential Unit and screening shall be provided so that it is not visible from the street.

Section 16. Temporary and Other Structures. No structure of a temporary nature or character, and no trailer, tent, shack, barn or other outbuilding shall be used on any part of the Property. These provisions shall not apply to sales or temporary construction trailers placed on the Property by the Declarant.

Each Owner and Occupant of a Residential Unit shall be governed by and shall comply with the terms of this Declaration and the Articles of Incorporation, By-Laws, and any rules and regulations of the Association adopted pursuant thereto as they may be amended from time to time. A default or violation by an Owner or Occupant of a Residential Unit shall entitle the Association or any other Owner or Owners to the following remedies:

Section 1. Authority And Administrative Enforcement And Procedures

a. Authority. Residential Units shall be used only for those uses and purposes set out in this Declaration, and subject to the covenants and restrictions set forth herein and in the By-Laws and in any rules and regulations of the Association. The Board of Directors shall have the power and authority to impose reasonable Special Assessments in accordance with Article IX.3., which shall constitute a lien upon the Owner's Residential Unit and to suspend an Owner's right to vote, and to approve other appropriate sanctions in the event that it is determined in accordance with this Article XII that an Owner or Occupant has violated any provision of this Declaration, the By-Laws, or any rules and regulations as duly promulgated.

b. Procedure. The Board of Directors shall not impose a Special Assessment as a sanction, suspend the right to vote, or infringe upon any other rights of an Owner or Occupant for any such violation unless and until the following procedure is followed:

(1) Demand. Written demand to cease and desist from an alleged violation shall be served upon the alleged violator specifying (a) the alleged violation; (b) the action required to abate the violation; and (c) a time period not less than ten (10) days, during which the violation may be abated without further sanction.

(2) Notice. If the violation continues past the period allowed in the demand for abatement without sanction, the Association shall serve the violator with written notice of a hearing. The notice shall contain (a) the nature of the alleged violation; (b) the time and place of the hearing, which time shall be not less than ten (10) days from the giving of the notice; (c) an invitation to attend the hearing and produce any statements, evidence and/or witnesses in his/her behalf; and (d) the proposed sanction to be imposed.

(3) Hearing. The hearing shall be held in executive session by the Board of Directors pursuant to the notice affording the violator a reasonable opportunity to be heard. Prior to the effectiveness of any sanction hereunder, proof of notice, the invitation to be heard, the written result and statements of the sanction shall be placed in the minutes of the meeting. Such proof shall be deemed adequate if a copy of the notice together with a statement of the date and manner of delivery is entered by the officer or director who delivered such notice. The notice requirement shall be deemed satisfied if a violator appears at the meeting.

c. Sanctions. The Board of Directors' power and authority to impose sanctions shall be governed by the following provisions:

(1) All Special Assessments imposed upon a violator under this Article shall bear a reasonable relationship to the violation, considering all the circumstances, which may include, but shall not be limited to, the following:

(a) The actual costs and expenses incurred by the Board of Directors and the individual directors in the exercise of the power and authority under this Article XII, and in otherwise attempting to remedy the violation.

(b) The amount of actual damage done to other Owners and Occupants and/or their Residential Units and/or to the Association arising out of the violation or the efforts to remedy the effects of same.

(c) The amount which would be reasonably required to compensate the Association for the disruption of and inconvenience to, the community, the Association or any Member thereof, or Occupant of a Residential Unit.

(d) The extent to which the violation is or was flagrant, and the extent to which the violator cooperated or hindered in any effort to remedy the violation.

(2) All Special Assessment amounts imposed hereunder as a sanction shall be deemed to be a part of the General Assessment attributable to the Residential Unit occupied by the violator, and shall be assessed against said Residential Unit and its Owner as a Special Assessment to be due and payable on the date that the next General Assessment would be due, and any such Special Assessments which are not paid as of that date shall become a lien on such Residential Unit, and shall be collected and enforced in the same manner as General Assessments.

(3) Nothing herein contained shall be construed as granting to the Board of Directors the power or authority to impose such a Special Assessment which is punitive in nature, or to suspend an Owner's right to vote, unless the Board of Directors finds, by specific special findings of fact in accordance with the foregoing procedure, that the violator's conduct was willful, malicious, oppressive and outrageous in nature. Said special findings of fact shall specifically set forth all facts and circumstances.

(4) All other sanctions imposed shall be reasonably related to the violation found.

(5) The decision of the Board of Directors made in accordance with the foregoing procedures shall be final.

Section 2. Legal Remedies. In addition to the administrative remedies set forth in Article XII.1., the legal remedies may include, without limiting the same, an action to recover sums due for damages, injunctive relief, foreclosure of lien, an action to enforce the sanctions imposed by administrative procedure, or any combination thereof. The prevailing party shall be entitled to recover the costs of any legal proceeding including reasonable attorneys' fees.

Section 3. No Waiver Of Rights. The failure of the Association or of an Owner to enforce any right, provision, covenant or condition which may be granted by the Declaration, Articles of Incorporation, By-Laws and any rules and regulations or by law shall not constitute a waiver of the right of the Association or Owner to enforce such right, provision, covenant or condition in the future.

Section 4. No Election Of Remedies. All rights, remedies and privileges granted to the Association or any Owner pursuant to any terms, provisions, covenants or conditions of the Declaration, Articles of Incorporation, By-Laws and any rules and regulations or by law shall be deemed to be cumulative, and the exercise of any one or more shall not be deemed to constitute an election of remedies nor shall it preclude the party thus exercising the same from exercising such other and additional rights, remedies or privileges.

ARTICLE XIII **AMENDMENT**

The Declaration and the Articles of Incorporation, By-Laws, and any rules and regulations may be amended in the following manner:

Section 1. Declaration. Subject to Article XV, amendments to the Declaration shall be proposed and adopted as follows, provided, however, that no amendment may revoke, remove or modify any right or privilege of the Declarant, without the Declarant's written consent.

a. Notice. Notice of the subject matter of any proposed amendment shall be included in the Notice of any meeting of the Board of Directors or Owners at which any proposed amendment is to be considered.

b. Resolution. Except as provided in subparagraph d. hereof, a resolution to amend the Declaration may be adopted by the affirmative vote of not less than three-fourths (3/4) of the Members (not three-fourths (3/4) of a quorum) at any regular or special meeting of the Members called and held in accordance with the By-Laws; provided, however, that any such amendment must also be approved and ratified by not less than three-fourths (3/4) of the Board of Directors (not three-fourths (3/4) of a quorum).

c. Recording. The amendment shall not be effective until a certified copy thereof is recorded in the Office of the Recorder of Lake County, Indiana. A copy of any such amendment shall also be sent to each Owner and his Mortgagee by registered or certified mail; provided, however, the mailing of such amendment shall not constitute a condition precedent to the effectiveness of such amendment.

d. Amendments By Declarant. Notwithstanding any other provision of the Declaration, and in addition to any other right to amend elsewhere set forth herein, the Declarant alone may amend this Declaration, or the Articles of Incorporation, or By-Laws, without the consent of the Owners, the Association, the Board of Directors or any Mortgagee, or any other Person, (1) to correct scrivener's errors, minor defects or omissions, or (2) to comply with the requirements of Indiana law, or (3) to comply with the requirements of any governmental agency, public authority, or title insurance company, or (4) to comply with the requirements of the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Home Loan Mortgage

Corporation, the Department of Housing and Urban Development, the Federal Housing Association, the Veterans Administration, or any other government agency or any other public, quasi-public or private entity which performs (or may in the future perform) functions similar to those currently performed by each such entity, or (5) to add additional real estate to the encumbrance of the Declaration, regardless of location or contiguity to the Property. This subparagraph d. shall constitute an irrevocable special power of attorney to Declarant on behalf of all Owners, Mortgagees, and any and all other Persons having an interest of any kind the Property, for so long as Declarant owns any Residential Unit or until the expiration of ten (10) years from the date on which this Declaration is recorded, whichever occurs first. The amendment shall be signed by the Declarant and it shall become effective upon the recording of a copy thereof in the Office of the Recorder of Lake County, Indiana. A copy of such amendment shall also be sent to all Owners and their Mortgagees in the manner provided in subparagraph c. hereof.

Section 2. Articles Of Incorporation, By-Laws And Rules And Regulations.

The Articles of Incorporation, By-Laws and Rules and Regulations of the Association shall be amended in the manner provided by such documents or by law.

ARTICLE XIV
GENERAL PROVISIONS

Section 1. Term. The covenants and restrictions of this Declaration shall run with and bind the Property, and shall inure to the benefit of and shall be enforceable by the Association or the Owner of any Residential Unit subject to this Declaration, their respective legal representatives, heirs, successors and assigns, for a term of thirty (30) years from the date this Declaration is recorded, after which time they shall be automatically extended for successive periods of ten (10) years, unless an instrument in writing, signed by a majority of the then Owners, has been recorded within the year preceding and the beginning of each successive period of ten (10) years, agreeing to change said covenants and restrictions, in whole or in part, or to terminate the same.

Section 2. Indemnification. The Association shall indemnify every officer and director against any and all expenses, including counsel fees, reasonably incurred by or imposed upon any officer or director in connection with any action, suit or other proceeding (including settlement of any suit or proceeding, if approved by the then Board of Directors) to which he or she may be a party by reason of being or having been an officer or director. The officers and directors shall not be liable for any mistake of judgment, negligent or otherwise, except for their own individual willful misfeasance, malfeasance, misconduct or bad faith. The officers and directors shall have no personal liability with respect to any contract or other commitment made by them, in good faith, on behalf of the Association (except to the extent that such officers or directors may also be Members of the Association), and the Association shall indemnify and forever hold each such officer and director free and harmless against any and all liability to others on account of any such contract or commitment. Any right to indemnification provided for herein shall not be

exclusive of any other rights to which any officer or director, or former officer or director, may be entitled. The Association shall, as a Common Expense, maintain adequate general liability and officers' and directors' liability insurance to fund this obligation, if such insurance is reasonably available.

Section 3. Severability. Invalidation of any one of these covenants or restrictions by judgment or court order shall in no way affect any other provisions which shall remain in full force and effect.

Section 4. Perpetuities. If any of the covenants, conditions, restrictions, easements or other provisions of this Declaration shall be unlawful, void or voidable for violation of the rule against perpetuities, then such provisions shall continue only until twenty-one (21) years after the death of the last survivor of the now living descendants of Elizabeth II, Queen of England.

ARTICLE XV MORTGAGEES' RIGHTS

The following provisions are for the benefit of holders, insurers, or guarantors of first Mortgages on Residential Units. To the extent applicable, necessary, or proper, the provisions of this Article XV apply to both this Declaration and to the By-Laws of the Association. Where indicated, these provisions apply only to "Eligible Holders", as hereinafter defined; provided, however, voting percentages set forth herein are subject to and controlled by higher percentage requirements, if any, set forth elsewhere in this Declaration for specific actions.

Section 1. Notices Of Action. An institutional holder, insurer, or guarantor of a first Mortgage, who provides written request (such request to state the name and address of such holder, insurer or guarantor and the Residential Unit address), to the Association (therefore becoming an "Eligible Holder"), will be entitled to timely written notice of:

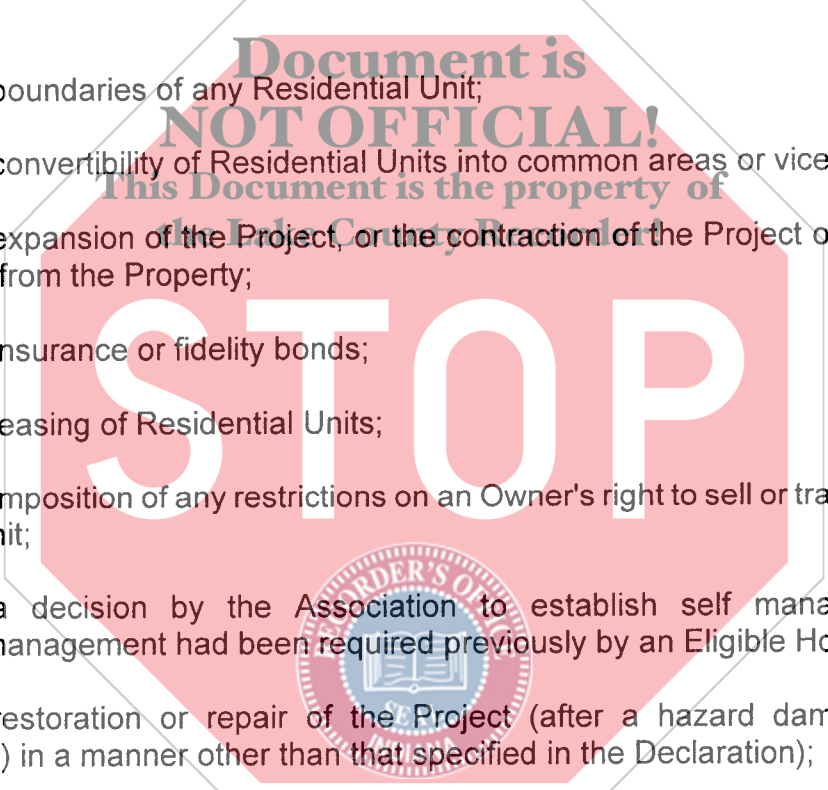
- a. any proposed termination of the Association;
- b. any condemnation loss or any casualty loss which affects a material portion of the Property or which affects any Residential Unit on which there is a first Mortgage held, insured or guaranteed by such Eligible Holder;
- c. any delinquency in the payment of Assessments or charges owed by an Owner of a Residential Unit subject to the Mortgage of such Eligible Holder, insurer or guarantor, where such delinquency has continued for a period of sixty (60) days;
- d. any lapse, cancellation or material modification of any insurance policy or fidelity bond maintained by the Association; or

e. any proposed action which would require the consent of Eligible Holders, as required in Section 2 of this Article.

Section 2. Mortgagee's Rights Respecting Amendments To The Declaration.

To the extent possible under Indiana law, and notwithstanding the provisions of Article XIII, any amendment of a material nature must be approved by Eligible Holders representing at least fifty-one percent (51%) of the votes of Residential Units that are subject to Mortgages held by Eligible Holders. An amendment to any of the following shall be considered material:

- a. voting rights;
- b. Assessments, Assessment liens, or subordination of Assessment liens;
- c. reserves for maintenance, repair and replacement of common areas;
- d. responsibility for maintenance and repairs;
- e. reallocation of interests in any general or limited common areas, or rights to their use;
- f. boundaries of any Residential Unit;
- g. convertibility of Residential Units into common areas or vice versa;
- h. expansion of the Project, or the contraction of the Project or withdrawal of property to or from the Property;
- i. insurance or fidelity bonds;
- j. leasing of Residential Units;
- k. imposition of any restrictions on an Owner's right to sell or transfer his or her Residential Unit;
- l. a decision by the Association to establish self management when professional management had been required previously by an Eligible Holder;
- m. restoration or repair of the Project (after a hazard damage or partial condemnation) in a manner other than that specified in the Declaration);
- n. any action to terminate the legal status of the Project after substantial destruction or condemnation occurs, provided, however, that any action to terminate the legal status of the Project for reasons other than substantial destruction or condemnation shall require the consent of Eligible Holders representing sixty-seven percent (67%) of the votes of Residential Units; or



o. any provisions that expressly benefit mortgage holders, insurers or guarantors.

Section 3. Special FHLMC Provision. So long as required by FHLMC, the following provisions apply in addition to and not in lieu of the foregoing two Sections of this Article. Unless two-thirds (2/3) of the first Mortgagees or Owners give their consent, the Association shall not:

a. by act or omission seek to abandon, partition, subdivide, encumber, sell or transfer any common area which the Association owns, directly or indirectly (the granting of easements for public utilities or for other public purposes consistent with the intended use of the Property shall not be deemed a transfer);

b. change the method of determining the obligations, Assessments, dues or other charges which may be levied against an Owner;

c. by act or omission change, waive, or abandon any scheme of regulations or enforcement thereof pertaining to the architectural design or the exterior appearance and maintenance of Residential Units and of any common area;

d. fail to maintain fire and extended coverage insurance, as required by this Declaration; or

e. use hazard insurance proceeds for any common area losses for other than the repair, replacement or reconstruction of such.

The provisions of this Section 3 shall not be construed to reduce the percentage vote that must be obtained from Mortgagees or Owners where a larger percentage vote is otherwise required for any of the actions contained in this Section.

Section 4. Mortgagee's Right To Cure. First Mortgagees may, jointly or singly, pay taxes or other charges which are in default and which may or have become a charge against any common area and may pay overtime premiums on casualty insurance policies, or secure new casualty insurance coverage upon the lapse of a policy, for any common area, and first Mortgagees making such payment shall be entitled to immediate reimbursement from the Association.

**ARTICLE XVI
DECLARANT'S RIGHTS**

Section 1. Control By Declarant. In addition to any other right or privilege given or granted, or reserved to Declarant under this Declaration, the Declarant shall have the right to elect a majority of the Board of Directors of the Association, and all of the members of the ARC (which, for so long as Declarant has the right to do so, may consist of a fewer

number in each case than is otherwise required by the Association Articles of Incorporation or by Article X. Section 1. hereof), for as long as the Declarant has any ownership in any of the Residential Units or until the expiration of ten (10) years after the date on which this Declaration is recorded, whichever occurs first. The members elected by the Declarant need not be residents or Owners or Members.

Section 2. Absence Of Warranty. The Declarant specifically disclaims any warranty or representation in connection with the Property or this Declaration except as specifically set forth herein; and no Person shall rely upon any warranty or representation not specifically set forth therein. Any estimates of Assessments are believed to be accurate, but no warranty or guaranty is made or intended, nor may one be relied upon.

Section 3. Assessment Exemption. Declarant may elect in writing to the Association, at any time, to be exempt from any Assessment levied by the Association on any or all Residential Units owned by the Declarant, which are unoccupied and offered by the Declarant for the first time for sale, for the period of time beginning on the date of the recording of this Declaration, and ending on the first day of the twenty-fourth (24th) month following the month in which the closing of the sale of the first Residential Unit by Declarant occurs.

Section 4. Right To Amend Declaration. The Declarant shall have the right to amend the Declaration, and the Articles of Incorporation, and the By-Laws in accordance with Article XIII.1.d.

Section 5. Transfer Of Rights. Any or all of the special rights and obligations of the Declarant may be transferred to other persons or entities, provided that the transfer shall not reduce an obligation nor enlarge a right beyond that contained herein, and provided further, no such transfer shall be effective unless it is in a written instrument signed by the Declarant and duly recorded in the Official Records of Lake County, Indiana.

IN WITNESS WHEREOF, the Declarant has caused this instrument to be signed as of this 1st day of November, 2006.

THREE SPRINGS DEVELOPMENT, INC.

By: 

David M. Barick, President



STATE OF INDIANA)
) SS:
COUNTY OF LAKE)

ACKNOWLEDGMENT

I, the undersigned, a Notary Public in and for said County in the State aforesaid, do hereby certify that DAVID M. BARICK, the President of THREE SPRINGS DEVELOPMENT, INC., personally known to me to be the same person whose name is subscribed to the foregoing instrument, appeared before me this day in person and acknowledged that he signed and delivered the said instrument on behalf of said corporation as his own free and voluntary act for the uses and purposes therein set forth.

Given under my hand and seal this 1st day of November, 2006.



Glenn R. Patterson, Notary Public

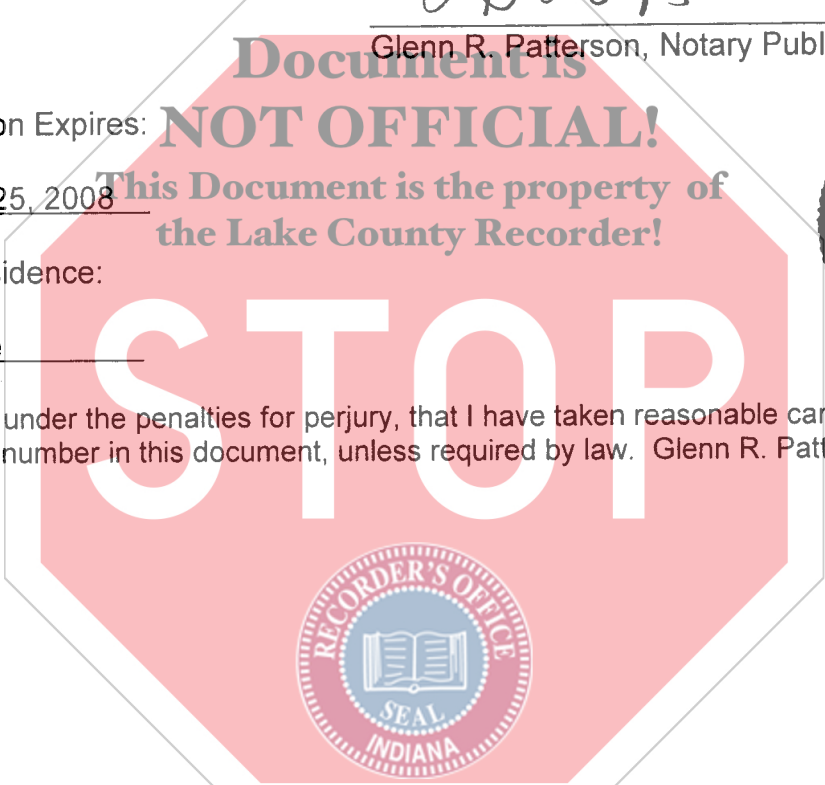
My Commission Expires:

November 25, 2008

County of Residence:

Lake

I affirm, under the penalties for perjury, that I have taken reasonable care to redact each Social Security number in this document, unless required by law. Glenn R. Patterson



This Instrument prepared by Glenn R. Patterson, Esq., Lucas, Holcomb & Medrea LLP, 300 East 90th Drive, Merrillville, Indiana 46410

**State of Indiana
Office of the Secretary of State**

CERTIFICATE OF INCORPORATION

of

THE TOWNHOMES OF THREE SPRINGS PHASE 2 ASSOCIATION, INC.

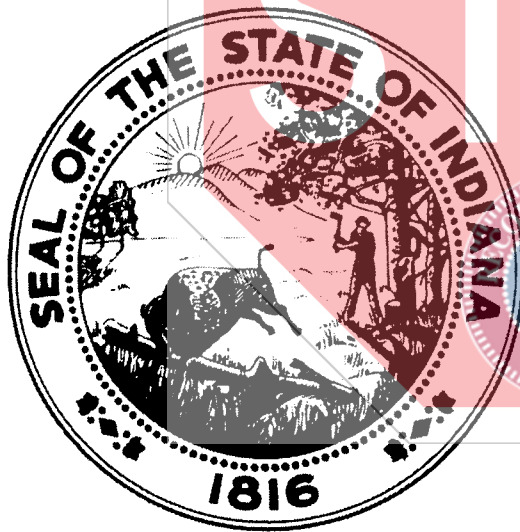
I, TODD ROKITA, Secretary of State of Indiana, hereby certify that Articles of Incorporation of the above Non-Profit Domestic Corporation have been presented to me at my office, accompanied by the fees prescribed by law and that the documentation presented conforms to law as prescribed by the provisions of the Indiana Nonprofit Corporation Act of 1991.

**Document is
NOT OFFICIAL!**

**This Document is the property of
the Lake County Recorder!**

NOW, THEREFORE, with this document I certify that said transaction will become effective Friday, November 03, 2006.

In Witness Whereof, I have caused to be affixed my signature and the seal of the State of Indiana, at the City of Indianapolis, November 3, 2006.



Todd Rokita

TODD ROKITA,
SECRETARY OF STATE

2006110600063 / 2006110600390

EXHIBIT "A"

APPROVED
AND
FILED



INDIANIA SECRETARY OF STATE

ARTICLES OF INCORPORATION
(Nonprofit)
State Form 4162 (R7/7-91)
Corporate Form 364-1 (October 1984)

INDIANA SECRETARY OF STATE
2700
9:34

ARTICLES OF INCORPORATION

OF

THE TOWNHOMES OF THREE SPRINGS PHASE 2 ASSOCIATION, INC.

The undersigned incorporator desiring to form a corporation (hereinafter referred to as the "Corporation") pursuant to the provisions of the Indiana Nonprofit Corporation Act of 1991 (hereinafter referred to as the "Act"), executes the following Articles of Incorporation:

ARTICLE I
NAME AND PRINCIPAL OFFICE

The name of the Corporation is The Townhomes of Three Springs Phase 2 Association, Inc.

The address of the principal office of the Corporation is c/o David M. Barick, 434 Brighton Lane, Dyer, Indiana 46311

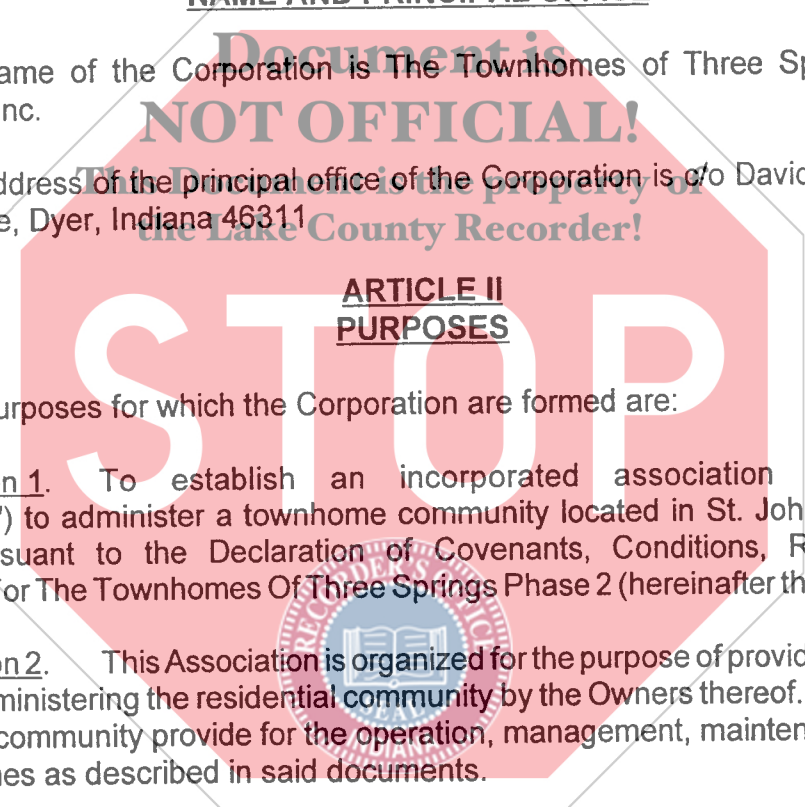
ARTICLE II
PURPOSES

The purposes for which the Corporation are formed are:

Section 1. To establish an incorporated association (hereinafter the "Association") to administer a townhome community located in St. John, Lake County, Indiana, pursuant to the Declaration of Covenants, Conditions, Restrictions And Easements For The Townhomes Of Three Springs Phase 2 (hereinafter the "Declaration").

Section 2. This Association is organized for the purpose of providing a convenient means of administering the residential community by the Owners thereof. The documents creating the community provide for the operation, management, maintenance and use of the townhomes as described in said documents.

Section 3. The Association shall not engage in any activities for the profit of its Members, and shall conduct its affairs in such fashion and for such purposes other than for the pecuniary gain of its Members, directors, officers or incorporators.



Section 4. The Association shall have all of the common law and statutory powers of a nonprofit corporation which are not in conflict with the terms of these Articles.

Section 5. The Association shall have all of the powers reasonably necessary to implement the purpose of the Association, including, but not limited to, the following:

- (a) Make and collect Assessments against Members.
- (b) To use the proceeds of Assessments in the exercise of its powers and duties.
- (c) To maintain property in accordance with the Declaration.
- (d) To make and amend rules and regulations respecting the use of the townhomes.
- (e) To enforce by legal means the provisions of the Declaration, these Articles, the By-Laws of the Association, and the Rules and Regulations in accordance with the Declaration.
- (f) To contract for the management of the Association and delegate to such contractor all powers and duties of the Association except such as are specifically required by the Declaration to have the approval of the Board of Directors or of the Members of the Association.
- (g) All funds and the titles of all properties acquired by the Association and the proceeds thereof shall be held only for the benefit of the Members in accordance with the provisions of the Declaration.
- (h) The powers of the Association shall be subject to and shall be exercised in accordance with the provisions of the Declaration.
- (i) To carry insurance for the protection of Members and the Association against casualty and liabilities.
- (j) To employ personnel for reasonable compensation to perform the services required for proper administration of the purposes of the Association.

Section 6. All rights, powers and descriptions of purpose established by the Articles of Incorporation, shall be subject to the Declaration and all provisions contained therein as if fully set forth in these Articles, and shall further be subject to Indiana law governing not-for-profit corporations.

ARTICLE III
TYPE OF CORPORATION

The Corporation is a mutual benefit corporation.

ARTICLE IV
REGISTERED AGENT AND REGISTERED OFFICE

The name and address of the Corporation's Registered Agent and Registered Office for service of process are:

Glenn R. Patterson, Esq.
300 East 90th Drive
Merrillville, Indiana 46410

ARTICLE V
MEMBERSHIP

The Corporation will have members.

ARTICLE VI

INCORPORATORS

Name and address of the incorporator is as follows:

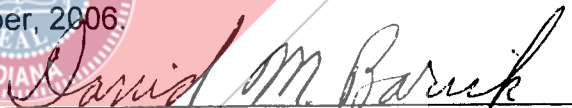
David M. Barick
434 Brighton Lane
Dyer, Indiana 46311

ARTICLE VII

DISTRIBUTION OF ASSETS ON
DISSOLUTION OR FINAL LIQUIDATION

The assets of the Corporation will be distributed to the Members in accordance with their respective interests upon dissolution or final liquidation.

IN WITNESS WHEREOF, the undersigned Incorporator of said Corporation executes this document and verifies subject to penalties of perjury that the facts contained herein are true, this 22nd day of September, 2006.



David M. Barick, Incorporator

This Instrument prepared by Glenn R. Patterson, Esq., Tauber & Westland, P.C., 9211 Broadway, Merrillville, Indiana 46410

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BY-LAWS

OF

THE TOWNHOMES OF THREE SPRINGS PHASE 2 ASSOCIATION,

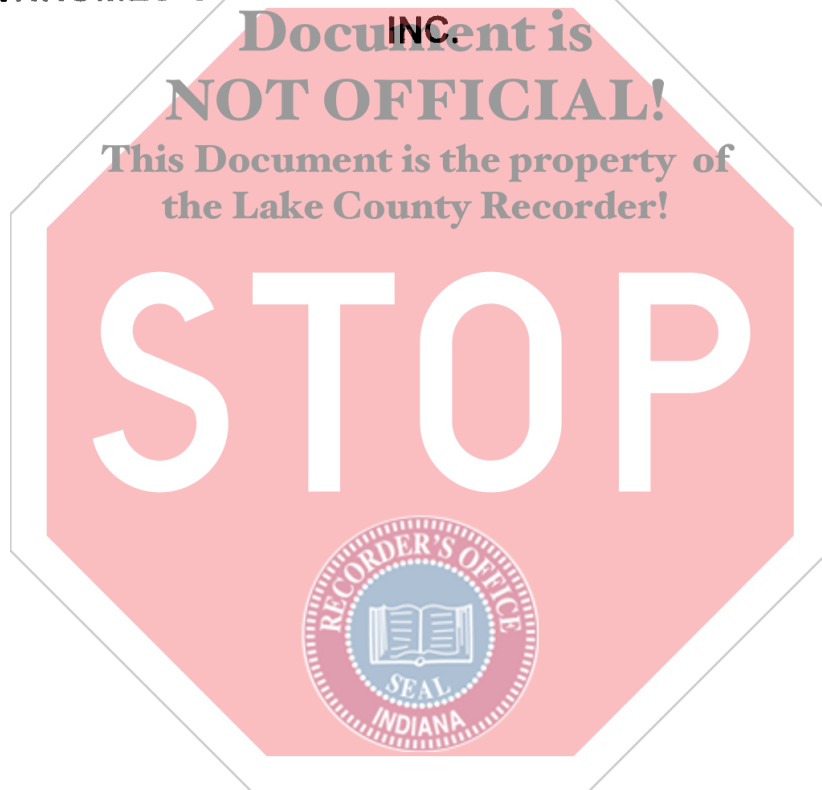


EXHIBIT "B"

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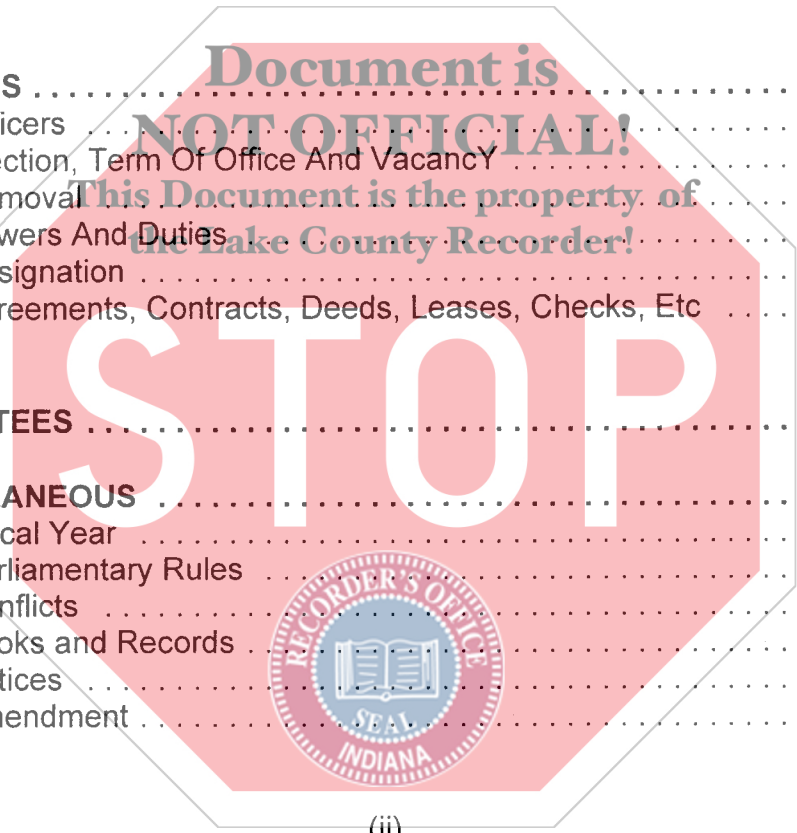
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BY-LAWS

OF

THE TOWNHOMES OF THREE SPRINGS PHASE 2 ASSOCIATION, INC.

ARTICLE I

NAME, MEMBERSHIP, APPLICABILITY AND DEFINITIONS

Section 1. Name. The name of the Association shall be The Townhomes of Three Springs Phase 2 Association, Inc. (hereinafter sometimes referred to as the "Association").

Section 2. Principal Office. The principal office of the Association shall be located initially at Declarant's principal business location, and thereafter at such location as determined by the Board of Directors. The Association may have such other offices, either within or without the State of Indiana, as the Board of Directors may determined or as the affairs of the Association may require.

Section 3. Definitions. The words used in these By-Laws shall have the same meaning as set forth in that Declaration of Covenants, Conditions, Restrictions and Easements for The Townhomes of Three Springs Phase 2 of St. John, Indiana (said Declaration, as amended, renewed or extended from time to time, is hereinafter sometimes referred to as the "Declaration"), unless the context shall prohibit.

ARTICLE II

ASSOCIATION: MEETINGS, QUORUM, VOTING, PROXIES

Section 1. Membership. The Association shall have one (1) class of membership, as more fully set forth in the Declaration, the terms of which pertaining to membership are specifically incorporated herein by reference.

Section 2. Place Of Meetings. Meetings of the Association shall be held at the principal office of the Association or at such other suitable place convenient to the Members as may be designated by the Board of Directors either in the Project or as convenient thereto as possible and practical.

Section 3. Annual Meetings. The first meeting of the Members, whether a regular or special meeting, shall be held within one (1) year from the date of incorporation of the Association. The next annual meeting shall be set by the Board so as to occur no later than ninety (90) days after the close of the Association's fiscal year. Subsequent

regular annual meetings of the Members shall be held within thirty (30) days of the same day of the same month of each year thereafter at an hour set by the Board. Subject to the foregoing, the annual meeting of the Members shall be held at a date and time as set by the Board of Directors.

Section 4. Special Meetings. The President may call special meetings. In addition, it shall be the duty of the President to call a special meeting of the Association if so directed by resolution of a majority of a quorum of the Board of Directors or upon a petition signed by at least ten percent (10%) of the total votes of the Association. The notice of any special meeting shall state the date, time and place of such meeting and the purpose thereof. No business shall be transacted at a special meeting except as stated in the notice.

Section 5. Notice Of Meetings. Written or printed notice stating the place, day and hour of any meeting of the Members shall be delivered, either personally or by mail, to each Member entitled to vote at such meeting, not less than ten (10) days nor more than fifty (50) days before the date of such meeting, by or at the direction of the President or the Secretary or the officers or persons calling the meeting.

In the case of a special meeting or when required by statute or these By-Laws, the purpose or purposes for which the meeting is called shall be stated in the notice. No business shall be transacted at a special meeting except as stated in the notice.

If mailed, the notice of a meeting shall be deemed to be delivered when deposited in the United States mail addressed to the Member at his address as it appears on the records of the Association, with postage thereon prepaid.

Section 6. Waiver Of Notice. Waiver of notice of meeting of the Members shall be deemed the equivalent of proper notice. Any Member may, in writing, waive notice of any meeting of the Members, either before or after such meeting. Attendance at a meeting by a Member, whether in person or by proxy, shall be deemed a waiver by such member of notice of the time, date and place thereof, unless such Member specifically objects to a lack of proper notice at the time the meeting is called to order. Attendance at a special meeting shall also be deemed a waiver of notice of all business transacted thereat unless objection to the calling or convening of the meeting, of which proper notice was not given, is raised before the business is put to a vote.

Section 7. Adjournment Of Meetings. If any meeting of the Association cannot be held because a quorum is not present, a majority of the Members who are present at such meeting, either in person or by proxy, may adjourn the meeting to a time not less than five (5) nor more than thirty (30) days from the time the original meeting was called. At such adjourned meeting at which a quorum is present, any business which might have been transacted at the meeting originally called may be transacted. If a time and place for

the adjourned meeting is not fixed by those in attendance at the original meeting or if for any reason a new date is fixed for the adjourned meeting after adjournment, notice of the time and place of the adjourned meeting shall be given to Members in the manner prescribed for regular meetings.

The Members present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough Members to leave less than a quorum, provided that at least twenty-five percent (25%) of the total votes of the Association remains present in person or by proxy, and provided further that any action taken shall be approved by at least a majority of the Members required to constitute a quorum.

Section 8. Voting. The voting rights of the Members shall be as set forth in the Declaration, and such voting rights provisions are specifically incorporated herein.

Section 9. Proxies. At all meetings of Members, each Member may vote in person or by proxy. All proxies shall be in writing and filed with the Secretary before the appointed time of each meeting. Every proxy shall be revocable and shall automatically cease upon conveyance by the member of his or her Residential Unit or upon receipt of notice by the Secretary of the Board of the death or judicially declared incompetence of a Member or upon the expiration of eleven (11) months from the date of the proxy.

Section 10. Majority. As used in these By-Laws, the term "majority" shall mean those votes, Owners, or other group as the context may indicated totaling more than fifty percent (50%) of the total number.

Section 11. Quorum. Except as otherwise provided in these By-Laws or in the Declaration, the presence in person or by proxy of one-half (1/2) of the Members shall constitute a quorum at all meetings of the Association. Any provision in the Declaration concerning quorums is specifically incorporated herein.

Section 12. Conduct Of Meetings. The President shall preside over all meetings of the Association, and the Secretary shall keep the minutes of the meeting and record in a minute book all resolutions adopted at the meeting, as well as a record of all transactions occurring thereat.

Section 13. Action Without A Meeting. 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 the Members, may be taken without a 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, and such consent shall have the same force and effect as a unanimous vote of the Members.

ARTICLE III
BOARD OF DIRECTORS: NUMBER, POWERS, MEETINGS

A. Composition And Selection.

Section 1. Governing Body; Composition. The affairs of the Association shall be governed by a Board of Directors. Except as provided in Section 2 of this Article, the Directors shall be Members or spouses of such Members; provided, however, no person and his or her spouse may serve on the Board at the same time.

Section 2. Directors During Declarant Control. The Directors shall be selected by the Declarant acting in its sole discretion and shall serve at the pleasure of the Declarant until such time as is specified in the Declaration, unless the Declarant shall earlier surrender this right to select Directors. The Directors selected by the Declarant need not be Owners or residents in the Project. After the period of Declarant appointment, all Directors must be Members of the Association.

Section 3. Number Of Directors. The number of Directors in the Association shall be not less than three (3) nor more than five (5), as the Board of Directors may from time to time determine by resolution. The initial Board shall consist of three (3) members and are identified in the minutes of the first meeting of the Board.

Section 4. Nomination Of Directors. Except with respect to Directors selected by the Declarant, nominations for election to the Board of Directors shall be made by a Nominating Committee. The Nominating Committee shall consist of a Chairman, who shall be a member of the Board of Directors, and two (2) or more Members of the Association. The Nominating Committee shall be appointed by the Board of Directors not less than thirty (30) days prior to each annual meeting of the Members to serve from the close of such annual meeting until the close of the next annual meeting, and such appointment shall be announced at each such annual meeting. The Nominating Committee shall make as many nominations for election to the Board of Directors as it shall in its discretion determine, but in no event less than the number of vacancies or terms to be filled. Nominations shall be permitted from the floor. All candidates shall have a reasonable opportunity to communicate their qualifications to the Members to solicit votes.

Section 5. Election And Term Of Office. Notwithstanding any other provision contained herein:

At the first annual meeting of the membership after the termination of the Declarant's right to select directors and at each annual meeting of the membership thereafter, Directors shall be elected. All Directors shall be elected at-large. All Members of the Association shall vote upon the election of Directors.

So long as there are three (3) Directors, the term of one (1) Director shall be fixed

at one (1) year, and the term of one (1) Director shall be fixed at two (2) years, and the term of one (1) Director shall be fixed at three (3) years. At the expiration of the initial term of office of each respective member of the Board of Directors, a successor shall be elected to serve for a term of three (3) years. The members of the Board of Directors shall hold office until their respective successors shall have been elected by the Association.

Section 6. Removal Of Directors And Vacancies. Unless the entire Board is removed from office by the vote of the Association Members, an individual Director shall not be removed prior to the expiration of his or her term of office, except by the vote of a majority of Members.

In the event of death or resignation of a Director, his or her successor shall be selected by a majority of the remaining members of the Board and shall serve for the unexpired term of the predecessor.

Section 7. Voting Procedure For Directors. The first election of the Board shall be conducted at the first meeting of the Association. At such election, the Members or their proxies may cast, in respect to each vacancy, as many votes as they are entitled to exercise under the provisions of the Declaration. The persons receiving the largest number of votes shall be elected.

B. Meetings.

Section 8. Organization Meetings. The first meeting of the members of the Board of Directors following each annual meeting of the membership shall be held within ten (10) days thereafter at such time and place as shall be fixed by the Board.

Section 9. Regular Meetings. Regular meetings of the Board of Directors may be held at such time and place as shall be determined from time to time by a majority of the Directors, but at least four (4) such meetings shall be held during each fiscal year with at least one (1) per quarter. Notice of the time and place of the meeting shall be communicated to Directors not less than four (4) days prior to the meeting; provided, however, notice of a meeting need not be given to any Director who has signed a waiver of notice or a written consent to holding of the meeting.

Section 10. Special Meetings. Special meetings of the Board of Directors shall be held when called by written notice signed by the President, Vice President or Secretary of the Association, or by any two (2) Directors. The notice shall specify the time and place of the meeting and the nature of any special business to be considered. The notice shall be given to each Director by one of the following methods: (a) by personal delivery; (b) written notice by first class mail, postage prepaid; (c) by telephone communication, either directly to the Director or to a person at the Director's office or home who would reasonably be expected to communicate such notice promptly to the Director; or (d) by telegram, charges prepaid. All such notices shall be given or sent to the Director's address or

telephone number as shown on the records of the Association. Notices sent by first class mail shall be deposited into a United States mailbox at least four (4) days before the time set for the meeting. Notices given by personal delivery, telephone or telegraph shall be delivered, telephoned, or given to the telegraph company at least seventy-two (72) hours before the time set for the meeting.

Section 11. Waiver Of Notice. The transactions of any meetings of the Board of Directors, however called and noticed or wherever held, shall be as valid as though taken at a meeting duly held after regular call and notice if (1) a quorum is present, and (b) either before or after the meeting each of the Directors not present signs a written waiver or notice, a consent to holding the meeting, or an approval of the minutes. The waiver of notice or consent need not specify the purpose of the meeting. Notice of a meeting shall also be deemed given to any Director who attends the meeting without protesting before or at its commencement about the lack of adequate notice.

Section 12. Quorum Of Board Of Directors. At all meetings of the Board of Directors, a majority of the Directors shall constitute a quorum for the transaction 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 of Directors. A meeting at which a quorum is initially present may continue to transact business, notwithstanding the withdrawal of Directors, if any action taken is approved by at least a majority of the required quorum for that meeting. At such adjourned meeting at which a quorum is present, any business which might have been transacted at the meeting originally called may be transacted without further notice.

Section 13. Compensation. No Director shall receive any compensation from the Association for acting as such unless approved by a majority vote of the total vote of the Association at a regular or special meeting of the Association.

Section 14. Conduct Of Meetings. The President shall preside over all meetings of the Board of Directors, and the Secretary shall keep a minute book of the Board of Directors, recording therein all resolutions adopted by the Board of Directors and a record of all transactions and proceedings occurring at such meetings.

Section 15. Open Meeting. All meetings of the Board of Directors shall be open to all Members, but Members other than Directors may not participate in any discussion or deliberation unless expressly so authorized by a majority of a quorum of the Board.

Section 16. Executive Session. The Board may, with approval of a majority of a quorum, adjourn a meeting and reconvene in executive session to discuss and vote upon personnel matters, litigation in which the Association is or may become involved, and orders of business of a similar nature. The nature of any and all business to be considered in executive session shall first be announced in open session.

Section 17. Action Without A Formal Meeting. Any action to be taken at a meeting of the Directors or any action that may be taken at a meeting of the Directors may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the Directors, and such consent shall have the same force and effect as a unanimous vote.

C. Powers And Duties.

Section 18. Powers. The Board of Directors shall be responsible for the affairs of the Association and shall have all of the powers and duties necessary for the administration of the Association's affairs and, as provided by law, may do all acts and things as are not by the Declaration, Articles of Incorporation or these By-Laws directed to be done and exercised exclusively by the Members.

The Board of Directors shall delegate to one of its members the authority to act on behalf of the Board of Directors on all matters relating to the duties of the Managing Agent or Manager, if any, which might arise between meetings of the Board of Directors.

In addition to the duties imposed by these By-Laws or by any resolution of the Association that may be hereafter adopted, the Board of Directors shall have the power to and be responsible for the following, in way of explanation, but not limitation:

- (a) preparation and adoption of an annual budget in which there shall be established the contribution of each Owner to the Common Expenses;
- (b) making Assessments to defray the Common Expenses, establishing means and methods of collecting such Assessments, and establishing the period of the installment payments of the annual Assessment, provided otherwise determined by the Board of Directors, the annual Assessment against the proportionate share of the Common Expenses shall be payable in equal monthly installments, each such installment to be due and payable in advance on the first day of each month for said month;
- (c) providing for the operation, care, upkeep, and maintenance of any Common Area;
- (d) designating, hiring and dismissing the personnel necessary for the maintenance, operation, repair and replacement of the Association, its property, and any Common Area, and, where appropriate, providing for the compensation of such personnel and for the purchase of equipment, supplies and material to be used by such personnel in the performance of their duties;
- (e) collecting the Assessments, depositing the proceeds thereof in a bank depository which it shall approve, and using the proceeds to administer the Association;
- (f) making and amending rules and regulations;

(g) opening of bank accounts on behalf of the Association and designating the signatories required;

(h) making or contracting for the making of repairs, additions and improvements to or alterations of any Common Area in accordance with the other provisions of the Declaration and these By-Laws after damage or destruction by fire or other casualty;

(i) enforcing by legal means the provisions of the Declaration, these By-Laws, and the Rules and Regulations adopted by it and bringing any proceedings which may be instituted on behalf of or against the Owners of the Association;

(j) obtaining and carrying insurance against casualties and liabilities, as provided in the Declaration, and paying the premium cost thereof;

(k) paying the cost of all services rendered to the Association or its Members and not chargeable to Owners;

(l) keeping books with detailed accounts of the receipts and expenditures affecting the Association and its administration, specifying the maintenance and repair expenses and any other expenses incurred. The said books and vouchers accrediting the entries thereupon shall be available for examination by the Owners and Mortgagees, their duly authorized agents, accountants, or attorneys, during general business hours on working days at the time and in a manner that shall be set and announced by the Board of Directors for the general knowledge of the Owners.

(m) make available to any prospective purchaser of a Residential Unit, any Owner of a Residential Unit, any first Mortgagee, and the holders, insurers, and guarantors of a first Mortgage on any Residential Unit, current copies of the Declaration, the Articles of Incorporation, the By-Laws, Rules and Regulations, and all other books, records and financial statements of the Association; and

(n) permit utility suppliers to use portions of any Common Area reasonably necessary to the ongoing development or operation of the Project.

Section 19. Management Agent

(a) The Board of Directors may employ for the Association a professional management agent or agents at a compensation established by the Board of Directors to perform such duties and services as the Board of Directors shall authorize. The Board of Directors may delegate to the managing agent or manager, subject to the Board's supervision, all of the powers granted to the Board of Directors by these By-Laws, other than the powers set forth in subparagraphs (a), (b), (f), (g) and (i) of Section 18 of this Article. The Declarant, or an affiliate of the Declarant, may be employed as managing agent or manager.

(b) No management contract may have a term in excess of one (1) year and must permit termination by either party without cause and without termination fee on ninety (90) days' or less written notice.

Section 20. Accounts And Reports. The following management standards of performance will be followed unless the Board by resolution specifically determines otherwise:

- (a) cash basis accounting shall be employed;
- (b) accounting and controls should conform with established AICPA guidelines and principles, which require, without limitation, (i) a segregation of accounting duties, (ii) disbursements by check requiring two (2) signatures, and (iii) cash disbursements limited to amounts of Twenty-five Dollars (\$25.00) and under;
- (c) cash accounts of the Association shall not be commingled with any other accounts;
- (d) no remuneration shall be accepted by the Managing Agent from vendors, independent contractors, or others providing goods or services to the Association, whether in the form of commissions, finder's fees, service fees, prizes, gifts, or otherwise; any thing of value received shall benefit the Association;
- (e) any financial or other interest which the Managing Agent may have in any firm providing goods or services to the Association shall be disclosed promptly to the Board of Directors; and
- (f) commencing at the end of the month in which the first Residential Unit is sold and closed, quarterly financial reports shall be prepared for the Association containing:
 - (i) an Income and Expense Statement reflecting all income and expense activity for the preceding three (3) months on a cash basis;
 - (ii) a Balance Sheet as of the last day of the Association's fiscal year and an Operating Statement for said fiscal year, which shall be distributed within ninety (90) days after the close of a fiscal year.
 - (iii) a Delinquency Report listing all Owners who have been delinquent during the preceding three (3) month period in paying the monthly installments of Assessments and who remain delinquent at the time of the report and describing the status of any action to collect such installments which shall be considered to be delinquent on the fifteenth (15th) day of each month; and
 - (iv) an annual report consisting of at least the following shall be distributed within one hundred twenty (120) days after the close of the fiscal year: (1) a

balance sheet as of the end of the fiscal year; (2) an operating (income) statement for the fiscal year; and (3) a statement of changes in financial position for the fiscal year. If said report is not prepared by an independent accountant, it shall be accompanied by the certificate of an authorized officer of the Association that the statements were prepared without audit from the books and records of the Association.

Section 21. Borrowing. The Board of Directors shall have the power to borrow money for the purpose of repair or restoration of any Common Area without the approval of the Members of the Association; provided, however, the Board shall obtain membership approval in the same manner provided in Article IX, Section 3, of the Declaration for Special Assessments in the event that the proposed borrowing is for the purpose of modifying, improving, or adding amenities, and the total amount of such borrowing exceeds or would exceed five percent (5%) of the budgeted gross expenses of the Association for that fiscal year.

ARTICLE IV OFFICERS

Section 1. Officers. The officers of the Association shall be a President, Vice President, Secretary and Treasurer. The Board of Directors may elect such other officers, including one or more Assistant Secretaries and one or more Assistant Treasurers, as it shall deem desirable, such officers to have the authority and perform the duties prescribed from time to time by the Board of Directors. Any two (2) or more offices may be held by the same person, excepting the offices of President and Secretary. The President and Treasurer shall be elected from among the members of the Board of Directors.

Section 2. Election, Term Of Office And Vacancy. The officers of the Association shall be elected annually by the Board of Directors at the first meeting of the Board of Directors following each annual meeting of the Members, as herein set forth in Article III. A vacancy in any office arising because of death, resignation, removal, or otherwise may be filled by the Board of Directors for the unexpired portion of the term.

Section 3. Removal. Any officer may be removed by the Board of Directors whenever in its judgment the best interests of the Association will be served thereby.

Section 4. Powers And Duties. The officers of the Association shall each have such powers and duties as generally pertain to their respective offices, as well as such powers and duties as may from time to time be specifically conferred or imposed by the Board of Directors. The President shall be the chief executive officer of the Association. The treasurer shall have primary responsibility for the preparation of the budget as provided for in the Declaration and may delegate all or part of the preparation and notification duties to a finance committee, management agent, or both.

Section 5. Resignation. Any officer may resign at any time by giving written notice to the Board of Directors, the President, or the Secretary. Such resignation shall take effect on the date of the receipt of such notice or at any later time specified therein, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 6. Agreements, Contracts, Deeds, Leases, Checks, Etc. All agreements, contracts, deeds, leases, checks and other instruments of the Association shall be executed by at least two (2) officers or by the President and Treasurer or by such other person or persons as may be designated by resolution of the Board of Directors.

ARTICLE V COMMITTEES

Committees to perform such tasks and to serve for such periods as may be designated by a resolution adopted by a majority of the Directors present at a meeting at which a quorum is present are hereby authorized. Such committees shall perform such duties and have such powers as may be provided in the resolution. Each committee shall be composed as required by law and shall operate in accordance with the terms of the resolution of the Board of Directors designating the committee or with rules adopted by the Board of Directors.

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ARTICLE VI
MISCELLANEOUS
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the Lake County Recorder!**

Section 1. Fiscal Year. The initial fiscal year of the Association shall be set by resolution of the Board of Directors.

Section 2. Parliamentary Rules. Except as may be modified by Board resolution establishing modified procedures, Robert's Rules of Order (current edition) shall govern the conduct of Association proceedings when not in conflict with Indiana law, the Articles of Incorporation, the Declaration or these By-Laws.

Section 3. Conflicts. If there are conflicts or inconsistencies between the provisions of Indiana law, the Articles of Incorporation, the Declaration, and these By-Laws, the provisions of Indiana law, the Declaration, the Articles of Incorporation, and the By-Laws (in that order) shall prevail.

Section 4. Books And Records.

(a) Inspection By Members And Mortgagees. The Declaration and By-Laws, membership register, books of account, and minutes of meetings of the Members, the Board and committees shall be made available for inspection and copying by any Mortgagee, Member of the Association, or by his or her duly appointed representative at

any reasonable time and for a purpose reasonably related to his or her interest as a Member at the office of the Association or at such other place within the Project as the Board shall prescribe.

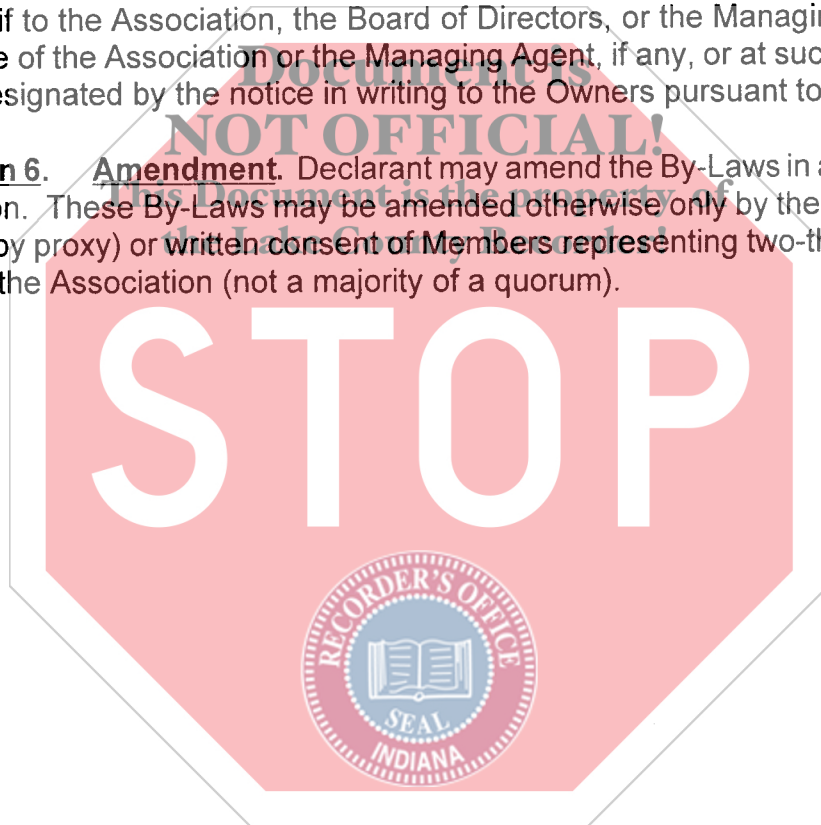
(b) **Inspection By Directors.** Every Director shall have the absolute right at any reasonable time to inspect all books, records and documents of the Association and the physical properties owned or controlled by the Association. The right of inspection by a Director includes the right to make extracts and copies of documents at the expense of the Association.

Section 5. Notices. Unless otherwise provided in these By-Laws, all notices, demands, bills, statements or other communications under these By-Laws shall be in writing and shall be deemed to have been duly given if delivered personally or if sent by registered or certified mail, return receipt requested, first class postage prepaid:

(a) if to a Member, at the address which the Member has designated in writing and filed with the Secretary, or if no such address has been designated, at the address of the Residential Unit of such Owner; or

(b) if to the Association, the Board of Directors, or the Managing Agent, at the principal office of the Association or the Managing Agent, if any, or at such other address as shall be designated by the notice in writing to the Owners pursuant to this Section.

Section 6. Amendment. Declarant may amend the By-Laws in accordance with the Declaration. These By-Laws may be amended otherwise only by the affirmative vote (in person or by proxy) or written consent of Members representing two-thirds (2/3) of the total votes of the Association (not a majority of a quorum).



TOWNHOMES OF THREE SPRINGS PHASE 2

RULES AND REGULATIONS

1. **ARCHITECTURAL STANDARDS.** No change in the exterior appearance (including landscaping) of a Residential Unit, or the quality of the construction of a Residential Unit, can be changed in any way whatsoever by any Owner without the prior approval of the Board of Directors in accordance with the provisions of Article X of the Declaration of Covenants, Conditions, Restrictions And Easements For The Townhomes of Three Springs Phase 2 (hereinafter the "Declaration"). The prohibition of this provision shall include, but not be limited to, the following:

a. The construction of any exterior addition to any Residential Unit, or the construction of any temporary or permanent improvement, building or other structure on the Residential Unit.

b. The reconfiguration of the exterior of any residence in any manner whatsoever.

c. The use of any materials on the exterior of any residence or associated structures which is not identical to that which was provided as a part of the original construction, both in quality, color and other appearance. Exceptions to this Rule may be made by the Board of Directors, so long as the Board of Directors shall make an affirmative determination that such shall be and remain visually compatible with and in harmony with the appearance of the other Residential Units.

d. Any changes to any part of the landscaping.

The Board of Directors does not have the authority to grant variances from or exceptions to the use and architectural restrictions in Article XI of the Declaration.

2. **MAINTENANCE AND REPAIR OF RESIDENTIAL UNITS.** Except as provided in Article IV, Section 1 of the Declaration, it is the Owner's sole and exclusive responsibility to maintain, repair and replace his and/or her Residential Unit. The only responsibility of the Association in this regard is as set forth in Article IV, Section 1 of the Declaration. However, it shall not be the Association's responsibility to repair or replace any grass, sodding, or landscaping which has been destroyed, or which has deteriorated, if the same are damaged or destroyed by the actions or omissions of any Owner (including inadequate watering, except when watering is prohibited by law). Under these circumstances, it shall be the responsibility of the Owner of each Residential Unit to repair and replace any grass, sodding or landscaping, in accordance with standards, specifications and procedures to be determined by the Board of Directors.

EXHIBIT "C"

3. **ASSESSMENTS AND LATE PAYMENT FEES.** In addition to interest at the rate of twelve percent (12%) per annum, and costs and reasonable attorneys' fees which may be charged for late payment of assessments under Article IX of the Declaration, there is hereby established and imposed a late payment fee of Five Dollars (\$5.00) per day for each day that an assessment is delinquent, which late payment fee shall be a charge on the Residential Unit and shall be a continuing lien upon the Residential Unit of the Owner against whom the late payment fee is charged, and shall be collected in the same manner as delinquent assessments, interest, costs and attorneys' fees pursuant to the Declaration.

4. **INSURANCE.** As of the adoption of these Rules and Regulations by the Association, the Association has elected not to obtain casualty insurance on Residential Units in accordance with the provisions of Article V, Section 1 of the Declaration. Accordingly, it is the sole and exclusive responsibility of each Owner of a Residential Unit to provide casualty insurance in accordance with the provisions of the Declaration. It is, therefore, the Owner's responsibility to be familiar with and to comply with Article V of the Declaration in every respect. This obligation shall include, but not be limited to, the requirement that all casualty insurance be for the full replacement value, that the proceeds thereof be payable to the Insurance Trustee, and that all liability insurance policies show the Association and all Residential Unit Owners as named insureds.

5. **SIGNS.** No Owner shall display any sign on any part of any Residential Unit, except for temporary but tasteful "For Sale" or "For Rent" signs, not to exceed 3' x 4' in size.

6. **STORAGE.** All personal property and effects of Residential Unit Owners shall be stored in such a place so as to not be visible from any ground level location.

7. **GARBAGE.** All garbage and all garbage cans and other containers and receptacles shall be located and stored in such a place as to not be visible from any ground level location, excepting only on those days of garbage collection by the Town of St. John, or its contractor, in which case such garbage cans, containers, and receptacles, when empty, shall be immediately relocated to a place as described above.

8. **EXTERIOR OBJECTS.** No unsightly objects shall be placed, stored or hung from Residential Units, including, but not limited to, awnings, laundry, rugs, wiring, antenna, satellite dishes in excess of 20" in diameter, and personal property and effects. Satellite dishes of 20" in diameter or less may be located outside of a Residential Unit in locations approved by the Board of Directors.

Christmas and other Christmas season holiday lights, ornaments and decorations on the exterior of Residential Units shall be permitted only between Thanksgiving and February 1 of the following year.

9. **WINDOW APPEARANCE**. All curtains, draperies, blinds and other window coverings shall be white or off-white, or shall be lined or faced with white or off-white materials, so as to present a uniform exterior appearance. Temporary window coverings such as sheets, newspapers, garbage bags, towels and the like, for more than seven (7) days after a Residential Unit is first occupied by an Owner are prohibited.

10. **LEASING RESTRICTIONS**. All lease or rental agreements must be in writing. Residential Units shall not be leased for an initial term of less than six (6) months, nor for less than thirty (30) days for any term thereafter, nor for the occupancy of more than one (1) family.

11. **MINIMUM HEAT**. The minimum heat in every Residential Unit shall not be less than 60 degrees F. for the period of time from November 1 to April 15 each year.

12. **NOISE**. Loud music or television or any other sound which is audible outside of a Residential Unit is prohibited at all times.

13. **CAR WASHING**. Car or other vehicle washing is permitted only so long as soaps, detergents, or other chemical liquids or compounds do not damage any lawn or landscaped area.

14. **PETS**. A maximum of two (2) pets (either dogs or cats) shall be allowed to be kept in or on a Residential Unit. An Owner may not otherwise keep, raise or bred any animals, reptiles, livestock or poultry in or on any Residential Unit. Notwithstanding the foregoing, the following shall apply with regard to any pet which is allowed to be kept in or on a Residential Unit:

a. Owners of a cat or dog shall be required to keep same on a leash at all times when such pets are outside the home, or, in the alternative, the Residential Unit may be equipped with an "electronic fence", approved by the Board of Directors.

b. Owners of a cat or dog shall be required to immediately remove all forms of excrement of such pets from the Property, including, but not limited to, lawns, walks, driveways, and parking areas, and such pets shall not be allowed to deposit excrement in any manner, or in any place, that would in any manner change or deface the Property, including any alteration in the uniformity of appearance of the lawn or landscaped area.

c. No pet will be allowed which creates noise, emits noxious odors or creates unsafe or unhealthy living conditions, or other disturbances of any kind, whether on a continuous or intermittent basis, and regardless of the time of day or night.

d. Any Owner of a pet allowed hereunder, who is the subject of three (3) justifiable complaints of violation of this rule, shall forthwith permanently remove the pet from his or her Residential Unit, upon notice of same from the Board of Directors, and said Owner shall not be allowed to have any pets within the Residential Unit at any time thereafter, except with the express prior written consent of the Board of Directors.

e. The Board of Directors shall have the authority to make regular Assessments against any and all Owners with pets for the purpose of paying any additional costs which may be involved in maintaining and/or repairing the Property as a direct or indirect result of the housing of pets within the Project (the "Pet Assessments"). Pet Assessments may consist of a regular monthly or other periodic assessment against all Owners housing pets, to be paid in the same manner and at the same time as the General Assessment for Common Expenses, and such Pet Assessment may be based upon an estimate of the cost of maintaining and/or repairing the Property necessitated by the housing of pets within the Residential Unit. As an alternative, or in addition to the foregoing, Pet Assessments may consist of a Special Assessment against any Owner housing a pet, if the Board of Directors, in its sole discretion, determines that a particular Owner shall be responsible for the cost of maintaining and/or repairing any part of the Property necessitated by the housing of the pet in such Owner's Residential Unit. The failure of any Owner housing a pet to pay Pet Assessments shall automatically result in the immediate and permanent removal of such pet from the Residential Unit, such Owner shall not be allowed to have any pets within the Residential Unit at any time thereafter, and the Association and the individual members shall have the right to seek and obtain any and all other legal or equitable remedies allowed by the Declaration or by law for violation of these Rules and Regulations.

Other types of pets will be allowed, if at all, only with the prior written approval of the Board of Directors, in its sole discretion, after full disclosure to the Board of Directors of the effects thereof on Owners of the other Residential Units and the value of the Property, and after imposing such restrictions, limitations and conditions thereon as determined by the Board of Directors in its sole discretion. The Board of Directors may disapprove a request for such other types of pets for any reason or no reason, in its sole discretion.

15. RESPONSIBILITY FOR ASSESSMENTS AND COMPLIANCE WITH DECLARATION. The Owner is always personally liable and responsible for Association Assessments, special Assessments, late payment fees, interest, costs, attorneys' fees, insurance deductibles and all other charges the Board of Directors may impose or assess to the Residential Units, and for compliance by all Occupants (including tenants and subtenants) with the provisions of the Declaration, and these Rules and Regulations, regardless of whether the Residential Unit is occupied by the Owner or by a tenant or subtenant, and regardless of any agreement which such Owner may have with any such Occupant, tenant or subtenant.

16. **REIMBURSEMENT OF COST OF MAILBOXES.** Each Owner shall reimburse Three Springs Development, Inc. or its assigns for the cost of the mailbox, and the cost of installing the mailbox, under Article XI Section 13 of the Declaration.

17. **OWNER'S OBLIGATION TO PROVIDE INFORMATION TO THE ASSOCIATION.** All Owners shall advise the Association in writing of the names, residence addresses (if different from that of the Residential Unit owned) and telephone numbers of all Owners, and all tenants, subtenants and other Occupants; and the name, business address and telephone numbers of all Mortgagees of record on the Residential Unit owned, and all such information provided in accordance herewith shall be updated in writing by each Owner within fifteen (15) days of the date of any change in the information.

18. **AMENDMENT.** These Rules and Regulations may be amended by a majority of the Board of Directors of the Association (not a majority of a quorum), without the consent or approval of the Members.

These Rules and Regulations supplement the terms and provisions of the Declaration, and are enforceable pursuant to the provisions of Article XII of the Declaration. All Owners of townhomes in Three Springs are required to comply with and abide by not only these Rules and Regulations, but all of the other terms and provisions of the Declaration, without exception.

