

**BY-LAWS
OF
HOT SPRINGS VILLAGE
TOWNHOUSE ASSOCIATION**

ARTICLE I.

The name of the corporation is the HOT SPRINGS VILLAGE TOWNHOUSE ASSOCIATION, hereinafter referred to as the "Association". The principal offices of the corporation shall be located at Hot Springs Village, Arkansas, but meetings of the members and Board of Directors may be held at such places within the state of Arkansas as may be designated by the Board of Directors.

ARTICLE II.

DEFINITIONS

Section 1. "Association" shall mean and refer to The Hot Springs Village Townhouse Association, a nonprofit corporation organized and existing under the laws of the state of Arkansas, its successors and assigns.

Section 2. "The Townhouse Properties" shall mean and refer to as certain real property described as the following Courts:

Arista
Balboa Cove
Castellon
Coronado
Cortez
De Soto
Guadalajara
Lanza
La Coruna
Madrid
Magellan
Majorca
Segovia
Valencia
Villa Alegre

and such additions thereto as may hereafter be brought within the jurisdiction of the Association.

Section 3. "Limited Common Property" shall mean all real property and appurtenances thereto owned by the Association for the common use and enjoyment of the members of the Association, tenants and their guests.

Section 4. "Lot" shall mean and refer to any platted Lot within the Townhouse Properties, as shown on a recorded subdivision plat, except for any "Limited Common Property."

Section 5. "Living Unit" shall mean and refer to any portion of a building situated upon the Townhouse Properties designated and intended for occupancy as a residence by a single family.

Section 6. "Member" shall mean and refer to every person or entity that holds a membership in the Association.

Section 7. "Member In Good Standing" is defined as a member whose Association dues are current, defined as no more than one month past due.

Section 8. "Owner" shall mean and refer to the recorded owner of a Lot or Living Unit whether one or more persons or entities hold fee simple title to any part of the properties, but excluding those having such interest merely as a security for the performance of an obligation and contract vendors.

Section 9. "Majority Vote" of the Association membership shall be defined as a majority of the votes cast.

ARTICLE III.

MEMBERSHIP

Section 1. Membership. Every person or entity who is an owner of a Lot or Living Unit located upon any part of the townhouse properties shall, by virtue of such ownership, be a member of the Association. Membership shall be appurtenant to and may not be separated from ownership of any such lot or building site made subject to the jurisdiction of the Association. Such ownership shall be the sole qualification for membership and shall automatically commence upon a person becoming such owner and shall automatically terminate and lapse when such ownership in said property is terminated or transferred.

Section 2. Suspension of Membership. During any period in which a member shall be in default for more than sixty (60) days in the payment of any annual or special assessment levied by the Association, right to use the Limited Common Properties and other recreational facilities of the Association may be suspended by the Board of Directors until such assessment has been paid. The rights of a member may also be suspended by the Board of Directors, for a period not to exceed thirty (30) days, for violation of any rules and regulations established by the Board of Directors governing the use of the Limited Common Properties and its facilities.

Section 3. Voting Rights. A member in good standing of the Association shall be entitled to one vote for each Lot or Living Unit in which they hold interest required for membership. When more than one person holds a membership interest in any Lot or Living Unit the vote for such Lot or Living Unit shall be exercised as the members between themselves determine; but in no event shall more than one vote be cast with respect to any Lot or Living Unit.

ARTICLE IV.

PROPERTY RIGHTS: RIGHTS OF ENJOYMENT

Section 1. Each member of the Association in good standing shall be entitled to the use and enjoyment of the Limited Common Properties and facilities provided in the Supplemental Declaration. Any member may delegate his rights of enjoyment of the Limited Common Properties and facilities to the members of his family, guests of the member, or tenants who reside in the property. A member shall notify the Secretary of the Association in writing of the name of any tenant who resides in the property. The rights and privileges of such delegates are subject to suspension to the same extent as those of the member.

Section 2. The Board of Directors shall make such rules from time to time as shall be appropriate relative to the use of the Limited Common Properties and facilities to members of the family, guests of member and tenants who have a right to use such Limited Common Properties and facilities. The member, guests, and tenants shall be bound by such rules as made and published.

Section 3. The Association shall not be held responsible to individual members for non-observance or violation of the Association's parking rules, unless the violator is an employee of the Association.

Section 4. In the event of fire or other damage to a townhouse dwelling, reconstruction of the building shall be compulsory. Owners will be allowed up to 2 months to complete the clean up process and allowed 12 months to complete the rebuilding process from the time of the fire or other damage. Townhouses are to be rebuilt to current code as stipulated by the ACC, including a fire partition (minimum rating of 1 hour) in the attic

ARTICLE V.

BOARD OF DIRECTORS: DEFINITION & ELECTION PROCESS

Section 1. Number. A Board of Directors consisting of a maximum of nine (9) and a minimum of seven (7) members from approved applicants shall manage the affairs of the Association.

Section 2. Membership. All members of the Board of Directors shall be members in good standing of the Association.

Section 3. Election Process. The nomination and election of the Board of Directors shall be as follows:

(a). A written ballot shall be provided to the membership of the Association for the election of the Board of Directors. The official ballot shall provide for the identification of the voting member's physical address Lot, Block and Sub-Division in addition to either the address of the townhouse or if a non-resident the physical address of the owner. An official ballot shall require a signature, in ink, of the voting member and be received in the Association office by the specified due date and time set forth by the Nomination & Elections Committee in order to be counted in the election totals. An Association member may cast one vote for each vacancy

to be filled. The person receiving the largest number of votes for each vacant position shall be elected. Write in votes shall not be allowed.

(b). The Nominating & Election Committee, which shall be a standing committee of the Association, shall present candidates for election to the Board of Directors.

(c). The Nominating & Election Committee should consist of at least five members in good standing of the Association who presently do not serve on the Board of Directors. The Board of Directors shall appoint the membership of the committee from interested Association members. A sixth member of the Nominating Committee shall be the Board's liaison, appointed by the Board of Directors. The Board liaison shall not be allowed to cast a vote for any activities of the Committee. The Committee shall select one of its memberships to be Chairman. The Nominating & Election Committee shall be appointed for a two year period of time by the Board of Directors and shall serve until a successor Nominating & Election Committee is appointed.

(d). The Nominating & Election Committee shall submit all applications for election to the Board of Directors. In the event that the number of applicants in good standing exactly corresponds to, or is fewer than, the number of vacancies, Board Members may be elected by a vote of the majority of the Board of Directors without a vote of the general membership. Any member in good standing may run for an open position for the Board of Directors.

(e). The Nominating & Election Committee shall be responsible for the following in the election process:

1. The official ballot.
2. Recruitment of candidates for any Board of Director position opening.
3. The preparation of a verified resume on each candidate in good standing seeking a position on the Board of Directors.
4. May conduct a public forum to allow the candidates for the position opening (s) to participate in a question and answer session with the general membership.
5. Mailing of the official ballots only to members of the Association in good standing.
6. The counting and safekeeping of all official ballots. Three (3) members of the Board of Directors and three (3) members of the Nominating & Election Committee shall conduct the counting of the official ballot. Additionally two Association members in good standing shall be observers to the process. All vote totals shall be verified twice for accuracy.
7. The Nominating & Election Committee shall conduct the counting of the official ballots for assessment changes during a special or called meeting of the Board of Directors.
8. The announcement of the official election totals shall be presented to the Board of Directors immediately.
9. Responsible for the review of any disputes dealing with any election question.
10. Retention of the official ballots for a period of at least one year.
11. All Board of Directors Applicants will draw for a position on the ballot. This will be done at the September Regular Board of Directors Meeting

when the Nominations & Elections Committee presents the candidates to the Board of Directors.

Section 4. Board Member Term. The term of each member of the Board of Directors shall be three (3) years staggered.

Section 5. Term Limits. No member in good standing of the Association may serve on the Board of Directors for more than two (2) three (3) year terms consecutively.

Section 6. President Term Limit. No member of the Board of Directors may serve as President for a period greater than two years of each three (3) year term.

Section 7. Board of Directors Election of Officers. The Board of Directors shall elect, by a majority vote of its membership, the following officer positions:

President

The President shall preside at all regular and special meetings of the Association; shall see that orders and resolutions of the Board of Directors are carried out; shall be responsible to co-sign all leases, mortgages, deeds, promissory notes and other written instruments and may co-sign all checks of the Association.

Vice President

The Vice President shall act in the place of the President in the event of his absence, inability or refusal to act, and shall exercise and discharge such other duties as may be required of the position by the Board of Directors. The Vice President may co-sign all checks and promissory notes of the Association.

Treasurer

The duties of the Treasurer shall be as follows:

1. Receipt and dispersal of all of Association funds as directed by the Board of Directors.
2. Cosign all promissory notes, leases, mortgages, deeds, and all transfers to and from the investment account, and may cosign checks of the Association.
3. Keep the books of the Association accounts according to Generally Accepted Accounting Principles (GAAP).
4. Cause an annual audit of the Association.
5. Work with the Finance Committee to prepare an annual budget.
6. Present the annual budget and income and expenditure reports every month to the Board of Directors' for approval.

Secretary

The Secretary shall record the minutes of all meetings of the Board of Directors; keep the corporate seal of the Association and fix it on all papers requiring said seal; serve notice of any meeting of the Board of Directors and of the Association membership; set and publish the agenda for the Board of Director meetings at least 8 days prior to the meetings. and shall perform such other duties as required by the Board of Directors. The Secretary may designate an office staff employee to assist in completing said duties and perform such other duties as required by the Board of Directors. The Secretary should set and publish the agendas for the Board of Directors meetings at least 8 days prior to the meetings.

The election of the above noted positions shall take place at the Association's regular meeting in December to be effective January first of the upcoming year.

Section 8. Multiple Offices. Only the offices of the Secretary and Treasurer of the Board of Directors may be held by the same person.

Section 9. Board of Director Removal. Any member of the Board of Directors may be removed, by a majority vote of the Board of Directors, for cause. Additionally the membership of the Association may call for an election to remove a sitting member of the Board of Directors. The call of an election must be supported by a petition signed by at least twenty five percent (25%) of the total membership and presented to the Election Committee. An affirmative vote of the election must be by a majority.

In the event that any member of the Board of Directors of this Association shall be absent from three (3) consecutive regular meetings of the Board of Directors, the Board may by action taken at the meeting during which said third absence occurs, declare the office of said absent director to be vacant.

Section 10. Death or Resignation. In the event of death or resignation of any sitting Board of Directors member, the Board of Directors shall elect by a majority vote the successor to complete the term from a list of qualified candidates presented by the Nominating and Elections Committee.

Section 11. Compensation. No member of the Board of Directors, or members of any standing committees, shall receive salary compensation for any service rendered to the Association. However, any expenses associated with the conduct of official Association business by any member of the Board of Directors or members of a standing committee must be preapproved by an officer of the Board of Directors. Reimbursement will be predicated upon presentation of proper documentation and approval by the Board during a regularly scheduled Board meeting.

Section 12. Board of Directors Quorum & Majority Vote. A quorum of the Board of Directors shall be at least five members and a majority vote of the Board of Directors shall be at least fifty one (51%) percent of that quorum.

ARTICLE. VI.

BOARD OF DIRECTORS GUIDELINES & RESPONSIBILITIES

Section 1. Any Board of Director member responsible for Association funds shall be bonded under the laws of the state of Arkansas.

Section 2. The signatures of at least two authorized Executive Directors shall be required on all Association checks.

Section 3. A majority vote of the Board of Directors shall be required to execute all Association lease, mortgage, or other obligation documents.

Section 4. The Board of Directors shall adopt and publish rules and regulations governing the use of Limited Common Property and facilities and shall establish penalties for any infraction.

Section 5. The Board of Directors shall suspend the voting rights and right to use the recreational facilities of a member during any period in which such member shall be in default, beyond sixty (60) days, in the payment of any assessment levied by the Association. Such rights may also be suspended after notice for a period not to exceed thirty (30) days for infraction of published rules and regulations.

Section 6. The Board of Directors shall employ an Association general manager, or contract with an independent contractor, to hire employees as deemed necessary to maintain the Limited Common Properties of the Association. The Association general manager or contractor shall be responsible for the development of all job descriptions and work duties of the respective employees and ensure that the written job functions are accomplished.

Section 7. The Board of Directors shall recommend the amount of the Association's annual assessment. Any change in the annual assessment shall have the assent of a majority (51%) of the voting membership to be determined by referendum election conducted by the Nominating and Election Committee under the rules stated in Article V. Proxy votes shall not be allowed.

Section 8. The Board of Directors may file and record a lien against any Association member for assessments not paid within sixty (60) days of their due date or to bring action at law against the owner personally obligated to pay the same.

Section 9. The Board of Directors, through the open bid process, shall procure and maintain adequate liability and hazard insurance on all property, real and personal, owned by the Association.

Section 10. The Board of Directors shall be responsible for the maintenance of all limited common property according to established guidelines.

Section 11. The Board of Directors, through the Association's Standards & Control Committee, shall cause the exterior of all dwelling units to be maintained by the respective property owner. The Committee shall notify the owner of the townhouse, in writing, of any minimum repairs that need to be made to the property and a time period within which the repairs must be completed. Failure of the owner to make the necessary repairs within the allotted time shall cause the Board of Directors to take legal action.

Section 12. Capital Projects. Any Association new capital project of \$50,000.00 or more, or any court expenditures of 50,000.00 or more, that obligates the Association in any way must be voted upon by the membership in good standing with the Association in an election conducted by the Nominations & Elections Committee.

Section 13. Release of Information. All release of information that concerns the official business of The Hot Springs Village Townhouse Association shall be made by the Board President or his designee. The media being, but not inclusive to: news papers, radio stations and their reporters. Official business of the HSVTHA shall include correspondence of the Board

of Directors, inter-association, emails, memos and any reports that are prepared at the request of the Board President from outside sources pertinent to the business of the association.

Section 14. Court Expenditures. Any court capital expenditures in excess of \$50,000.00 for which the court has the necessary reserves shall require the approval of the court owners and the Board of Directors.

ARTICLE VII.

MEETINGS OF THE ASSOCIATION

Section 1. Public Meetings. All meetings of the Association Board of Directors shall be held in public. The only exception to this rule is when that portion of any regular, special or called a meeting deals with personnel issues. If that is necessary, only that portion of the meeting shall be held in private; with the Board of Directors meeting in private then reconvening before the membership to announce the final resolve of the matter.

Section 2. Regular Meeting. The regular monthly meeting of the Association shall take place on the second Friday of each month. Should the meeting date fall on a holiday, then the meeting shall be held on the following Friday.

Section 3. Annual Meeting. The annual meeting of the Association shall take place on the second Friday of May of each year. The primary purpose of this meeting is to present the state of the Association.

Section 4. Annual Budget Meeting. The Board of Directors, in conjunction with the Treasurer and Finance Committee, shall present the Association's annual budget in November. That budget, with any updates, shall be approved by the Board of Directors during the December Regular Meeting.

Section 5. Special or Called Meetings. A majority of the members of the Board of Directors, or fifteen percent (15%) of the members in good standing of the Association, via signed petition presented to the Board of Directors, may request a special or called meeting of the membership of the Association. The meeting date, place, time and agenda of the meeting shall be published at least seven (7) days in advance in at least one of the follow ways: special mailings, local newspaper (s), local radio station, Townhouse Association website, and/or local cable TV station.

Section 6. Meeting Notification. The meeting date, place and time of the regular, annual and budget meetings shall be published at least seven (7) days in advance in at least one of the following ways: Townhouse Association Newsletter, Townhouse Association website, local newspaper (s), local radio station, and/or local cable TV.

Section 7. Meeting Rules. The rules contained in the current edition of Roberts Rules of Order shall govern the conduct of the Association Board of Director meetings in all cases to which they are applicable and in which they are not inconsistent with any special rules which the Association Board of Directors may adopt.

Section 8. Agenda Items. A Director or owner member wishing to have an item placed on the agenda should provide the request with applicable backup to the President and/or Secretary or their Designee for inclusion and be attached to the agenda. This should occur a minimum of 8 days prior to the meeting.

Section 9. Proxy Voting. Proxy voting at Board of Directors meetings shall be allowed, providing such proxy shall be in writing, signed by the Director to be absent and naming a Director other than the President to whom the proxy is given. The proxy is subject to any limitations as to the scope or nature of the proxy's voting authority. Said proxy must be delivered prior to subject meeting to the Board Secretary or his designee. The President or Chairperson shall read this proxy as soon after the convening of the meeting as convenient. Or that Board of Director may choose to attend via teleconference or video conference.

Section 10. Minutes of Meetings. The Secretary of the Board of Directors shall be responsible for maintaining the minutes of any regular, special or called meeting of the Association. Or may assign a designee to this duty. The minutes of any regular, special or called meeting of the Association shall be read and approved by the Board of Directors at the next regularly scheduled meeting. Association members who attend that particular meeting may suggest updates to any portion of the minutes at the Association's regular, special or called meeting before the final version is voted upon by the Board of Directors.

Section 11. Motions. A Director wishing to bring a motion to the Board for consideration should deliver a copy of the motion to the President and/or Secretary or their Designee for inclusion in the agenda and attached to the agenda. This shall occur a minimum of 8 days prior to the meeting.

Section 12. Agendas. Agendas for all Board of Directors meeting should be communicated to all Board members 7 days in advance of each meeting.

Section 13. Monthly Work Sessions. The Board of Directors will hold a monthly work session to discuss Association business. Work session will be held at least 10 days prior to the regular meeting and may be attended by any member of the Association. During this session no motions shall be voted on.

ARTICLE VIII

COMMITTEES

The Board of Directors shall appoint the following advisory committees for a period not less than twenty four (24) months at the Association's annual meeting. A member of the Association may serve on one or more committees. Each committee shall consist of a Chairman and two or more non-Board members of the Association and one or two Board liaison members, who shall not vote on any business of the committee.

Section 1. Nominating & Election Committee. This committee shall be responsible for the election process of all Board of Director members and assessment elections.

Section 2. Finance Committee. This committee shall be responsible for the development of the Association's annual budget, sending it with their recommendations for assessment increase or decrease to the Treasurer for approval.

Section 3. Standards, Control & Capital Improvements Committee. This committee shall be responsible for the development and enforcement of general rules of the Association dealing with the general maintenance of all dwelling units within the properties of the Association.

The committee shall also be responsible for developing minimum acceptance standards for all new developments that any developer may desire to be added to the Association. Such standards shall include complete pre-installed landscaping for the development, pre-installed in-ground control devices to water said landscaping, and other pre-installed amenities that will curtail excessive labor costs by the Association to maintain the property once it is accepted.

Once a set of standards is developed and approved by the Board of Directors, the Committee will refer non-compliance when these standards are not maintained to the Board of Directors. The Committee will work with local community improvement groups and committees to develop a master plan for said improvements in each court.

Section 4. Architectural Review Committee. This committee shall be responsible for the Townhouse Association standards compliance, and reviewing requests for structural changes and notifying the HSV Architectural Control Committee of approval or disapproval.

Section 5. Other Standing Committees. The Board of Directors may appoint other standing committees of the Association as deemed necessary.

ARTICLE IX

ASSESSMENTS

Section 1. Each member of the Association is obligated to pay an annual/monthly assessment due on the first day of the month, which is secured by a continuing lien upon the property against which the assessment is made. Any assessments which are not paid when due shall be found delinquent. An administrative processing fee established by the Board may be imposed on delinquent payments. In addition, the Association may bring any action at Law against the property owner personally obligated to pay the same or foreclose the lien against the property, and interest, costs, and reasonable attorney's fees for any such action shall be added to the assessment. No owner may waive or otherwise escape liability for the assessments provided for therein by non-use of the Limited Common Property or abandonment of the property. From time to time, the Board of Directors may call for an election on special assessments to cover non-reoccurring costs. The question governing the proposed assessment shall be voted upon by the Association membership in good standing. Approval must be by a majority vote as defined.

Section 2. An individual court may petition for a special assessment for nonrecurring costs, the assessment to apply to the court of origin only. Such a petition will be considered with signatures from 25% of the members in good standing, of that court. The Board of Directors may bring forth such a proposal without any petition. Once the petition and the terms

and conditions are approved by the Board of Directors, a court election will be conducted by written ballot and subject to the rules of the election process. This special assessment will require an approval of 70% of the total court membership in good standing.

Section 3. The Board may, pursuant to Article VI, Section 4, levy a "penalty" assessment to a specific owner for any infraction of published rules and regulations. Such "penalty" assessments shall be as determined by the board and may be in an amount of up to \$100.00 per infraction and up to \$100.00 for each month that an infraction continues unresolved after appropriate notice has been given to the owner. Pursuant to Article IV, Section 2, members, guests and tenants are bound by such published rules. As such, the owner will be held responsible for the infractions of guests and tenants. "Penalty" assessments shall be treated the same as all other assessments and, if not paid, will become delinquent and may constitute a lien against the property. Any such penalty shall be the personal obligation of the owner/member committing such infraction individually or as the principal, employer, host or lessor of the person or persons committing such infraction which shall include interest, costs and reasonable attorney's fees. Any member/owner having been notified of the infraction and resulting penalty shall have the right to contest same by written notification to the Association's Board of Directors within thirty (30) days of his notification of the infraction and penalty. The Association's Board of Directors or the Board authorized representatives shall hear any contest of the infraction and penalty within sixty (60) days of its receipt of notice of contest. The decision of the Board of Directors or its designated representatives shall be final.

ARTICLE X

BOOKS & RECORDS OF THE ASSOCIATION

The books, records, and papers of the Association, to include budget figures and actual Association expenses, shall at all times, during reasonable business hours, be subject to inspection and copy by any Association member. The Original Declaration, The Articles of Incorporation, The Supplemental Declaration and the By Laws of the Association shall be available for inspection by any member at the principal office of the Association. Copies of the Articles of Incorporation, Supplemental Declaration, or Association By-laws may be made for a cost not to exceed \$2.00 for each collective document.

ARTICLE XI

BY LAW AMENDMENTS

Section 1. The By Laws of the Association may be amended, at a regular or special meeting of the Association, by a majority vote of the Board of Directors. The proposed amendment (s) must be published to the Association membership at least one month in advance through a mailing, emailing, or the Townhouse Association Newsletter and posted in the Townhouse Association office.

Section 2. The By Laws of the Association may be amended by the majority vote of the Association membership in an election conducted by the Nominating & Election Committee. A request for such an election vote shall be presented by the Board of Directors or by a signed petition form to the Nominating & Election Committee by no less than twenty five percent (25%) of the Association membership.

ARTICLE XII

CORPORATE SEAL

The Hot Springs Village Townhouse Association shall have a corporate seal, in circular form, having within its circumference the words: "Hot Springs Village Townhouse Association. Seal 1971."

ARTICLE XIII

FISCAL YEAR OF THE ASSOCIATION

The fiscal year of the Association shall begin on the first day of January and shall end on the 31st day of December of that year, every year.

ARTICLE XIV

ANNUAL AUDIT

An accounting firm shall be hired annually to conduct an audit of the Association's financial records for the prior fiscal year. This shall be accomplished during the first quarter of the following year and shall be reported to the membership in writing at the annual meeting of the Association in May.

ARTICLE XV

SEVERABILITY

If any clause, paragraph or section of this document is deemed invalid or void for any reason, that clause, paragraph or section shall be severable and shall not affect the remaining clauses, paragraphs or sections of this document.

IN WITNESS WHEREOF, we being all the members of the Board of Directors of the Hot Springs Village Townhouse Association have hereunto set our hands this 8th Day of November, 2013.

ORIGINAL SIGNATURES ARE ON ORIGINAL DOCUMENT IN THE OFFICE

President

Vice President

Treasurer

Secretary

Board Member

Board Member

Board Member

Board Member

Board Member

Notary Public

Commission Expires: _____

SEAL

BOARD APPROVED 11/08/2013