

**BYLAWS OF THE
TIMBER TRAILS COMMUNITY ASSOCIATION, INC.**

ARTICLE I

Definitions

Section 1. The following terms as used in these Bylaws shall be defined as follows, unless the context clearly indicates otherwise:

“Association” means the TIMBER TRAILS CO ASSOCIATION, Inc., which is a Pennsylvania non-profit corporation.

“Board” means the Board of Directors of the Association elected pursuant to provisions of these Bylaws.

“Bylaws” means these Bylaws of the Association.

“Common Area” means any and all real property designated as such on the Subdivision Plans and all real property acquired by the Association, together, in each instance, with all improvements which may be at any time constructed thereon, including, but not limited to, roads, recreational and community facilities, lakes, and parks.

“Corporation” means the TIMBER TRAILS COMMUNITY ASSOCIATION, INC., a Pennsylvania non-profit corporation.

“Development” means all of the real property comprising TIMBER TRAILS, located in Tobyhanna and Coolbaugh Townships, Monroe County, Pennsylvania, as shown on the Subdivision Plans recorded in the Office of the Recorder of Deeds of Monroe County.

“Lot” means any numbered, named or lettered tract of real property with such boundaries as are shown on the Subdivision Plans of Timber Trails.

“Owner” means any person, or persons, who hold(s) fee simple title to any lot.

“Restrictions and Covenants” means the Restrictions and Covenants contained in the deeds to all lots in the Development, setting forth certain restrictive covenants with respect to the Development, as the same may be amended or supplemented from time to time. Most recently as extended by Vote of the Members of the Timber Trails Community Association on December 15, 1992 and recorded in the Office for Recording Deeds in Monroe County on August 20, 1997 in Deed Book 2039, Page 1902. In the case of any conflict between the Restrictions and Covenants and these Bylaws, the Restrictions and Covenants shall control.

“Road” means any and all of the real property designated as such on the Subdivision Plans.

“Subdivision Plan or Plans” means the final subdivision maps with respect to the Development, as recorded in the Office for Recording of Deeds in and for Monroe County as follows:

TIMBER TRAILS: SECTION 1: February 7, 1973, Deed Book 18, page 85, and Deed Book 18, page 87; **SECTION 2:** July 30, 1973, Deed Book 20, page 41, Deed Book 20, page 43, and Deed Book 20, page 45; June 3, 1975, Deed Book 26, page 25 and Deed Book 26, page 27; **SECTION 3:** October 2, 1973, Deed Book 20, page 103, Deed Book 20, page 105, and Deed Book 20, page 107; **SECTION 4** April 2, 1974, Deed Book 22, page 29, and Deed Book 22, page 31; January 8, 1979, Deed Book 39, page 17; **SECTION 5:** April 2, 1974, Deed Book 22, page 33, Deed Book 22, page 35, and Deed Book 22, page 37; June 3, 1975, Deed Book 26, page 23.

ARTICLE II

Memberships

Section 1. CLASSES OF MEMBERS — This Association will have two classes of members which are designated as follows:

- (a) Members
- (b) Associate Members

Section 2. MEMBERS

(a) A person shall become a member with such rights and privileges as are set forth or referred to in the Charter and Bylaws and Declaration of Protective Covenants if: (i) he/she is an Owner OR (ii) is the Spouse of an Owner.

(b) Each Lot for which all current assessments have been paid shall be entitled to two votes at any Association Meeting or on any other matter on which the Members are entitled to vote, regardless of the number of persons who may have an ownership interest in such lot. If more than two persons shall have an ownership interest in any lot, then all such co-owners must designate in writing to the Association the members who are authorized on their behalf to cast the votes for that lot for all co-owners and receive official publications and notices including all assessments and charges.

Section 3 ASSOCIATE MEMBERS - The dependent children and legal dependents of a member who are part of the same household as the voting member shall be entitled to Associate Membership. Associate Members shall have no vote or right to notice of any regular or special meeting of members. The privileges and duties of Associate Members need not be the same as those of Members.

Section 4. Each Owner shall, by reason of ownership, become a member of the Association.

Section 5 Members and Associate Members shall have the privilege of using the Common Areas subject to provisions of the Restrictions and Covenants and these Bylaws, and to such rules and regulations as may be established by the Board, all being subject to the fee and membership requirements of Lake Naomi Club for any facility managed by it.

Section 6 The Board may suspend the voting rights, and privilege to use Common Areas and any other rights of any member for:

- (a) Any period during which any Association assessment or other obligation remains unpaid;
- (b) Any period beyond thirty (30) days after notice that the Board has declared a violation by such member of a provision of the restrictions and covenants and such member has failed to cure such violation; and
- (c) A period to be determined by the Board, for repeated violations of the Bylaws or of the rules and regulations of the Association.

ARTICLE III

Evidence of Membership and Transfer

Section 1 Adequate records shall be maintained by the Association showing the names and addresses of the members of the Association. Certificates of membership in the Association may be issued to members by the Board. Such certificates shall be in such form as the Board shall from time to time designate and shall be issued over the signature of the president or other officer of the Association. Such certificate shall indicate the holder is a member, and shall identify the lot, the ownership of which gives rise to membership. Such certificate shall also clearly state on its face that the certificate is not transferable, except in connection with transfer of the lot in accordance with the Restrictions and Covenants and these Bylaws, and that the Association is a non-profit corporation.

Section 2. When a member ceases to be an Owner, such person's membership shall cease, but such person and the premises shall remain liable for all Association assessments or other obligations incurred until written notice has been received by the Association that such person is no longer an Owner.

ARTICLE IV

Meetings of Members

Section 1. Any meeting of the members of the Association shall be held in Monroe County, Pennsylvania, at such place therein as may be stated in the notice of such meeting.

Section 2. The annual meeting of the Association shall be held on a Saturday in November as annually fixed by the Board of Directors.

Section 3. Special meetings of the Association may be called by the Board at any time in the manner herein provided. A special meeting may also be called upon the written petition of members of the Association holding at least twenty (20%) percent of the votes entitled to be cast at such meeting. Such petition shall set forth the purpose of the special meeting.

Section 4. Written notice of the place, date and hour of a meeting, and the Agenda for the meeting, including the purpose or purposes for which the meeting is called, shall be mailed not less than fifteen (15) days nor more than thirty-five (35) days before the date of the meeting, either personally or by mail, to each member entitled to vote at such meeting. If mailed, such notice shall be deemed to have been 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 prepaid; such notice may be published by inclusion in any publication printed under the auspices of the Association and distributed to members of the Association. At a special meeting, no business shall be conducted except that stated in the notice of said meeting.

Section 5. Unless otherwise provided, a quorum at either a special meeting or the annual meeting shall be members of the Association present, in person or by written proxy or a written ballot, holding at least ten (10%) percent of the votes entitled to be cast at such meeting. The vote of a majority of the votes present at any meeting at which a quorum is present shall be necessary for the adoption of any matter voted upon by the members, unless a greater proportion is required by the Restrictions and Covenants or these By-Laws.

ARTICLE V

Assessments, Liens

Section 1. Each member shall pay to the Association, for the purposes herein provided: (1) annual assessments for operation and maintenance of Common Areas; (2) special assessments for capital improvements; and (3) any additional charges assessed against the Members as herein authorized.

Section 2. Assessments shall be levied and collected by the Association against all lots within the Development.

Section 3. The Association shall levy and collect, in each year, an annual assessment upon each lot liable therefore in an amount sufficient to provide revenues to pay all costs (including a reasonable reserve for replacement of, improvements to, or addition of capital assets, and a reasonable reserve for uncollectible accounts) of operation and maintenance of the Common Areas, and all other obligations of the Association, for such year, including any deficits from operations in prior years. The Board shall annually establish the amount of the assessments for the following year.

Section 4. In addition to the annual assessments authorized above, the Association, by its Board, may levy a special assessment applicable to a year or over an extended period of years, for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, repair or replacement of a capital improvement upon the Common Area, including fixtures and personal property related thereto.

Section 5 Annual Assessments with respect to all lots, and special assessments for capital improvements shall be fixed at a uniform rate for all unimproved lots and a uniform rate for all improved lots and may be collected on a monthly, quarterly or annual basis as determined from time to time by the Board. Special charges may be included in any annual assessment with respect to any lot, as to which the Association has incurred

a special expense as a result of any action or inaction by the owner of such lot which has, or now poses a threat to adversely affect the community.

Section 6. Notice of any assessment shall be mailed by the Association to each Member at such Members principal address as the same appears on the records of the Association. The date of payment of any assessment shall be fixed by the Board and shall be contained in the notice. Any assessment remaining unpaid as of the date of payment shall be delinquent and shall be subject to a late charge from the date of payment (due date) at a rate determined by the Board subject to applicable law. The Association may file a lien to secure payment of any unpaid assessment, plus costs and reasonable attorney's fees, which lien shall encumber the lot against which the assessment has been made. In addition, the Association shall have the right to pursue any other remedy available at law or in equity for the collection of a debt for such unpaid assessments, late charge, interest, costs and reasonable attorney's fees both against the property subject to the lien and the delinquent Member, as on a personal obligation.

Section 7. The Association shall upon request at any time furnish a statement in writing signed by an officer or authorized representative of the Association certifying, as of the date thereof, what assessments against said lot remain unpaid and such other additional information as is required by law. A reasonable charge may be made by the Board for issuance of such certificates. As to innocent purchasers for value, such certificates shall be conclusive evidence of payment of any assessments therein stated to have been paid.

ARTICLE VI

Section 1. The Board shall:

- (a) Manage and control the affairs of the Association.
- (b) Designate a banking institution or institutions as depository for the Association's funds; and the officer, officers, and/or authorized representatives authorized to make withdrawals there from and to execute obligations on behalf of the Association.
- (c) Perform other acts the authority for which has been granted herein, by the Restrictions and Covenants or by law, including the borrowing of money for Association purposes in any amount up to a total not to exceed \$300,000.00, unless approved by a majority vote of the members entitled to vote at a general or special membership meeting following due notice. A resolution by the Board that the interests of the Association require the borrowing of money shall be sufficient evidence for any person that the borrowing is for a proper corporate purpose. The Board may, if it determines that the same shall be reasonably necessary, assign, pledge, mortgage or encumber any Association property as security for such borrowings, and it may pledge or assign future revenues off the Association as security therefore.
- (d) (i) Adopt such rules and regulations relating to the use of Association property, and sanctions for noncompliance therewith, as it may deem reasonably necessary for the best interests of the Association and its members, and to adopt, with the consent of the membership as provided herein, rules and regulations it may deem reasonably necessary to protect the health and safety of residents of the Association, its members and their guests and their respective property.

(ii) Certain activities are considered so dangerous to the health and safety of the Timber Trails Community, its residents, their guests, and in particular, the children of our community, or in some instances, the property of residents, that such activities are prohibited by this section of the By-Laws, and violations thereof are subject to fines.

- A) No person shall operate a motor vehicle on any street within the Timber Trails Community at the rate of speed in excess of 25 mph or in any dangerous or reckless manner which endangers the safety of the occupants of such vehicle or occupants of other vehicles or of pedestrians. The fine for violating this paragraph A shall be the greater of the fines set forth below in Section D, or the fine imposed by the Uniform Traffic Ordinances governing the communities of Tobyhanna and Coolbaugh Townships in effect at the time of such violation.
- B) No person shall scatter on the ground or place in any container or on a surface sufficiently close to the ground to permit the eating thereof by deer any food attractive to or desirable to deer in such volume as to attract deer to the premises on such frequency as will habituate the deer to seek food on such premises.
- C) No burning shall be permitted at any time that a governmental authority having jurisdiction over the Timber Trails Community has declared a ban on outdoor fires. All outdoor fires must be properly contained, either in a container or within a rock pit. Any fire must be attended at all times, until it is totally extinguished, by a responsible adult with a working water hose. The burning of garbage, trash or leaves is prohibited at all times.
- D) Violations of the foregoing prohibitions shall be punished in the following manner:
 - 1. For the first offense a written warning.
 - 2. For the second offense a \$50 fine.
 - 3. For the third offense a \$100 fine.
 - 4. For the fourth offense a \$200 fine.
 - 5. Fines thereafter shall increase at the rate of \$100 per violation.
 - 6. Any violations taking place within three years of a previous violation shall be considered an additional violation and punishable according to the foregoing schedule of fines.

E.1. Fines and other sanctions, if any, shall be effective upon the sending of notice or at any later date stated in the notice. Sanctions shall continue in force despite the Owner's request for a hearing before the Board under subsection (2) below to challenge any fine or other sanction.

2. The Board shall cause the owner to be served with written notice to the owner's address registered with the Association as the address where official mail may be received. Said notice will be sent by certified mail, return receipt requested with a copy by regular mail, which notice shall state: (1) the nature of the alleged violation(s); (2) the sanction(s) to be imposed; (3) that the Owner may challenge the fact of the occurrence of a violation, the proposed sanction(s) or both, by written challenge and written request for a hearing before the Board; (4) that the request to challenge must be

received by the Board within twenty (20) days of the date of the notice; and (5) the name, address, and telephone number of a person to contact regarding the challenge to any proposed sanction.

3. If the owner makes a timely request to the challenge and if the owner cures a violation of an ongoing nature within ten (10) days of the date of the notice, the Board in its discretion may, but is not obligated to, waive any sanction or portion of a sanction. In the event of a continuing violation, each day the violation continues or occurs again constitutes a separate offense, and fines may be imposed on a daily basis without further notice.

F. 1. If the Owner requests the opportunity to challenge the proposed Board action in a timely manner, the Board, or a hearing committee of not less than three (3) residents appointed by the Board, shall hold a hearing in executive session, (unless the challenger requests a public hearing)affording the Owner a reasonable opportunity to be heard. The hearing shall be set at a reasonable time and date. The Board shall send the Owner notice of the time, date and place of the hearing, and invite the Owner, and any alleged violator, to attend the hearing and produce any statements, evidence, and witnesses. Without the consent of the alleged violator, the date of the hearing shall be not less than twenty (20) days from the date of the notice. The minutes of the meeting shall contain a written statement of the results of the hearing. This section shall be deemed complied with if a hearing is held, the Owner or any alleged violator attends and is provided an opportunity to be heard, even if any other technical requirements for notice are not followed.

2. All fines plus costs incurred by the Association, including reasonable attorney's fees shall, as permitted by law, be deemed assessed against the Owner and shall be a lien on the property of the Owner. In addition, the Board shall have the power to collect any fine and costs as authorized herein, by such lawful actions as the Board deems appropriate by suit before the District Justice having jurisdiction thereof, or the Court of Common Pleas of Monroe County, in such a manner as is authorized by law from time to time.

(e) Cause the Association to employ and/or contract for sufficient personnel to perform adequately the responsibilities off the Association.

(f) Adopt reasonable rules of order for the conduct of the meetings of the Association.

(g) Elect the officers of the Association. Establish committees of the Association, appoint the members thereof, and assign responsibilities and duties to such committees.

(h) The Board shall, prior to the annual meeting of the Association in each year, adopt an operating budget for the following year.

(i) The Board shall, prior to the annual meeting of the J in each year, establish and levy the annual assessment for the following year in accordance with the approved operating budget. A copy of a summary of the operating budget and annual assessment shall be mailed to each Owner not less than fifteen (15) days nor more than thirty-five (35) days

preceding the Annual Meeting of the Association. The Budget and assessment shall be explained to the members at such Annual Meeting.

Section 2 The Board shall consist of seven (7) Directors.

Section 3. The initial Board shall serve staggered terms in order to assure that the terms of two (2) Directors shall be completed in 1988, the terms of three (3) Directors shall be completed in 1989, and the terms of two (2) Directors shall be completed in 1990. Thereafter the term of such Director shall be for three (3) years or until a successor has been elected or appointed, and shall commence upon their appointment or at the close of the annual meeting following their election.

Section 4. A Director shall be at least twenty-one (21) years of age and a citizen of the United States. Directors shall be members in good standing of the Association.

Section 5.

(a) Election of Directors shall be by written ballot only as Hereinafter provided. In all elections of Directors, each member shall be entitled to as many votes as shall equal the number of votes which he is entitled to cast as provided in Article II multiplied by the number of Directors to be elected. Cumulative voting shall not be permitted. The person or persons receiving the 1 number of votes shall be elected to the vacant position or positions.

(b) Anytime after August 1st and before September 10th, any member in good standing may file, with the Secretary of the Association, a written statement of his or her candidacy for election as a Director of the Association for the term beginning immediately following the next Annual Meeting of the Association. The Secretary of the Association shall certify the candidate to be a member in good standing.

(c) If the number of candidates does not exceed the number of Director positions to be filled, the Secretary shall declare all candidates to be elected without contest, and it shall not be necessary to conduct a written mail ballot.

(d) As of October 1st, the Secretary of the Association shall certify, from a list of all members of the Association, those members in good standing as defined in these Bylaws and therefore entitled to receive a written ballot as hereinafter provided. The Secretary of the Association shall retain this list with the records of the Association.

(e) Not less than fifteen (15) days nor more than thirty-five (35) days prior to the deadline for ballots to be received by the Association (seven [days before the annual meeting) , the Secretary shall prepare and cause to be mailed to each member a ballot which shall:

- (1) Describe the vacancy to be filled; and
- (2) Set forth in alphabetical order the names of those persons who have become candidates for the office of Director.

(f) Each member entitled to vote shall receive the number of ballots and envelopes to which he/she is entitled under Article II.

(g) The completed ballots shall be returned as follows:

(1) Each ballot shall be placed in a sealed envelope marked "ballot, and not marked in any other way.

(2) Each such "ballot" envelope shall contain only one (1) ballot, and each voting member shall be advised that, because of the verification procedures hereinafter set forth, the inclusion of more than one (1) ballot in any one ballot' envelope shall disqualify the return. The 'ballot' envelope or envelopes shall be placed in another sealed envelope lope which shall bear on its face the name and signature of the member, the appropriate lot number and such other information as the Board may determine will serve to establish the right to cast a vote or votes represented by the ballot or ballots contained therein. The ballots shall be received by the Secretary of the Association at such address as the Board may from time to time determine no later than seven (7) days prior to the Annual Meeting.

(h) Upon receipt of each return, the Secretary shall immediately place it in a safe or locked place until the date affixed by the Board for the counting of such ballots. On that date, the external envelopes containing the "ballot" envelope shall be turned over unopened to the Election Committee consisting of the Secretary and two other members appointed by the Board. In the event the Secretary is a candidate for the Office of Director or is unable to attend the count of the votes, the President shall appoint a person to the Election Committee to act in place of the Secretary. A representative of each candidate for the office of Director may also be present to observe, but shall not serve on the committee. The vote of any member shall not be disclosed to anyone, including the Election Committee. The outside envelopes shall thereupon be placed in a safe or other locked place and the Election Committee shall proceed to the opening of the "ballot' envelopes and the counting of the votes. If any "ballot" envelope is found to contain more than one (1) ballot, all ballots contained in such envelope shall be disqualified. The Election Committee shall certify the results of the count at the Annual Meeting and the term of office of the Director so elected shall commence immediately following such Annual Meeting.

(i) All outside envelopes, ballots and statements of candidacy shall be retained by the Secretary for a period of one (1) year.

Section 6. 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/her property in Timber Trails or upon the death or judicially declared incompetence of a member or upon the expiration of eleven (11) months from the date of the proxy.

Section 7. The Board shall meet at such intervals as it shall determine, from time to time. Special meetings of the Board may be called by a majority of the Board and shall be held at such place as the call or notice of the meeting shall designate. Notice of a special meeting must be given in writing or orally at least seventy-two (72) hours prior to the date of said special meeting, but notice thereof may be waived by a director in writing. After adoption of a resolution setting forth the time and date of regular meetings, no notice of such meetings shall be required.

Section 8. Unless prohibited by law, any action which may be taken at a meeting of the Board may be taken without a meeting if authorized in a written consent signed by all of

the directors who would be entitled to vote upon said action at a meeting, and filed with the Secretary of the Association.

Section 9. A majority of the Directors shall constitute a quorum to transact business of the Board, and the act of the majority of the Directors present in person, by written proxy, by telephone or other electronic communication at any meeting shall be deemed to be the act of the Board.

Section 10. If any vacancy exists on the Board, such vacancy shall be filled by the remaining Directors even though the remaining Directors may constitute less than a quorum. Any person so elected a Director shall serve for the balance of the unexpired term of the Director whom he/she has replaced.

ARTICLE VII

The Officers

Section 1. The officers of the Association shall be the President, the Vice-President, the Secretary, the Treasurer and such other officers and assistant officers as the Board may from time to time elect. Officers shall serve at the will of the Board. Any two (2) or more offices may be held by the same person, except the offices of President and Secretary.

Section 2. The President shall be the chief executive officer of the Association. Except as set forth in these By-Laws or fixed by the Board, he/she shall be vested with the powers and duties generally incident to the office of President of a non-profit corporation.

Section 3. In the absence of the President, or in the event of his/her inability or refusal to act, the Vice-President is empowered to act and shall thereupon be vested with the powers and duties of the President.

Section 4. The Secretary of the Association shall keep the minutes of matters transacted at the meetings of the members and of the Board, shall mail, or cause to be mailed, all notices required under the Bylaws; shall have the custody of the corporate seal and records; shall maintain a list of the members and their addresses; and perform all other duties incident to the office of Secretary.

Section 5. The Treasurer shall have custody of the funds of the Association, collect monies due, pay the obligations of the Association, and perform such other duties as are incident to the office of Treasurer. The Board may require that the Treasurer be bonded for such amount and under such conditions as the Board may require the cost of any such bond to be paid by the Association.

Section 6. Any officer may be removed at any time by a majority vote of the Board.

ARTICLE VIII

Committees

Section 1. The committees of the Association shall be such committees as shall be established from time to time by the Board. Unless otherwise provided herein or by the Board, each committee shall consist of a Chairman and two or more members and may

include a member of the Board. Appointments to committees shall be made annually prior to each annual meeting of the members of the Association.

Section 2. Committee members shall serve at the pleasure of the Board and may be removed or replaced at any time at the discretion of the Board.

Section 3. Each committee shall have power to appoint a sub committee from among its membership and may delegate to any such subcommittee any of its powers, duties and functions.

ARTICLE IX

Section 1. Upon 48 hours notice, the books, records and papers of the Association shall at all times, during published office hours, be subject to the inspection of any member.

ARTICLE X

Corporate Seal

Section 1. The Association shall have a corporate seal in the form adopted by the Board of Directors.

ARTICLE XI

Amendments

Section 1. Amendments to these Bylaws may be proposed by a majority vote of the Board of Directors, or by a written petition signed by at least twenty-five (25) Members in good standing.

Section 2. Any amendments to these Bylaws shall be submitted for consideration by the Membership of the Association at the annual meeting of the Association next following the proposal of said amendments or at a special meeting of the Membership called for that purpose. Amendments to the Bylaws shall be adopted by a majority of the votes entitled to be cast at said meeting.

Section 3. No resolution, proposal or Bylaws amendment may be submitted to the Members for a vote at any Annual or Special Meeting unless it is mailed to the Members at least fifteen days, and not more than thirty-five days, prior to that Meeting. The Board may, in its discretion, submit any such matter to the Members for a vote by proxy or mail ballot, provided the proxy or ballot is mailed to the Members at least two weeks prior to the Meeting.

ARTICLE XII

Restrictions and Covenants

Incorporated by Reference

Section 1. The Restrictions and Covenants, in their entirety and not only to the extent specifically referred to in these Bylaws, are hereby incorporated into and made a part of these Bylaws of the Association.

ARTICLE XIII

Indemnification of Officers and Directors

Section 1. An officer and/or director of this Association shall stand in a fiduciary relation to the Association and shall perform his or her duties as an officer or director, including his or her duties as a member of any committee of the board upon which he or she may serve, in good faith, in a manner which he or she reasonably believes to be in the best interests of the Association, and with such care, including reasonable inquiry, skill and diligence, as a person of ordinary prudence would use under similar circumstances. In performing his duties, unless he has knowledge concerning the matter in question that would cause his reliance to be unwarranted, a director shall be entitled to rely in good faith on information, opinions, reports or statements, prepared or presented by any of the following:

- (a) One or more officers or employees of the Association.
- (b) Counsel, public accountants or other professional advisors or consultants.
- (c) A committee of the board.

Section 2. In discharging their duties officers and directors may, in considering the best interests of the Association, consider the effects of any action upon employees, upon suppliers and customers of the Association and upon communities in which offices or other facilities of the Association are located, and all other pertinent factors.

Section 3. An officer or director of this Association shall not be personally liable for monetary damages as such for any action taken or for any failure to take any action, unless:

- (a) the director has breached or failed to perform the duties of his office under the provisions of Sections 1 and 2, and
- (b) the breach or failure to perform constitutes self-dealing, willful misconduct, or recklessness.

Section 4. The provisions of Section 3 shall not apply to:

- (a) the responsibility or liability of a director pursuant to a criminal statute, or
- (b) the liability of a director for the payment of taxes pursuant to local, state or federal law.

Section 5. The Association shall indemnify any officer or director, or any former officer or director who was or is a party to, or is threatened to be made a party to, or who is called to be a witness in connection with, any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Association) by reason of the fact that such person is or was an officer or director of the Association, against expenses (including reasonable attorney's fees) , judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in, or not opposed to, the best interests of the Association, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any

action, suit or proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere or its equivalent, shall not of itself create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in, or not opposed to, the best interests of the Association, and, with respect to any criminal action or proceeding, had no reasonable cause to believe that his conduct was unlawful.

Section 6. The Association shall indemnify any officer or director who was or is a party to, or is threatened to be made a party to, or who is called as a witness in connection with, any threatened, pending or completed action or suit by or in the right of the Association to procure a judgment in its favor against amounts paid in settlement and expenses (including attorney's fees) actually and reasonably incurred by him in connection with the defense or settlement of, or serving as a witness in, such action or suit if he acted in good faith and in a manner he reasonably believed to be in, or not opposed to, the best interests of the Association and except that no indemnification shall be made in respect of any such claim, issue or matter as to which such person shall have been adjudged to be liable for misconduct in the performance of his duty to the Association.

Section 7. Except as may be otherwise ordered by a court, there shall be a presumption that any officer or director is entitled to indemnification as provided in this Article unless either a majority of the directors who are not involved in such proceedings ("disinterested directors") or, if there are less than three disinterested directors, then a majority of the members of the Association determine that the person is not entitled to such presumption by certifying such determination in writing to the Secretary and President of the Association. In such event the disinterested director(s) or, in the event of certification by the Members, the Secretary and President of the Association shall request of independent counsel, who may be the outside general counsel of the Association, a written opinion as to whether or not officers and/or directors are entitled to indemnification under this Article.

Section 8. Expenses incurred by an officer or director in defending a civil or criminal action, suit or proceeding may be paid by the Association in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of the officer or director, to repay such amount if it shall ultimately be determined that such person is not entitled to be indemnified by the Association.

Section 9. The indemnification provided by this Article shall not be deemed exclusive of any other rights to which a person seeking indemnification may be entitled in his or her official capacity while serving as an officer or director, and shall continue as to a person who has ceased to be an officer or director and shall inure to the benefit of the heirs; executors and administrators of such a person.

Section 10. The Association shall have the power to purchase and maintain insurance on behalf of any person who is or was an officer or director against any liability asserted against such person and incurred by them in any such capacity, or arising out of their status as such, whether or not the Association would have the power to indemnify such person against such liability.

ADOPTED BY THE TIMBER TRAILS COMMUNITY
ASSOCIATION BOARD OF DIRECTORS, DECEMBER
1987

AMENDED BY TIMBER TRAILS PROPERTY OWNERS
ON NOVEMBER 3, 1990

FURTHER AMENDED BY THE TIMBER TRAILS
PROPERTY OWNERS ON DECEMBER 12, 1998