

EXHIBIT B

BY-LAWS  
OF  
WILLOW SPRINGS HOMEOWNERS CORPORATION

ARTICLE I

Members

SECTION 1. Eligibility.

A. Voting Members. The Members of the Willow Springs Homeowners Corporation, a non-profit corporation (hereinafter the "Association") shall consist of the respective Lot Owners of the Property known as Willow Springs, a plat of which is recorded in the Office of the Probate Judge of Madison County, Alabama, in Plat Book 13, pages 62 and 63 (called "Property"), in accordance with the respective percentages of ownership interest in the Association owned by the respective Lot Owners (these and other terms are used in these By-Laws as they are defined in the Declaration of Covenants, Conditions and Restrictions for Block One, Willow Springs, a Planned Development - Housing of record in Deed Book \_\_\_\_\_, page \_\_\_\_\_, Probate Office of Madison County, Alabama, and any subsequent amendments or modifications thereto duly made and recorded in accordance with the terms thereof, which Declaration is of record in said Probate Office. The words "member" or "members" as used in these By-Laws mean and shall refer to "Lot Owner" or "Lot Owners," as the case may be, as defined in the Declaration). If a Lot Owner is a trust, then the member shall be a beneficiary of such trust, and if a Lot Owner or such a beneficiary is a corporation or partnership, the member may be an officer, partner or employee of such Lot Owner or beneficiary.

B. Associate Members. The owners of lots in Westview Subdivision, recorded in Plat Book 10-74, Westview Subdivision Second Addition, recorded in Plat Book 13-38, and Westview Subdivision Third Addition, recorded in Plat Book 13-77 shall have the option of becoming associate members of said association without voting rights upon the payment of an initial membership fee as fixed by the Board of Directors in an amount not to exceed \$2,000.00, and upon payment of a proportionate share of expenses for only the maintenance and operation of the Common Recreation Area, Lot 45. Associate members and their families shall be entitled to the same use of the Common Recreation Area as the other members are entitled.

SECTION 2. Succession. The membership of each Lot Owner shall terminate when he ceases to be a Lot Owner and upon the sale, transfer or other disposition of his ownership interest in the Property, his membership in the Association shall

automatically be transferred to the new Lot Owner succeeding to such ownership interest.

SECTION 3. Regular Meetings. The first regular annual meeting of members (the "First Meeting") may be held, subject to the terms hereof, on any date, at the option of the Board, provided, however, that the first meeting shall be held no later than the earlier of the following events: one hundred twenty (120) days after Developer has sold and delivered deeds for at least 75% of the Lots, or three (3) years following conveyance by Developer of the first Lot, whichever event occurs first. Subsequent to the First Meeting, there shall be a regular annual meeting of members held each year within fifteen (15) days of the anniversary of the First Meeting. All such meetings of members shall be held at such place in Madison County, Alabama, and at such time as specified in the written notice of such meeting which shall be delivered to all members at least ten (10) days prior to the date of such meeting.

SECTION 4. Special Meeting. Special Meetings of the members may be called by the President or by a majority of the directors of the Board, or by members having at least twenty (20%) percent of the votes entitled to be at such meeting. Said Special Meetings shall be called by delivering written notice to all members not less than ten (10) days prior to the date of said meeting, stating the date, time and place of said Special Meeting and the matters to be considered.

SECTION 5. Delivery of Notice of Meetings. Notices of meetings may be delivered either personally or by mail to a member at the address given to the Board by said member for such purpose, or to the member's Lot, if no address for such purpose has been given to the Board.

SECTION 6. Voting. After the number of Class A Lots reaches 80 and 6 years from the date hereof has expired as provided hereafter, the aggregate number of votes for all members of the Association shall be one hundred one (101) and shall be divided and allocated among the respective Lot Owners as follows: 1 vote for each Lot.

Prior to such time there shall be two classes of Lots with respect to voting rights:

Class A. Class A Lots shall be all Lots except Class B Lots as the same are hereinafter defined, and the Owner(s) of each such Class A Lot shall be entitled to one (1) vote.

When two or more persons hold an interest (other than a leasehold or security interest) in any Lot, all such persons shall be Members. The vote for such Lot shall be exercised by one of such persons as proxy and nominee for all persons holding an interest in a Lot and in no event shall more than one (1) vote be cast with respect to any Lot.

Class B. Class B Lots shall be all Lots owned by Developer which have not been converted to Class A Lots as provided below. Developer shall be entitled to four (4) votes for each Class B Lot which it retains. The Class B Lots shall cease to exist and shall be converted to Class A Lots when there are 80 owner occupied residences on Class A lots, provided that the Class B Lots shall not, in any event, cease to exist until the expiration of six (6) years from the date hereof.

No Lot Owner who is in default in the payment of his assessments hereunder shall be entitled to exercise his right to vote hereunder until he has cured such default. A Lot Owner shall be deemed to be in default if he has not paid his assessments to the Board, or their agent, within fifteen (15) days after receipt of notice of assessment. A Lot Owner may protest the amount of the assessment, but it still must be paid during the pendency of the protest to the Board.

SECTION 7. Quorum. A quorum of members for any meeting shall be constituted by members represented in person or by proxy and holding a majority of the votes entitled to be cast at such meeting.

## ARTICLE II

### Board of Directors

SECTION 1. Number, Election and Term of Office. The Board of Directors of the Association (sometimes referred to herein as the "Board") shall consist of five (5) members (hereinafter referred to as "Directors"). Directors shall be elected at the regular annual meeting of Association members by the vote of the Lot Owners except that until such time as the First Meeting of members is held, the Directors (hereinafter called "members of the First Board") shall be appointed by Developer. Those candidates for election as Director receiving the greatest number of votes cast either in person or by proxy at the meeting shall be elected. Every Director, except for members of the First Board, shall hold office for the term of three (3) years and until his successor shall be elected and qualified. Two members of the First Board shall hold office until the first regular annual meeting of Association members, two other members of the First Board shall hold office until the second regular annual meeting of Association members, and one other member of the First Board shall hold office until the third regular annual meeting of Association members. Unless otherwise agreed, the member of the First Board receiving the highest number of votes shall hold office until the third regular annual meeting and the two members receiving the next highest number of votes shall hold office until the second regular annual meeting.

SECTION 2. Qualification. Except for members of the First Board, each director shall be a Lot Owner or the spouse of a Lot Owner (or, if a Lot Owner is a trustee of a trust, a director may be a beneficiary of such trust, and if a Lot Owner or such a beneficiary is a corporation or partnership, a director may be an officer, partner or employee of such Lot Owner or beneficiary). If a director shall cease to meet such qualifications during his term he shall thereupon cease to be a director and his place on the Board shall be deemed vacant.

SECTION 3. Vacancies. Any vacancy occurring in the Board shall be filled by majority vote of the remaining members thereof. Any director so elected to fill a vacancy shall hold office for a term equal to the unexpired term of the director which he succeeds.

SECTION 4. Meetings. A regular annual meeting of the Board shall be held within ten (10) days following the regular annual meeting of Lot Owners. Special meetings of the Board shall be held upon a call by the President or by a majority of the Board on not less than forty-eight (48) hours notice in writing to each director, delivered personally or by mail or telegram. Any director may waive notice of a meeting, or consent to the holding of a meeting without notice, or consent to any action proposed to be taken by the Board without a meeting. A director's attendance at a meeting shall constitute his waiver of notice of said meeting.

SECTION 5. Removal. Any director may be removed from office for cause by the vote of two-thirds (2/3) of the total membership of the Association.

SECTION 6. Compensation. Directors shall receive no compensation for their services as directors, unless expressly provided for in resolutions duly adopted by the Lot Owners.

SECTION 7. Quorum. Three (3) directors shall constitute a quorum.

SECTION 8. Powers and Duties. The Board shall have the following powers and duties:

(a) to elect and remove the officers of the Association as hereinafter provided;

(b) to administer the affairs of the Association as hereinafter provided;

(c) to formulate policies for the administration, management and operation of the Property and the Common Elements thereof;

(d) to adopt rules and regulations, with written notice thereof to all Lot Owners governing the administration,

management, operation and use of the Property and the Common Elements, and to amend such rules and regulations from time to time;

(e) to provide for the maintenance, repair, and replacement of the Common Elements and payments thereof, and to approve payment vouchers or to delegate such approval to the officers;

(f) to provide for the designation, hiring and removal of employees and other personnel, including accountants and attorneys, and to engage or contract for the services of others, and to make purchases for the maintenance, repair, replacement, administration, management and operation of the Property and the Common Elements;

(g) to appoint committees of the Board and to delegate to such committees the Board's authority to carry out certain duties of the Board;

(h) to determine the fiscal year of the Association and to change said fiscal year from time to time as the Board deems advisable;

(i) to estimate the amount of the annual budget, and to provide the manner of assessing and collecting from the Lot Owners their respective shares of such estimated expenses, as hereinafter provided;

(j) to enter into any lease agreement for lease of any Lot owned or lease by the Association upon such terms as the Board may approve; and

(k) to exercise any rights and authority granted it in the Declaration.

## ARTICLE II

### Officers

SECTION 1. Designation. At such regular annual meeting, the directors present at said meeting shall elect the following officers of the Association from the Board by a majority vote:

(a) a President, who shall be a director and who shall preside over the meetings of the Board and of the members and who shall be the chief executive officer of the Association;

(b) a Secretary, who shall keep the minutes of all meetings of the Board and of the Lot Owners, and who shall, in general, perform all the duties incident to the office of Secretary;

(c) a Treasurer, who shall be responsible for financial records and books of account and the manner in which such records and books are kept and reported;

(d) such additional officers as the Board shall see fit to elect.

**SECTION 2. Powers.** The respective officers shall have the general powers usually vested in such officers; provided that the Board may delegate any specific powers to any other officer or impose such limitations or restrictions upon the powers of any officer as the Board may see fit.

**SECTION 3. Term of Office.** Each officer shall hold office for the term of one (1) year and until his successor shall have been appointed or elected and qualified.

**SECTION 4. Vacancies.** Vacancies in any office shall be filled by the Board by a majority vote of the remaining members thereof a Special Meeting of said Board. Any person so elected to fill a vacancy shall hold office for a term equal to the unexpired term of the officer he succeeds. Any officer may be removed for cause at any time by vote of two-thirds (2/3) of the total membership of the Board at a Special Meeting thereof, in which event, a non-Board member may be elected to such office.

**SECTION 5. Compensation.** The officers shall receive no compensation for their services as officers, unless expressly provided for in a resolution duly adopted by the Lot Owners.

#### ARTICLE IV

##### Assessments

**SECTION 1. Annual Budget.** The Board shall cause to be prepared an estimated annual budget for each fiscal year of the Association. Such budget shall take into account the estimated common expenses and cash requirements for the year including but not limited to salaries, wages, payroll taxes, legal and accounting fees, working capital fund, supplies, materials, parts, services, maintenance, repairs, replacements, landscaping, insurance, fuel, power, and all other common expenses. To the extent that the assessments and other cash income collected from the Lot Owners during the preceding year shall be more or less than the expenditures for such preceding year, the surplus or deficit, as the case may be, shall also be taken into account. The annual budget shall also take into account the estimated net available cash income for the year and a reserve for capital replacements, in reasonable amounts as determined by the Board.

**SECTION 2. Assessments.** The estimated annual budget for each fiscal year shall be approved by the Board, and copies thereof shall be furnished by the Board to each Lot Owner not

later than thirty (30) days prior to the beginning of such year. On or before the first year day of the first month and of each succeeding month of the year covered by the annual budget, each Lot Owner shall pay, as his respective monthly assessment for the common expenses, one-twelfth (1/12) of his proportionate share of the common expenses for such year as shown by the annual budget. Such proportionate share for each Lot Owner shall be in accordance with his respective ownership interest in the Association. The Board may determine different allocations with respect to a part of such charges whenever it appears to the Board that such an allocation would be unfair. The allocations shall be applied uniformly to all Owners of like situations. The allocation of the Board shall be final and binding upon all parties. In the event that the Board shall not approve an estimated annual budget or shall fail to determine new monthly assessments for any year, or shall be delayed in doing so, each Lot Owner shall continue to pay each month the amount of his respective monthly assessment as last determined. Each Lot Owner shall pay his monthly assessment on or before the first day of each month to the Board. No Lot Owner shall be relieved of his obligation to pay his assessment by abandoning or not using his Lot or the Common Elements.

SECTION 3. Partial Year or Month. For the first fiscal year, the annual budget shall be as approved by the First Board. If such first fiscal year, or any succeeding fiscal year, shall be less than a full year, then the monthly assessments for each Lot Owner shall be proportionate to the number of months and days in such period covered by such budget. Commencing with the date of occupancy of his Lot, each Lot Owner shall pay his assessment for the following month or fraction of a month, which assessment shall be in proportion to his respective ownership interest in the Common Elements and the number of months and days remaining of the period covered by the current annual budget, and which assessment shall be as computed by the Board.

SECTION 4. Annual Report. Within sixty (60) days after the end of each fiscal year covered by an annual budget, or as soon thereafter as shall be practicable, the Board shall cause to be furnished to each Lot Owner a statement for such year so ended, showing the receipts and expenditures and such other information as the Board may deem desirable.

SECTION 5. Supplemental Budget. In the event that during the course of any year, it shall appear to the Board that the monthly assessments, determined in accordance with the estimated annual budget for such year, are insufficient or inadequate to cover the estimated common expenses and limited common expenses for the remainder of such year, then the Board shall prepare and approve a supplemental budget covering the estimated deficiency for the remainder of such year, copies of which supplemental budget shall be furnished to each Lot Owner and thereupon a supplemental assessment shall be made to each Lot Owner for his proportionate share of such supplemental budget.

SECTION 6. Expenditures. The Board shall not approve any expenditure in an amount in excess of 10% of the annual budget for the then current year, unless required for emergency repair, protection, or operation of the common elements, nor enter into any contract for more than three (3) years, without the prior approval of two-thirds (2/3) of the total votes in the Association.

SECTION 7. Lien. It shall be the duty of every Lot Owner to pay his proportionate share of the common expenses and limited common expenses as provided in the Declaration of Covenants, Conditions and Restrictions and as assessed in the manner herein provided.

If any Lot Owner shall fail or refuse to make any such payment of the common expenses or limited common expenses when due, the amount thereof together with the interest thereon at the highest lawful rate per annum after said common expenses become due and payable, shall constitute a lien, enforceable by the Board, on the interest of such Lot Owner in his Lot and the appurtenant interest in the Association, provided, however, that such lien shall be subordinate to the lien of a recorded first mortgage or deed or trust on the interest of such Lot Owner, except for the amount of the proportionate share of common expenses which are due and payable from and after the date on which such mortgage owner or holder either takes possession of the Lot, accepts a conveyance of any interest therein (other than as security), or files suit to foreclose its mortgage or deed of trust. The provisions of this paragraph of this Section 6 shall not be amended, changed, modified or rescinded in any way without the prior written consent of all such lien holders of record.

The Association or its successors and assigns, or the Board or its agents, shall have the right to enforce such lien or to maintain a suit to foreclose any such lien, and there shall be added to the amount due the costs of said suit and other fees and expenses, together with legal interest and reasonable attorneys' fees to be fixed by the Court. The Board or the Association shall have the authority to exercise and enforce any and all rights and remedies as provided for in the Declaration of Covenants, Conditions and Restrictions or these By-Laws, or as are otherwise available at law or in equity, for the collection of all unpaid assessments.

SECTION 8. Records and Statement of Account. The Board shall cause to be kept detailed and accurate records in chronological order of the receipts and expenditures affecting the Association and the Common Elements, specifying and itemizing the common expenses and limited common expenses incurred. Payment vouchers may be approved in such manner as the Board may determine.

The Board shall, upon receipt to ten (10) days written notice to it or the Association and upon payment of a reasonable fee,



furnish to any Lot Owner a statement of his account setting forth the amount of any unpaid assessments or other charges due and owing from such Lot Owner.

SECTION 9. Discharge of Liens. The Board may cause the Association to discharge any mechanic's lien or other encumbrance which in the opinion of the Board may constitute a lien against the Common Elements, rather than a lien against only a particular Lot Ownership. When less than all the Lot Owners are responsible for the existence of any such lien, the Lot Owners responsible shall be jointly and severally liable for the amount necessary to discharge the same and for all costs and expenses, including attorneys' fees, incurred by reason of such lien.

SECTION 10. Holding of Funds. All funds collected hereunder shall be held and expended for the purposes designated herein, and (except for such special assessments as may be levied hereunder against less than all the Lot Owners and for such adjustments as may be required to reflect delinquent or prepaid assessments) shall be deemed to be held for the benefit, use and account of all the Lot Owners in the percentages of the Lot Owners as from time to time existing.

## ARTICLE V

### Use and Occupancy Restrictions

SECTION 1. General. The restrictions on use and occupancy of the Units as contained in the Declaration of Covenants, Conditions and Restrictions and any subsequent amendments or modifications thereto duly made and recorded in accordance with the terms thereof, are incorporated herein by reference as if fully set out.

SECTION 2. Rules and Regulations. Lot Owners shall be subject to such further restrictions as may be contained in rules and regulations of the Association concerning the use of Lots and the Common Elements which may be enacted from time to time by the Board. All such rules and regulations shall be binding rules and regulations of the Association unless rejected by at least seventy-five (75%) percent of the votes of Lot Owners and copies of such rules and regulations and any amendments or additions thereto shall be furnished to all Lot Owners upon request.

## ARTICLE VI

### Contractual Powers

No contract or other transaction between this corporation and one or more of its Directors or between this corporation and any corporation, firm or association in which one or more of the Directors of this corporation are directors, or are financially interested, is void or voidable because such Director or Directors

are present at the meeting of the Board or a committee thereof which authorizes or approves the contract or transaction or because his or their votes are counted, if the circumstances specified in either of the following subparagraphs exists:

(a) the fact of the common directorship or financial interest is disclosed or know to the Board or committee and noted in the minutes and the Board or committee authorizes, approves or ratifies the contract or transaction in good faith by a vote sufficient for the purpose without counting the vote or votes of such Director or Directors; or

(b) the contract or transaction is just and reasonable as to the corporation at the time it is authorized or approved.

Common or interested Directors may be counted in determining the presence of a quorum at a meeting of the Board or a committee thereof which authorizes, approves or ratifies a contract or transaction.

## ARTICLE VII

### Amendments

These By-Laws may be amended or modified from time to time by action or approval of sixty-seven (67%) percent of the votes in the Association. Such Amendments shall be recorded in the Office of the Probate Office of Madison County, Alabama. The foregoing notwithstanding, the approval of the holders of first mortgages on Lots which have at least fifty-one (51%) percent of the votes of Lots subject to such mortgages or deeds of trust shall be required to add or amend any provisions of these By-Laws which establish, provide for, govern, or regulate any of the following: voting; assessments, assessment liens, or subordination of such liens; reserves for maintenance, repair, and replacement of the common areas; responsibility for maintenance and repair of the property. The holder of such mortgage which receives a written request to approve additions or amendments and which does not deliver to the requesting party a negative response within thirty (30) days shall be deemed to have approved such request.

## ARTICLE VIII

### Indemnification

SECTION 1. General. To the extent permitted by law, the Association shall indemnify and hold harmless each of its directors and officers, each member of any committee appointed pursuant to the By-Laws of the Association, and the Board, against all contractual and other liabilities to others arising out of contracts made by or other acts of such directors, Board, officers,

or committee members, on behalf of the members or arising out of their status as directors, Board, officers, or committee members, unless any such contract or act shall have been made fraudulently or with gross negligence or criminal intent. It is intended that the foregoing indemnification shall include indemnification against all costs and expenses (including, but not limited to, counsel fees, amounts of judgments paid and amounts paid in settlement) reasonably incurred in connection with the defense of any claim, action, suit or proceeding, whether civil, criminal, administrative or other, in which any such director, officer, Board, or committee member may be involved by virtue of such persons being or having been such director, officer, Board, or committee member.

**SECTION 2. Success on Merits.** To the extent that a member of the Board of Directors or an officer of the Association or a member of any committee appointed pursuant to the By-Laws of the Association has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in Section 1, or in defense of any claim, issue or matter therein, he shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him in connection therewith.

**SECTION 3. Advance Payment.** Expenses incurred in defending a civil or criminal action, suit or proceeding may be paid by the Association in advance of the final disposition of such action, suit or proceeding as authorized by the Board of Directors in the specific case upon receipt of an undertaking by or on behalf of the person or entity seeking such indemnification or payment in advance to repay such amount unless it shall ultimately be determined that he is entitled to be indemnified by the Association as authorized in this Article VIII.

**SECTION 4. Miscellaneous.** The Association and the Board shall have the power to raise and the responsibility for raising, by special assessment or otherwise, any sums required to discharge its obligations under this Article, provided, however, that the liability of any member arising out of any contract made by or other acts of the directors, Board, officers, or members of such committees, or out of the aforesaid indemnity in favor of the directors, Board, officers, or members of such committees, shall be limited to said member's percentage of interest in the Common Elements. Every agreement made by the directors, Board, officers, or members of such committees, shall provide that the directors, Board, officers, or members of such committees, as the case may be, are acting only as agents for the member and shall have no personal liability thereunder (except as members), and that each member's liability thereunder shall be limited to his percentage of interest in the Common Elements. The indemnification provided by this Article VIII shall not be deemed exclusive of any other rights to which those seeking indemnification may be entitled under any statute, agreement, vote of members of the Association or disinterested members of the Board of Directors or otherwise, both as to action in his official capacity and as to action in

another capacity while holding such office. Such right to indemnification shall continue as to a person or entity who has ceased to be a member of the Board of Directors, officer of the Association or a member of such committee, and shall inure to the benefit of the heirs, executors, administrators, successors and assigns of such person or entity.

## ARTICLE IX

### Mortgages

SECTION 1. Notice to Board. A Lot Owner who mortgages his Lot or Unit shall notify the Board of the name and address of his mortgagee and shall file a conformed copy of the Note and mortgage with the Board; and the Board shall maintain such information in a Book entitled "Mortgages of Units."

SECTION 2. Notice of Unpaid Common Charges. The Board whenever so requested in writing by a mortgagee of a Lot shall promptly report any then unpaid common charges due from, or any other default by the owner of the mortgaged Lot.

SECTION 3. Notice of Default. The Board, when giving notice to a Lot Owner of a default in paying common charges or other default, shall send a copy of such notice to each holder of a mortgage covering such Lot or Unit whose name and address has theretofore been furnished to the Board.

SECTION 4. Examination of Books, Documents, and Records. The Board shall make available for inspection, on request during normal business hours, to Lot Owners, the holders of mortgages on Lots and Units, and the insurers and guarantors of any first mortgage, copies of the Declaration, By-Laws, rules, and regulations of the Property, and the books, records, and financial statements of the Association.

SECTION 5. Interest of Valid First Mortgages. The interest of a valid first mortgagee shall be superior to the interest of the Board in the event of a default, and nothing in this instrument shall be construed to the contrary. If the first mortgagee has incorporated the terms of these By-Laws, the Declaration and the contract in its mortgage then said first mortgagee may at its option declare a default in its mortgage by reason of any default hereunder, and may proceed to enforce its rights according to the terms of the mortgage notwithstanding any enforcement instituted by the Board.

## ARTICLE X

### Definition of Terms

The terms used in these By-Laws, to the extent they are defined therein, shall have the same definition as set forth in the Declaration for Block One, Willow Springs, a Planned Development - Housing, of which Declaration these By-Laws are on Exhibit B.

## ARTICLE XI

### Conflicts

In the event any of these By-Laws conflict with the provisions of the Declaration of Covenants, Conditions and Restrictions, the provisions of the said Declaration shall control.