

MT. KEMBLE LAKE ASSOCIATION, INC. BY-LAWS

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ARTICLE I. NAME OF CORPORATION

The corporate name of this community organization is “Mt. Kemble Lake Association, Inc.” (Association). The Association is a New Jersey nonprofit corporation. The Certificate of Incorporation of Mt. Kemble Lake Community Club was originally recorded in Book 138 182 of Corporations (NJ). To reduce confusion with Mt. Kemble Lake Country Club, a Certificate of Amendment to change the name was filed April 18, 1995.

ARTICLE II. NATURE OF THE COMMUNITY

Mt. Kemble Lake (MKL) is a unique residential community organized and operated to support the interests and concerns of its residents. Collective efforts of residents are the means by which the resources of the community are developed, maintained, enjoyed and conserved. The Association is strongly committed to the principle of community action through individual participation in community affairs, operations and governance for the good of all who live at Mt. Kemble Lake.

It is the desire and intent of the Association to fully respect the privacy and inherent rights of the individual, including those of property ownership and participation in MKL community activities, without discrimination. This respect of the rights of the individual, coupled with the opportunity for participation in community affairs, make Mt. Kemble Lake a most desirable place to live.

ARTICLE III. PURPOSE OF THE ASSOCIATION

The purpose of the Association, through its elected officials, is to enhance the MKL community by development, use, regulation and conservation of all properties owned in common by the homeowners via:

- Operating, managing, and administering the community assets to the greatest extent possible, including but not limited to maintenance, repairs and replacements thereof.

- Enhancing usage.

- Adopting, and enforcing diligently and equitably, rules and regulations for use and safety and establishing appropriate sanctions for non-compliance.

- Equipping the MKL Clubhouse and other community property to meet the priorities of the Members of the Association (Members).

- Establishing a commitment to lake stewardship via the promotion and protection of lake health and vitality.

- Entering into contracts with third parties, including but not limited to the Lakeshore Company, related to the functions and services described herein.

The Association shall have responsibility to administer and govern community activities. The following functions are inherent in this responsibility:

- Identifying and conducting such activities as may be of interest to the Members.
- Providing leadership on joint issues with other MKL community organizations to assure a coordinated approach toward the care and use of resources.
- Establishing and maintaining communication channels to inform the Membership about Association and MKL community actions and activities.

The Association shall have the right to exercise all powers necessary or convenient to effect any of the purposes outlined in this Article III or elsewhere in these By-Laws.

ARTICLE IV. ORGANIZATION OF THE ASSOCIATION

Section A. Structure

Respecting the volunteer nature of candidacy for office, the term of office for Trustees of the Association is only two years. The Board of Trustees (Board) shall consist of at least 9 Members (unless and until increased as described below). Terms are staggered so that approx. half of the Members are elected each year. Therefore, these By-Laws are highly structured in order to provide a framework and bridge for stable governance and continuous maintenance of MKL facilities and activities.

Section B. Board of Trustees

- **Conduct of Business** - The Board of the Association shall be responsible for the conduct of business of the Association in support of and consistent with the Nature of the Community (**Article II**) and the Purpose of the Association (**Article III**) as described in these By-Laws.

- Adoption of rules and regulations - The Board shall adopt Rules and Regulations which govern the obligations and responsibilities of all Members, Inactive Members, residents and guests with respect to community property and community activities.

1. Board of Trustees - Elected Trustees shall serve for a term of two (2) years. In the event that the Board ever determines that it would be advantageous to add an additional Trustee(s) in order to carry out the Board's functions, then the Board may appoint such additional Trustee(s), who shall serve until the next election, at which time one or more candidates for a new Board seat(s) shall be nominated for election for a term of one or two years as determined by the Board, according to the usual election procedures described below. Whenever the Board determines that such an additional Trustee is no longer needed to carry out the Board's functions, the Board shall make a corresponding reduction in the number of seats to be filled at the next election.

2. Nomination of Candidates – By October 1st of each year, the Board shall appoint a Nominating Committee of five Association Members (none currently on the Board). Also by October 1st, the Board shall notify all Members of the Association that the Nominating Committee is soliciting nominations for election to fill the seats of the Trustees which are or will become vacant by year end. Any Association Member in good standing may nominate himself or herself, or another Member in good standing who is willing to run for election. The names of all such candidates shall be submitted to the Nominating Committee in accordance with instructions given to the Association Members. In addition, the Nominating Committee itself will nominate additional candidates as necessary, in order to insure that the number of candidates running for election is at least equal to the number of upcoming Board vacancies. The Nominating Committee may at its discretion nominate additional candidates exceeding the number of upcoming Board vacancies. The names of all candidates, whether nominated by Association Members or by the Nominating Committee, shall constitute the candidates to be included on the ballot for election. In addition, the ballot shall include space for write-in candidates for as many seats as are up for election.

3. Election of Trustees

- Trustees shall be elected by Association Members in a written ballot process intended to be concluded before year end.
- By November 1st of each year, the Secretary of the Association shall provide to the Association Members, by mail, e-mail or direct delivery, a written ballot containing the names of the candidates nominated for election

to the Board, together with instructions for completing and returning the ballot by a deadline set by the Board.

- To be valid:

A. Each ballot must vote for no more than the number of Trustee positions to be filled.

B. Each ballot must be returned to the Secretary or a designee by the deadline provided in the ballot instructions, which may include instructions for return by hand-delivery, mail, e-mail or other electronic means.

- The candidates receiving the highest number of votes are elected to the open Board seats. In the event of a tie, they shall be chosen by lot.
- Following the receipt and tally of all ballots, the Board shall notify the Association Members of the results of the election.
- By December 31st of each year, the newly elected Board members shall meet with the rest of the existing Board members in order to elect their officers and to reorganize for the coming year.

4. Vacancies - Should an elected Trustee die, resign or otherwise become unable to fulfill their duties before their two-year term expires, the President with the approval of the remaining Board members may appoint a replacement from the Membership. At the next annual meeting, a successor must be elected to serve for the unexpired term.

Section C. Officers

Officers of the Association - The Officers of the Association shall be President, Treasurer and Secretary, and such others as the Board may determine, each of whom shall be a Member in good standing (**Article V**) who has been elected to the Board of Trustees. Officers shall be elected by the Board at its reorganization meeting at year end following the election of new Trustees. The tenure of Officers shall be for one year or until their successors are elected and shall qualify.

1. President - The President shall:

Conduct the election of the Operations Committees Chairpersons at the first Board meeting following the Annual Meeting and with the consent of the Board, shall appoint Select and Pro Tem Committees as shall be deemed necessary.

Preside at all meetings of the Association and the Board and enforce all laws and regulations of the Association.

With one other Officer, sign all written contracts and written obligations of the Association.

President Pro Tem - In the absence or incapacity of the President, the Treasurer shall perform his/her duties. In the absence of both President and Treasurer, the Board may elect by majority vote a President Pro Tem from the Board.

2. Treasurer - The Treasurer shall perform the duties prescribed by Article VII, shall prepare and maintain the financial books, records and accounts, and make financial reports as directed by the Board. An Assistant Treasurer and/or a treasurer's committee may be appointed by the Board to assist the Treasurer in carrying out these duties.

3. Secretary – The Secretary shall:

Keep the minutes and official reports of the Association including a record of all motions or resolutions adopted, shall maintain the archives of same and shall perform such other duties as the Board may assign.

Prepare and distribute all Association Annual and Special Meeting notices including, but not limited to: purpose, time, date and location, proxy forms, slates of candidates for election, and agenda in accordance with these By-laws.

Collect and record all submitted proxies, shall hold roll call and shall announce the quorum status for all Annual and Special Meetings.

Act as liaison between the Association, Lakeshore Company and Country Club and the agent and insurance companies who provide MKL community's insurance or shall designate another Member (reporting to the Secretary) to do so.

Be responsible for the Record Room in the Clubhouse or shall designate another Member (reporting to the Secretary) to do so.

Section D. Committees

- All committees with respect to their operations, expenditures and policies shall be responsible to the Board. The functions of the committees can be modified or expanded at any time by the Board.

- All committees shall report on their activities at the Annual Meeting of the Association.

(All Select and Pro Tem Committees shall provide reports to be presented at each Board meeting.

(For any period that the Association has an agreement to provide any services to the Lakeshore Company, such services may be performed by an existing or a new committee(s) of the Association. Such new committee(s) can be created at any time by the Board of the Association.

1. Operations Committees (OC)

- OC Chairpersons shall be selected by vote of the Board and must be members of the Board.
- OC members shall serve for a minimum of two years.
 - The Operations Committees shall be responsible for herein defined maintenance and supervision of MKL community property and activities designated in these By-Laws to be the responsibility of the Association. Changes to community property that is owned by Lakeshore Company shall receive prior approval by the Lakeshore Board. OC responsibilities shall also include conducting community activities and providing channels of community communication.
- OC Chairs shall maintain and periodically update a job description to at least include: responsibilities; a maintenance and task calendar; a sample budget outline; a list of owned equipment (location of equipment and manuals, upkeep schedule); a list of vendors with name, address, phone, types and schedules of services.
- All Operations Committees, except the Clubhouse Committee, shall consist of a Board Member as Chairperson and at least two additional Association Members. The Clubhouse Committee composition is specified under “Section f. Clubhouse” below.

a. Beaches and Docks Committee - shall have responsibility for lake stewardship via:

Studying, testing, treating the waters and maintaining appropriate plant life and aquatic species in Mt. Kemble Lake to optimize the health of the lake.

Maintaining the docks, beaches, floats and other lake related community property.

Lowering the lake periodically (authorized by the Board and coordinated with the Lakeshore Company) to enable work on docks, etc.

Arranging and overseeing dredging activities of the 3 bodies of water that make up the lake as approved by the Board.

Contracting for and supervising services related to these responsibilities.

b. Grounds Committee - shall have responsibility for:

Developing and maintaining community property, such as but not limited to: the tennis court, playgrounds, gardens, trees and grass areas as well as the clubhouse grounds.

Maintaining all community signs and signposts except road signs.

Maintaining sight clearances on community property at road intersections.

Contracting for and supervising services related to these responsibilities.

c. Roads Committee - shall have responsibility for the maintenance and repair of all community roads and access to the Clubhouse to include:

Snow plowing; road sanding; snow removal from Clubhouse entries and exits; leaf clearing of roadways; cleaning and clearing of road drains, culverts and ditches.

Maintaining fire lanes.

Repairing and periodically resealing roads.

Closing roads every 5 years to protect private property status.

Installing and maintaining road signage.

Creating road patrols for summer and special events.

Contracting for and supervising services related to these responsibilities.

d. Community Affairs Committee - shall have responsibility for:

Providing orientation to the MKL community for new residents, including:

- Scheduling and conducting orientation meetings and inviting new residents to same within the first six months of residency at MKL. Representatives of the 3 MKL Boards shall also be invited to explain their responsibilities.

- Distributing the most current By-Laws of each MKL organization and the most current Rules & Regulations of the Association.

- Explaining the structure and operation of community organizations and activities, e.g. clean-ups, social events.

Providing and maintaining communications links to and from the Board and the MKL community including:

- Publishing and distributing a community newsletter and flyers for special purpose notifications.

- Publishing and distributing communication lists, e.g., phone numbers, emergency calling.

- Operating and maintaining a website or other forms of communication as desired by the community or the Board.

- Making these communications resources available to Lakeshore Company and Country Club.

c. Building Maintenance Committee - shall have responsibility for:

The Clubhouse owned by the Association.

1. Maintaining the exterior and interior structure and physical plant including all permanent structures, appliances, systems and utilities.

2. Contracting for and supervising services related to these responsibilities.

f. Clubhouse Committee - The Clubhouse Committee shall consist of an Association Board member as Chairperson, a member of the Country Club Board and four additional Association Members (the latter to be appointed by the committee Chair).

- No more than two Members shall be rotated from the committee in any one year except in the event of resignations.

- The committee shall have responsibility for:

1. Maintaining the décor, furnishings and party and food service equipment of the Clubhouse. It shall solicit suggestions from the Membership regarding these responsibilities.

2. Ensuring the cleanliness of the facilities after they have been used as well as stocking regular supplies to support social and other special events.

3. Making specific recommendations to the Board regarding significant changes to the decor of the exterior and/or interior of the building, including furniture and fixtures.

- Funding: All monies donated to the Association by Country Club shall be reserved for the sole use of this committee, unless otherwise specified by Country Club. These reserved monies along with any other funds specifically designated for the purposes of this committee are to be expended by the Clubhouse Committee, with the approval of the Board, exclusively to enhance the equipping and use of the Clubhouse. The Clubhouse Committee will be responsible for the implementation of approved recommendations. In the event of a substantial emergency affecting the entire community, the Board by majority vote, may elect to use these reserved funds in support of that emergency.

2. Select Committees

- Select Committees may be appointed by the Board and shall report to the Board or to any Board-designated Operations Committee.

- Appointment to Select Committees shall be for a term of one (1) year with service not to exceed four (4) consecutive years.

- Select Committees shall have a specific purpose designated and described in a written charge by the Board and shall be ongoing unless terminated by a two-thirds vote of the Board.

- Select Committees shall include, but not be limited to, the following:

- a. Community Input Committee

- The Community Input Committee shall consist of one Association Board member, one representative each from Lakeshore Company and Country Club, and at least four additional Association Members.
- This committee shall systematically solicit input from the MKL community regarding perceived future community needs.
- This committee shall report to the Board via the Association Board member serving on the committee.

b. Environmental Stewardship Committee (ESC)

- The Environmental Stewardship Committee shall consist of seven Members of the Association.
- This committee shall research good environmental stewardship practices and make their findings available to the Association Membership via brochures, presentations, participatory events, etc.
- This committee shall report to the President of the Board and shall coordinate their activities with the Grounds and Beaches & Docks Committees.

3. Committees Pro Tem

- Committees Pro Tem may be appointed by the Board or by any Officer or by any Operations Committee.
- Committees Pro Tem shall have a specific purpose designated and described in a written charge by the Board and shall exist only until completion/satisfaction of that purpose.
- Committees Pro Tem may be terminated by the Board or by the originating party at any time.

ARTICLE V. MEMBERSHIP

Section A. Membership

Owners of real property located within the Mt. Kemble Lake community who are also owners of stock in the Lakeshore Company are automatically Members of the Association. Membership is limited to two Members per property. If there is a sole owner, an additional resident aged 21 or above may be designated in writing to the Board by the owner as a Member. Any Member who places real property in trust retains voting rights for that property. Owners of undeveloped property are Inactive Members.

Section B. Privileges

Members and Inactive Members “in good standing” and not suspended under Article VI, shall be entitled to use all of the community facilities, except as otherwise specified in Article XII – Rental or Group Use of Community Facilities. A Member and the Member’s real property are in “**good standing**” for purposes of these By-Laws when they are current in the payment of all dues, common expenses, late fees, interest on unpaid assessments, legal fees or other assessed charges assigned to the Member or Member’s real property.

1. On an annual basis the Board shall issue badges which permit use of the community facilities to Members in good standing and whose dues payments are current. The Board shall establish a uniform number of badges to be issued per property. Badges must be worn or carried by all persons when using community recreational facilities and must be displayed upon request.
2. Members may, temporarily, provide badges to non-resident family members and close friends to permit them to use the community facilities. The badge-providing Member shall be responsible at all times for the safety, conduct and activities of those persons.
3. All persons shall abide by all applicable Rules and Regulations when using community facilities.
4. Inactive Members may be granted privileges to use community facilities as deemed appropriate by the Board.
5. In cases of financial hardship, the Board may, at its discretion, grant full Member rights to a resident owner of real property whose dues are not current.

Section C. Voting Rights

Two votes are assigned to each residential real property in the MKL community for all Board elections, and for all other matters presented for vote at an Annual or Special Meeting of the Association. Members in good standing for each real property shall have the right to attend meetings of the Association, to cast the two votes assigned to their real property, and to hold office on the Board of the Association.

Section D. Termination of Privileges and Rights

The voting rights, the right to hold office on the Board and the privileges of a Member or Inactive Member terminate upon the sale or transfer of title to the real property. The Member status and attendant rights and privileges of a non-owning resident Member may be terminated at any time by the Member/owner upon written notification to the Board or when the non-owner moves out of the residence.

ARTICLE VI. SUSPENSION OF MEMBERSHIP

Section A. Procedure –

The Board, by a two-thirds vote, may suspend from Membership any Member or Inactive Member for violation of the Association Rules and Regulations, for delinquent dues/assessments or for other misconduct detrimental to the welfare of the community. Proceedings for such suspension shall be as follows:

1. Following submission of a written complaint by any Member to the Board, or upon the Board's own motion, the Board shall give written notice of the complaint or motion, including a copy thereof, to the Member or Inactive Member in question and shall give that person at least ten (10) days notice to appear before the Board to respond to the charges.
2. Any decision by the Board to suspend Membership shall be submitted in writing to the Member or Inactive member in question.
3. The Board (with a two-thirds vote) may reinstate Membership at any time at its discretion following correction of the charges; however, the suspended person may at any time request the Board to call a Special Meeting of the Association for the purpose of hearing a request for reinstatement of Membership. A decision to reinstate shall require a two-thirds vote of the Members present in person or by proxy.

Section B. Suspension of Privileges and Voting Rights

- All privileges and voting rights of Membership shall be terminated during any period of suspension of Membership.

Section C. Obligations When Suspended

Suspended Members or Inactive Members remain obligated to pay all dues and assessments and to comply with the Rules and Regulations of the Association.

ARTICLE VII. DUES AND ASSESSMENTS

Section A. Levying

Dues and assessments shall be levied upon the owners of real property in order to maintain and enhance the MKL community-owned property and to further the purposes of the Association.

Section B. Adoption of Dues and Assessments

Annual dues in effect on the date of adoption of these By-Laws shall remain in effect from year to year until such time as the amount of annual dues is changed by a vote of two-thirds of the Members present in person or by proxy at an Annual Meeting or Special Meeting of the Association. One-time assessments must be approved by the same voting procedures.

Section C. Payment Structure and Computation

Dues and assessments shall be computed on the lots of real property within the Mt. Kemble Lake community, as designated on the current tax maps of Harding Township, according to the following:

1. Payment of the full amount of dues and assessments is the responsibility of the owner of real property and must be paid for each lot, subject to the exceptions in **subsections 2 and 3** below.
2. No dues or assessments shall be paid on any lots which are owned by the Lakeshore Company.
3. Any Member receiving a deduction on Harding Township real estate taxes because of age, income or disability, on making a written request to the Treasurer, will be granted a deduction on the Association's dues and/or assessments in an amount to be established periodically by the Board.

Section D. New members

In connection with the purchase of any real property within the Community, the purchaser shall be responsible for the payment of a contribution to the **Large Capital Expenditure Reserve Fund (LCRF or just Reserve Fund)**, determined and calculated as one times the annual combined dues and assessments of the Association and Lakeshore Company (based on annualizing the applicable dues at the date of closing). This capital contribution shall be due and payable in four equal payments billed as additions to the billing cycle of the Association. This capital contribution can be prepaid by the purchaser at any time. In the event the purchaser fails to remit payment to the Association, the payment shall be deemed past due and shall be collectable in the same manner as any other payment or assessment due and owing to the Association. Notwithstanding the foregoing, a capital contribution shall not be imposed or collected from any purchaser (i) who, at the time of the closing, is then a Member of the Association, or (ii) acquires the real property as a result of inheritance or pursuant to a legitimate estate planning transfer. The foregoing fee will not be imposed until 365 days after the adoption of by-law change. {bylaw adopted April 27, 2011; became effective April 27, 2012}

Section E. Notice of Dues or Assessment Collection

Notice of dues shall be distributed by the Treasurer, at least 30 days in advance of the due date. Dues shall be paid by January 31, April 30, July 31 and October 31 of each year (in proportions to be determined by the Board). Any year in which a dues increase is pending approval due date shall be extended to allow for 30-days dues notification following that meeting. Assessments shall be paid by such date as shall be specified when the assessment is approved at an Annual or Special Meeting of the Association.

Section F. Statement of Account

In connection with the purchase of any real property within the community, the Purchaser shall be deemed to have assumed the obligations of the Seller to the Association and shall also be responsible for full payment of all the charges that were outstanding as of the date the Purchaser acquired the real property. Upon written request to the Association, a purchaser of real property within the Community shall be entitled to a written statement of account (the "Statement") setting forth, for instance, the amount of any current applicable assessments, fees, dues and any other charges imposed upon the selling Member, including any outstanding late charges and costs of collection. If Purchaser fails to obtain written confirmation that full payment has been made of any such outstanding amounts due from the selling Member to the Association as of the date

Purchaser acquires the real property, Purchaser shall be responsible for full payment of all such charges at the time of purchase.

ARTICLE VIII. MEMBER DELINQUENCY OF FINANCIAL OBLIGATIONS

The Board shall take such steps as are necessary for the collection of all dues and assessments. Dues and assessments shall be paid to the Treasurer, who shall maintain records of the receipt and use of all such funds. Any Member shall be entitled to review those records on reasonable notice to the Treasurer. The following procedures and policies in connection with the payment of any and all dues, assessments, common expenses, fees, late fees, counsel fees, filing fees, charges, and any other payments due or coming due from any Member to the Association (collectively, "Outstanding Charge(s)"):

Payment Due Date; Late Charge. All installments of dues and assessments shall, unless otherwise expressly provided, be due and payable on or before January 31, April 30, July 31, and October 31 of each year. All other payments shall be due and payable upon notice thereof or, if expressly set forth, then upon the date set forth in the notice. The Association is not required to send statements or reminders of default regarding installments of annual dues or any other Outstanding Charges.

If any Outstanding Charge is not received by the Association the date upon which it is due, there shall be due to the Association a late payment fee of thirty-five (\$35.00) dollars for such late payment. A separate and additional late payment fee shall also be imposed in connection with each and every subsequent calendar month during which the Outstanding Charge remains unpaid, in whole or in part. Commencing as of and during the second calendar month, the late payment fee shall be the greater of thirty-five (\$35.00) dollars and a late charge set annually by the Board resolution but not to exceed 18% APR; compounded monthly, which will apply and compound monthly on all Outstanding Charges from the original due date.

The Board at its sole discretion may waive such penalties and interest in a hardship case, upon request from the Member in question.

The Board is authorized to accelerate the balance of the installments of any dues or any other Outstanding Charges if the installment has not been paid following its due date. Accordingly, the Association representative responsible

for the collection of dues or assessments (i.e. its attorney) is directed, upon the advice of the Board or its managing agent, to send a demand letter (including a notice of intent to accelerate if the Outstanding Charge is not paid within a stated period of time, which acceleration “grace” period shall be not less than 10 days after notice via registered or certified mail and not less than 5 days after notice via personal delivery). This notice of intent to accelerate may not be sent prior to the sixtieth (60th) day following the date upon which the Outstanding Charge first became due and payable and the notice shall advise the Member that the balance of the installments of the annual Assessment shall be accelerated and become due and payable in full. The Member shall be responsible for all costs for this demand letter, including by way of example and not limitation title searches, attorney’s fees and filing fees.

1. Lien Filing. If any Member fails to make full payment of any outstanding dues or other Outstanding Charge within the 10 day (or, if applicable, 5 day) period specified in **paragraph 2** above, then the Association’s attorney is authorized and directed, upon advice from the Board, to prepare and file a lien with the Morris County Clerk. The Member shall also be responsible for the attorney’s fee for the preparation of the lien and for any search and recording fees incurred in connection with or as a result of such lien. The fees and costs provided for in this paragraph shall be in addition to any other fees, costs, and expenses imposed in connection with the collection of Outstanding Charges. (The lien shall not be filed until on or after the 90th day following the date upon which the Outstanding Charge first became due.) In addition, in its sole discretion, the Association may notify the holder of any first mortgage encumbering the delinquent Member’s property of the delinquency and acceleration and may provide notice of such delinquency to the other Members.

2. Collection Lawsuit. Pursuant to **Article VI, Section 3** of the Bylaws, the Board may commence to foreclose a lien and/or commence a lawsuit to collect the Outstanding Charges. Accordingly, if any Member fails to make full payment of any Outstanding Charge within 120 days of the date such charge is due, then the Association’s attorney is authorized and directed, upon advice from the Board, to commence a lawsuit against the appropriate parties to collect said Outstanding Charges and/or is authorized and directed, upon specific written advice from the Board, to commence

foreclosure proceedings against the appropriate parties to collect said Outstanding Charges.

3. Post Judgment Collection Options. Once a judgment is obtained by the Association, the following options may, for example, be utilized to satisfy the judgment: Asset search, rent levy, bank levy, sale of personal property (including automobiles), wage garnishment and information subpoena. The cost for performing any related searches and obtaining this information shall be deemed to be a cost of collection and shall be collectible in the same manner as the Outstanding Charge. The Association's attorney may be directed by the Board, prior to obtaining a judgment, to begin gathering information to pursue any or all of these options. Failure by the delinquent Member to respond to the information subpoena may result in the issuance of a warrant for the Member's arrest. Subsequent apprehension by the Sheriff or Constable may result in imprisonment until all requested information is supplied.

4. Application of Payments. Late payments of Outstanding Charges shall be received and applied in the following order, until exhausted or until the Outstanding Charges have been paid in full: first, against late charges; then, against search costs, recording fees and other miscellaneous costs; then against attorney's fees, court costs, and costs of suit; and, finally, against the dues and assessment(s) (commencing with the most recent dues and assessment and proceeding in reverse chronological order).

5. Suspension of Privileges. At any time the Member is delinquent in the payment for fees for more than 60 days, all privileges appurtenant to being a member of the Association shall be automatically suspended. (**Article VI, Section A** is specifically amended to reflect automatic suspension for nonpayment, but said **Section A** shall continue in force and effect regarding misconduct.)

6. Costs of Collection. In addition to the specific costs referenced above, the delinquent Member shall also be responsible for any and all attorney's fees, court costs, costs of suit, and other expenses incurred by the Association in connection with any Outstanding Charges to the full extent permitted by the Governing Documents and applicable laws of the State of New Jersey.

7. Assignment of Rents:

(A) Subject to the rights of holders of first security interests, the Association may collect from rent, license fees, or other similar charges (collectively, **"rent"**) due from a tenant or other occupant of a dwelling to a Delinquent Owner an amount not more than the amounts due to the Association including, by way of example and not limitation, unpaid annual common expense assessments, membership fees, title search cost, lien filing fees, late fees, costs of collection, including reasonable attorney's fees, and other costs, charges and expenses due to the Association (collectively, **"charges"**). **"Delinquent Owner"** means a Home Owner who owes any charges to the Association which are thirty (30) or more days past due.

(B) Prior to taking any action permitted by this bylaw, the Association will give written notice by certified mail, return receipt requested to the Delinquent Owner, at the Delinquent Owner's last known address, of the Association's intent to collect the rent. The notice will set forth the exact amount the Association claims is due and will indicate the intent of the Association to collect the past due charges from rent, along with any other amounts that become due in the future and that remain unpaid for thirty (30) days after becoming due, including any annual assessments lawfully accelerated pursuant to the Governing Documents. A copy of the notice will also be sent to the holder of the Home's first security interest of record. Any cost incurred by the Association to ascertain the identity of the holder of the first security interest, including the cost of the preparation of a title search, will constitute additional charges due with respect to the Home.

(C) A Delinquent Owner will have ten (10) days from receipt of the notice required to be sent pursuant to paragraph (B) above to provide written proof of payment or a statement of the grounds upon which the assessment is disputed. Upon the failure of the Delinquent Owner to respond within ten (10) days after receipt of the notice, or within fifteen (15) days of mailing if no receipt is obtained, and provided that no written notice is received from the holder of the first security interest that it is exercising its right of assignment of rental proceeds, the Association will be entitled to notify and direct each tenant renting a Home from the Delinquent Owner to pay all or a portion of the rent otherwise due from the Delinquent Owner to the Association. The amount to be applied from the rent will be limited to the lesser of: (i) the amount as stated in the notice to the Delinquent Owner or, (ii) an amount adjusted to reflect any calculation errors sought to be corrected by the Home Owner, as stated in the response to

the Association, if timely sent. No offset will be allowed for amounts which are unrelated to claims of calculation errors. The Association will have a continuing right to collect the rent from the tenant or tenants until the delinquent charges are paid in full.

(D) Nothing in this Article will prevent a Home Owner or the Association from seeking a judicial remedy in a court of competent jurisdiction.

(D) This By Law will not affect the right of a holder of a first security interest which is entitled to an assignment of rents and which has exercised its rights by written notice recorded in the Morris County Clerk's Office and such holder of a first security interest may collect such rents in accordance with an assignment of rents under which it is an assignee.

Dues and assessments are delinquent if not paid by the dates set forth in Article VII. Section D above. Delinquent dues shall be subject to a penalty charge equivalent to the maximum permitted by law but not to exceed the greater of \$35 or 18% APR compounded monthly, which will accrue on the unpaid amount from the original due date. The Board may waive such penalties at its discretion in a hardship case, upon request from the Member in question.

Delinquency of dues or assessments exceeding three (3) months shall be cause for the Board to begin suspension of Membership proceedings (**Article VI**). The Board shall use its discretion in hardship situations (**Article V- Section B.5**).

When dues or other financial obligations to the Association are delinquent, the Board may take all necessary action to collect all that is owed including, but not limited to, perfecting a lien against the subject property and in the case of a pending property sale: 1. giving notice to Realtors and prospective purchasers and their agents and/or 2. requiring the purchaser to meet the obligation before or at the closing.

ARTICLE IX – Use of Monies

Section A. Purposes of Expenditures

All funds collected or received shall be used only to further the purposes of the Association for the benefit of its Members consistent with these By-Laws. No Board member shall receive any salary or remuneration for service as a Board member.

Section B. Expenditures

The Association shall maintain two types of financial funds. The holdings in each of these funds are to be realized by one or more real-world financial instruments, e.g. bank checking or savings accounts, CDs, bonds, etc.

1. Large Capital Expenditure Reserve Fund (LCRF or just Reserve Fund), – The purpose of the LCRF is to accumulate funds to be expended on Large Scale Capital Expenditures. LCRF funds may be used only for improving or maintaining existing infrastructure, including but not limited to, the water system, roads, the lake, recreational venues and the clubhouse. There are four funding sources for the LCRF account:

- I. An amount equal to all real estate taxes abated by Harding Township by virtue of the conservation easements on Lakeshore property shall be deposited into the LCRF.
- II. New Association member contributions (**Article VII Section D**) shall be deposited into the LCRF.
- III. Any other funds expressly authorized by community vote for the LCRF shall be deposited into this account.
- IV. Any interest or other financial gains or earnings in the LCRF account are to be retained within the LCRF for its use.

The Board shall prepare and adhere to a 10 year Financial Plan for the LCRF. This plan shall include LCRF income and expenditures, is to be revised and presented annually to the Membership at the Annual Meeting, and must be approved at that meeting by a simple majority vote. Unbudgeted LCRF expenses in aggregate exceeding \$10,000 shall be approved by a simple majority vote of the Membership. Any withdrawal from, or expenditure of, LCRF funds for other than Large Capital Projects must be approved by a 2/3 majority.

2. Operating Fund (OF)– All Association revenue other than that deposited or earned within the LCRF shall be income to the OF. The Board shall prepare and be guided by an Annual Budget for the OF to be presented to the Membership at the Annual Meeting and approved by a simple majority vote.

Section C. Disbursements

All disbursements shall be made by checks of the Association, bank transfers, or automatic debits from the Association accounts. All Association checking

accounts shall be set up with all three officers' signatures being on file at the bank. Checks may be written by any of the three officers. Expenditures exceeding \$1,000 shall be approved by a second officer.

Section D. Reserve Fund – Use of Capital Contributions.

Any real estate property tax savings realized as a result of restricting the development of Lakeshore owned lots shall be paid out of the Association's operating expenses or fund, to one or more Reserve Fund financial instruments (collectively, the "**Reserve Fund**"). Tax savings paid into the Reserve Fund will change annually in line with the average percent tax change of Harding Township. The Association shall not utilize the Reserve Fund for general operating expenses. The Reserve Fund may be used only for improvements to or maintenance of existing infrastructure where the costs are significant. By way of example, the Reserve Fund may be used for the replacement of roads and related improvements; replacements to and repair of existing common facilities such as any common buildings, and the water system; dredging; and dam repairs. The foregoing expenditures would be included in the annual budget and must be approved by a majority vote at the annual meeting or any other meeting of the Association membership where a quorum is present. Use of the Reserve Fund for any other purposes must be approved by two-thirds of the Members of the Association at a meeting where a quorum is present. The foregoing approval procedures in this section will take the place of any other procedures for approval listed elsewhere in these bylaws.

To assure compliance with the restrictions and intent set forth in this Amendment, the Reserve Fund shall be maintained in separate Reserve Fund financial instruments (the "**Instruments**") and such Instruments shall be clearly named and identified as restricted. The Board shall determine which expenditures should be made based on the approvals described in the foregoing paragraph. The Review Committee [**Section E** below] shall be responsible for reviewing the Account and Account information and reporting to the Association at least annually regarding the status of the Account and any additions or deletions to the balance(s). To minimize the risk of loss of principal, the Reserve Fund shall be invested in federally insured account(s) or instruments, including United States Treasuries (notes or bonds). Therefore, capital contributions shall not be invested in equities (stock). The Board shall make the decisions on how these funds should be invested subject to the foregoing restrictions.

Section E. Examination of Books and Records

The Board is required to have a financial review of the books and records relating to finances for each fiscal year to be completed each year by June 30th of the following calendar year by a public accountant or a review committee of Members (**Review Committee**). The nature and scope of the review will be at the discretion of the Review Committee, but shall be sufficient to reasonably verify that all Member dues, assessments, monies, and disbursements -- both Operating and Capital -- are properly accounted for and consistent with all restrictions and approvals listed herein. The Review Committee will consist of two or more non Board Members who will be appointed annually by the Board. The Review Committee, at its discretion, may require the Board to retain a licensed public accountant to conduct a review or provide assistance as needed. The Review Committee or licensed public accountant shall communicate the results of each review to the Board not later than September 30th noting the scope and procedures followed and results obtained. The Review shall also be posted on the community web site.

ARTICLE X. MEETINGS

Section A. – Annual Meeting of the Membership

The fiscal year of the Association shall end on December 31st of each year. The Annual Meeting of the Association shall be held within the first 60 days of each new year, on a date to be determined by the Board. Fifteen (15) days notice, in writing, shall be given to all Association Members by mail, e-mail or direct delivery. The meeting may be adjourned by a majority of those present. Only Members in good standing shall be present unless invited by the Board or the President. Only a Member in good standing may hold or exercise a proxy.

1. Quorum - If no quorum be present at the Annual Meeting, the presiding officer shall adjourn such meeting for one week, and from week to week until a quorum be present. A quorum shall be present if at least 40% of MKL real property units in good standing are represented at a meeting by their Members present in person or by duly submitted proxies or ballots. A quorum must be present to conduct business of the Association.

2. Order of Business- At such meeting the order of business shall be:

- a. Minutes of previous Annual Meeting.
- b. Reports of Officers and Committee Chairs.

- c. Presentation of the Annual Budget.
- d. New Business.

Section B. – Special Meetings of the Membership

A Special Meeting of the Membership may be called by the Board or on request of the President or whenever Members (in good standing) of the Association shall make written request to the President of the Board for same, specifying the object of the meeting. The Board shall respond to a Member request within seven (7) days. Such meeting shall be held on a date agreed by the Board but with not less than fifteen (15) days notice to the Membership. No person not a Member shall be present at such meeting unless invited by the Board.

Section C. – Notice of Annual or Special Meetings

Unless otherwise provided herein, fifteen (15) days notice, in writing, shall be given of all Annual or Special meetings by mail or direct delivery. For any matter to be voted on in connection with an Annual Meeting or Special Meeting, the Secretary may distribute written Ballots with the meeting notice to all Members by direct delivery, mail, e-mail or other electronic means at least 15 days before the Meeting. Instructions will be given for submission of completed Ballots at the Meeting, or by direct delivery, mail, e-mail or other electronic means to the Secretary or a designee, by a date contained in the instructions.

Section D. – Meetings of the Board of Trustees

The Board shall hold a minimum of ten meetings each year at dates, times and locations at their discretion. A quorum of the Board is required to conduct business.

Section E. – Location of Meetings

1. Annual and Special Meetings of the Membership shall be held at the Clubhouse. In the rare instance that the Clubhouse shall be deemed unfit or unsafe for such meeting, the Board may select another suitable location.

2. Board and other committee meetings may be held at locations of their choice.

Section F. – Conduct of Meetings

All meetings of the Association shall be conducted according to Roberts Rules of Order.

ARTICLE XI. ASSOCIATION PROPERTY

- The MKL Clubhouse and the lot on which it sits.
- Miscellaneous, but not limited to: Clubhouse appliances, furnishings and various tools, maintenance equipment and recreational equipment.

Section A. Clubhouse Ownership

The Clubhouse and its lot shall be held in the name of the Association. Any conveyance of this property shall be in the name of the Association by the President and attested by the Secretary or in the absence of these officers by those delegated to perform their duties as hereinbefore provided. No conveyance of this property of the Association shall be made except upon resolution passed by at least a two-thirds vote of all the Active Members of the Association.

Section B. Furnishings and Community Equipment

The purchase, maintenance and use of Clubhouse furnishings and equipment as well as miscellaneous maintenance and recreational equipment shall be at the discretion of the Board.

ARTICLE XII. RENTAL OR GROUP USE OF COMMUNITY FACILITIES

- Community facilities include Association property and Lakeshore property that is managed by the Association.

Section A. Group or Individual Application for Use or Rental

- Members wishing to use or rent the Mt. Kemble Lake community facilities must submit an application and obtain prior approval of the Board.
- The nature and purpose of a group must be consistent with the Association's social, recreational and educational objectives as cited in these By-Laws. "Group" refers to any non-family set of individuals meeting for a common reason (aerobics, art classes, etc.).

- Board approval of any use or rental shall not be taken as Board or Membership endorsement of ideologies held by, or causes promoted by, the renter or participants in the rental; user fees; safety and/or promotion restrictions; and contractual requirements for usage including, but not limited to, insurance, maintenance and cleaning shall be at the discretion of the Board.
- Group application for use of the facilities must be made by an Association Member who is also a member of the group applying and who will take responsibility for the usage. In the case of a group of minors, the applicant must be a parent who is an Association Member and who will be in attendance at all sessions and who will supervise the use, care and cleanup of the facility.
- Individual application for private, family use of the facilities must be made by an Association Member who will supervise setup and cleanup as well as be in attendance at the event.
- Before approving an application for use of the Mt. Kemble Lake community facilities, the Board shall give first priority to events of the Association, the Country Club and the Lakeshore Company; second priority to events honoring or in celebration of a present Member/s; third priority to events honoring or celebrating a past Member/s or other residents or non-resident family members of Association Members. Final priority shall be given to groups.

Section B. Appeal of Application Approval or Denial

1. Appeal of Initial Board Approval or Denial – Any Member may request a meeting with the Board to discuss the reasons for approval or denial of a group or individual application to use community facilities and to request reconsideration of that decision.
2. Appeal of Final Board Approval or Denial – The final approval or denial by the Board of an application for use of MKL community facilities may be appealed by a Member to the Membership in the following steps:
 - a. Appeals of approval or denial shall be made in writing to the Board no later than ten (10) days following Board approval or final denial.
 - c. The Board shall, within ten (10) days of receipt of such notice, set a time and place for a Special Meeting of the Association.
 - d. The Member appealing shall, at least ten (10) days prior to the Special Meeting, provide written notice to each Member including a copy of the

application and a copy of any written decision by the Board along with the date, time and location of the Special Meeting of the Association.

e. The Membership at a Special Meeting at which there is a quorum present in person or by proxy, may upon a majority vote of those present and by proxy, and in its sole discretion, uphold, reverse or modify such decision of the Board as it deems appropriate and consistent with these By-Laws.

ARTICLE XIII. CORPORATE SEAL

The seal of the corporation shall be circular in form and shall contain the name of the corporation with the figure "1927" and words "Incorporated, New Jersey".

ARTICLE XIV. AMENDMENTS

Proposed amendments to the By-Laws shall be submitted in writing to the Board at least twenty (20) days before the Annual Meeting or Special Meeting at which they shall be voted. The Secretary shall add "Proposal of By-laws Amendment(s)" to the meeting agenda in the meeting notice. The proposed amendments shall be distributed, by the proposer(s), in writing to all Members at least fifteen (15) days before said Annual Meeting or Special Meeting. Amendments of the By-Laws shall be made by a two-thirds vote of Members present and represented by proxy.

ARTICLE XV. INDEMNIFICATION OF OFFICERS

The Association shall indemnify every officer and trustee to the full extent permitted by Section 15A:3-4 of the New Jersey Nonprofit Corporation Act and to the full extent otherwise provided by law. Neither the amendment nor repeal of this provision shall eliminate or reduce the protection afforded by this provision to an officer or trustee in respect to any matter which occurred, arose or accrued prior to such amendment or repeal. In furtherance of the provisions of this Article of the By-Laws, the Board shall cause the Association to maintain liability insurance when reasonably available, indemnifying the trustees and officers of the Association against liability for errors and omissions occurring in connection with the performance of their duties, with policy limits and deductible amounts to be determined at the reasonable discretion of the Board. Deductible amounts shall be paid by the Association.