

July 30, 2006

BYLAWS OF THE
COOLFONT MOUNTAINSIDE ASSOCIATION, INC.

ARTICLE 1 - NAME AND LOCATION

The name of the corporation is Coolfont Mountainside Association. The principal office of the corporation shall be located on Coolfont Mountainside Association common property Berkeley Springs, Morgan County, West Virginia, but Meetings of Members and Directors may be held at such places as may be designated by the Board of Directors.

ARTICLE 2 - DEFINITIONS

The following words when used in these Bylaws shall have the following meanings:

(a) "Association" shall mean and refer to the Coolfont Mountainside Association, Inc.

(b) "The Properties" shall mean and refer to all such existing properties, and additions thereto, as are subject to the Declaration of Covenants and Restrictions.

(c) "Common Properties" shall mean and refer to those areas of land owned or to be owned by the Association, and intended to be devoted to the common use and enjoyment of the Owners of "The Properties."

(d) "Lot" shall mean and refer to any plot of land shown upon any recorded subdivision map of The Properties with the exception of Common Properties as heretofore defined.

(e) "Developer" shall mean and refer to any entity developing new lots within CMA, and its assigns, together with any successor to all or substantially all of its business of developing The Properties.

(f) "Owner" shall mean and refer to the record Owner, whether one or more persons or entities, of the fee simple title to any Lot situated upon The Properties, and shall not mean or refer to the mortgagee unless and until the mortgagee has acquired title pursuant to foreclosure or any proceeding in lieu of foreclosure.

(g) "Member" shall mean and refer to each Member of the Association as provided in Article III, Section I of the Covenants.

(h) "Covenants" shall mean and refer to the Declaration of Covenants and Restrictions recorded in Fee Book 963, Deed Book 76, p. 298 on December 13, 1968 at the Morgan County, West Virginia Court House; and to any Supplemental Declarations which have been adopted by the Association and properly filed and recorded.

(i) "Articles" shall mean and refer to the Articles of Incorporation recited in the Certificate of Incorporation of the Association executed December 12, 1968, and recorded on November 4, 1969 in the Joint Stock Company Record Book Number 3 at p. 450 in the Morgan County, West Virginia Court House.

(j) "Board" shall mean and refer to the Board of Directors of the Association.

(k) "Director" shall mean and refer to a member of the Board.

ARTICLE 3 - MEMBERSHIP

Section 3.1. Each person or entity who is a record Owner of a fee interest in any Lot which is subject by covenants of record to assessment by the Association shall be a Member of the Association, provided that any such person or entity who holds such interest merely as a security for the performance of an obligation shall not be a Member.

Section 3.2. The rights of membership, including voting rights, are subject to the payment of annual and special assessments levied by the Association within 30 days of billing, the obligation of which assessments is imposed against each Owner of, and becomes a lien upon, the property against which such assessments are made as provided by Article V of the Covenants.

Section 3.3. The membership rights, including voting rights, of any persons whose interest in The Properties is subject to assessments under Article III, Section 2 of the Covenants, whether or not they be personally obligated to pay such assessments, may be suspended by action of the Board during the period when the assessments remain unpaid; but, upon payment of such assessments and applicable interest, their rights and privileges shall be automatically restored.

ARTICLE 4 - VOTING RIGHTS

Section 4.1. Members shall be entitled to one vote for each Lot in which they hold the interests required for membership by Section 3.1. When more than one person holds such interest or interests in any Lot all such persons shall be Members, and the vote for such Lot shall be exercised as they among themselves determine, but in no event shall more than one vote be cast with respect to any such Lot.

ARTICLE 5 - PROPERTY RIGHTS AND RIGHTS OF ENJOYMENT OF COMMON PROPERTY

Section 5.1. Each Member shall be entitled to the use and enjoyment of the Common Properties and facilities as provided in Article IV of the Covenants.

Section 5.2. The Board shall make and publish rules and regulations, not inconsistent with the Articles, the Covenants, or law, or with policies adopted by the Members at an Annual or Special Meeting, for the use and enjoyment of, and the imposition of penalties with respect thereto, the Common Properties and Facilities by (1) Members and the immediate family of Members, (2) Members' guests, and (3) Members' tenants. Such rules and regulations shall include procedures to assure that any penalties shall not be imposed arbitrarily or unreasonably and shall provide a mechanism for appeals by Members. Members may delegate their rights of enjoyment in Common Properties and Facilities to the family members who reside upon The Properties or to any of their tenants. The rights and privileges of such persons are subject to suspension to the same extent as those of the Members.

Section 5.3. After the Board has adopted and published such rules and regulations, if the personal conduct of any Member, guest, or tenant violates such rules and regulations, the Board may, in accordance with Section 5.2, suspend the rights of any such person and of the responsible Member.

ARTICLE 6 - BOARD OF DIRECTORS

Section 6.1. The affairs of the Association shall be managed by a Board of seven (7) Directors, all Association Members. Each will be

elected for a term of two years, with four elected one year and three the next.

Section 6.2. Vacancies in the Board shall be filled by a majority vote of the remaining Directors. Any Director so appointed shall hold office until his successor is elected by the Members, at the next Annual Meeting or at any Special Meeting duly called for that purpose.

Section 6.3. At any Annual or Special Meeting, provided proper notice has been given pursuant to Article 12, the Members may by majority vote remove from office any member of the Board.

ARTICLE 7 - ELECTION OF DIRECTORS: NOMINATING COMMITTEE

Section 7.1. Election to the Board of Directors shall be by secret written ballot as provided below. At such election the Members or their proxies may cast, in respect to each vacancy, as many votes as they are entitled to exercise under Article III Section 2. of the Covenants. The number of persons, corresponding to the number of vacancies to be filled, who receive the largest number of votes shall be elected. In the event of a tie vote for the vacancy or vacancies to be filled by the persons receiving the smallest number of sufficient votes, a runoff election shall be held immediately.

Section 7.2. Nominations for election to the Board shall be made by a Nominating Committee. Additional nominations may be made from the floor at the Annual Meeting. No member of the Board who is completing a third consecutive term may be nominated.

Section 7.3. The Nominating Committee shall consist of a Chair, who shall not be a member of the Board, and four or more Members, not more than one of whom may be a member of the Board. The Nominating Committee shall be appointed annually by the Board.

Section 7.4. The Nominating Committee shall make as many nominations for election to the Board as it shall in its discretion determine, but not less than the number of vacancies that are to be filled. The Nominating Committee may not nominate one of its own members, nor the spouse or any co-owner of one of its own members. Nominations shall be placed on a written list as provided for in Section 7.5 and shall be made in advance of the time fixed in Section 7.5 for the mailing of such list to Members. The Nomi-

nating Committee shall propose for Board approval procedures for the conduct of the election.

Section 7.5. All elections to the Board for the full term of two years shall be made at the Annual Meeting on written ballot which shall: (a) describe the number of vacancies to be filled; (b) set forth the names of those nominated by the Nominating Committee, and (c) provide space for nominations from the floor. A list of the Committee's nominees shall be mailed by the Secretary to the Members at least twenty-one (21) days in advance of the Annual Meeting. Any Special Meeting called for the election of a successor to a Director shall be subject to the same procedures.

Section 7.6. Members shall receive as many ballots as they have votes. Members may be entitled to several votes as provided in Section 4.1. They shall exercise on any one ballot only one vote for each vacancy shown thereon.

Section 7.7. Two or more clerks, appointed by the President, will tabulate and report the results of the election at the Annual Meeting, including mailed ballots and proxies, which must be in writing. The clerks shall preserve the secrecy of individual ballots and proxies throughout the elections process. Both ballots and proxies will be destroyed immediately following the election.

ARTICLE 8 - POWERS AND DUTIES OF THE BOARD

Section 8.1. The Board shall have power:

(a) To call Special Meetings of the Members whenever it deems necessary and it shall call a meeting at any time upon written request of one-fourth (1/4) of the voting membership, as provided in Section 12.2.

(b) To appoint and remove at pleasure all Officers, Agents and Employees of the Association; prescribe their duties; fix their compensation, if any; and require of them such security or fidelity bond as it may deem expedient. Nothing contained in these Bylaws shall be construed to prohibit the employment of any Member, Officer or Director of the Association in any capacity whatsoever.

(c) To propose, levy and assess, and collect the assessments or charges referred to in Section 3.2.

(d) To adopt and publish the rules and regulations, including fees, if any, governing the use of the Common Properties and facilities as provided for in Section 5.2.

(e) To remove from office any Director who shall be absent from three (3) consecutive Regular Meetings of the Board, by a majority vote of all the Directors at the end of such third meeting.

(f) To enforce the suspension of the right to use the common recreational facilities or water system by a Member during any period in which such Member is delinquent in the payment of any assessment or usage fee levied by the Association. Such right may also be suspended for Members, after notice and opportunity for hearing before the Board, for infraction of the published rules and regulations of the Association established pursuant to Article 5.

(g) To exercise for the Association all powers, duties, and authority vested in or delegated to this Association, except those reserved to the Members for exercise at Annual or Special Meetings or to Members by the Covenants.

Section 8.2. It shall be the duty of the Board:

(a) To keep a complete record of all its acts and corporate affairs and to present a statement thereon to the Members at any Annual or Special Meeting.

(b) To supervise all Officers, Agents and Employees of the Association, and to see that their duties are properly performed.

(c) As more fully provided in Article V of the Covenants:

(1) To propose the maximum amount of the annual assessment against each Lot for each triennial assessment period, and to reduce those assessments when feasible.

(2) To prepare a roster of the properties and assessments applicable thereto which shall be kept by the Treasurer of the Association.

(3) To send written notice of each assessment to every Owner subject thereto.

(d) At its discretion, to cause a lien to be placed against any property for which the assessment has been delinquent for more than ninety (90) days.

(e) To determine whether the lien against any property for which assessments are not paid is to be foreclosed, or to determine whether an action at law is to be brought against the Owner personally obligated to pay the same.

(f) To cause the Common Properties to be maintained in good, clean, safe, attractive and sanitary condition, order and repair.

(g) To designate depositories for Association funds, and to designate those Officers, Agents and Employees who shall have authority to withdraw funds from such accounts on behalf of the Association.

(h) To maintain insurance to protect the Association, its employees and its personal and insurable real properties.

(i) To exercise its powers and duties in good faith, as a fiduciary of the Association, and to this end adopt appropriate procedures for identifying, reporting and acting upon matters where a potential conflict of interest may exist on the part of Officers, Directors, Agents, Employees, depositories of funds, contractors, or suppliers.

(j) To prepare, for membership approval at the annual meeting, a budget for the next fiscal year. The budget shall indicate expected income and proposed expenditures in at least four categories - Capital, Operations, Maintenance, and Administration. When the fiscal year commences prior to budget approval, the previous year's spending rates shall be the basis for the funding of continuing Operations, Maintenance, and Administration.

(k) To manage expenditures such that any overruns do not exceed 10% in any category of the approved budget and 5% for the total budget - subject to the following exceptions: expenses for the operation and maintenance of the water and sewer systems or for the protection of life or property shall

not be limited by the approved budget. A special meeting may be called to amend an approved budget.

(1) To provide for an annual audit of the Association's accounts, by a committee not including any members of the Board, and to report to the Members the results thereof, including any qualifications or exceptions noted by the auditors.

ARTICLE 9 - MEETINGS OF THE BOARD

Section 9.1. Regular meetings of the Board shall be held at such times and places as may be fixed by resolution of the Board, but not on less than fourteen (14) days written notice to all Directors.

Section 9.2. Special meetings of the Board shall be held when called by the President of the Association after not less than three (3) days notice to each Director, or by any two (2) Directors, after not less than fourteen (14) days' notice to each Director.

Section 9.3. At any meeting a majority of the number of Directors holding office shall constitute a quorum for the transaction of business.

Section 9.4. All meetings of the Board shall be open to Members, except that the President may call the Board into Executive Session on matters of personnel or for deliberations upon penalties for alleged infractions of published rules and regulations, or on other matters if a majority of the Directors approve. Any action taken by the Board in Executive Session shall be recorded in the minutes.

Section 9.5. The transaction of any business at any meeting of the Board, however called and noticed, or wherever held, shall be as valid as though made at a meeting duly held after regular call and notice, provided that a quorum is present. The Directors shall have the right to take any action in the absence of a meeting which they could take at a meeting by obtaining the approval of 2/3rds of the Directors. Any action so approved shall have the same effect as though taken at a meeting of the Directors, and such action must be entered into the Secretary's minutes.

ARTICLE 10 - OFFICERS

Section 10.1. The officers shall be a President, a Vice President, a Secretary, and a Treasurer.

Section 10.2. Officers of the Association shall be elected annually by a majority vote of the Directors, at the first meeting of the newly elected Board following the Annual Meeting. Officers shall hold office concurrently with the CMA fiscal year, for one year unless they shall sooner resign, or shall be removed by a majority vote of all the Directors or by a majority vote of the Members at any Annual or Special Meeting, provided proper notice has been given pursuant to Article 12, or otherwise be disqualified to serve.

Section 10.3. Any Officer may resign at any time by giving written notice to the Board, the President or the Secretary. Such resignation shall take effect on the date of receipt of such notice or at any later time specified therein, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 10.4. The President shall preside at all meetings of the Board and shall see that orders and resolutions of the Board are carried out. The President may sign all notes and checks in the absence of the Treasurer, and shall sign all leases, mortgages, deeds and other written instruments on behalf of the Association.

Section 10.5. The Vice President shall perform all the duties of the President in his or her absence.

Section 10.6. The Secretary shall record the votes and keep the minutes of all proceedings in a book to be kept for that purpose, and shall record in a book kept for that purpose the names of all Members together with their addresses as registered by such Members. The Secretary shall be the holder of the Corporate Seal.

Section 10.7. The Treasurer shall be bonded at the expense of the Association and shall receive and deposit in appropriate accounts all monies of the Association and shall disburse such funds as directed by resolution of the Board, provided, however, that a resolution of the Board shall not be necessary for disbursements made in the ordinary course of business conducted within the limits of a budget adopted by the Board. The Treasurer shall sign all checks and notes of the Association, provided that such checks and

notes shall also be signed by the President or the Vice President, if, in the discretion of the Directors, such countersigning furthers the efficiency of the Association. With the approval of the Board, the Treasurer may delegate, in writing, authority to sign checks to an employee of the Association. The Treasurer shall keep proper books of account and shall be the chief officer responsible for the preparation of an annual budget, and a balance sheet prepared in accordance with generally accepted accounting principles. A statement of income and expenditures shall be presented to the Board and sent to the Members together with the Annual Meeting notice. Such statement shall include a comparison of the previous year's actual or estimated income and expenditures with those proposed in the budget for the same year.

ARTICLE 11 - COMMITTEES

Section 11.1. With the exception of the Nominating Committee, chairs of the following Committees will be appointed by the President by the time of the second meeting of the Board following the Annual Meeting: Finance; Recreational Facilities; and Development and Architectural Control. If the Chair of a committee is not a Director, the President shall appoint a Director to be liaison between the Committee and the Board. Liaison appointees will report upon actions taken by their Committees to the Board.

Section 11.2. Duties and responsibilities of Committees.

11.2.1. Each of these committees shall:

11.2.1.1. Draw up guidelines, procedures and a budget for the committee's operations to be approved by the Board.

11.2.1.2. Keep records of committee decisions, actions, and recommendations.

11.2.1.3. Report on the activities of the committee in writing together with the notice for the Annual Meeting.

11.2.1.4. Receive, consider and act upon complaints or suggestions from Members on any matter within its field of responsibility and report its action to the interested Members, who may, if not satisfied, request the Board, in writing, to reconsider the matter.

11.2.1.5. Perform such other functions as the Board directs.

11.2.2. Additional responsibilities of each committee are specified below:

11.2.2.1. Finance Committee - The primary responsibility of the committee is to advise and assist the Board in the discharge of responsibilities relating to costs, assessments and the budget.

The Committee will perform the following:

(a) Prepare a proposed budget and a balance sheet on an annual basis. This budget shall include a table of replacement reserves for all capital facilities.

(b) Review estimated Association costs for programs proposed by Committees or Task Forces authorized by the Board.

(c) Recommend policies and procedures for billing Members and for dealing with delinquencies.

(d) Make recommendations to the Board concerning insurance programs and audits.

11.2.2.2. Recreational Facilities Committee - The primary responsibility of the committee is to advise and assist the Board in the discharge of responsibilities relating to use of recreational facilities, specifically including the tennis courts, pool, the Barn, the Lake Easement, and such additional recreational facilities as may be acquired in the future.

The Committee will perform the following:

(a) Deal with The Carl M. Freeman Companies in matters of leasing or sharing of recreational facilities.

(b) Make recommendations to the Finance Committee and to the Board concerning annual recreation assessments.

(c) Make recommendations to the Finance Committee concerning maintenance costs of recreational facilities, liability insurance and similar matters.

(d) Recommend to the Board rules and regulations governing the use of recreational facilities, including tennis and swimming, and providing for reservation arrangements where necessary, for both Members and non-Members, where appropriate.

(e) Develop proposals for Association investment for improvements in the recreational facilities.

11.2.2.3. Development and Architectural Control Committee - The primary responsibility of the Committee is to advise and assist the Board in the discharge of responsibilities relating to new development and to physical changes in the current Association.

The Committee will perform the following:

(a) Annually review the existing architectural guidelines, "Regulations and Guidelines for Building at Coolfont," recommending to the Board any desired amendments. While the guidelines should strive to be historically consistent, they should also incorporate technological and architectural improvements.

(b) Review all written plans for improvements on all lands within the Association and approve or disapprove them within thirty days, using for criteria the Covenants and existing guidelines.

(c) Review any proposals by the Developer. If disagreements arise with the Developer, advise and assist the Board in their resolution.

11.2.2.4. Nominating Committee - The functions of the Nominating Committee are stated in Article 7.

Section 11.3. Each Committee Chair, except that of the Nominating Committee and the Development and Architectural Control Committee, will select, with the concurrence of the President, at least two additional Members to serve on the Committee.

Section 11.4. From time to time the Board may provide for appointment of ad hoc committees or task forces from among the Members, and shall specify their authority and functions.

ARTICLE 12 - MEETINGS OF MEMBERS

Section 12.1. The regular Annual Meeting of the Members shall fall on a Saturday, and shall be held within four months prior to the beginning of the CMA Fiscal Year.

Section 12.2. Special Meetings of the Members for any purpose may be called at any time by the President or by any two or more Directors or upon written request of the Members who have a right to vote one-fourth (1/4) of all of the votes of the entire Membership. The notice of such Meeting shall contain a statement of the special purposes for which the Meeting is called, and only such items as fall within the purview of these purposes may be acted upon.

Section 12.3. Written notice of any Meetings shall be given to the Members by the Secretary either personally, or by sending a copy of the notice through the mail, postage thereon fully prepaid, to the address appearing on the books of the Association as provided in Section 10.6. Notice of any Annual or Special Meeting shall be mailed at least twenty-one (21) days in advance of the Meeting and shall set forth in general the nature of the business to be transacted and the authority under which the Meeting is being called, provided however, that if the business of any meeting shall involve an election governed by Article 7 or any action governed by the Articles or by the Covenants, notice of such meeting shall be given or sent as therein provided. Any Member may have a subject included in the notice of business to be transacted by advising the Secretary in writing at least twenty-eight (28) days in advance of the Meeting. Any notice of business to be transacted shall include appropriate explanatory material.

Section 12.4. Quorum: Where the business of any Annual or Special Meeting includes action to be taken which is governed by either the Articles or the Covenants, or both, such Meeting requires an augmented Quorum which consists of the presence of Members and Proxies who are entitled to cast sixty percent (60%) of the votes of the Members. If the required quorum is not forthcoming at that Meeting, then the Meeting may be adjourned to another time no sooner than one (1) week nor later than one (1) month from that date. Should a quorum not be present at any Meeting, the quorum requirement shall be reduced by half for the subsequent adjourned Meeting.

The quorum for all other Meetings of Members shall be the presence at meetings of Members in person or by proxy who are entitled to cast not less than thirty (30) percent of the votes of the Members then outstanding.

Section 12.5. Proxies: Each Member may vote in person or by proxy. Proxies may be instructed or uninstructed; the number of proxies which may be exercised by each member shall be restricted to a maximum of five (5). All proxies shall be in writing and filed with the clerks of the election for an Annual Meeting or with clerks who shall be appointed for any Special Meeting where votes may occur. Every proxy shall be revocable.

Section 12.6. Parliamentary Authority: The rules contained in the current edition of Robert's Rules of Order Newly Revised shall govern the Association in all cases to which they are applicable, and in which they are not inconsistent with these Bylaws, the Articles of Incorporation, the Covenants or any other rules which CMA might adopt.

ARTICLE 13 - FISCAL YEAR

Section 13.1. The fiscal year of the Association shall begin on the first day of January and end on the thirty-first day of December.

ARTICLE 14 - INDEMNIFICATION OF OFFICERS, DIRECTORS AND OTHERS

Section 14.1. All Officers and Directors, and committee and task force chairs and members thereof, in consideration of their service as such, shall be indemnified by the Association to the extent permitted by law against necessary expenses and liabilities, reasonably incurred in connection with the defense of any action, suit or proceeding, civil or criminal, to which they may be parties by reason of being an officer, director, committee or task force chair or member thereof, provided, however, that acts or omissions amounting to gross negligence and any intentional wrong-doing by them, shall not qualify for indemnification under provisions of this article. They shall immediately notify the Association of any suit, action or proceedings taken against them in connection with their present or past service as Director, Officer, committee or task force chair or member thereof, and shall obtain the defense of such action, suit or proceeding. The foregoing rights of indemnification shall not be exclusive of any other rights to which

they may be entitled by law, or agreement or vote of the Members or otherwise.

ARTICLE 15 - BOOKS AND PAPERS

Section 15.1. The books, records and papers of the Association shall at all times, during reasonable business hours, be subject to the inspection of any Member.

ARTICLE 16 - AMENDMENT

Section 16.1. These Bylaws may be amended at the Annual Meeting or at a Special Meeting called with proper notification for the purpose of amending Bylaws, by a vote of a majority of the Members who are voting in person or by proxy. Amendments shall become effective on the day after adoption. Proper notification shall include the wording of the changes proposed and no amendment to such proposed changes may be considered at the Meeting unless it is furnished in writing to the Secretary.

Section 16.2. In the case of any conflict between the Articles and the Bylaws, the Articles shall control; and in case of any conflict between the Bylaws and the Covenants, the Covenants shall control. Any proposed amendment to the Articles or Covenants shall be accompanied by appropriate explanatory material, including a statement about any conforming changes needed in the Bylaws.