

**CONDOMINIUM BYLAWS
OF
HIGHLAND COVE CONDOMINIUMS**

ARTICLE I DEFINITIONS

The words defined in the Tennessee Horizontal Property Act, as amended, Tennessee Code Annotated, 66-27-101 to 123 (hereinafter referred to as the “Act”), and the Master Deed for Highland Cove Condominiums shall have the same meaning in these Condominium Bylaws. Additionally, the following terms when used herein shall have the meanings set forth below:

“Insurance Trust Agreement” means that certain agreement between the Association and the Insurance Trustee providing for the management and disbursement of insurance proceeds in accordance with Section 5.2 hereof.

“Insurance Trustee” means that certain entity responsible for the management of insurance proceeds pursuant to the Insurance Trust Agreement, which entity’s deposits are insured by the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation or another federally constituted body serving an equivalent function.

“Eligible Mortgages” means mortgagees whose mortgages are eligible for purchase by the Federal National Mortgage Association.

ARTICLE II ASSOCIATION

2.1 Purpose. Highland Cove Condominiums, a Condominium Project, located in DeKalb County, Tennessee shall be administered by a Council of Coowners as defined in the Act, which shall be organized as a Tennessee non-profit corporation under the name of “Highland Cove Condominiums Homeowners’ Association, Inc.” (hereinafter referred to as the “Association”). The purpose of the Association shall be the management, maintenance, operation and administration of the Condominium Project and the General and Limited Common Elements in accordance with the Act, the Master Deed, these Condominium Bylaws, the Charter, Corporate Bylaws and duly adopted Rules and Regulations of the Association. Coowners and all persons using, entering upon or acquiring any interest in any Units or the General and Limited Common Elements shall be subject to the provisions of such documents.

2.2 Independent Management. The Association may provide for independent management of the Condominium Project, provided, however, any such agreement providing for such management shall be terminable by the Association without cause or penalty related to such cancellation, upon not more than ninety (90) days notice.

2.3 Membership; Voting. Membership in the Association and voting by members of the Association shall be in accordance with the following provisions:

(a) Each Coowner shall be a member of the Association, and no other person or entity shall be entitled to membership. No Coowner shall be required to pay any consideration whatsoever solely for his membership in the Association.

(b) The share of a Coowner in the assets of the Association cannot be assigned, pledged or transferred in any manner except as an appurtenance to his Unit.

(c) Except as otherwise required by the Act or the Condominium Bylaws, each Coowner shall be entitled to a vote, the value of which shall equal the total of the percentage of ownership allocated to the Units owned by such Coowner as set forth in the Master Deed.

(d) No Coowner, other than the Developer, shall be entitled to vote at any meeting of the Association until he has presented evidence of ownership of a Unit in the Condominium Project to the Association. The vote of each Coowner may only be cast by such Coowner or by a proxy given by such Coowner to his duly authorized representative. If title to a Unit shall be in the name of two or more persons as Coowners (hereinafter referred to as the "Joint Coowners"), any one of such Joint Coowners may vote as to the Coowner of the Unit at any meeting of the Association, and such vote shall be binding on such other Joint Coowners who are not present at such meeting until written notice to the contrary has been received by the Association, in which case the unanimous action of all such Joint Coowners (in person or by proxy) shall be required to cast their vote as Coowner. If two or more of such Joint Coowners are present at any meeting of the Association then unanimous action shall also be required to cast their vote as Coowner.

(e) After the Period of Developer Control, there shall be an annual meeting of the members of the Association, and other meetings may be provided for in the Corporate Bylaws of the Association (hereinafter referred to as the "Corporate Bylaws"). Notice of the time, place and subject matter of all meetings, as provided in the Corporate Bylaws shall be given to each Coowner by mailing the same to such owner or to the individual representative designated by such Coowner at the address given by such owner to the Association. If any Coowner shall fail to give an address to the Association for the mailing of notices, all notices shall be sent to the Unit of such Coowner, and such Coowner shall be deemed to have been given notice of any such meeting irrespective of actual receipt thereof.

(f) Except as otherwise provided in the Act, the Master Deed, or these Condominium Bylaws, the presence in person or by proxy of more than ten percent (10%) of the percentage of ownership of the Coowners qualified to vote shall constitute a quorum for holding any meeting of the members of the Association. If, however, such quorum shall not be present or represented at any meeting of the Coowners, the Coowners present, in person or by proxy, shall have the power to adjourn the meeting from time to time, without notice other than announcement at the meeting until a quorum shall be present or represented. At such adjourned meeting at which a quorum shall be present or represented by proxy any business may be transacted at the meeting as originally notified.

(g) At any meeting of the members of the Association, votes may be cast in person or by proxy. Proxies must be filed with the Secretary of the Association at or before the appointed time of each meeting of the members of the Association.

(h) When a quorum is present at any meeting of the Association, the vote of more than fifty percent (50%) of the percentage of ownership of those Coowners qualified to vote who are present, in person or by proxy, at such meeting shall decide any question brought before such meeting, unless the question is one upon which a different vote is required by express provision of the Act, the Master Deed, or these Condominium Bylaws, in which case such express provision shall

govern. The Coowners present in person or by proxy at a duly organized meeting may continue to transact business until adjournment notwithstanding the withdrawal of enough Coowners to leave less than a quorum. At all meetings of the Coowners, cumulative voting shall not be permitted.

2.4 Records and Books of Account. The Association shall keep a current copy of the Master Deed, Condominium and Corporate Bylaws, Charter, and any duly adopted Rule and Regulation as well as detailed books of account showing all expenditures and receipts, in chronological order, of the administration of the Condominium Project which shall specify the expenses of maintenance and repair of the General and Limited Common Elements and any other expenses incurred by or on behalf of the Association and the Coowners. Such records, books and the vouchers accrediting the entries shall be open for inspection by the Coowners and any mortgagee of any Unit during reasonable working hours on weekdays.

2.5 Association Expenses and Receipts. All expenses paid and incurred by the Association and all money and other property received by the Association shall be so paid, incurred and received by the Association on behalf of the Coowners (hereinafter referred to as “Association Expenses” and “Association Receipts”). Association Expenses shall include but not be limited to, the cost or purchase of utilities for the entire Condominium Project, General Common Elements, and the cost incurred in the satisfaction of any liability arising in connection with the maintenance, operation or use of the Condominium Project.

2.6 Coowner Expenses. All expenses paid and incurred by the Association attributable to a Coowner that are not considered Association Expenses within the meaning of Section 2.5 shall be deemed an expense of the Coowner to whom such expenses are attributable (hereinafter referred to as “Coowner Expenses”). Such Coowner Expenses shall include the Reserve Fund Contribution required to be paid to the Association upon the first conveyance of each Unit as hereinafter described and any expense related to the maintenance, repair, or replacement of the Limited Common Elements appurtenant to a Coowner’s Unit. Coowner Expenses attributable to the Limited Common Elements shall be apportioned among the Coowners of the Units to which such Limited Common Elements are appurtenant.

2.7 Qualification of Board Members. Each director of the Association and any replacement directors selected by the Developer prior to the first meeting of the Association, must be a member of the Association, an officer or a director of a corporate member, a partner of a partnership that is a member, a member of a limited liability company that is a member, or a member or employee of the Developer.

2.8 First Meeting of Members. The first meeting of the members of the Association shall be held within ninety (90) days after the expiration of the Period of Developer Control. Until the first meeting of members, the affairs of the Association shall be managed by a Board of Directors, the members of which are appointed by the Developer.

ARTICLE III ASSESSMENTS

3.1 Association Assessments. The Association shall be assessed as the person or entity in possession of any tangible personal property of the Condominium Project owned or possessed in common by the Coowners, and personal property taxes based thereon shall be treated as Association Expenses.

3.2 Annual, Building, and s.

(a) The Directors shall establish an annual budget in advance for each fiscal year of the Association of all Association Expenses for the forthcoming year which may be required for the proper operation, management and maintenance of the Condominium Project, including a reasonable allowance for contingencies and adequate reserves for the periodic maintenance, repair, and replacement of the General and Limited Common Elements. The assessment of each owner for a pro rata share of the Association Expenses for such year shall be established by the adoption of such annual budget by the Directors. Copies of such budget shall be delivered to each Coowner, although the delivery of a copy of the budget to each Coowner shall not affect the liability of any Coowner for any existing or future assessments. Should the Directors at any time determine, in their sole discretion, that the assessments levied are insufficient to pay such expenses in any fiscal year, the Directors may at any time and from time to time levy such additional assessments as they shall deem necessary for such purpose.

(b) Special assessments, other than those described in subsection (a) of this Section 3.2 shall be made for the purpose of reimbursing the Association for any Coowner Expenses paid or incurred by the Association; and such assessments may include a reasonable allowance for contingencies and adequate reserves for the periodic maintenance, repair, and replacement of the Limited Common Elements.

(c) Special assessments, other than those described in subsection (a) – (b) of this Section 3.2, may be made by the Directors at any time and from time to time to meet other requirements of the Association and the Condominium Project including, but not limited to, capital improvements; provided, however, that any such special assessment shall not be levied without the prior approval of at least two-thirds (2/3) of the percentage of ownership of all of the Coowners.

3.3 Allocation and Payment of Assessments. All assessments levied against the Coowners to cover Association Expenses shall be apportioned among and paid by the Coowners in accordance with the percentage of ownership allocated to each Unit in the Master Deed. Assessments levied against a Coowner to cover Coowner Expenses shall be due and payable upon notice by the Association to the affected Coowner. The payment of an assessment shall be in default if such assessment, or any part thereof, is not paid to the Association in full on the due date for such payment, and shall bear interest at the maximum rate allowable by law, whichever is less, commencing from and after such assessment is thirty (30) days past due until paid in full. Each Coowner (whether one or more persons and including all of the shareholders of any corporation) shall be and remain personally liable for the payment of all assessments which may be levied against such Coowner by the Association in accordance with these Condominium Bylaws, and any unpaid assessments with accrued interest thereon owed with respect to a Unit may be collected out of the sales proceeds of such Unit in accordance with the Master Deed and Section 66-27-116 of the Act.

3.4 Taxes and Insurance Premiums. Each Coowner shall pay to the Association, together with and as part of his assessment, his pro rata portion of the ad valorem taxes and all other taxes and other public charges on the Condominium Project, and the premiums on all insurance policies carried by the Association for repayment to the persons entitled thereto.

3.5 Collection of Assessments. The Association may, in addition to its rights under the Master Deed or Section 66-27-116 of the Act, enforce collection of delinquent assessments by suit at law for a money judgment, and the expenses incurred in collecting unpaid assessments including interest, costs and attorneys' fees, shall be chargeable to the Coowner in default. Assessments in default together with interest thereon and all costs of collection shall constitute a lien upon the Unit of the defaulting Coowner, and such lien may be enforced by judicial foreclosure in bar of all equity of redemption, homestead, dower, or any other statutory right or exemption, all of which are expressly waived. Such lien shall be subordinate to the lien of any deed of trust or mortgage on the Unit recorded prior to the due date of such Assessment. The Association may also discontinue the furnishing of services or the right of a Coowner in default of his obligations to the Association or other Coowners as set forth herein to use and enjoyment of all or a portion of the amenities comprising a part of the General Common Elements upon thirty (30) days' written notice to such Coowner and to any mortgagee of such Coowner's Unit of its intent to do so. A Coowner in default of his obligations to the Association or other Coowners as set forth herein shall not be entitled to vote at any meeting of the Association so long as such default is in existence.

3.6 No Exemptions. No Coowner may exempt himself from liability for his contribution toward the expenses of the Association and the Condominium Project by waiver of the use or enjoyment of any of the General Common Elements or by the abandonment or sale of his Unit.

ARTICLE IV ENFORCEMENT ACTIONS

The Association or any Coowner shall have the right to prosecute any proceedings at law or in equity against any person or persons violating any of the provisions of these Condominium Bylaws and to obtain relief by way of injunction, money damages, or both. In the event that any provision of these Condominium Bylaws shall be held invalid by judgment or court order, it shall not be deemed to affect any of the other provisions herein, which shall continue and remain in full force and effect. In the event that any provision hereof shall be declared void by a court of competent jurisdiction by reason of the period of time for which the same shall be effective, then the term of such provisions shall be reduced by the maximum period of time allowed by the laws of the State of Tennessee.

ARTICLE V INSURANCE

The Association shall carry a master policy of liability insurance, workmen's compensation insurance, officers' and directors' liability insurance, and such other insurance as the Directors may determine (hereinafter referred to as the "Master Policy"), with respect to the Condominium Project and the Association's administration thereof in accordance with the following provisions:

5.1 Power of Attorney. The Association is hereby irrevocably appointed as attorney-in-fact for each Coowner and for each holder of a mortgage or other lien upon a Unit and for each owner of any other interest in the Condominium Project for the purpose of purchasing and maintaining insurance as set forth in Section 5.3 below including: the collection and appropriate

disposition of the proceeds thereof; the negotiation of losses and execution of releases of liability; the execution of all documents; and the performance of all other acts necessary to accomplish such purposes.

5.2 Insurance Trustee. The Directors shall have the option, in their sole discretion, of naming as an insured, on behalf of the Association, an Insurance Trustee with whom the Association has entered into an Insurance Trust Agreement. The duty of the Insurance Trustee shall be to receive, hold or otherwise properly dispose of, in accordance with any applicable provisions of the Act, proceeds of insurance designated in the Insurance Trust Agreement in trust for Coowners and their Eligible Mortgagees as their interest may appear.

5.3. Types and Amounts. Commencing not later than the time of the conveyance of the first Unit to a Person other than the Developer, the Association shall, to the extent reasonably available, obtain and maintain the types and amounts of insurance set forth below. Except as otherwise provided, the premiums for all such insurance policies shall be a Common Expense.

(a) Hazard Insurance.

(1) Hazard insurance, with an endorsement for extended coverage, or such other fire and casualty insurance as the Directors may determine provides equal or greater protection for the Coowners and their mortgagees, if any, in each case complying with the applicable requirements of Section 5.4 hereof. Such hazard insurance shall, if and to the extent reasonably available, provide coverage of the General and Limited Common Elements, including fixtures and building service equipment and common personal property and supplies belonging to the Association, and the Units. Such insurance shall, if so required by the Federal National Mortgage Association and if and to the extent reasonably available, also cover fixtures, equipment and other personal property inside a Unit if such fixtures, equipment or personal property are financed by a mortgage purchased by the Federal National Mortgage Association. If such insurance is provided, the Association shall require such Coowner to pay the additional cost incurred by the Association in so insuring such Coowner's fixtures, equipment or other personal property. Such hazard insurance shall insure against all risks of direct physical loss commonly insured against. If such hazard insurance becomes unavailable in the future, the Association shall obtain such comparable insurance as is then available. The amount of any such hazard insurance obtained pursuant to this Section shall be equal to the full insurable replacement value of the insured property, without deduction for depreciation (i.e., one hundred percent (100%) of current "replacement cost" exclusive of land, foundations, excavation and other items normally excluded from coverages, but including all building service equipment), with an "agreed amount endorsement" or its equivalent, if available, or an "inflation guard endorsement", if available, and construction code endorsements, if applicable and to the extent required by the Federal National Mortgage Association. Notwithstanding the foregoing, in no event shall the aggregate amount of the insurance obtained be less than the amount of the initial principal sum of all Eligible Mortgages in effect from time to time.

(2) Such hazard insurance shall afford protection against at least the following:

(i) loss or damage by fire and other perils normally covered by the standard extended coverage endorsement;

(ii) all other perils which are customarily covered with respect to projects similar in construction, location and use, including all perils normally covered by the standard "all risk" endorsement, where such is available;

(iii) such other risks as the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation may require by reason of their holding one or more Eligible Mortgages.

(3) Such hazard insurance policy may, at the option of the Directors contain a "deductible" provision in an amount to be determined by the Association but not to exceed Ten Thousand Dollars (\$10,000.00). The foregoing dollar amount shall be adjusted on each five (5) year anniversary hereof to become such sum of money as shall then be equivalent to the present purchasing price of such dollar amount in accordance with the procedure described in Section 5.5 hereof.

(b) Comprehensive Liability Insurance.

(1) Comprehensive Liability Insurance policies, complying with the requirements of Section 5.4 hereof, insuring the Coowners, in their capacity as Coowners and Association members and any managing agent retained by the Association, against any liability to the public or to other Coowners, their tenants or invitees, relating in any way to the ownership, operation, maintenance and/or use of the Common Elements and any part thereof, the public ways of the Condominium Project, any other areas under the Association's supervision, and commercial spaces owned by the Association whether or not leased to some third party.

(2) Such insurance policy shall contain a "severability of interest endorsement" or equivalent coverage which precludes the insurer from denying the claim of a Coowner because of the negligent acts of the Association or another Coowner.

(3) Limits of liability shall be at least Two Million Dollars (\$2,000,000.00) covering all claims for personal injury and/or property damage arising out of a single occurrence.

(4) coverage under this policy shall include legal liability arising out of lawsuits related to employment contracts of the Association.

(c) Fidelity Bonds.

(1) Fidelity bonds or insurance coverage against dishonest acts on the part of such persons (including by way of illustration and not limitation, Association members, officers, directors, trustees, managers, agents, employees and volunteers) handling or responsible for funds belonging to or administered by the Association. In the event the Association has delegated some or all of the responsibility for the handling of funds to a management agent, such bonds or insurance coverage shall include officers, employees and agents of such management agent.

(2) Such fidelity bond or insurance shall name the Association as the named insured and shall be written in an amount sufficient to cover the maximum funds that will be in the custody of the Association or its managing agent at any time while the bond is in force which is in no event less than one and one-half (1-1/2) times the Association's estimated annual operating expenses, including reserves.

(3) In connection with such coverage, an appropriate endorsement to such policy or bond in order to cover any persons who serve without compensation shall be added if the policy would not otherwise cover volunteers.

(4) Such fidelity bond or insurance shall also

(i) name the Association as an obligee;

(ii) contain waivers by the issuers of the bonds of all defenses based upon the exclusion of persons serving without compensation from the definition of "employees", or similar terms or expressions;

(iii) provide that same may not be cancelled or substantially modified (including cancellation for non-payment of premium) without at least thirty (30) days prior written notice to the Association and all Eligible Mortgagees and the Federal National Mortgage Association, its successors or assigns.

(5) A management agent that handles funds for the Association should also obtain its own fidelity bond, which must provide the same coverage required of the Association. The Association should be named as an additional obligee in the management agent's bond.

(d) Steam Boiler Coverage. If a steam boiler shall be operated in connection with the Condominium Project there shall be maintained boiler explosion insurance evidenced by the standard form of boiler and machinery insurance policy and providing as a minimum liability per accident of at least equal to the lesser of Two Million Dollars (\$2,000,000) or the insurable value of the building(s) housing the boiler or machinery.

(e) Indemnification Insurance. Insurance to satisfy the indemnification obligation of the Association and all Coowners, if available, at the election of the Directors.

(f) Other Insurance. The Association may carry any other insurance it deems appropriate to protect the Association or the Coowners.

5.4 Required Provisions. Insurance obtained by the Association shall be in accordance with the following provisions:

(a) All policies shall be written with a company licensed to do business in the State of Tennessee.

(b) Exclusive authority to adjust losses under policies hereafter in force on the Condominium Project shall be vested in the Directors or its authorized representative.

(c) With respect to the insurance policies issued to the Association and covering all or any part of the Condominium Project, the Association shall endeavor to cause such policies to provide that:

(i) The enforceability of such policies is not affected by any waiver of subrogation as to any and all claims against the Association, any managing agent, the Coowners and their respective tenants, employees, agents, customers and guests, such subrogation being hereby waived;

(ii) Such policies cannot be cancelled, invalidated or suspended by means of the conduct of any one or more Coowners, all defenses based upon co-insurance or acts of the insured being waived by the insurer, and in no event may cancellation, material modification, invalidation or suspension for any reason be effected without at least thirty (30) days' prior written notice to the Association, any Insurance Trustee, each Coowner and all holders of Eligible Mortgages whose names and addresses are on file with the insurer;

(iii) Such policies cannot be cancelled, invalidated or suspended on account of the conduct of any officer or employee of the Association or of any managing agent without a prior demand in writing that the Association or any managing agent, as the case may be, cure the defect within a reasonable period of time;

(iv) Any "no other insurance" clause in such policies shall not prohibit Coowners from obtaining insurance on their individual Unit provided such insurance policy conforms with the requirements of this Article 5.

(v) The name of the insured under each policy required pursuant to this Article 5 shall be stated in form and substance substantially as follows: "Highland Cove Condominiums Homeowners' Association, Inc. for the use and benefit of the individual owners, of the Units contained in Highland Cove Condominiums, a Condominium." The policies may alternatively be issued in the name of an authorized representative of the Association, including any Insurance Trustee with whom the Association has entered into an Insurance Trust Agreement, or any successor to such Trustee, for the use and benefit of the individual owners, as provided for in Section 5.2 above.

(vi) Loss payable under each policy required pursuant to this Article 5 shall be in favor of the Association or Insurance Trustee (if an Insurance Trustee has been

appointed by the Directors pursuant to Section 5.2), as a trustee for each Coowner and each such Coowner's Eligible Mortgagees as their interests may appear. Policies shall contain the standard mortgage clause, or equivalent endorsement (without contribution) or shall otherwise be endorsed to fully protect all Eligible Mortgagees' interests. If the Federal National Mortgage Association holds one or more Eligible Mortgages, the policies must name as mortgagee either the Federal National Mortgage Association or the servicers for the Eligible Mortgages it holds; such servicer's name shall be followed by the phrase "its successors and assigns."

(vii) Coverage may not be prejudiced by: (1) any act or negligence of one or more Coowners when such act or neglect is not within the control of the Association; or (2) any failure of the Association to comply with any warranty or condition regarding any portion of the Condominium Project over which the Association has no control.

(viii) All policies of property insurance shall provide that, despite any provisions giving the insurer the right to elect to restore damage in lieu of a cash settlement, such options shall not be exercisable (i) without the prior written approval of the Association (or any Insurance Trustee), or (ii) when in conflict with the provisions of any Insurance Trust Agreement to which the Association may be a party or with any requirement of law.

(ix) Insurance coverage obtained and maintained by the Association pursuant to the requirements of this Article 5 may not be brought into contribution with insurance purchased by Coowners or their mortgagees.

(x) Insurance coverage obtained and maintained by the Association pursuant to the requirements of this Article 5 shall provide that no assessment may be made against Eligible Mortgagees or may become a lien on the mortgaged premises superior to the lien of any Eligible Mortgagees.

(xi) Any Insurance Trust Agreement will be recognized.

5.5. Coowner's Insurance. Coowners shall comply with the following requirements regarding insurance:

(a) Each Coowner may obtain additional insurance at his own expense; provided, however, that: (i) such policies shall not be invalidated by the waivers of subrogation contained in the Condominium Documents; and (ii) no Coowner shall be entitled to exercise his right to maintain insurance coverage in such a way as to decrease the amount which the Association may realize under any insurance policy which the Association may have in force on the Condominium Project at any particular time.

(b) The Coowners shall obtain insurance coverage at their own expense upon their personal property and, in addition, shall obtain comprehensive personal liability insurance covering liability for damage to person or property of others located within such Coowner's Unit or in another Unit or upon the General or Limited Common Elements resulting from the negligence of the insured Coowner in such amounts as shall from time to time be determined by the Directors, but in no case less than \$500,000 in respect of all claims for personal injury to or death in any one occurrence, and \$100,000 for property damages for each occurrence. The foregoing dollar coverage limits shall be adjusted on each five year anniversary of the date hereof, to become such sum of

money as is then equivalent to the present purchasing power of such dollar limits during the year immediately preceding each such adjustment. The purchasing power shall be measured by the mean average of the index numbers of the "Consumer Price Index - All Urban Consumers, (1982-84 = 100)" as prepared by the Bureau of Labor Statistics of the United States Department of Labor (hereinafter referred to as the "CPI-U") for the months of June, July and August immediately preceding each date of adjustment. In the event the CPI-U is discontinued, the parties shall accept comparable statistics on the purchasing power of the consumer's dollar as published at the time of such discontinuation by a responsible periodical of recognized authorities to be chosen by the parties. Notwithstanding the foregoing, it is understood that the dollar coverage limits shall never be less than those specified in this subparagraph. All property and liability insurance carried by a Coowner or the Association shall contain waivers of subrogation and waivers of any defense based upon co-insurance or invalidity arising from any acts of the insured, and shall provide that such policies may not be cancelled or substantially modified without thirty (30) days' prior written notice thereof to each of the insureds, including all mortgagees of Units.

(c) Any Coowner who obtains individual insurance policies covering any portion of the Condominium Project, other than: (i) personal property belonging to such Owner; or (ii) the individual Unit of such Owner, shall be required to file a copy of such individual policy or policies with the Association within thirty (30) days after the purchase of such insurance;

(d) The Directors shall have the power to require all the Coowners to carry such other types of insurance on their Units as the Directors may reasonably require, including, without limitation, insurance on all portions of the Unit.

ARTICLE VI RECONSTRUCTION OR REPAIR

6.1. Vote of Member. If not more than two-thirds (2/3) of a Building shall be damaged by fire or any other disaster, then such Building shall be rebuilt or repaired. If such damage shall affect more than two-thirds (2/3) of the Building, then reconstruction shall not be compulsory without the unanimous consent of all of the Coowners of Units in the affected Building. The determination of the percentage of destruction of the Building shall be by a vote of the Coowners of Units in the affected Building.

6.2. Plan for Reconstruction. Any reconstruction or repair of the Building or any Unit located therein shall be substantially in accordance with the Master Deed and the original plans and specifications for the Condominium Project unless the affected Coowners shall unanimously decide otherwise and such decision is approved by seventy-five percent (75%) of the other Coowners.

6.3. Repair of Units. Each Coowner shall be responsible for the reconstruction, repair or replacement of the interior of his Unit, including but not limited to the floor coverings, wall coverings, window shades, draperies, interior walls, furniture, furnishings, decorative light fixtures, and all appliances located therein. Each Coowner shall also be responsible for the costs, not otherwise covered by insurance carried by the Association, of any reconstruction, repair or replacement of any portion of the Condominium Project necessitated by his negligence or misuse or the negligence or misuse of persons for whose actions he is legally responsible. In the event damage to all or any part of the interior of a Coowner's Unit is covered by insurance held by the Association for the benefit of such Coowner, then such Coowner shall begin reconstruction or repair of such damage upon receipt of the insurance proceeds or any portion thereof from the Association, subject

to the rights of the Association to supervise, approve or disapprove such reconstruction or repair during the course thereof. In the event damage to all or any part of the interior of a Coowner's Unit is not covered by insurance held by the Association for the benefit of such Coowner, then such Coowner shall begin reconstruction or repair of such Unit within sixty (60) days after the date of such damage, subject to the right of the Association to supervise, approve or disapprove such reconstruction or repair during the course thereof.

6.4. Costs of Repair. As soon as possible after the occurrence of a casualty which causes damage to any part of the Condominium Project for which the Association has insurance coverage (hereinafter referred to as the "Casualty"), the Association shall obtain reliable and detailed cost estimates of the following:

(a) The cost of restoring all damage caused by the Casualty to the General and Limited Common Elements (hereinafter referred to as the "Common Element Costs"); and

(b) The cost of restoring that part of the damage caused by the Casualty to each Unit that is or would be covered by insurance held by the Association without regard to the policy limits of such insurance (hereinafter referred to as the "Unit Costs").

All insurance proceeds available to the Association with respect to the Casualty shall first be applied to the payment of the actual Common Element Costs and the balance thereof, if any, shall thereafter be applied to the payment of the actual Unit Costs. However, if such insurance proceeds are not sufficient to cover such estimated costs, then an assessment shall be made against the affected Coowners by the Association in the following manner:

(i) All Coowners of Units in the affected Building shall be assessed on a prorata basis for the payment of the estimated Common Element Costs not otherwise paid for by insurance held by the Association.

(ii) Each Coowner of a damaged Unit shall be assessed an amount equal to the difference between his estimated Unit Costs and a sum calculated by multiplying the amount, if any, of the remaining insurance proceeds held by the Association with respect to the Casualty by a fraction, the numerator of which is his estimated Unit Costs and the denominator of which is the total of all of the estimated Unit Costs.

6.5. Eminent Domain. In the event of any taking of any Unit in the Condominium Project by eminent domain, the Coowner and his mortgagee of such Unit shall be entitled to receive the award for such taking attributable to the Coowner's proportionate share of the loss or reduction in the fee simple estate and the Building and other improvements to the land and after acceptance thereof he and his mortgagee shall be divested of all interest in the Condominium Project if such Coowner shall vacate his Unit by virtue of such taking. If any repair or rebuilding of the remaining portions of the Condominium Project is required as a result of such taking, a majority in percentage of ownership of the remaining Coowners shall determine by vote or written consent whether to rebuild or repair the Condominium Project or to take such other action as such remaining Coowners deem appropriate. If no repair or rebuilding shall be required or shall be undertaken, the remaining portion of the Condominium Project shall be resurveyed and the Master Deed shall be amended to reflect such taking and to proportionately readjust the percentages of ownership of the remaining Coowners based upon a continuing total ownership of the Condominium Project of one hundred per cent (100%).

ARTICLE VII RESTRICTIONS

7.1 Modifications. No Coowner shall make structural alterations or modifications to his Unit or to any of the General or Limited Common Elements, including, but not limited to, the erection of antennas, aerials, awnings, the placement of any reflective or other material in the windows of the Unit or other exterior attachments without the prior written approval of the Association. The Association shall not approve any alterations, decorations or modifications which would jeopardize or impair the soundness, safety or appearance of the Condominium Project.

7.2 Lease of Units. A Coowner may lease his Unit for the same purposes set forth in the Master Deed provided that such lease transaction is in accordance with the provisions of paragraph 7.9 hereof.

7.3 Improper Activities. No immoral, improper, unlawful or offensive activity shall be carried on in any Unit or upon the General or Limited Common Elements, nor shall anything be done which may be or become an annoyance or a nuisance to the Coowners. No Coowner shall do or permit anything to be done or keep or permit to be kept in his Unit or on the General or Limited Common Elements or anything that will increase the rate of insurance on the Condominium Project.

7.4 Signs. No signs or other advertising devices shall be displayed which are visible from the exterior of any Unit or on the General or Limited Common Elements, including "For Sale" signs, except in conformity with Rules and Regulations promulgated by the Directors.

7.5 Use of Common Elements. The General or Limited Common Elements shall not be used for storage of supplies, personal property or trash or refuse of any kind except common trash receptacles placed at the discretion of the Directors, nor shall the General or Limited Common Elements be used in any way for the drying, shaking or airing of clothing or other fabrics. Stairs, entrances, sidewalks, yards, driveways, and parking areas shall not be obstructed in any way nor shall unauthorized persons use them for other than their intended purposes. In general, no activities shall be carried on nor condition maintained by any Coowner either in his Unit or upon the General or Limited Common Elements which despoils the appearance of the Condominium Project.

7.6 Maintenance of Unit. Each Coowner shall maintain his Unit in clean, safe and sanitary condition. Each Coowner shall also use due care to avoid damaging any of the General or Limited Common Elements or any other Unit, and each Coowner shall be responsible for his negligence or misuse of any of the General or Limited Common Elements or of his own facilities resulting in damage to the General or Limited Common Elements or any other Unit.

7.7 Regulations. Rules and Regulations concerning the use of the Condominium Project shall be promulgated by the Board of Directors of the Association, and such Rules and Regulations shall be binding on all members of the Association unless duly amended by the Directors or by a majority in percentage of ownership of all of the Coowners.

7.8 Access of Agents. The Association or its agents shall have access to each Unit from time to time during reasonable working hours, upon notice to its Coowner, as may be necessary for the maintenance, repair or replacement of any of the Common Elements or other Units. The Association or its agent shall also have access to each Unit at all times without notice as may be

necessary to make emergency repairs to prevent damage to the General or Limited Common Elements or to another Unit. If requested by the Association, each Coowner shall furnish to the Association a duplicate key to the entrance door to his Unit and shall furnish a new duplicate key upon any change of locks thereto.

7.9 Sale or Lease. A Coowner who sells or leases a Unit or any interest therein, shall give written notice to the Association of the name and address of the purchaser or lessee, and such other information as the Association may reasonably require in connection with such transaction.

7.10 Limitation During Sale Period. None of the restrictions contained in this Article 7 shall apply to the commercial activities, signs or billboards, if any, of the Developer during the sales period of the Condominium Project or to the activities of the Association in furtherance of its powers and purposes set forth herein and in its Charter and Corporate Bylaws as the same may be amended from time to time.

ARTICLE VIII MORTGAGES

8.1 Notification of Association. Any holder, insurer, or guarantor of a mortgage on a Unit may notify the Association of its name and address and the affected Unit, and the Association shall maintain such information in a book entitled "Mortgages of Units."

8.2 Notification of Mortgagees. The Association shall notify each person or entity appearing in the book described in paragraph 8.1 herein of the following:

(a) The amount of any unpaid assessments due from the Coowner of each Unit at the same time as the Association makes demand on the Coowner of the Unit for payment of such assessment, but in no event more than sixty (60) days after such payment assessment becomes past due.

(b) Any condemnation or casualty loss that affects either a material portion of the Condominium Project or the Unit securing its mortgage;

(c) Any lapse, cancellation, or material modification of the Master Policy or Fidelity Bond maintained by the Association;

(d) Any proposed action that requires the consent of a specified percentage of mortgages.

8.3 Rights of Mortgagees. The rights of mortgagees as granted in these Condominium Bylaws shall not be amended so as to reduced the rights of mortgagees hereunder without the prior written approval of mortgagees of Units to which seventy-five percent (75%) of the percentage ownership in the Condominium Project is allocated pursuant to the Master Deed.

ARTICLE IX COMPLIANCE

9.1 Acceptance of Governing Rules. The Association, all present or future Coowners, tenants or future tenants, or any other persons using the facilities of the Condominium Project are

subject to and shall comply with the Act, the Master Deed, the Condominium Bylaws and the Charter, Corporate Bylaws, Rules and Regulations of the Association, and the acquisition, occupancy or rental of a Unit shall signify that all such documents are accepted and ratified. In the event of a conflict in any of the provisions of any of such documents, the documents shall govern or control in the following order or preference: (1) the Act, (2) the Master Deed, (3) the Condominium Bylaws, (4) the Charter, (5) the Corporate Bylaws of the Association, and (6) the Rules and Regulations of the Association.

9.2 Amendment of the Condominium Bylaws. These Condominium Bylaws may be amended from time to time, at a meeting of the members of the Association called for such purpose upon the affirmative vote of the members representing two-thirds (2/3) or more of the total Units; provided, however, no such amendment shall reduce the rights of mortgagees hereunder without compliance with the requirements of Section 8.3 hereof. No such modification shall be operative until it is embodied in an instrument duly certified by the Secretary of the Association and recorded in the Register's Office for DeKalb County, Tennessee.

ARTICLE X ADDITIONS AND ALTERATIONS BY THE ASSOCIATION

Whenever in the judgment of the Directors the General Common Elements shall require additions, alterations or improvements costing more than Twenty Thousand Dollars (\$20,000) which are not to be made at the expense of any individual Coowner for the Coowners' own benefit, and the making of such additions, alterations or improvements shall have been approved at an annual or special meeting of the Association and by the mortgagees holding mortgages or deeds of trust constituting first liens upon not less than two-thirds (2/3) of the percentage of Coownership of the Units, the Directors shall proceed to cause such additions, alterations or improvements to be made and shall assess all Coowners for the cost thereof as a special assessment. Any additions, alterations or improvements costing Twenty Thousand Dollars (\$20,000) or less may be made by the Directors without further approval of the Coowners or any mortgagees of the Units, and the cost thereof may be assessed against the Coowners as a special assessment, provided, however, that no more than Thirty Thousand Dollars (\$30,000) shall be expended for any such purposes in any one year without approval by two-thirds (2/3) of the percentage of Coownership of the Units at a meeting of the Association. The foregoing dollar amounts shall be adjusted on each five year anniversary of the date hereof to become such sum of money as shall then be equivalent to the present purchasing power of such dollar amounts in accordance with the procedure described in Section 5.5 hereof. Notwithstanding the foregoing, such dollar amounts shall never be less than those specified in this Article 10.

ARTICLE XI REMEDIES

11.1 Default. Failure of any Coowner to comply with any of the terms of the Master Deed, these Condominium Bylaws, the Charter or Corporate Bylaws or duly adopted Rules and Regulations of the Association shall constitute an event of default and shall be grounds for relief, or any combination thereof.

11.2 Costs. In any proceeding by the Association or an aggrieved Coowner arising because of any alleged default by a Coowner, the Association or such aggrieved Coowner, if successful, shall be entitled to recover the costs of the proceeding and reasonable attorneys' fees from such defaulting Coowner.

11.3 No Waiver. The failure of the Association or of any Coowner to enforce any right, provision, covenant or condition which may be granted by the Master Deed, these Condominium Bylaws, the Charter, Corporate Bylaws or duly adopted Rules and Regulations of the Association shall not constitute a waiver of the right of the Association or of any such Coowner to enforce such right, provision, covenant or condition in the future.

11.4 Rights Cumulative. All rights, remedies and privileges granted to the Association or any Coowner pursuant to any provisions of the Master Deed, these Condominium Bylaws, the Charter, Corporate Bylaws or duly adopted Rules and Regulations of the Association, shall be deemed to be cumulative and the exercise of any one or more shall not be deemed to constitute an election of remedies, nor shall it preclude the party thus exercising the same from exercising such other additional rights, remedies or privileges as may be available to such party at law or in equity.

ARTICLE XII SEVERABILITY

In the event that any of the terms, provisions or covenants of these Condominium Bylaws are held to be partially or wholly invalid or unenforceable for any reason whatsoever, such holding shall not affect, alter, modify or impair in any manner whatsoever any of the other terms, provisions or covenants hereof or the remaining portions of any terms, provisions or covenants held to be partially invalid or unenforceable.

ARTICLE XIII TABLE OF CONTENTS; HEADINGS

The table of contents and headings used in these Condominium Bylaws have been inserted for convenience only and do not constitute matter to be construed in interpretation.