

BY-LAWS
OF
GRAND VILLAS AT NORTH SHORE OWNERS ASSOCIATION

ARTICLE I.

PURPOSES AND OBJECTS

The name of this Association shall be Grand Villas at North Shore Owners' Association, which shall be a non-profit organization or association, wholly existing for the purpose of maintaining the grounds surrounding the Grand Villas, including but not limited to the following appurtenances: Swimming Pool, Gazebo, common areas, gates, and roads, and all of the appurtenances thereto, serving the owners of homes located in Grand Villas.

Grand Villas shall be subject to these Bylaws which shall include an area which includes the Eastern Half of Tract 2 currently owned by Montana Land Company, LLC and Tracts 3, 4, 5, and 6 of the Estates of Pickwick as appears in Plat Cabinet 5, Slide 53A in the Hardin County Register's Office and that area lying East of Tract 6 of the Estates of Pickwick up to and including land adjoining Boyer Branch for a distance North down Boyer Branch of approximately 1000 feet.

The Montana Land Company, LLC shall have the expressed right to add additional areas to be included in the Grand Villas Owner's Association without any consent, permission, or vote by the Grand Villas Owner's Association. Montana Land Company as developer shall have the expressed right to over rule and veto any decision made by the association or it's board of directors.

ARTICLES II.

MEMBERS

Members shall consist of those individuals acquiring title through Warranty Deed of any of the family units, or homes in the subdivision and the mere act of

title, possession or occupancy of any of the units, or homes, will signify that these By-Laws and the provisions of the same are hereby accepted, ratified and will be complied therewith, at all times. All present or future owners, tenants, future tenants, or lease holders, or any other person that might use the facilities of any of the units in the subdivision in any manner, shall be subject to these By-Laws, all applicable Tennessee Statutes, and any Amendments to these By-Laws that may be deemed advisable and passed by the governing authorities of the Grand Villas Owner's Association. Additionally, any owner of a lot, on which there is not located a home, or unit, shall be a member of this association. Membership in this association shall terminate on such member's ceasing to be a fee simple owner of a home, or unit, or of a building site or lot in or on the property described herein.

ARTICLE III.

QUORUM, VOTING, MAJORITY, PROXIES

SECTION I.

A Quorum shall be, except as otherwise provided in these By-Laws, the presence in person or by Proxy of a majority of owners.

SECTION II.

Voting shall be on a percentage basis and a percentage of the vote to which the owner is entitled shall be the percentage assigned to the family unit or units in his or her deed. Therefore, a husband and wife owning one unit shall be entitled to one-half (1/2) vote each. Under no circumstances, shall there be more than one (1) vote per unit.

SECTION III.

The term majority of owners shall mean those owners of units, or homes holding fifty-one percent (51%) of the votes in accordance with the percentages assigned in the deeds.

SECTION IV.

Votes may be cast in person or by proxy. Proxies must be filed with the secretary of the association at a designated appointed time prior to each meeting. Such proxies shall be in writing, shall be signed by the person giving said proxy, and shall be notarized by a person authorized to so do. No proxy shall be valid after two (2) months from date of the execution, unless other side provided for in said proxy.

SECTION IV.

ADMINISTRATION OF ASSOCIATION

SECTION I.

The owners of the units, or homes, shall constitute the Grand Villas Owners' Association, who shall have the responsibility of administering the association, approving any annual budget, and establishing and collecting any monthly assessments, and arranging for the management of the association pursuant to any agreement containing provisions relating to the duties, obligations, removal, and compensation of any managing agent, if any. Except as otherwise provided, decisions and resolutions of the association shall require approval by a majority of the owners.

SECTION II.

The principal office of the association shall be at the business or residence of the President of the association during his or her term of office. However, the association shall, if it is deemed necessary, specify any place within the State of Tennessee as the principal office of the association from time to time.

ARTICLE V.

MEMBERSHIP MEETINGS

SECTION I.

Membership meetings of the association shall be held at the principal office of the association or at such other suitable place convenient to the owners as may be

designated by the Board of Directors from time to time.

SECTION II.

The first annual meeting of the association shall be held in the calender year of 1999. Thereafter, the annual meeting shall be held in the calender year at a time to be selected by the Board of Directors. There shall be elected by secret ballot a Board of Directors at such annual meeting in accordance with the requirements of Article VI., of these By-Laws. The membership may also transact any and all other business of the association as may properly come before the association.

SECTION III.

Special meetings shall be called by the President, by resolution of a majority of the Board of Directors, or by a Petition signed by a majority of the Homeowners, or unit owners, at any time for any purpose. No business shall be transacted at any special meeting except such as is stated in the notice given to each member, unless by consent of two-thirds (2/3) of the owners present, either in person or by proxy.

SECTION IV.

Notice of any regular or special meeting shall be mailed by the secretary of the association, stating the purpose thereof as well as the time and place of the meeting, to each owner of record, at least five (5), but not more than ten (10) days prior to each meeting. The mailing of notice shall be considered completed by a certification by the secretary that such notice was deposited in the United States Mail, postage prepaid, to the person questioning same.

SECTION V.

At any meeting wherein a quorum cannot be attained, the owners who are present, either in person or by proxy, may adjourn the meeting to a time not less than forty-eight (48) hours from the time that the original meeting was called.

SECTION VI.

The order of business at all association meetings shall be as follows:

- (A) Roll Call**
- (B) Proof of notice of meeting or wavier of notice.**
- (C) Reading of minutes of preceding meeting.**
- (D) Officers reports.**
- (E) Committee reports.**
- (F) Old or unfinished business.**
- (G) New business.**
- (H) Election of directors and officers (if applicable)**

ARTICLE VI.

BOARD OF DIRECTORS

SECTION I.

The affairs of the association shall be managed by a Board of Directors, subject to instructions of the members of the association at a regular meeting, or subject to the approval of the membership as expressed by a vote of the membership. Said Board of Directors shall be composed of not less than two (2) nor more than four (4) persons, all of whom must be owners of homes, or units, in the project. Any husband and wife who own a unit, or home, as tenants by the entirety, with the right of survivorship, shall each individually be deemed as owner for the purposes of this section. The Board of Directors shall have the powers and duties necessary for the administration of the association's affairs and may do any and all acts and things that are not directly prohibited by the statutes of the State of Tennessee, or these By-Laws, and that are not in direct conflict with the owners of the homes, or units.

SECTION II.

In addition to any duties imposed by statutes or by these By-Laws or by resolution of the association, the Board of Directors shall be responsible for the following:

(A) The care, upkeep, and surveillance of the subdivision and homes, or units, and common areas and facilities and the restricted common areas and facilities.

(B) The collection of any and all assessments from the owners to the association.

(C) The employment and/or dismissal of any and all personnel necessary for the maintenance and operation of the subdivision, common areas and facilities and the restricted common areas and facilities.

SECTION III.

The term of office of each of the directors shall be for a term of one (1) year. At the expiration of the initial term of office of each director, his successor shall be elected to serve a term of one year. The directors shall hold office until their successors have been elected and hold their first meeting. The initial Board of Directors shall be elected at the first annual meeting of the association, and shall serve for the period of one year.

SECTION IV.

Any vacancy occurring in the Board of Directors caused by any reason other than the removal of a director by the vote of the association shall be filled by a vote of the majority of the remaining directors, even though they may constitute less than a quorum. Each director elected in such manner shall be elected to fill a vacancy for the unexpired term of his predecessor in office.

SECTION V.

At any regular or special meeting duly called, any one or more of the directors may be removed with or without cause by a majority of the owners, and a successor may then and there be elected to fill the vacancy thus created. Any director whose removal has been proposed by the owners shall be given an

opportunity to be heard at said meeting.

SECTION VI.

The first meeting of the newly elected Board of Directors shall be held within ten (10) days of the election at such place as shall be fixed by the Board of Directors at the meeting at which such directors were elected, and no notice shall be necessary to the newly elected directors in order to legally constitute such meeting, provided a majority of the entire Board of Directors shall be present. Regular meetings of the Board of Directors shall be held at such time and place as shall be determined, from time to time, by a majority of the Directors, but at least annually. Notice of regular meetings of the Board of Directors shall be given to each director, personally or by mail, telephone, or any other method of personal communication, at least ten (10) days prior to the date named for such meeting.

SECTION VII.

Special meetings of the Board of Directors may be called by the president upon five (5) days notice to each Director given personally or by mail, telephone, or other personal means of communication; said notice shall state the time, place, and purpose of the meeting. Special meetings of the Board of Directors shall likewise be called by the president in a like manner and upon like notice at the written request of at least two-thirds (2/3) of the Board of Directors.

SECTION VIII.

Before any meeting of the Board of Directors, any director may, in writing, waive notice of such meeting and such notice shall be deemed equivalent to the giving of such notice. Attendance by a director at any meeting of the Board of Directors shall be a waiver of notice by him or her of the time and place of said meeting.

SECTION IX.

A majority of the directors shall constitute a quorum for the transaction of business at any and all meetings of the Board of Directors, and the acts of the

quorum shall be the acts of the Board of Directors. If, at any meeting of the Board of Directors, there shall be less than a quorum present, the Board of Directors present may adjourn the meeting from time to time.

ARTICLE VII.

OFFICERS

SECTION I.

The principal officers of the association shall be a president, a vice-president, and a secretary/treasurer, all of whom shall be elected by and from either the Board of Directors or the members. The Directors may appoint such other officers as in their judgment may be necessary to carry out the business of the association. The Board of Directors shall further have the authority to appoint such committees as they may deem advisable and necessary to carry out the business of the association.

SECTION II.

All officers of the association shall be elected annually by the Board of Directors or the members at the annual meeting and shall hold office for the term of one (1) year, or until their successors have been elected and hold their first meeting.

SECTION III.

On an affirmative vote of a majority of the members of the Board of Directors or of the members of the association, any officer may be removed, either with or without cause, and his successor shall be elected at any regular meeting of the Board of Directors or members of the association, or at any special meeting of the Board of Directors or members of the association called for such a purpose.

SECTION IV.

The president shall be the chief executive officer of the association. He or she shall preside at all meetings of the association and of the Board of Directors.

He or she shall have all of the general powers and duties that are usually vested in the office of the president of an association, including but not limited to, the power to appoint committees from among the owner from time to time as he or she may in his or her discretion decide is appropriate to assist in the conduct of the association's affairs.

SECTION V.

The vice-president shall take the place of the president and perform his or her duties whenever the president shall be absent or unable to act. If neither the president nor the vice-president is able to act, the Board of Directors shall appoint some other person from the Board to do so on an interim basis. The vice-president shall also perform such other duties as shall from time to time be imposed upon him or her or shall be delegated to him or her by the Board of Directors.

SECTION VI.

The Secretary/Treasurer shall keep all the minutes of all meetings of the Board of Directors and the minutes of all meetings of the Association, shall have charge of such books and papers as the Board of Directors may direct, shall have the responsibility for association funds and securities, shall be responsible for keeping full and accurate accounts of all receipts and disbursements belonging to the association, shall be responsible for the deposit of all monies and other valuable effects in the name, and to the credit of, the association in such depositories as may from time to time be designated by the Board of Directors, and shall in general, perform all the duties incident to the secretary treasurer.

ARTICLE VIII.

OBLIGATIONS AND ASSESSMENTS OF OWNERS

SECTION I.

All owners shall hereafter be obligated to pay annual assessments imposed by the association to meet all association expenses, which may include, but which are not limited to, maintenance of the swimming pool, gabezo, gates, roads, common areas, garbage/trash collection, repair and reconstruction work in common areas and facilities, a maintenance reserve, insurance and for any other purposes deemed

advisable by the membership of the association.

SECTION II.

Annual dues shall be established, if deemed advisable and necessary, by a majority action of the Board of Directors or by a majority action of the members of the association. Such amounts, due dates, and any other matters pertaining to annual dues shall be determined from time to time by a majority vote of the Board of Directors. However, no increase in annual dues shall be approved without prior approval of two-thirds (2/3) of the members of the association.

SECTION III.

Special assessments may be levied upon members of the association by a majority vote of the Board of Directors and a majority vote of the members of the association. Such assessments shall be voted upon by the Board of Directors at a regular or specifically called meeting for same and shall subsequently be voted upon by members of the association at a regular or specifically called meeting for same.

SECTION IV.

When any member shall be in default in the payment of dues and assessments for a period of thirty (30) days from the date of which such dues or assessments becomes payable, that member shall, for purposes of voting, not be considered a member in good standing of the association. Additionally, such member shall be deleted from the active membership list and placed on an inactive membership list and such member shall not be reinstated until he or she has paid the balance of the dues and assessments in full. Any members, failing to pay any assessments or dues, after fifteen (15) days written notice of such delinquency given to that member by the association, shall have the amount of the delinquency placed as a lien upon such members unit, or home, in the subdivision in favor of the association, and the association shall have the right to record a notice of such lien in the office of the Register of Hardin County, Tennessee, and proceed thereon in accordance with all applicable statutes of the State of Tennessee for the foreclosure and enforcement of said lien. Additionally, the association shall have the option of proceeding with an action for the collection of such lien against such member in any court of competent jurisdiction in the State of Tennessee.

Initial assessments shall be \$300.00 per year for unimproved lots and \$400.00 per year for improved lots. Lot owners holding in excess of 3 lots (including Montana Land Company, LLC as developer) shall be granted a developers discount for their ownership of multiple lots. Parties entitled to the developers discount shall pay \$150.00 per lot for unimproved lots. No developers discount will be granted for any improved lot nor shall an improved lot be included in the total lots owned by the developer.

SECTION V.

Any member who shall terminate his or her membership by sale of his lot or unit, or home, shall be entitled to assign to the buyer of such lot, unit, or home, the benefit of the paid-up dues for the remainder of said year. Any such purchaser of a lot, unit, or home, shall receive credit for the amount of paid-up dues made by his predecessor for the remainder of the fiscal year. In no event shall any member be refunded any paid-up dues or assessments upon termination of his membership by sale of his lot, unit, or home.

ARTICLE IX.

ARCHITECTURAL CONTROL

SECTION I.

Said association shall further protect the architectural integrity of the various structures built in Grand Villas, and promote the peaceful enjoyment by the owners of the various structures presently built and to be built in Grand Villas. Notwithstanding the foregoing all house plans, site plans, landscaping, colors for roofing and siding must be approved by Montana Land Company, LLC. Furthermore, Montana Land Company, LLC shall have the expressed right to over rule and veto any decision made by the association or its board of directors. All members of the Association and lot owners of the Grand Villas at North Shore shall be subject to Montana Land Company, LLC's final decision regarding any and all matters regarding construction of any structure in the Grand Villas at North Shore.

All structures shall be constructed out of drivet or stucco material or like fashion; roofs shall be of concrete, acrylic fiberglass, metal, slate or like fashion of the hip or barrel tile style. All of the above roof materials may also be used in flat fashion with the exception of metal roofs.

upon completion of construction provided no damage has occurred to roads or improvements and all construction debris has been properly removed.

All construction shall be completed within 12 months of the date of construction.

SECTION II.

Each and every owner shall promptly perform any and all maintenance and repair work within or without his own unit which, if omitted, would affect the entire association or any part of a building, unit, or home, belonging to any other member. Any repairs to the internal installations of a unit, or home, such as water, lights, gas, power, sewage, telephones, air conditioners, sanitary installation, doors, windows, and any and all other accessories belonging to the unit area shall be at the owner's or member's expense. Any owner shall reimburse the association for any expenditures incurred in repairing or replacing any common area and facility damaged through his own fault or through fault of his lessees, invitees, or guests.

SECTION III.

All units shall be utilized for residential purposes only. Any member or owner shall only make structural modifications or alterations in his unit after notifying the association in writing. The Board of Directors, after such notification, shall have the obligation to answer within thirty (30) days and failure to do so within the stipulated time shall mean that there is no objection to the proposed modification or alteration, and shall grant consent to the owner or member to make such modifications, alterations, or changes.

SECTION IV.

No owner or member shall place or cause to place in the common areas and facilities any furniture, packages or objects of any kind. Such areas shall be used for no other purpose than for normal transit through same.

SECTION V.

Any owner or member shall grant the right of entry to the managing authority, if any, or to any other person authorized by the Board of Directors or the

members of the association in case of any emergency originating in or threatening his unit, whether the owner is present at the time or not. Said owner shall permit other owners, or their representatives, when so required, to enter his unit for the purpose of installing, alternating or repairing the mechanical, electrical or sewage devices, provided that requests for entry are made in advance and that such entry is at a time convenient to the owner. In case of an emergency, such right of entry shall be immediate.

ARTICLE X.

THE CODE OF CONDUCT

The Board of Directors or the membership of the association shall from time to time promulgate any and all rules and/or codes of conduct for members of the association, their lessees, invites, and guests. Such rules or codes of conduct shall be posted in conspicuous places throughout the units, or homes of the subdivisions or shall be mailed to each member of the association within ten (10) days after the approval of the same. It shall be the duty of each member to determine the code or rules of conduct of the association and to abide by same. Violation of any or all of a code or rule of conduct shall result in expulsion from membership in the association and shall further result in such other consequences as deemed advisable and appropriate by a majority vote of the membership of the association.

ARTICLE XI.

AMENDMENTS

Any proposed amendments to these By-Laws may be submitted in writing at any meeting of the members of the association. Such proposed amendments shall be discussed at the meeting of the members following the meeting at which the proposed amendments were submitted, and shall be voted upon by the members of the association at a date that shall not be earlier than the second meeting following the initial introduction of the proposed amendments. Such proposed amendments must be signed by a majority of the members of the association, shall be read to the meeting by the secretary, and shall be printed upon ballots distributed to all members either by mail, or in person. Additionally, any amendment shall be submitted to the members of the association by a majority vote of the Board of Directors and shall be voted upon in the aforesaid manner. Any proposed

of the association. Any proposed amendments, when approved, shall go into effect immediately.

Adopted this the 8th, day of September, 1998.

MONTANA LAND COMPANY, LLC

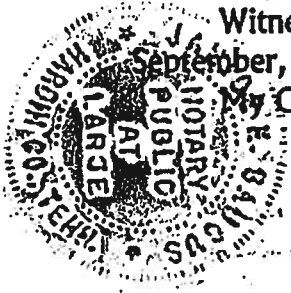
James E. Clausel
BY: JAMES E. CLAUSEL
CHIEF MANAGER

STATE OF TENNESSEE
COUNTY OF Harden

Personally appeared before me, the undersigned Notary Public in and for said State and County, JAMES E. CLAUSEL, with whom I am personally acquainted, and who, upon oath acknowledged himself to be Chief Manager of MONTANA LAND COMPANY, LLC, the within named bargainors, a limited liability company, and that he as such Chief Manager, being authorized so to do, executed the foregoing instrument for the purposes therein contained by signing the name of the limited liability company by himself as Chief Manager.

Witness my hand and notarial seal, at office on this the 8th day of September, 1998.

My Commission Expires: 4-24-2002



James E. Clausel
NOTARY PUBLIC

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REGISTER'S OFFICE, HARRIS CO., TENNESSEE
Date: 15 day of Sept. 1998 at 8:30 o'clock A. M.
Noted in File Book No. 88 Page 208 Recorded in
Book No. 189 Page 495
State Tax Paid \$
Clerk's Fee 2.00
Recording Fee 56.00
Total \$ 58.00
Receipt No. 23836
JERRY HARRIS, REGISTER Julie Pickens
(MBS)