

BY-LAWS
OF
EAST SHORES
HOMEOWNERS ASSOCIATION, INC.
A P R I L 2 0 0 3 (Revision 1)
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N O T F O R P U B L I C A T I O N

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BY-LAWS
OF
EAST SHORES ASSOCIATION, INC.

ARTICLE I

Section 1. Name The name of this corporation is The East Shores Homeowners Association, Inc.

ARTICLE II

Section 1 Applicability These By-Laws and each provision hereof shall be applicable to all Lots and Members, as defined, within the Residential Community known as East Shores, described as:

Lots 1 through 47, both inclusive, East Shores, Phase I Subdivision, as shown on Plat of record in Plat Book 96, Page 17, in the Registers's Office of Shelby County, Tennessee, to which Plat reference is hereby made for a more particular description, or any other subdivision thereof as herein provided.

Lot 1A, as shown on the Plan of East Shores, Phase II, recorded in Plat Book 127, Page 7, in the Register's office of Shelby County, Tennessee, to which Plat references made for a more particular description, and,

Lots 48 through 69, both inclusive, as shown on the plat of Eash Shores, Phase III, recorded in Plat Book 138, Page 79, in the Register's Office of Shelby County, Tennessee, to which Plat references is made for a more particular description, and,

Lot 70, as shown on the Plat of East Shores, Phase Four as Lot 1, recorded on September 27, 1999 under JT 2221.

ARTICLE III

The following Section of this Article III shall apply to membership in the Association:

Section 1. Members Every person, as defined, who is a record Owner of a fee or undivided fee interest of any Lot within the Property shall be a Member of the Association; provided, however, that anyone who holds such interest solely as a security for the performance of an obligation shall not be a Member. Membership shall be appurtenant to and may not be separated from ownership of any Lot within the Residential Community known as East Shores. Ownership of such Lot shall be the sole qualification for membership.

Section 2. Lien and Other Rights The Association shall have a lien on the outstanding memberships in order to secure payment of any sums which may become due from the holders thereof to the Association for any reason whatsoever. In addition, for such time as any sums may be due, the Member who fails to pay such sum shall not be entitled to any rights or privileges appertaining to such membership.

Section 3. Liquidation Rights In the event of any voluntary or involuntary dissolution of the Association, each Member of the Association shall be entitled to receive out of the assets of the Association available for distribution to the Members an amount equal to a pro rata share based on the number of Lots.

ARTICLE IV

Section 1. Place of Meeting Meetings of the membership shall be held at such suitable place convenient to the membership as may be designated by the Board of Directors.

Section 2. Annual Meetings, The annual meetings of the Members of the Association shall be held on the first Tuesday of June of each succeeding year. At such meeting there shall be elected by secret written ballot of the Members a board of Directors in accordance with the requirements of Section 5 Article V of these By-Laws. The Members may also transact such other business of the Association as may properly come before them.

Section 3. Special Meetings It shall be the duty of the President to call a special meeting of the Members as directed by resolution of the Board of Directors or upon a petition signed by Members representing at least twenty percent (20%) of the total number of votes outstanding having been presented to the Secretary. The notice of any special meeting shall state the time and place of such meeting and the purpose thereof. No business shall be transacted at a special meeting except as stated in the notice.

Section 4. Notice of Meetings It shall be the duty of the Secretary to mail a notice of each annual or special meeting, stating the purpose thereof as well as the time and place where it is to be held, to each member of record, at his address as it appears on the membership book of the Association, or if no such address appears, at his last known place or address, at least ten (10) but not more than ninety (90) days prior to such meeting. Service may also be accomplished by the delivery of any such notice to the Member at his last known address by deposit in the box or slot for the United States mail. Notice by either such method shall be considered as notice served. Attendance by a Member at any meeting of the Members shall be a waiver of notice by him of the place and purpose thereof.

Section 5. Quorum The presence, either in person or by proxy, of Member representing at least fifty-one percent (51%) of the total votes entitled to be cast with respect to any question, shall be requisite for, and shall constitute a quorum for, the transaction of business at all meetings of Members. If the number of Members at a meeting drops below the quorum and the question of a lack of quorum is raised, no business may thereafter be transacted.

Section 6 Adjourned Meetings If any meeting of Members cannot be organized because a quorum has not attended, the Members who are present, either in person or by proxy, may, except as otherwise provided by law, adjourn the meeting to a time not less than forty-eight (48) hours from the time the original meeting was called.

Section 7 Voting At every meeting of the Members, each of the Members shall have the right to cast his vote as defined by Article II, Section 2 on each question. The vote of the Members representing a fifty-one percent (51%) majority of the total votes entitled to be cast with respect to any question, in person or proxy; shall decide any question brought before such meeting, unless the question is one upon which, by express provision of statute or of the Articles of Incorporation, or the Declaration, or of these By-Laws, a different vote is required, in which case such express provision shall govern and control. The vote for any membership which is owned by more than one Person may be exercised by any of them present at any meeting unless any objection or protest by any other Owner of such membership is noted at the meeting. In the event all of the co-owners of any membership who are present at any meeting of the Members are unable to agree on the manner in which the vote for such membership shall be cast on any particular question, then such vote shall not be counted for purposes of deciding that question. No Member shall be eligible to vote, either in person or by proxy, or to be elected to the Board of Directors, who is shown on the books or management accounts of the Association to be more than sixty (60) days delinquent in any payment due the Association.

Section 8. Proxies Any Member may appoint any other Member or any other person permitted by law or by these By-Laws as his proxy. In no case may any Member cast more than one vote by proxy in addition to his own vote. Any proxy must be in writing and must comply with all requirements imposed by law or by these By-Laws.

Section 9. Consent Whenever the vote of Members at the meeting thereof is required or permitted to take any action in accordance with any statute, the Declaration or these By-Laws, such meeting and vote may be dispensed with if all Members who would have been entitled to vote upon such action consent in writing to such action being taken.

Section 10. Order of Business The order of business at all regularly scheduled meetings of the Members shall be as follows:

- (a) Roll call and certificates of proxy;
- (b) Proof of notice of meeting or waiver of notice;
- (c) Reading of minutes of preceding meeting
- (d) Reports of officers, if any;
- (e) Reports of committees, if any;
- (f) Unfinished business;
- (g) New business;
- (h) Election or appointment of inspectors of election;
- (i) Election of directors.

In the case of a special meeting, items (a) through (d) shall be applicable and thereafter the agenda shall consist of the items specified in the notices of the meeting.

ARTICLE V

Section 1. Number and Qualification The affairs of the Association shall be governed by the Board of Directors composed of at least seven(7) natural persons and not more than ten (10) natural persons, a majority of whom shall be Members of the Association.

Section 2. Powers and Duties The Board of Directors shall have all the powers and duties necessary for the administration of the affairs of the Association and the Residential Community and may do all such acts and things as are not by law or by these By-Laws directed to be exercised and done by the Members. The powers and duties of the Board of Directors shall include, but not be limited to, the following:

To provide for the:

- (a) Care and upkeep of the roads, utilities, perimeter fence and any other properties charged to the care of the Association.

- (b) Establishment and collection of assessments and/or carrying charges from the Members and for the assessment and/or enforcement of liens therefore in a manner consistent with law and the provisions of these By-Laws and the Declaration.
- (c) Designation, hiring and/or dismissal of the personnel necessary for the good working order of the Residential Community and to provide services for the community in a manner consistent with law and the provisions of these By-Laws and the Declaration.
- (d) Promulgation and enforcement of such rules and regulations and such restrictions or requirements as may be deemed proper respecting the use, occupancy and maintenance of the Residential Community as are designated to prevent unreasonable interference with the use and occupancy of the Residential Community by the Members, all of which shall be consistent with the law and the provisions of these By-Laws and the Declaration.
- (e) Appoint an Architectural Control Committee.

Section 3. Nomination Nomination for the election to the Board of Directors shall be made by a Nomination Committee. Nominations may also be made from the floor at the annual meeting. The Nominating Committee shall consist of a Chairman, who shall be a Member of the Board of Directors, and two or more Members of the Association. The Nominating Committee shall be appointed by the Board of Directors prior to each annual meeting of the Members, to serve from the close of such annual meeting until the close of the next annual meeting, and such appointment shall be announced at each annual meeting. The Nominating Committee shall make as many nominations from Members, for election to the Board of Directors as it shall in its discretion determine, but not less than the number of vacancies that are to be filled.

Section 4. Vacancies Vacancies in the Board of Directors caused by any reason other than the removal of a Director by a vote of the membership shall be filled by vote of the majority of the remaining Directors, even though they may constitute less than a quorum, and each Person so elected shall be a Director until a successor is elected by the Members at the next annual meeting.

Section 5. Removal of Directors At a regular meeting, or special meeting duly called for such purpose, any Director may be removed with or without cause by the affirmative vote of the majority of the entire membership of record, and a successor may then and there be elected to fill the vacancy thus created. Any director whose removal has been proposed by the Members shall be given an opportunity to be heard at the meeting. The term of any Director who becomes more than sixty (60) days delinquent in payment of any assessment and/or carrying charges due the Association shall be automatically terminated, and the remaining directors shall appoint his successor as provided in Section 7 of this Article.

Section 6. Compensation No compensation shall be paid to directors for their services as directors. After the first annual meeting of the Members, no remuneration shall be paid to any director who is also a Member of the Association for services performed for the Association in any other capacity unless a resolution authorizing such remuneration shall have been adopted by the Board of Directors before the services are undertaken.

Section 7. Organizational Meeting The first meeting of a newly elected Board of Directors shall be held within ten (10) days of election at such place as shall be fixed by the directors at the meeting at which such directors were elected, and no notice shall be necessary to the newly elected directors in order legally to constitute such meeting, provided a majority of the whole Board of Directors shall be present.

Section 8. Regular Meetings Regular meetings of the Board of Directors may be held at such time and place as shall be determined, from time to time, by a majority of the Directors, but at least one (1) such meeting shall be held during each calendar year. Notice of regular meetings of the Board of Directors shall be given to each Director, personally or by mail, telephone or telegraph, at least six (6) days prior to the day named for such meeting.

Section 9. Special Meetings Special meetings of the Board of Directors may be called by the President on three (3) days' notice to each director, given personally or by mail, telephone or E-Mail, which notice shall state the time, place (as herein able provided) and purpose of the meeting. Special meetings of the Board of Directors shall be called by the President or Secretary in a like manner and on like notice on the written request of at least one-third (1/3rd) of the directors.

Section 10. Waiver of Notice Before or at any meeting of the Board of Directors, any director may, in writing, waive notice of such meeting, and such waiver 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 of the time, place and purpose thereof. If all the directors are present and remain present at any meeting of the Board of Directors, no notice shall be required, and any business may be transacted at such meeting.

Section 11. Quorum At all meetings of the Board of Directors a majority of the Directors shall constitute a quorum for the transaction of business, and the acts of the majority of the Directors present at a meeting at which a quorum is present shall be the acts of the Board of Directors. If at any meeting of the Board of Directors there be less than a quorum present, the majority of those present may adjourn the meeting from time to time. At any such meeting, any business which might have been transacted at the meeting as originally called may be transacted without further notice.

Section 12. Actions Without Meeting Any action of the Board of Directors required or permitted to be taken at any meeting may be taken without a meeting if all of the Members of the Board of Directors shall individually or collectively consent in writing to such action. Such written consent or consents shall be filed with the minutes of the proceedings of the Board of Directors.

Section 13. Fidelity Bonds The Board of Directors shall require that all officers and employees of the Association handling or responsible for Association or trust funds shall furnish adequate fidelity bonds. The premiums on such bonds shall be paid by the Association.

ARTICLE VI

Section 1. Designation The principal officers of the corporation shall be a President, a Vice President, a Secretary, and a Treasurer, all of who shall be elected by the Board of Directors. Prior to the first annual meeting of Members, the officers of the Association need not be Members of the Association. The Directors may appoint an assistant secretary and an assistant treasurer and such other officers as in their judgment may be necessary. The offices of Secretary and Treasurer may be filled by the same person.

Section 2. Election of Officers The officers of the Association shall be elected annually by the Board of Directors at the organizational meeting of each new Board and shall hold office at the pleasure of the Board of Directors.

Section 3. Removal of Officers Upon an affirmative vote of a majority of the Members of the Board of Directors, any officer may be removed either with or without cause, and his successor elected at any regular meeting of the Board of Directors, or at any special meeting of the Board of Directors called for such purpose.

Section 4. President The President shall be the chief executive officer of the Association. As a Member of the Board of Directors, he shall preside at all meetings of the Members and of the Board of Directors. He shall have all of the general powers and duties which are usually vested in the office of president of an association, including, but not limited to the power to appoint committees from among the membership from time to time as he may, in his discretion, decide is appropriate to assist in the conduct of the affairs of the Association.

Section 5. Vice President The Vice President shall take the place of the President and perform his duties whenever the President shall be absent or unable to act. If neither the President nor Vice President is able to act, the Board of Directors shall appoint some other Member of the Board of Directors to do so on an interim basis. The Vice President shall also perform such other duties as shall from time to time be delegated to him by the Board of Directors.

Section 6. Secretary The Secretary shall keep the minutes of all meetings of the Board of Directors and the minutes of all meetings of the Members of the Association; he shall have charge of the membership transfer books and of such other books and papers as the Board of Directors may direct, and, in general, perform all duties incident to the office of Secretary.

Section 7. Treasurer The Treasurer shall have responsibility for corporate funds and securities and shall be responsible for keeping full and accurate accounts of all receipts and disbursements in books belonging to the Association. He 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.

ARTICLE VII

Section 1. Liability and Indemnification of Officers and Directors The Association shall indemnify every officer and director of the Association against any and all expenses, including counsel fees, reasonably incurred by or imposed upon any officer or director in connection with any action, suit or other proceeding (including the settlement of any such suit or proceeding if approved by the then Board of Directors of the Association) to which he may be made a party by reason of being or having been an officer or director of the Association, whether or not such person is an officer or director at the time such expenses are incurred. The officers and directors of the Association shall not be liable to the Members of the Association for any mistake of judgment, negligence, or otherwise, except for their own individual willful misconduct or bad faith. The officers and directors of the Association shall have no personal liability with respect to any contract or other commitment made by them, in good faith, on behalf of the Association or the Residential Community (except to the extent that such officers or directors may also be Owners of Lots within the Residential Community), and the Association shall indemnify and forever hold each such officer and director free and harmless against any and all liability to others on account of any such contract or commitment. Any right to indemnification provided for herein shall not be exclusive of any other rights to which any officer or director of the Association, or former officer or director of the Association, may be entitled.

Section 2. Common or Interested Directors The directors shall exercise their powers and duties in good faith and with a view to the interest of the Association and the Residential Community. No contract or other transaction between the Association and one or more of its Directors, or between the Association and any corporation, firm or association (including the Developer) in which one or more of the directors of this

Association are directors or officers or are pecuniarily or otherwise interested, is either void or voidable because such director or directors are present at the meeting of the Board of Directors or any committee thereof which authorizes or approves the contract or transaction, or because his or their votes are counted for such purpose, if any of the conditions specified in any of the following subparagraphs exists:

- (a) The fact of the common directorate or interest is disclosed or known to the Board of Directors or a majority thereof or noted in the minutes, and the Board authorizes, approves, or ratifies such contract or transaction in good faith by a vote sufficient for the purpose; and
- (b) The contract or transaction is commercially reasonable to the Association at the time it is authorized, ratified, approved or executed.

Common or interested directors may be counted in determining the presence of a quorum of any meeting of the Board of Directors or committee thereof which authorizes, approves or ratifies any contract or transaction, and may vote to authorize any contract or transaction with like force and effect as if he were not such director or officer of such other corporation or not so interested.

ARTICLE VIII

Section 1. Management and Common Expenses The Association, acting by and through its Board of Directors, shall manage and operate the Residential Community and, for the benefit of the Lots and the Owners thereof, shall enforce the provisions hereof and shall pay out of the common expenses fund herein elsewhere provided for, the following:

- (a) The cost of such insurance as the Association may effect.
- (b) The cost of providing such legal and accounting services as may be considered necessary to the operation of the Residential Community.

- (c) The cost of the maintenance or repair of any Lot in the event such maintenance or repair is reasonably necessary in the discretion of the Board of Directors to protect the Common Areas or to preserve the appearance or value of the Residential Community or is otherwise in the interest of the general welfare of all Owners of the Lots; provided, however, that no such maintenance or repair shall be undertaken without a resolution by the Board of Directors and not without reasonable written notice to the Owner of the Lot proposed to be maintained, and provided, further, that the cost thereof shall be assessed against the Lot on which such maintenance or repair is performed, and, when so assessed, a statement for the amount thereof shall be rendered promptly to the then Owner of said Lot at which time the assessment shall become due and payable and a continuing lien and obligation of said Owner in all respects as provided in Article IX of these By-Laws.
- (d) The cost of the maintenance, repair or construction as called for in the Declaration.

Section 2. Duty to Maintain Except for maintenance requirements herein imposed upon the Association, if any, the Owner of any Lot shall, at his own expense, maintain the interior and exterior or any improvements on his Lot, including the curb located within the right-of-way which is contiguous to his of and all driveways and any and all equipment, and fixtures therein situated, and its other appurtenances, in good order, condition and repair, and in clean and sanitary condition, and shall do all redecorating, painting and the like which may at any time be necessary to maintain the good appearance of his Lot and appurtenances, in addition, if any, as called for in the Declaration.

Section 3. Access at Reasonable Times For the purpose solely of performing any of the repairs or maintenance required or authorized by these By-Laws, or in the event of a bona fide emergency involving illness or potential danger to life or property, the Association, through its duly authorized agents or employees, shall have the right, after reasonable efforts to give notice to the Owner or occupant, to enter upon any Lot at any hour considered to be reasonable under the circumstances.

ARTICLE IX

Section 1. Fiscal Year The fiscal year of the Association shall begin on the first day of January of every year. The commencement day of the fiscal year herein established shall be subject to change by the Board of Directors should corporate practice subsequently dictate.

Section 2. Books and Accounts Books and accounts of the Association shall be kept under the direction of the Treasurer in accordance with good accounting practice. The same shall include books with detailed accounts, in chronological order, of receipts and of the expenditures affecting the Residential Community and its administration and shall specify the maintenance and repair expenses of the expenses incurred. The amount of any assessment required for payment or any capital expenditures of the Association shall be credited upon the books of the Association to the "Paid-in-Surplus" account as a capital contribution by the Members.

Section 3. Auditing At the close of each fiscal year, the books and records of the Association shall be audited by an independent Certified Public Accountant whose report shall be prepared and certified in accordance with generally accepted auditing standards. Based upon such report, the Association shall furnish its Members, and the holders of any deed of trust, requesting same within ninety (90) days from date of close of each fiscal year, with an annual financial statement, including the income and disbursements of the Association.

Section 4. Inspection of Books The books and accounts of the Association, and vouchers accrediting the entries made thereupon, shall be available for examination by the Members of the Association, and/or their duly authorized agents or attorneys, and to the institutional holder of any mortgage on any Lot and/or its duly authorized agents or attorneys, during normal business hours and for purposes reasonably related to their interests as Members.

Section 5. Execution of Association Documents With the prior authorization of the Board of Directors, all notes and contracts shall be executed on behalf of the Association by either the President or Vice President, and all checks shall be executed on behalf of the Association by such officers, agents, or other persons as are from time to time so authorized by the Board of Directors.

ARTICLE X

Section 1. Amendments These By-Laws may be amended by the affirmative vote of Members representing a majority of all votes entitled to be cast at any meeting of the Members duly called for such purpose. Amendments may be proposed by the Board of Directors or by petition signed by Members representing at least thirty percent (30%) of the total number of votes entitled to be cast. A description of any proposed amendment shall accompany the notice of any regular or special meeting at which such proposed amendment is to be voted upon.

ARTICLE XI

Section 1. Resident Agent The resident agent shall be designated as the person authorized to accept service of process in any action relating to two or more Lots or to the Common Areas.

Section 2. Notices Unless another type of notice is herein elsewhere specifically provided for, any and all notices called for in the Declaration and in these By-Laws shall be given in writing.

Section 3. Severability In the event any provision or provisions of these By-Laws shall be determined to be invalid, void, or unenforceable, such determination shall not render invalid, void or unenforceable any other provisions hereof which can be given effect.

Section 4. Waiver No restriction, condition, obligation or provision of these By-Laws shall be deemed to have been abrogated or waived by reason of any failure or failures to enforce the same.

Section 5. Captions The captions contained in these By-Laws are for convenience only and are not a part of these By-Laws and are not intended in any way to limit or enlarge the terms and provisions of these By-Laws.

Section 6. Gender, etc. Whenever in these By-Laws the context so requires, the singular number shall include the plural and the converse, and the use of any gender shall be deemed to include all genders.

Section 7. Conflicts. These By-Laws are subordinate to all provisions of the Declaration. All of the terms hereof, except where clearly repugnant to the context, shall have the same meaning as in the Declaration or the aforesaid statutes. In the event of any conflict between these By-Laws and the Declaration, the provisions of the Declaration shall control, and in the event of any conflict between the aforesaid Declaration and any of the laws of the State of Tennessee, the provisions of the statute shall control.