

EXHIBIT "B"
BYLAWS FOR
GRANDVIEW HOMEOWNERS ASSOCIATION, INC.

ARTICLE I
NAME

The following provisions shall constitute the Bylaws of **GRANDVIEW HOMEOWNERS ASSOCIATION, INC.** (the "Bylaws"), a Tennessee nonprofit corporation (the "Association") which shall, along with the provisions of the Declaration of Covenants and Restrictions for Grandview, as the same may be amended from time to time (the "Declaration") and the rules and regulations adopted by the Board of Directors of the Association (the "Board"), govern the administration of Grandview, a residential development (the "Development"). Terms in these Bylaws (unless otherwise defined) shall have the same meaning as defined in the Declaration.

ARTICLE II
OFFICE

The principal office of the Association shall be located at the following address:

Grandview Homeowners Association, Inc.
c/o Patten & Patten, Inc.
520 Lookout Street
Chattanooga, Tennessee 37403

or at such other place either within or without the State of Tennessee, as shall be lawfully designated by the Association or as the affairs of the Association may require from time to time.

ARTICLE III
PURPOSES

The purposes of this Association shall be to provide for the establishment of a residents' association for the government of the Development in the manner provided by the Declaration, these Bylaws and in the Charter for the Association (the "Charter"). The aims of this Association are to be carried out through any and all lawful activities, including others not specifically stated in the Declaration, the Charter or these Bylaws but incidental to the stated aims and purposes; provided that any such activity or contribution shall conform to any applicable restrictions or limitations set forth in the Charter or which are imposed on real estate homeowners' associations by the Internal Revenue Code of 1986 as amended and the regulations thereunder, as presently enacted or as they may hereafter be amended or supplemented. All present or future owners or tenants, or their employees, or any other person who might use the facilities on the Development in any manner, shall be subject to the covenants, provisions or regulations contained

in the Declaration and these Bylaws, as amended, and shall be subject to any restriction, condition or regulation hereafter adopted by the Association.

ARTICLE IV **ASSOCIATION**

4.01 **Membership.** Every person or entity who is a record Owner of a fee simple interest or an undivided fee simple interest in any Lot which is subject to the Declaration shall be a Member of the Association, provided that any such person or entity who holds such title or interest merely as a security for the performance of an obligation shall not be a member of the Association. Membership shall be automatically transferred to the new Owner upon the conveyance of any Lot and recording of the deed of conveyance in the Register's Office of Sequatchie County, Tennessee. Membership shall be appurtenant to and may not be separated from ownership of any Lot which is subject to assessment.

4.02 **Voting Rights.** Each Lot shall be entitled to one (1) vote for purposes of these Bylaws for each five (5) acres of land contained within it. Thus, a Lot of at least ten (10) but less than fifteen (15) acres will be entitled to two (2) votes while any Lot containing less than ten (10) acres will have one (1) vote. When more than one person holds an interest or interests in any Lot as Owner, all such persons shall be Members, and the vote for such Lot shall be exercised as they among themselves determine. When one or more co-owners signs a proxy or purports to vote for his or her co-owners, such vote shall be counted unless one or more of the other co-owners is present and objects to such vote, or if not present, submits a proxy or objects in a written instrument delivered to the Secretary of the Association before the vote is counted. If co-owners disagree as to the vote, the vote shall not be counted.

ARTICLE V **THE BOARD OF DIRECTORS**

5.01 **Board of Directors.** Subject to Section 5.02 of this Article hereinbelow, the administration of the Property on behalf of the Association shall be conducted by a Board of Directors ("Board") which shall consist of at least five (5) natural persons of legal age, each of whom shall be an Owner or a member of the household of an Owner at all times during membership on the Board. The Association may with the approval of at least fifty-one percent (51%) of the eligible votes within the Development held at any annual or special meeting, increase the number of directors from time to time to no more than eleven (11).

5.02 **Developer Performs Functions.** The rights, duties and functions of the Board shall be solely exercised by Developer until such time as the Developer in its sole discretion determines to call a special meeting of the Association pursuant to Section 6.01 of the Declaration to elect a Board. Such election shall be conducted pursuant to Section 5.03 hereof.

5.03 Election. At each annual meeting the Association shall elect those members of the Board as required under Section 5.01 who shall serve the terms set out in Section 5.04; provided, however, the members of the Board elected to succeed the Developer shall be elected at a special meeting duly and specifically called for that purpose by the Developer. Following election of the initial Board, nomination for a position on the Board may be made by petition filed with the Secretary of the Association at least seven (7) days prior to the annual meeting of the Association, which petition shall be signed by five (5) or more Owners and by the nominee named therein indicating his willingness to serve as a member of the Board, if elected.

5.04 Term. Members of the Board shall serve for a term of one (1) year or until their respective successors are duly elected and qualified, or until their death, resignation or removal.

5.05 Resignation and Removal. Any member of the Board may resign at any time by giving written notice to the President. Any member of the Board may be removed from membership on the Board by the approval of sixty-seven percent (67%) of the eligible votes within the Development, except that a vacancy on the Board shall be deemed to exist in the event of the death of a member, the disability of a member which, in the opinion of a majority of the Board, renders such member incapable of performing Board duties, or in the event a member shall cease to be an Owner. Whenever there shall occur a vacancy on the Board for any reason, the remaining members shall elect a successor member to serve until the next annual meeting of the Association or until a special meeting is called for filling vacancies, at which time said vacancy may be filled by the Association for the unexpired term.

5.06 Compensation. The members of the Board shall receive no compensation for their services but shall be reimbursed for reasonable expenses incurred by them in the performance of their duties.

5.07 Powers and Authority of the Board. The Board, for the benefit of the Development and the Association, shall enforce the provisions of the Declaration, these Bylaws, and the Rules and Regulations governing the Development. Subject to any provision herein, the Board shall have the power and authority to acquire and pay for the following, which shall be deemed Common Expenses of the Association:

- A. Any expense permitted in Section 5.01 of the Declaration.
- B. Water, sewer, garbage collection, electrical, telephone and gas and other necessary utility services for the Common Properties.
- C. Legal and accounting services necessary or advisable in the operation of the Property and the enforcement of this Declaration, these Bylaws, and any Rules and Regulations made pursuant thereto.
- D. Painting, maintenance, repair, replacement and landscaping of the Common Properties. The Board shall also have the exclusive right from time to time to acquire and dispose of by sale or otherwise and without the necessity of approval by any Owner, furnishings and

equipment and other personal property for the Common Properties and to provide maintenance, repair and replacement thereof.

E. Any other materials, supplies, labor, services, maintenance, repairs, structural alterations, insurance, taxes or assessments that the Board is required to secure or pay for pursuant to the terms of the Declaration, these Bylaws or any Rules or Regulations promulgated hereunder or which, in its opinion, shall be necessary or advisable for the operation of the Property or for the enforcement of the Declaration, these Bylaws, or the Rules and Regulations.

The Board shall have the exclusive right to contract for all goods, services, including security personnel, and insurance, payment for which is to be made a Common Expense.

5.08 Additional Powers of the Board. The Board shall have the right to acquire, operate, lease, manage, mortgage and otherwise trade and deal with the Common Properties as may be necessary or convenient in the operation and management of the Common Properties, and in accomplishing the purposes set forth herein. The Board or any managing agent or entity designated by the Board shall be deemed the agents of the Owners and as such shall manage, maintain and improve the Common Properties and also collect, conserve, allocate and expend money received from the Owners in a manner consistent with such agent's relationship and in conformity with this Declaration, these Bylaws and the Rules and Regulations.

5.09 Meetings of the Board. Meetings of the Board shall be held at such places within or without the State of Tennessee as the Board shall determine. A majority of the then elected members of the Board shall constitute a quorum. The decision of at least a majority of the then elected members of the Board shall be the act of the Board. Meetings of the Board shall be chaired by the President of the Association and the minutes shall be recorded by the Secretary of the Association, whether said Secretary is a member of the Board or not. The Association shall annually elect all of the officers set forth in Section 6.05 hereof. Any action required to be or which may be taken by the Board may be taken without a meeting of the Board pursuant to a written consent, setting forth the action so taken, signed by all members of the Board. All officers must be members of the Board.

5.10 Special Meetings. Special meetings of the Board may be called by the President of the Association or by a majority of the Board members.

5.11 Notice of Meetings. Regular meetings of the Board may be held without call or notice. The person or persons calling a special meeting of the Board shall, at least ten (10) days before the meeting, give notice thereof to each of the other Board members by any usual means of communication. Such notice need not specify the purpose for which the meeting is called. If an agenda is prepared for such a meeting, the meeting need not be restricted to discussions of those items listed on the agenda.

5.12 Waiver of Notice. Any members of the Board may, at any time, waive notice of any meeting of the Board in writing, and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a member of the Board at any meeting thereof shall constitute a waiver

of notice of such meeting unless a Board member attends the meeting for the express purpose of objecting to the transaction of any business because the meeting was not lawfully called and does so object by delivering a written document to that effect.

5.13 Notice of Election. After the election of the Board to succeed the Developer, the Secretary of the Association shall execute and, where desirable, acknowledge and record a certificate stating the names of all of the members of the then Board, provided, that, in the event of the disability or other incapacity of the Secretary, the President of the Association shall be empowered to execute the aforesaid certificate. The certificate shall be conclusive evidence thereof in favor of all persons who rely thereon in good faith.

5.14 Fiscal Year. The fiscal year of the Association shall be the calendar year.

5.15 Special Committees. The Board, by resolution duly adopted, may designate one or more special committees, including without limitation an Architectural Review Committee, each committee to consist of two (2) or more Owners appointed by the Board, which, to the extent provided in said resolution and the Declaration, shall have and may exercise the powers set forth in said resolution. Notwithstanding the foregoing sentence, the Developer or his nominee shall always be a member of the Architectural Review Committee. The Board may also rescind any such resolution by a further resolution duly adopted. The Developer shall perform the functions of all Special Committees until establishment of the Association and election of its officers. Such Special Committee or Committees shall have such name or names as may be determined from time to time by the Board and shall keep regular minutes of their proceedings and report the same to the Board when required. The Board may appoint Owners to fill vacancies on Special Committees.

5.16 Rules and Regulations. The Board shall have the power and right to adopt and amend rules and regulations for the purpose of governing the details of the operation and use of the Common Properties and setting forth restrictions on, and requirements respecting the use and maintenance of the Common Properties. Copies of the Rules and Regulations shall be furnished to each Owner prior to the time the same shall become effective.

5.17 Limitation on Capital Additions, Etc. The Board shall authorize no structural alterations, capital additions to, or capital improvements of the Common Properties, any of which require an expenditure in excess of Five Thousand Dollars (\$5,000.00) without approval of a majority of the eligible votes within the Association. Notwithstanding the foregoing, the Board shall have the power to make any such structural alterations, capital additions to, or capital improvements of, the Common Properties as are necessary, in the Board's reasonable judgment, to preserve or maintain the integrity thereof without obtaining such approval, if in the opinion of the Board an emergency exists which should be corrected before a meeting of the Association could be reasonably called and held.

5.18 Failure to Insist on Strict Performance Not Waiver. The failure of the Board or its agents to insist, in any one or more instances, upon the strict performance of any of the terms, covenants, conditions or restrictions in the Declaration or these By-Laws, or the Rules and Regulations or to exercise any right or option herein contained, or to serve any notice or to institute

any action shall not be construed as a waiver or a relinquishment, for the future, of such term, covenant, condition or restriction, right, option or notice; but such term, covenant, condition or restriction, right, option or notice shall remain in full force and effect.

ARTICLE VI
THE ASSOCIATION; MEETINGS, OFFICERS, ETC.

6.01 Quorum. The presence in person or by proxy at any meeting of the Association of the Owners entitled to vote a majority of the eligible votes under the Declaration in response to notice to all Owners properly given in accordance with Sections 6.02 or 6.03 of these Bylaws, as the case may be, shall constitute a quorum. Unless otherwise expressly provided herein, any action may be taken at any meeting of the Association upon the affirmative vote of persons entitled to cast a majority of the votes of the Association.

6.02 Annual Meeting. There shall be an annual meeting of the Association on the first Monday of February at any time after 6:00 P.M. Central Time at such reasonable place or other time (but not more than sixty (60) days before or after such date) as may be designated by written notice by the Board delivered to the Owners not less than fifteen (15) days prior to the date fixed for said meeting. At or prior to the annual meeting, the Board shall furnish to the Owners: (1) a budget for the coming fiscal year that shall itemize the estimated Common Expenses of the coming fiscal year with the estimated allocation thereof to each Owner and (2) a statement of the Common Expenses itemizing receipts and disbursements for the previous and, if then available, for the current fiscal year, together with the allocation thereof to each Owner.

6.03 Special Meeting. Special meetings of the Association may be held at any time and at any reasonable place to consider matters which, by the terms hereof, require the approval of all or some of the Owners, or for any other reasonable purpose. Special meetings shall be called by a majority of the Board, or by the Owners of at least thirty-three percent (33%) of the eligible votes of the Association by written notice, delivered to all Owners not less than thirty (30) days prior to the date fixed for said meeting. The notice shall specify the date, time and place of the meeting and the matters to be considered.

6.04 Parliamentary Rules. Robert's Rules of Order (latest edition) shall govern the conduct of Association meetings when not in conflict with these Bylaws or other such rules adopted by the Board.

6.05 Officers. The officers of the Association shall be a President, Vice-President, Secretary and Treasurer, all of whom shall be members of the Board. Once a Board has been elected by the Association Members to succeed the Developer pursuant to Section 5.03 hereof, the following provisions shall become applicable: Each officer shall be required to be an Owner. No officer shall receive compensation for serving as such. In the event an office becomes vacant due to an officer ceasing to be an Owner, or due to the death or disability of an officer, or for any other reason, the Board shall immediately name a successor to that office to serve out the remainder of the term. The Board may, in its discretion, require that officers be subject to fidelity bond coverage.

A. President. The President shall preside at all meetings of the Association and of the Board and may exercise the powers ordinarily allocable to the presiding officer of an association, including the appointment of committees.

B. Vice-President. In the absence or inability of the President, the Vice-President shall perform the functions of the President.

C. Secretary. The Secretary shall keep the minutes of all proceedings of the Board and of the meetings of the Association and shall keep such books and records as may be necessary and appropriate for the records of the Association and the Board, including the minute book wherein the resolutions shall be recorded.

D. Treasurer. The Treasurer shall be responsible for the fiscal affairs of the Board and the Association, but may delegate the daily handling of funds to accountants selected by the Board.

ARTICLE VII **ASSESSMENTS**

7.01 Amount of Annual Assessment. At least thirty (30) days prior to the annual meeting of the Association, the Board (or the Developer if the transfer of governing authority from the Developer to the Board has not yet taken place as described in the Declaration) will adopt a proposed budget for the upcoming year. The budget will establish the total amount of annual assessments on all Lots in the Development. The amount of the annual assessment for the individual Lots will be determined on the same basis as voting rights under Section 4.02 herein. The budget shall be approved or rejected at the annual meeting of the Association by vote determined pursuant to Section 6.01 of the By-laws.

7.02 Additional Property. Whenever additional land is added to the Development pursuant to the Declaration, such additional property will, automatically without the necessity of a vote of the owners as required for other types of amendments, reduce the assessment imposed upon the then existing Lots. Each additional Lot added to the Development will be subject to assessments hereunder on the same basis as the original Lots submitted to the terms of the Declaration.

7.03 Special Assessments. In addition to the annual assessments authorized by Section 7.01 hereof, the Association may levy special assessments for the purpose of defraying, in whole or in part, the cost of any construction or reconstruction, unexpected repair or replacement of a capital improvement upon the Common Properties, the cost of any addition to the Common Properties or any unexpected expense provided that such special assessments shall have the written approval of at least a majority of the eligible votes in the Association. Such approval may be given in writing or at a duly called special meeting, written notice of which shall be sent to all Owners at least thirty (30) days in advance setting forth the purpose of the meeting.

7.04 Date of Commencement of Annual Assessments. The annual assessments provided for herein shall commence on the date (which shall be the first day of the month) fixed by the Association, but not earlier than January 1, 1996. The amount of the first annual assessment on a Lot shall be based pro-rata on the balance of the calendar year and shall become due and payable on the closing of the Lot. The assessment for any year, after the first year, whether such assessment be a general or special assessment, shall be due and payable within ten (10) days following approval of such assessment by the Association as provided herein. The Board shall be authorized to charge a late fee to any Lot owner who fails to pay any assessment, annual or special, on or before the due date thereof.

ARTICLE VIII

LIABILITY AND INDEMNIFICATION

8.01 Liability of Members of the Board and Officers. The members of the Board, the officers and any agents and employees of the Association shall: (i) not be liable to the Owners or Association as a result of their activities as such for any mistake of judgment, or otherwise, except for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law; (ii) have no personal liability to an Owner or any other person or entity under any agreement, instrument or transaction entered into by them on behalf of the Owners in their capacity as such; (iii) have no personal liability in tort to an Owner or any other person or entity direct or imputed by virtue of acts performed by them as Board members and/or officers except for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law; and (iv) have no personal liability arising out of the use, misuse or condition of the Common Properties, or which might in any other way be assessed against or imputed to them as a result or by virtue of their capacity as such Board members and/or officers.

8.02 Indemnification by Association. To the extent now or hereafter permitted by applicable law, the Association shall indemnify and hold harmless any person, his heirs and personal representatives, from and against any and all personal liability, and all expenses, including without limitation counsel fees and court costs, incurred or imposed, or arising out of or in settlement of any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative instituted by any one or more Owners or any other persons or entities, to which he or she shall be or shall be threatened to be made a party by reason of the fact that he or she is or was a member of the Board or an officer or agent or employee of the Association; provided, in the case of any settlement, that the Board shall have approved the settlement, which approval is not to be unreasonably withheld. Such right of indemnification shall not be deemed exclusive of any other rights to which such person may be entitled as a matter of law or agreement or by vote of the Association of the Board, or otherwise. The indemnification by the Association set forth in this Article VIII shall be paid by the Board on behalf of the Association and shall constitute a Common Expense.

8.03 Actions Brought by One or More Owners on Behalf of All Owners. No suit shall be brought by one or more but less than all Owners on behalf of the Association without approval by a majority of the votes of the Association.

8.04 Notice of Suit and Opportunity to Defend. Suits brought against the Association, or the Board, or the officers, employees or agents thereof, in their respective capacities as such, or the Property as a whole, shall be directed to the President of the Association, who shall promptly give written notice thereof to the other members of the Board and shall be defended by the Board. The Association and all Owners shall have no right to participate other than through the Board in such defense. Suits against one or more, but less than all, Owners shall be directed to such Owners, who shall promptly give written notice thereof to the Board and shall be defended by such Owners at their expense.

ARTICLE IX **GENERAL PROVISIONS**

9.01 Businesses. Nothing contained in these Bylaws shall be construed to give the Board the authority to conduct any business for profit on behalf of the Association or any Member.

9.02 Amendment. These Bylaws may be amended, modified, or revoked in any respect from time to time by Developer prior to the election of the first Board and thereafter by the affirmative vote of the Owners of not less than seventy-five percent (75%) of the eligible votes within the Association, provided, however, that the contents of these Bylaws shall always contain those particulars which are required to be contained herein by the laws of the State of Tennessee. Any amendment shall not be required to be recorded with the Register's Office of Sequatchie County but must be kept on file with Developer and the Secretary and available to all Owners upon written request.

9.03 Notices. Any notice required to be sent to any Owner under the provisions of these Bylaws shall be deemed to have been properly sent, and notice thereby given, when mailed, postpaid, to the last known address of the Owner on the records of the Association at the time of such mailing. Notice to one of two or more co-owners of a Lot shall constitute notice to all co-owners. It shall be the obligation of every Owner to immediately notify the Secretary in writing of any change of address. Any notice required to be sent to the Board, the Association or any officer thereof, under the provisions of these Bylaws shall likewise be deemed to have been properly sent, and notice thereby given, when mailed, postpaid, to such entity or person at the following address:

Grandview Homeowners' Association, Inc.
c/o Patten & Patten, Inc.
520 Lookout Street
Chattanooga, Tennessee 37403

9.04 Conflict. In the event of any conflict between these Bylaws and the provisions of the Charter of the Association, the Charter shall control and govern. In case of any conflict between the Declaration and these Bylaws, the Declaration shall control and govern.

9.05 Nonwaiver of Covenants. No covenants, restrictions, conditions, obligations or provision contained in the Declaration or these Bylaws shall be deemed to have been abrogated or waived by reason of any failure to enforce the same, irrespective of the number of violations or breaches which may occur.

9.06 Agreements Binding. All agreements and determinations lawfully made by the Association in accordance with the procedures established in the Declaration and Bylaws shall be deemed to be binding on all Owners, their respective heirs, successors and assigns.

9.07 Severability. The invalidity of any covenant, restriction, condition, limitation or any other provisions of these Bylaws, or of any part of the same, shall not impair or affect in any manner the validity, enforceability or effect of the rest of these Bylaws.

9.08 Books and Records. The books, records and papers of the Association shall at all times, during reasonable business hours, be subject to inspection by any Member. The Declaration, the Charter and the Bylaws of the Association shall be available for inspection by any Member at the principal office of the Association, where copies may be purchased at reasonable costs.