

BYLAWS
OF
NORTH WOODS HOMEOWNERS' ASSOCIATION, INC.

ARTICLE I
NAME AND LOCATION

The name of the corporation is North Woods Homeowners' Association, Inc., hereinafter referred to as the "Association." The principal office of the corporation shall be located at 2226 Tanglewood Trail, Murfreesboro, Tennessee 37130, but meetings of members and directors may be held at such places within the State of Tennessee, County of Rutherford, as may be designated by the Board of Directors.

ARTICLE II
MEETINGS OF MEMBERS

Section 1. Annual Meetings. The first annual meeting of the members shall be held within one (1) year from the date of incorporation of the Association, and each subsequent regular annual meeting of the members shall be held at such time and place as designated by the Board upon notice given as set out herein.

Section 2. Special Meetings. Special meetings of the members may be called at any time by the President or the Board of Directors, or upon written request of the members who are entitled to vote one-fourth (1/4) of all the votes of the membership.

Section 3. Notice of Meetings. Written notice of each meeting of the members shall be given by or at the direction of the secretary or person authorized to call the meeting, by mailing a copy of such notice, postage prepaid, at least fifteen (15) days before such meeting, to each member entitled to vote thereat, addressed to the member's address last appearing on the books of the Association or supplied by such member to the Association for the purpose of such notice. Such notice shall specify the place, day, and hour of the meeting; and in the case of a special meeting, such notice shall specify the purpose of the meeting.

Section 4. Quorum. The presence at the meeting of members entitled to cast, or of proxies entitled to cast, one-fourth (1/4) of the votes of each class of membership shall constitute a quorum for any action except as otherwise provided in the Articles of Incorporation, or these Bylaws. If, however, such quorum shall not be present or represented at any meeting, the members entitled to vote thereat shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum as aforesaid shall be present or be represented.

Section 5. Voting. The aggregate number of votes for all members of the Association shall be equal to the number of lots which have been subjected to this Association by Plat or amended Plat by the Developer, subject to and as modified by Article II, Section 6, of these Bylaws; and each Lot Owner shall be entitled to one (1) vote per Lot owned. Each Lot Owner's respective percentage of ownership interests in any Common Elements shall be the result of a fraction, the numerator being the number of Lots owned by that Lot Owner and the denominator being the number of Lots subject to this Association. If any Lot Owner consists of more than one person, the voting rights of such Lot Owner shall not be divided but shall be exercised as if the Lot Owner consisted of only one person in accordance with the proxy or other designation made by the persons constituting such Lot Owner. The Developer may exercise the voting rights with respect to Lots owned by it.

No Lot Owner who is in default in the payment of his assessments hereunder shall be entitled to exercise his right to vote hereunder until he has cured such default. A Lot Owner shall be deemed to be in default if he has not paid his assessments to the Board, or its agent, within fifteen (15) days after receipt of notice of assessment. A Lot Owner may protest the amount of the assessment, but it still must be paid during the pendency of the protest to the Board.

Section 6. Membership. Every Owner of a Lot which is subject to a lien for assessments shall be a Member of the Association. Membership shall be appurtenant to and may not be separated from ownership of any lot which is subject to assessment.

The Association shall have two (2) classes of voting membership:

Class A. The Class A members shall be all Owners, with the exception of the Developer, and shall be entitled to one (1) vote for each Lot owned. Owners of two (2) adjacent residential Lots used as one (1) shall have one (1) assessment and one (1) vote. When more than one (1) person holds an interest in any Lot, all such persons shall be members. The vote for such Lot shall be exercised as they determine, but in no event shall more than one (1) vote be cast with respect to any Lot.

Class B. The Class B member(s) shall be the Developer and shall be entitled to three (3) votes for each Lot owned. The Class B membership shall cease and be converted to Class A membership on the happening of either of the following events, whichever occurs earlier:

(a) When the total votes outstanding in the Class A membership equal the total votes outstanding in the Class B membership; or

(b) On May 1, 1994.

ARTICLE III

BOARD OF DIRECTORS; SELECTION; TERM OF OFFICE

Section 1. Number. The affairs of this Association shall be managed by a Board of six (6) directors, who shall be members of the Association.

Section 2. Term of Office. At the first annual meeting, the members shall elect two (2) directors for a term of one (1) year, two (2) directors for a term of two (2) years, and two (2) directors for a term of three (3) years; and at each annual meeting thereafter, the members shall elect two (2) directors for a term of three (3) years.

Section 3. Removal. Any director may be removed from the Board, with or without cause, by a majority vote of the members of the Association. In the event of death, resignation, or removal of a director, his successor shall be selected by the remaining members of the Board and shall serve for the unexpired term of his predecessor.

Section 4. Compensation. No director shall receive compensation for any service he may render to the Association. However, any director may be reimbursed for his actual expenses incurred in the performance of his duties.

Section 5. Action Taken Without a Meeting. The directors shall have the right to take any action in the absence of a meeting which they could take at a meeting by obtaining the written approval of all the directors. Any action so approved shall have the same effect as though taken at a meeting of the directors.

ARTICLE IV

NOMINATION AND ELECTION OF DIRECTORS

Section 1. Nomination. Nomination for election to the Board of Directors shall be made by a Nominating 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. Prior to each annual meeting of the members, the Nominating Committee shall be appointed by the Board of Directors 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 take as many nominations 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. Such nominations may be made by any member.

Section 2. Election. Election to the Board of Directors shall be by secret written ballot. At such election, the members or their proxies may cast, in respect to each vacancy, as many votes as they are entitled to exercise under the provisions of the Declaration. The persons receiving the largest number of votes shall be elected. Cumulative voting is not permitted.

ARTICLE V
MEETINGS OF DIRECTORS

Section 1. Regular Meetings. Regular meetings of the Board of Directors shall be held quarterly without notice at such place and hour as may be fixed from time to time by resolution of the Board. Should said meeting fall upon a legal holiday, then that meeting shall be held at the same time on the next day which is not a legal holiday.

Section 2. Special Meetings. Special meetings of the Board of Directors shall be held when called by the president of the Association, or by any two (2) directors, after not less than three (3) days' notice to each director.

Section 3. Quorum. A majority of the number of directors shall constitute a quorum for the transaction of business. Every act or decision done or made by a majority of the directors present at a duly held meeting at which a quorum is present shall be regarded as the act of the Board.

ARTICLE VI
POWERS AND DUTIES OF THE BOARD OF DIRECTORS

Section 1. Powers. The Board of Directors shall have power to:

A. Adopt and publish rules and regulations governing the use of any Common Areas and facilities or any lot in the subdivision and the personal conduct of

the members and their guests thereon, and to establish penalties for the infraction thereof; and to enforce the these Bylaws. Rules and regulations adopted by the Board shall be submitted to the membership for approval.

B. Suspend the voting rights and right to use of ~~any common facilities of a member during any period in~~ which such member shall be in default in the payment of any assessment levied by the Association. Such rights may also be suspended after notice and hearing for a period not to exceed sixty (60) days for infraction of published rules and regulations.

C. Exercise for the Association all power, duties, and authority vested in or delegated to this Association and not reserved to the membership by other provisions of these Bylaws, or the Articles of Incorporation, or the Restrictive Covenants.

D. Establish, levy, assess, and collect the assessments or charges as may be necessary.

E. Declare the office of a member of the Board of Directors to be vacant in the event such member shall be absent from three (3) consecutive regular meetings of the Board of Directors.

F. Appoint and remove at pleasure all officers, agents, and employees of the Corporation, prescribe their duties, fix their compensation, and require of them such bond as may be deemed necessary. Nothing

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contained in these Bylaws shall be construed to prohibit the employment of any member, officer, or director of the Corporation in any capacity whatsoever.

Section 2. Duties. It shall be the duty of the Board of Directors to:

A. ~~Cause to be kept a complete record of all its~~ acts and corporate affairs and to present a statement thereof to the members at the annual meeting of the members, or at any special meeting when such statement is requested in writing by one-fourth (1/4) of the members who are entitled to vote.

B. Supervise all officers, agents, and employees of this Association and see that their duties are properly performed.

C. As more fully provided in the Declaration, to:

i. Fix the amount of the annual assessment against each Lot at least thirty (30) days in advance of each annual assessment period.

ii. Send written notice of each assessment to every Owner subject thereto at least thirty (30) days in advance of each annual assessment period.

iii. Foreclose the lien against any property for which assessments are not paid within thirty (30) days after due date or to

bring an action at law against the Owner personally obligated to pay the same.

D. Issue, or cause an appropriate officer to issue, upon demand by any person, a certificate setting forth whether or not any assessment has been paid. A reasonable charge may be made by the Board for the issuance of these certificates. If a certificate states an assessment has been paid, such certificate shall be conclusive evidence of such payment.

E. Procure and maintain adequate liability and hazard insurance on property owned by the Association.

F. Cause all officers or employees having fiscal responsibilities to be bonded, as it may deem appropriate.

G. Cause the Common Area to be maintained.

ARTICLE VII

OFFICERS AND THEIR DUTIES

Section 1. Enumeration of Offices. The officers of this Association shall be a president and vice-president, who shall at all times be members of the Board of Directors, a secretary, and a treasurer, and such other officers as the Board may from time to time by resolution create.

Section 2. Election of Officers. The election of officers shall take place at the first meeting of the Board of Directors following each annual meeting of the members.

Section 3. Term. The officers of this Association shall be elected annually by the Board and each shall hold office for one (1) year unless he shall sooner resign, or shall be removed, or otherwise disqualified to serve.

Section 4. Special Appointments. The Board may elect such other officers as the affairs of the Association may require, each of whom shall hold office for such period, have such authority, and perform such duties as the Board may from time to time determine.

Section 5. Resignation and Removal. Any officer may be removed from office with or without cause by the Board. Any officer may resign at any time giving written notice to the Board, the president, or the secretary. Such resignation shall take effect on the date of receipt of such notice or at any later time specified therein; and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 6. Vacancies. A vacancy in any office may be filled by appointment by the Board. The officer appointed to such vacancy shall serve for the remainder of the term of the officer he replaces.

Section 7. Multiple Offices. The offices of secretary and treasurer may be held by the same person. No person shall simultaneously hold more than one of any of the other offices except in the case of special offices created pursuant to Section 4 of this Article.

Section 8. Duties. The duties of the officers are as follows:

President: The president shall preside at all meetings of the Board of Directors; shall see that orders and resolutions of the Board are carried out; shall sign all leases, mortgages, deeds, and other written instruments and shall co-sign promissory notes.

Vice-President: The vice-president shall act in the place and stead of the president in the event of his absence, inability, or refusal to act, and shall exercise and discharge such other duties as may be required of him by the Board.

Secretary: The secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board and of the members; keep the corporate seal of the Association and affix it on all papers requiring said seal; serve notice of meetings of the Board and of the members; keep appropriate current records showing the members of the Association together with their addresses, and shall perform such other duties as required by the Board.

Treasurer: The treasurer shall receive and deposit in appropriate bank accounts all monies of the Association and shall disburse such funds as directed by resolution of the Board of Directors; shall sign all promissory notes of the Association; keep proper books of account; ~~cause an annual audit of the Association's~~ books to be made by a public accountant at the completion of each fiscal year; and prepare an annual budget and a statement of income and expenditures to be presented to the membership at its regular annual meeting, and deliver a copy of each to the members.

ARTICLE VIII COMMITTEES

The Board shall appoint an Architectural Review Committee(s) and a Nominating Committee. In addition, the Board of Directors shall appoint other committees as deemed appropriate in carrying out its purpose.

The Architectural Review Committee shall consist of the President of the Association, a Board member, as selected by the Board, and a member at large, as selected by the membership at the annual meeting, and the Developer until Class B membership ceases.

ARTICLE IX

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 Restrictive Covenants, the Articles of Incorporation, 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 cost.

ARTICLE X

ASSESSMENTS

Section 1. Obligation for Assessments. Each member except the Developer is obligated to pay to the Association annual and special assessments which are secured by a continuing lien upon the property (Lot) against which the assessment is made. Any assessments which are not paid when due shall be delinquent. If the assessment is not paid within thirty (30) days after the due date, the assessment shall bear interest from the date of delinquency at eighteen percent (18%) per annum and the Association may bring an action at law against the Owner personally obligated to pay the same or foreclose the lien against the property; and interest, costs, and reasonable attorney's fees of any such action shall be added to the amount of such assessment. No Owner may waive or otherwise escape liability for

the assessments provided for herein by non-use of any Common Area or abandonment of his Lot.

Section 2. Annual Budget. The estimated annual budget for each fiscal year shall be prepared and submitted by the Board, and copies thereof shall be furnished by the Board to each Lot Owner, not later than thirty (30) days prior to the beginning of such year. The budget must be approved by two-thirds ($2/3$) of the members present at the annual meeting. On or before the first day of the first month and of each succeeding month of the year covered by the annual budget, each Lot Owner shall pay, as his respective monthly assessment for the common expenses, one-twelfth ($1/12$) of his proportionate share of the common expenses for such year as shown by the annual budget. Such proportionate share for each Lot Owner shall be in accordance with his respective ownership interest in the Association. The Board may determine different allocations with respect to a part of such charges whenever it appears to the Board that such an allocation would be unfair. The allocations shall be applied uniformly to all Owners of like situations. The allocation of the Board shall be final and binding upon all parties. In the event that the Board shall not approve an estimated annual budget or shall fail to determine new monthly assessments for any year, or shall be delayed in doing so, each Lot Owner shall continue to pay each month the amount of his respective monthly assessment as last determined.

Section 3. Partial Year or Month. For the first fiscal year, the annual budget shall be as approved by the First Board. If such first fiscal year, or any succeeding fiscal year, shall be less than a full year, then the monthly assessments for each Unit Owner shall be proportionate to the number of months and days in such period covered by such budget. Commencing with the date of closing title to his Lot, each Lot Owner shall pay his assessment for the following month or fraction of a month, which assessment shall be in proportion to his respective ownership interest in the Association and the number of months and days remaining of the period covered by the current annual budget, and which assessment shall be as computed by the Board.

Section 4. Annual Report. Within forty-five (45) days after the end of each fiscal year covered by an annual budget, or as soon thereafter as shall be practicable, the Board shall cause to be furnished to each Lot Owner a statement for such year so ended showing the receipts and expenditures and such other information as the Board may deem desirable.

Section 5. Supplemental Budget. In the event that during the course of any year it shall appear to the Board that the monthly assessments, determined in accordance with the estimated annual budget for such year, are insufficient or inadequate to cover the estimated common expenses for the remainder of such year, then the Board shall prepare and approve a supplemental budget covering the estimated deficiency for the remainder of such year, copies of which supplemental budget shall be furnished

to each Lot Owner, and thereupon a supplemental assessment shall be made to each Lot Owner for his proportionate share of such supplemental budget.

Section 6. Expenditures. Except for expenditures and contracts specifically authorized by the Declaration and Bylaws, the Board shall not approve any expenditure in excess of Two Thousand Five Hundred Dollars (\$2,500.00) unless required for emergency repair, protection, or operation of any Common Elements, nor enter into any contract for more than three (3) years without a ninety (90) day cancellation clause without the prior approval of two-thirds (2/3) of the total membership of the Association and without securing consents of mortgagees, if necessary.

Section 7. Discharge of Liens. The Board may cause the Association to discharge any mechanic's lien or other encumbrance which in the opinion of the Board may constitute a lien against any Property of the Association or any Common Elements, rather than a lien against only a particular Lot ownership. When less than all the Lot Owners are responsible for the existence of any such lien, the Lot Owners responsible shall be jointly and severally liable for the amount necessary to discharge the same and for all costs and expenses, including attorneys' fees, incurred by reason of such lien.

Section 8. Holding of Funds. All funds collected hereunder shall be held and expended for the purposes designated herein, and (except for such special assessments as may be levied

hereunder against less than all the Lot Owners and for such adjustments as may be required to reflect delinquent or prepaid assessments) shall be deemed to be held for the benefit, use, and account of all the Lot Owners in the percentages of the Lot Owners as from time to time existing.

ARTICLE XI

INDEMNIFICATION

Section 1. General. The Association shall indemnify and hold harmless each of its directors and officers, each member of any committee appointed pursuant to the Bylaws of the Association, and the Board against all contractual and other liabilities to others arising out of contracts made by or other acts of such directors, Board, officers, or committee members on behalf of the Unit Owners or arising out of their status as directors, Board, officers, or committee members, unless any such contract or act shall have been made in clear violation of the Restrictive Covenants or these Bylaws, or fraudulently, or with gross negligence or criminal intent. It is intended that the foregoing indemnification shall include indemnification against all costs and expenses (including but not limited to counsel fees, amounts of judgments paid, and amounts paid in settlement) reasonably incurred in connection with the defense of any claim, action, suit, or proceeding, whether civil, criminal, administrative, or other in which any such director, officer, Board, or committee member may be involved by virtue of such persons being

or having been such director, officer, Board, or committee member; provided, however, that such indemnity shall not be operative with respect the following:

A. Any matter as to which such person shall have been finally adjudged in such action, suit, or proceeding ~~to be liable for gross negligence or fraud in~~ the performance of his duties as such director, officer, Board, or committee member.

B. Any matter settled or compromised unless, in the opinion of independent counsel selected by or in a manner determined by the Board, there is not reasonable ground for such persons being adjudged liable for criminal (i.e., a felony) acts, or clearly violating the Declaration or these Bylaws, or for gross negligence or fraud in the performance of his duties as such director, officer, Board, or committee member.

Section 2. Success on Merits. To the extent that a member of the Board of Directors, or an officer of the Association, or a member of any committee appointed pursuant to the Bylaws of the Association has been successful on the merits or otherwise in defense of any action, suit, or proceeding referred to in Section 1, or in defense of any claim, issue, or matter therein, he shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him in connection therewith.

Section 3. Advance Payment. Expenses incurred in defending a civil or criminal action, suit, or proceeding may be paid by the Association in advance of the final disposition of such action, suit, or proceeding as authorized by the Board of Directors in the specific case upon receipt of an undertaking satisfactory to the Board by or on behalf of the person or entity seeking such indemnification or payment in advance to repay such amount unless it shall ultimately be determined that he is entitled to be indemnified by the Association as authorized in this Article.

Section 4. Miscellaneous. The Association and the Board shall have the power to raise and the responsibility for raising, by special assessment or otherwise, any sums required to discharge its obligations under this Article; provided, however, that the liability of any Lot Owner arising out of any contract made by or other acts of the directors, Board, officer, or members of such committees, or out of the aforesaid indemnity in favor of the directors, Board, officers, or members of such committees, shall be limited to such proportion of the total liability hereunder as said Lot Owner's percentage of interest in the Association bears to the total percentage interest of all the Lot Owners in the Association. Every agreement made by the directors, Board, officers, members of such committees, or by any Managing Agent on behalf of the Lot Owners shall provide that the directors, Board, officers, members of such committees, or the Managing Agent, as the case may be, are acting only as agents

for the Association and shall have no personal liability thereunder (except as expressly set forth herein), and that each Lot Owner's liability thereunder shall be limited to such proportion of the total liability thereunder as his percentage of interest in the Association bears to the total percentage interest of all Lot Owners in the Association. The indemnification provided by this Article shall not be deemed exclusive of any other rights to which those seeking indemnification may be entitled under any statute, agreement, vote of members of the Association, or disinterested members of the Board of Directors, or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office. Such right to indemnification shall continue as to a person or entity who has ceased to be a member of the Board of Directors, officer of the Association, or a member of such committee and shall inure to the benefit of the heirs, executors, administrators, successors, and assigns of such person or entity. In no event shall this indemnity exceed coverage occasioned by officers' and directors' liability insurance coverage which the Association shall be required to carry and maintain to the extent that the same is reasonably available in the marketplace.

ARTICLE XII

AMENDMENTS

Section 1. These By-Laws may be amended at a regular or special meeting of the members by a majority of a quorum of the members present in person.

Section 2. In the case of any conflict between the Articles of Incorporation and these Bylaws, the Articles shall control, and in the case of any conflict between the Restrictive Covenants and these Bylaws, the Restrictive Covenants shall control.

ARTICLE XIII

MISCELLANEOUS

The fiscal year of the Association shall begin on the first day of January and end on the 31st day of December of every year, except that the first fiscal year shall begin on the date of incorporation. The Board may elect a different fiscal year.

IN WITNESS WHEREOF, I, being the Incorporator of the NORTH WOODS HOMEOWNERS' ASSOCIATION, INC., have hereunto set my hand this ____ day of _____, 1990.

Clare Lowy, Incorporator