

INSTRUMENT NO. 15333

MASTER DEED

of

THE HIGHLANDS CONDOMINIUMS
(A Horizontal Property Regime)

01 * 7200
A * 72006
741.32

This Master Deed and the Exhibits which are attached hereto and made a part hereof, are made and executed in Knox County, Tennessee, this 7th day of April, 1981, by BAR, INC., a Tennessee Corporation, hereinafter referred to as "The Developer" with its principal offices in Knox County, Tennessee, for itself, its successors, grantees and assigns, pursuant to the provisions of the Tennessee Horizontal Property Act (Tennessee Code Annotated §64-2701, etc.).

W I T N E S S E T H:

WHEREAS, the Developer is the owner in fee simple of a certain tract of land which is more fully described as follows:

SITUATED in District Seven of Knox County, Tennessee, and within the 38th Ward of the City of Knoxville, Tennessee, and being more particularly bounded and described as follows:

BEGINNING at an iron pin in the Southeastern line of Highland Drive, said iron pin being located 150 feet in a Northeastern direction from the point of intersection of the Southeastern line of Highland Drive with the Northeastern line of Elder Road, and said iron pin being also corner to property now or formerly belonging to Frawley; thence from said beginning point along the Southeastern line of Highland Drive, North 55 deg. 50 min. East 511.23 feet to an iron pin corner to property now or formerly belonging to Cherry; thence along the line of property now or formerly belonging to Cherry and continuing along the lines of property now or formerly belonging to Key and McFarland, South 30 deg. 36 min. East 446.90 feet to an iron pin in the line of property now or formerly belonging to McCoy; thence along the line of property now or formerly belonging to McCoy, South 61 deg. 12 min. West 272.39 feet to an iron pin corner to property now or formerly belonging to Cassidy; thence along the line of property now or formerly belonging to Cassidy, South 45 deg. 34 min. West 94.13 feet to an iron pin corner to property now or formerly belonging to Overton; thence along the line of property now or formerly belonging to Overton and continuing along the line of property now or formerly belonging to Hopper, North 48 deg. 53 min. West 313.07 feet to an iron pin corner to property now or formerly belonging to Frawley; thence along the line of property now or formerly belonging to Frawley, North 50 deg. 47 min. West 140.44 feet to an iron pin in the Southeastern line of Highland Drive, the point of BEGINNING, and containing 4.33 acres, more or less, according to the survey of Urban Engineering, Inc., Knoxville, Tennessee, dated March 15, 1980.

The above described property is shown by map of record in Map Book 90-L, page 62, in the Register's Office for Knox County, Tennessee.

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THIS INSTRUMENT PREPARED FOR RECORDING BY
SHANKS & BLACKSTOCK, ATTYS. AT LAW
12th FLOOR, VALLEY HIDEOUT BANK BLDG.
KNOXVILLE, TENNESSEE 37902

SEE WB 2048-354 AMENDMENT

SEE WB 2196 pg 261- Appendix

See WB 2083 pg 78- Amendment

See WB 1801 pg 17- Amendment to main deed
See WB 1850 " 736

WHEREAS, the Developer is the owner of the above described property and certain buildings and improvements now existing upon said property and proposed to be constructed which are hereinafter called "The Property", and it is the intention of the Developer to submit the property to a Horizontal Property Regime according to the statutes of the State of Tennessee, and to sell and convey the same to various purchasers subject to the covenants, conditions and restrictions hereinafter reserved to be kept and observed.

WHEREAS, there is attached hereto and made Exhibit "A", "B" and "C" to this deed, plats which show the location of each individual building and unit as presently built, and proposed to be constructed.

NOW THEREFORE, the Developer does hereby publish and declare that all the property as described herein is held and shall be held, conveyed, hypothecated, encumbered, leased, rented, used, occupied and improved subject to the following covenants, conditions, restrictions, uses, limitations and obligations, all of which are declared and agreed to be in furtherances of a plan for the improvement of said property and the division thereof into condominiums, and shall be deemed to run with the land and shall be a burden and a benefit to the Developer, its successors and assigns and any person acquiring or owning an interest in the said property, their grantees, successors, heirs, executors, administrators, devisees and assigns.

1) NAME: The property, which shall include the land herein described and all improvements located thereon and to be later constructed shall hereafter be named The Highlands Condominiums.

2) DESCRIPTION OF PROPERTY: The land is described as stated herein and all buildings are shown on "Exhibit A, B & C" and to be later added and built by Developer and all common elements, both general and limited shown hereon and to be constructed on the land herein described.

3) DEVELOPMENT PLANS: This Condominium is being developed according to the following plans:

a) the first phase of the development is as shown and attached hereto on "Exhibit B".

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b) General: The Developer proposes to develop the Highlands Condominiums in multiple phases, however, the developer hereby specifically retains the unqualified right to complete the development subject to the economic conditions and abilities of the developer.

c) Plans: The improvements on the land will be constructed substantially in accordance with plans and specifications as developed by the developer, copies of which plans are on file with the developer and are available for inspection.

d) Amendment and Alteration of Plans: The developer reserves the right to change the arrangement or location of any structure and to alter the boundaries between the structures.

e) Future location: The Developer presently owns the land as described herein and the developer intends to improve and develop all of such lands in multiple future phases of The Highlands Condominiums. Such additions shall include additional common element ownership and burdens and common expenses which shall be affected if and when said additional phases are added to this condominium project, and the adjusted percentages of each and every unit owner shall be accordingly reflected.

3. DESCRIPTION OF GENERAL COMMON ELEMENTS. In addition to those defined in the Act, the general common elements shall be all elements not included herein as a part of the unit or its limited common elements as herein described.

4. DESCRIPTION OF LIMITED COMMON ELEMENTS. There are no limited common elements common to two or more units. The elements appurtenant to each unit are as follows:

a) The surface areas and railings of all decks and patios, solely for each unit.

b) The individual mailbox as assigned to the unit.

c) All material included, but not limited to sheetrock, plywood attached to or on the inside surface of studs and joints in perimeter or interior walls, floors and ceilings.

d) All doors, windows, screens, ventilation fans and vents located in the perimeter or interior walls, floors and ceilings thereof.



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e) All water, power, telephone, television, electricity, plumbing and sewage lines located in the unit, provided however, that the portion of said lines located in a common compartment for, or installation of, such lines shall be general common elements as described above; all air conditioning, heating and air handling units, ducts and components.

5. DWELLING BOUNDARIES: The location of each building and unit is generally described and shown on "Exhibit A" attached hereto and by reference incorporated herein. The location with a building of a unit is shown on "Exhibit C". Each unit shall include that part of the building containing the unit which lies within the boundaries of the unit and limited elements, which boundaries shall be determined by the following manner: The upper boundary shall be the plane of the low surface of the ceiling and the lower boundary shall be the plane of the upper surface of the subfloor. The vertical boundaries of the unit shall be the interior of the inside walls of the unit.

Easements are specifically reserved through the condominium property as may be required for the installation, servicing and maintenance of utility services.

6. EXCLUSIVE OWNERSHIP AND POSSESSION. Each owner shall be entitled to exclusive ownership and possession of their unit. Each owner shall be entitled to an undivided interest, use and enjoyment of the general common elements together with responsibilities therefore, as provided in the By-Laws.

7. ASSOCIATION OF CO-OWNERS: LIEN FOR UNPAID ASSESSMENTS. The Regime shall be administered by an Association of Owners which shall be incorporated and known as The Highlands Association, Inc. The By-laws of this Association are attached hereto and are by reference incorporated herein. The Association shall elect pursuant to the By-Laws, a Board of Directors to serve as the governing body of the Association. The Association shall have, perform and fulfill the powers, duties and responsibilities required under this Master Deed, and the By-Laws and the Tennessee Horizontal Property Act. The Association shall have lien rights for unpaid assessments enforced by the Association, either by suit or for damages and which may be, the Association shall be entitled to collect all costs of that action, including attorneys fees. The lien of the assessments provided

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for herein shall be subordinate to the lien of purchase money first mortgages now or hereafter placed upon the properties; provided however, such subordination shall apply to the assessments which have become due and payable prior to a sale or transfer of such property pursuant to a decree of foreclosure, or any other proceeding in lieu of foreclosure. Such sale or transfer shall not relieve such property from liability for any assessments thereafter becoming due nor from the lien of any such subsequent assessment. Notice of default in the payment of assessments shall be given to any such first mortgagee as provided in paragraph 25 hereafter.

The Association shall upon the request of any unit owner or mortgagee, furnish a certificate as to the current status of the assessments on the unit involved, signed by the Secretary or Assistant Secretary and one other officer or director.

8. MEMBERSHIP IN ASSOCIATION OF CO-OWNERS. Every owner of a unit shall, by virtue of such ownership, be a member of the Association, and shall remain a member during such ownership. Each unit shall be entitled to one vote as stated in the By-Laws.

9. INSURANCE. The Association shall insure and keep insured the property submitted to the Regime against fire, liability, windstorms and other such risks in such amounts as the Association may deem desirable or appropriate, but in no event shall the form and amount of such insurance be less than that required by mortgagees holding first mortgages on units within the Regime. The Association shall further obtain and keep in force comprehensive public liability insurance in an amount not less than \$500,000.00, in such form as may be required by mortgagees holding first mortgages.

10. ASSESSMENTS FOR INSURANCE PREMIUMS. The periodic contribution of owners toward the expenses of administration and maintenance and repair of the general common elements shall include such amounts as shall be necessary for the current payment for blanket fire and extended coverage insurance and all other insurance as provided herein.



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11. DISBURSEMENTS OF CASUALTY INSURANCE PROCEEDS: In the event it should be proper under the Act to repair or reconstruct the damaged portion of the general common elements, the proceeds of insurance, together with the funds of the Association sufficient to defray all expenses of repair of such construction above the insurance shall be paid by the Treasurer of the Association only upon the approval of a majority of the membership of the Board of Directors. Should it not be proper under the Act to proceed with repair or reconstruction of the general common elements, the insurance proceeds shall be disbursed to the Owners and their mortgagees of record on a prorata basis according to their percentage of ownership. Reconstruction shall be mandatory if the casualty or event results in the destruction of or damage to less than 2/3rds of the total number of units in the Regime (even though destruction may be total as to one or more entire buildings) unless 3/4ths of all Owners of the Regime and their mortgagees of record decide by affirmative vote not to proceed with reconstruction.

12. MAINTENANCE AND INSURANCE OF LIMITED COMMON ELEMENTS. Except as covered by insurance obtained by the Association, and the proceeds thereof, the owner of a unit shall be solely responsible for the maintenance, repair and replacement with comparable material of equal quality, all limited common elements appurtenant to his unit. The owner of a unit may obtain additional insurance on those limited common elements for his own interest.

13. EASEMENTS WITHIN REGIME: Each unit and all general and limited common elements are hereby subjected to an easement for the repair, maintenance, expansion, reduction, inspection, removal, relocation or other service of, or to all electricity, television, telephone, water, plumbing, sewer, utility drainage or other lines or other general common elements, whether or not the cause of any or all of those activities originates in the unit in which the work must be performed.

Each unit owner shall have an easement in common with the other owners of all other units to use all pipes, wires, ducts, cables,

conduits, public utility lines and other common facilities located in any of the other units and serving his unit. Each unit shall be subject to an easement in favor of the owners of all other units to use the pipes, ducts, cables, wires, conduits, public utility lines and other common facilities serving such other units and located in such unit.

The Association may hereafter grant easements or licenses for utility purposes for the benefit of the property, including the right to install, lay, maintain, repair and replace water lines, pipes, sewer lines, telephone and television wires and equipment and electrical conduits and wires over, under and along and on any portion of the unit and/or general and limited common elements; and each unit owner hereby grants to the Association or its designee, an irrevocable power of attorney to execute, acknowledge and record for and in the name of each unit owner such instruments as may be necessary to effectuate the foregoing.

In the event any portion of the general common elements encroaches upon any unit or encroaches upon the common elements as a result of the construction, reconstruction, repair, shifting, settlement or improvement of any portion of the project, valid easements for the encroachment and maintenance of the same is hereby created and shall exist so long as the encroachment shall exist.

14. STRUCTURAL ALTERATIONS: Upon 2/3rds vote of the owners, after submission to them of detailed plans and specifications and a fixed price contract for the proposed work at a duly called meeting of the Association, the Association may be authorized to make or have structural alterations made in the general common elements, and/or limited common elements, provided however that any structural alteration of all or part of the limited common elements shall be uniform. No owner may make any alteration in the general common elements or structural alteration of his unit and/or the limited common elements appurtenant thereto without first having the plans and specifications therefore approved by the Association and depositing with said Association an amount of money sufficient, in the sole discretion of the Association to defray all costs of modifying this Master Deed and recording said modification, including attorney's fees.



15. REGULATORY DOCUMENTS. The Regime shall be administered in accordance with the Master Deed, By-Laws of the Association and such other regulations as may from time to time be promulgated by the Association.

16. RIGHT OF ACCESS. Each owner hereby grants the Association, its or their designee the right to enter his unit in case of any emergency originating in or threatening his unit.

17. RESTRICTIONS OF USE OF PROPERTY. No owner shall:

- a) Use his unit for purposes other than residential.
- b) Post any advertisements, posters or signs of any kind in or on the property except as authorized by the Association.
- c) Hang garments, towels, rugs or similar objects from the windows, terraces or from any of the facades of the Property; or on any general or limited common element or elements of the property.
- d) Hang dust rags, mops or similar objects from the windows or decks or clean rugs or similar objects on the property by beating.
- e) Place garbage or trash on the general common elements except at such place as designated for collection.
- f) Act so as to interfere unreasonably with the peace and enjoyment of the residents of the other units in the property.
- g) Erect or alter any building, wall, fence or other structure, cut any plants or trees; or do any landscaping until the plans and specifications therefore shall have been submitted to and approved in writing by the Association and the agent of the entity which has prior right of approval under any covenant or agreement.
- h) Use musical instruments, radios, televisions or amplifiers in such a way as to disturb other residents.
- i) Install wiring for electrical or telephone installments, televisions and radio antennae, machines or air conditioning units or similar objects outside his unit or which protrude through the walls or the roof of his unit, except as authorized by the Association.
- j) During the period of sale by the developer of any unit, the developer and the said developer's agents and employees, contractors and subcontractors or their respective agents or employees shall be



entitled to access, ingress and egress from said buildings and property as may be required for the purpose of said sale of units. While the developer owns any of the units and until such unit is sold and is occupied by the purchasers, the developer and its employees may use and show one or more of such unsold or unoccupied units as a model unit or units and may use one or more of such unsold or unoccupied units as a sales office and maintain customary signs in connection therewith.

18. AGREEMENTS BINDING UPON PROPERTY: All agreements and determinations lawfully made by the Association in accordance with voting percentages established in this Master Deed shall be deemed to be binding on all owners of units, their successors and assigns.

19. UNITS SUBJECT TO MASTER DEED AND RELATED DOCUMENTS: All present and future owners, tenants and occupants of units and their guests and invitees shall be subject to and shall comply with, the provisions of the Master Deed and related documents as amended from time to time. The acceptance of a deed of conveyance or the entering into a lease or entering into occupancy of any unit shall constitute an agreement that the provisions of the Master Deed and related documents are accepted and ratified by such owner, tenant or occupant, and all of such provisions shall be deemed and taken to be covenants running with the land and shall bind any person having at any time any interest or estate in such unit as though such provisions were made a part of each and every deed of conveyance or lease. Failure to comply with the provisions of those documents shall entitle the Association or any owner to seek legal and/or equitable relief, upon written notice to the owner and the mortgagee of record of any such breach or non-compliance.

20. AMENDMENT OF MASTER DEED: This Master Deed may be amended by the vote of a majority of the owners, cast at a meeting duly held in accordance with the provisions of the By-Laws provided that no material amendment to the Master Deed or to the By-Laws of the Owners Association, including, but not limited to, any amendment which would change the percentage interest of the unit owners in the Regime without the prior written approval of each first mortgage lender as described herein. No


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such amendment shall be effective until recorded in the office of the Register of Deeds for the county wherein the property is located. In no event may the Master Deed be amended so as to deprive the developer of any rights granted herein.

21. INVALIDITY: The invalidity of any provisions of this Master Deed shall no impair or affect the validity and enforceability of the remainder of this Master Deed, and in such event, all of the other provisions of this Master Deed shall continue in full force and effect as if such invalid provisions had never been included.

22. WAIVER: No provisions contained in this Master Deed 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.

23. LAW CONTROLLING: This Master Deed and the By-Laws attached hereto shall be construed under and controlled by the laws of the State of Tennessee.

24. WARRANTIES: The developer acknowledges that all contractual warranties in its favor set forth in the buildings construction contract, for material and equipment in the unit shall accrue to the benefit of the owner of such unit or to the association, along with all warranties, if any provided by the manufacturer or supplier of appliances, air conditioning, heating and utility systems in the unit. The closing of title or occupancy of the unit shall constitute an acknowledgment by the unit owner that the developer makes no other implied or express warranties relating to the unit or the common areas and facilities, except for such warranties as are set forth in the general warranty deed to the unit.

25. MORTGAGEES AND NOTICE: As used in this Master Deed, the word "mortgage" shall mean a Deed of Trust as well as a mortgage. A "mortgagee" shall mean a beneficiary under or holder of a Deed of Trust as well as a mortgagee. The terms, "mortgagee, "first mortgage lender", "first mortgage", "institutional lender" and other references to a lender



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holding security of any common element, limited common element or unit within the Regime shall include, but not necessarily be limited to banks, savings and loan associations, insurance companies, the Federal National Mortgage Association, the Veterans Administration, Federal Home Loan Mortgage Corporation, Federal Housing Authority and other similar associations and organizations. Whenever notice is required to be given to mortgagees under the provisions of this Master Deed, such notice shall be required to be given to such mortgagees only if the names and addresses of such mortgagees have been furnished in writing to the Association and no notice shall be required to be given until and unless the names and addresses of such mortgagees have been recorded on the books and records of the Association.

Any institutional holder of a first mortgage on a unit in the Regime will, upon request be entitled to (a) inspect the books and records of the Association during normal business hours; and (b) receive annual budget and financial statements upon request; and (c) be permitted to designate a representative to attend all meetings.

26. USE. All property within the development including, but not limited to the common elements shall be for residential purposes only and no use shall be made of any portion which would in any way detract from or interfere with the use of said property for residential purposes. No use shall be carried on, on any portion of said properties which would be a nuisance to the remaining owners.

27. SEVERABILITY: The provisions hereof shall be deemed independent and severable, and the invalidity or partial invalidity or enforceability of any one provision or portion hereto shall not affect the validity or enforceability of any other provision hereof.

28. CAPTIONS: The captions herein are inserted only as a matter of convenience and for reference and in no way to define, limit or describe the scope of this Master Deed or the intent of any provisions hereof.

29. In the event any provisions herein contained in this Master Deed or the By-Laws attached hereto should be in conflict with any governmental regulations issued by any governmental agency then the

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provisions herein shall be subordinate to the provisions as issued by said governmental agency and the developer shall have the absolute right to amend the Master Deed in order to comply with said rules and regulations.

30. EFFECTIVE DATE: This Master Deed shall take effect when recorded with the Register of Deeds of Knox County, Tennessee.

IN WITNESS WHEREOF, BAR, INC., has caused this instrument to be executed and its name to be signed hereto by its duly authorized officer as shown below, by authority of its Board of Directors, this the 7th day of April, 1981.

BAR, INC.

BY: Brady E. Brown
Brady E. Brown, President

Attest:

Roy E. Brown
Roy E. Brown, Secretary

STATE OF TENNESSEE)

COUNTY OF KNOX)

Before me, the undersigned authority, a Notary Public in and for said County and State, personally appeared, BRADY E. BROWN, with whom I am personally acquainted and who upon oath, acknowledged himself to be the PRESIDENT, OF BAR, INC., the within named bargainor, a corporation, and that he as such PRESIDENT, being authorized so to do, executed the foregoing instrument for the purposes therein contained by signing the name of the corporation himself as PRESIDENT.

Witness my hand and seal at office in Knox County, this 7th day of April, 1981.

Joe B. [Signature]
NOTARY PUBLIC

My Commission Expires:

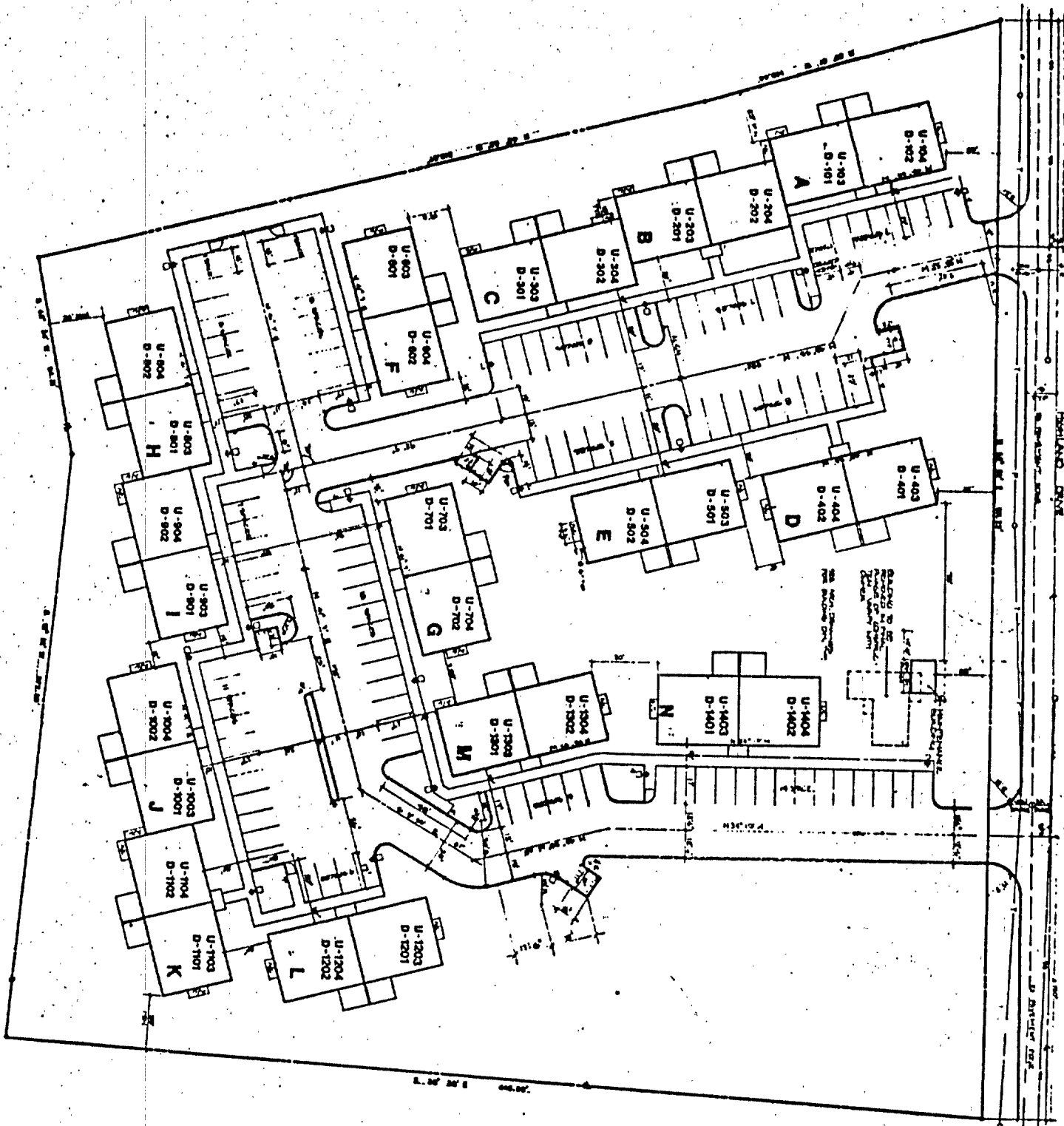
1-18-83



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Living Capital
 The developer has the right to change dimensions and location of lots within the area of record and to make any other changes within the area of record.



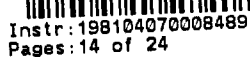
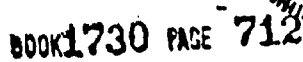
A-E Building Identification
 1-11 Unit Identification

EXHIBIT A

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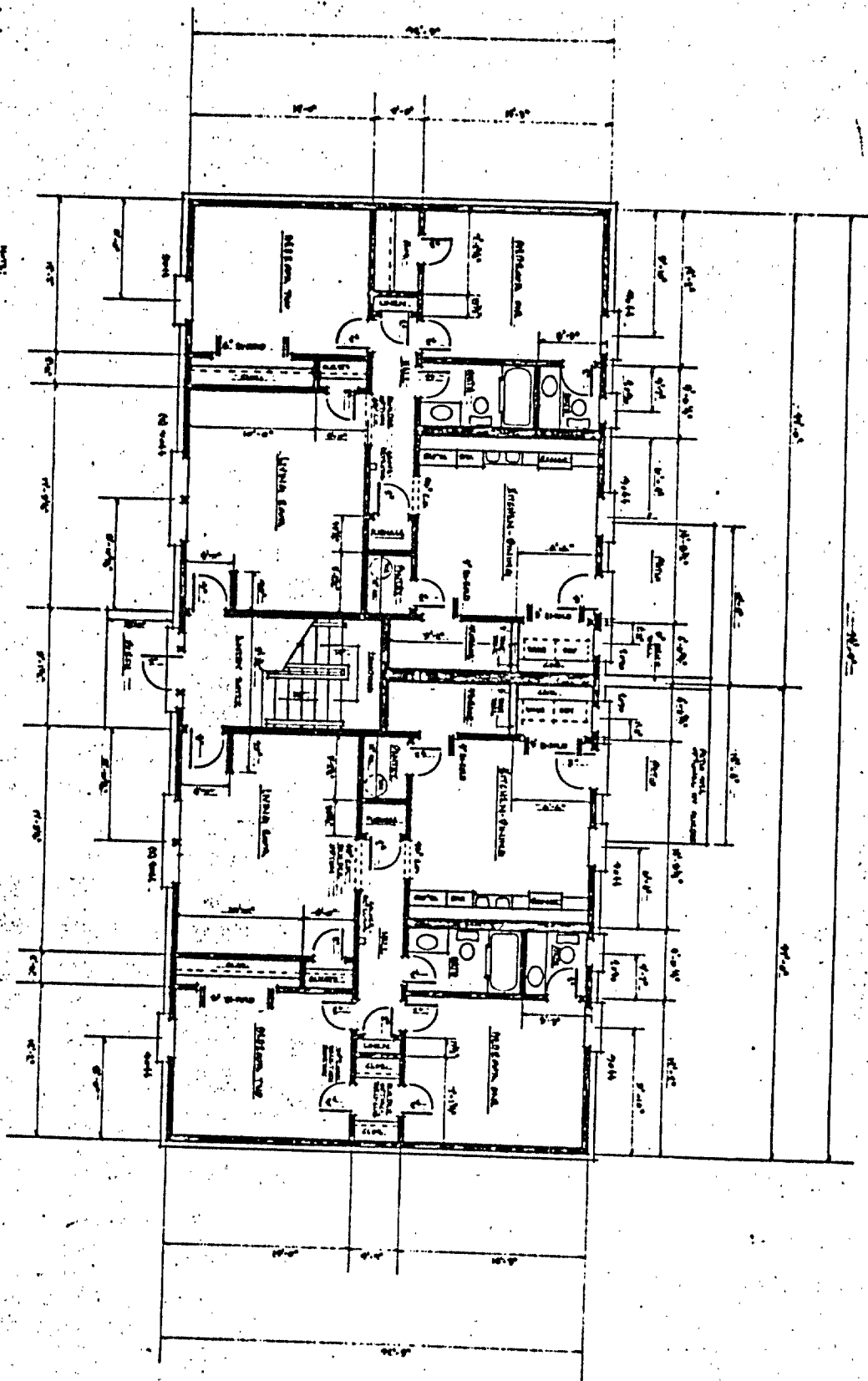


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EXHIBIT B



NOTE:
THIS FLOOR PLAN IS NOT
TO BE USED FOR CONSTRUCTION
PURPOSES

NOTE:
THIS FLOOR PLAN IS NOT
TO BE USED FOR CONSTRUCTION
PURPOSES

Structural design checked
and approved by *[Signature]*
Engineer



TRIAL EAST STATE PLANS
NO. 12345
DATE: 1980
SCALE: 1/4" = 1'-0"



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EXHIBIT C

BY-LAWS

of

THE HIGHLANDS OWNERS ASSOCIATION, INC.

A corporation not for profit under the
laws of the State of Tennessee

1. IDENTITY: These are the By-Laws of The Highlands Owners Association, Inc., herein called the "Association", a corporation not for profit under the laws of the State of Tennessee. The Association has been organized for the purpose of administering a condominium pursuant to the Horizontal Property Act, which condominium is identified by the name, The Highlands Condominiums. The provisions of the Act and the Master Deed are incorporated herein by reference.

2. POWERS: The powers of the Association shall include and be governed by the following provisions:

a) The association shall have all of the common law and statutory powers of a corporation not for profit which are not in conflict with the terms of these Articles.

b) The association shall have all the powers and duties set forth in the Act except as limited by these Articles and the Master Deed, and all of the powers and duties reasonably necessary to operate the condominium as set forth in the Master Deed and as it may be amended from time to time, including but not limited to the following:

1) To make and collect assessments from members to operate and maintain the condominium.

2) To use the proceeds of assessments in the exercise of its powers and duties.

3) To maintain, repair, replace and operate the condominium property.

4) To purchase insurance upon the condominium property and insurance for the protection of the Association and its members.

5) To reconstruct improvements after casualty and or further improve the property, according to the provisions of the Master Deed and the laws of the State of Tennessee.

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6) To make, establish and amend reasonable regulations respecting the use of the property in the condominium.

7) To enforce by legal means the provisions of the Act, the Master Deed, these Articles, the By-Laws of the Association, and the regulations for the use of the condominium property.

8) To employ personnel to perform the services required for proper operation of the condominium.

3. MEMBERSHIP: Membership in the Association is determined by the following provisions:

a) The members of the Association shall consist of all of the record owners of the units. Each unit shall be considered a single membership, and entitled to only one vote in all matters.

b) Change of membership in the Association shall be established by the recording in the Register's Office for Knox County, Tennessee, of a deed or other instrument establishing a record title to a unit in the condominium and the delivery to the Association of a copy of such recorded instrument, the owner designated by such instrument thereby becoming a member of the Association. The membership of the prior owner shall be thereby terminated.

c) The share of a member in the funds and assets of the Association cannot be assigned, hypothecated, or transferred in any manner except as an appurtenance to his unit.

4. MEMBERS MEETINGS: A) the annual members' meeting shall be held at the office of the corporation at 7:00 p.m. on the second (2nd) Thursday in May of each year for the purpose of electing directors and transacting any other business authorized to be transacted by the members. If that day is a legal holiday, the meeting shall be held at the same hour on the next day.

b) Special members' meetings shall be held whenever called by a majority of the Board of Directors and must be called upon receipt of a written request from members entitled to cast 1/3rd of the votes of the entire membership.

c) Notice of all members' meetings, stating the time and place and the objects for which the meeting is called, shall be given by the President or



Vice-President or Secretary unless waived in writing. Such notice shall be in writing to each member at his address as it appears on the books of the Association and shall be mailed or hand delivered not less than ten days nor more than 60 days prior to the date of the meeting. Proof of such mailing shall be given by the Affidavit of the person giving the notice. Notice of meeting may be waived before or after meetings.

d) A quorum at members' meetings shall consist of persons present or by proxy entitled to cast a majority of the votes of the entire membership. If any meeting of the members cannot be organized because a quorum has not attended, the members who are present, either in person or by proxy, may adjourn the meeting for at least 10 days and adequate notice of the new date shall be given as described in paragraph "c" of this section.

e) In any meeting of members, the owners of units shall be entitled to cast one vote per unit. If a residence unit is owned by more than one person, or is under lease, the person entitled to cast the vote for the unit shall be designated by a certificate signed by all of the record owners of the unit and filed with the Secretary. If a unit is owned by a corporation, the person entitled to cast the vote for the unit shall be designated by a certificate of appointment signed by the President or Vice-President of the corporation. Such certificates shall be valid until revoked by any owner or owners of the unit.

f) Votes may be cast in person or by proxy. Proxies may be made by any person entitled to vote. They shall be valid only for the particular meeting designated and must be filed with the Secretary before the appointed time of the meeting.

g) Unless a higher percentage is required under the Act, the Master Deed, the Articles of Incorporation, and these By-Laws, a majority of the unit owners is required to adopt decisions.

h) The president, or in his absence, the Vice-President or a president protem as named by the Board of Directors shall preside over meetings of the owners.

5. BOARD OF DIRECTORS: a) the affairs of the Association shall be managed by a board of not more than seven directors. The exact number to be determined at the time of election. Directors fees, if any, shall be determined by the members.

b) Election of directors shall be conducted at the annual members meeting. Nominations for directorships and directors may be made from the floor. The election shall be by a plurality of the votes cast, each person voting being entitled to cast his vote for each of as many nominees as there are vacancies to be filled. There shall be no cumulative voting.

c) Except as to vacancies provided by removal of directors by members, vacancies in the Board of Directors occurring between annual meetings of members shall be filled by the remaining directors.

d) Any director may be removed by concurrence of the majority of the votes of the entire membership at a special meeting of the members called for that purpose. The vacancy in the Board of Directors so created shall be filled by the members of the Association at the same meeting.

e) Until the developer has completed and sold all of the units of Phase I and any future phases hereof, as provided in paragraph 3(e) of the Master Deed or until the developer elects to terminate its control of the condominium, whichever shall first occur, a majority of the directors shall be selected or removed by the developer notwithstanding any provisions of these By-Laws to the contrary.

f) The term of each director's service shall extend until the next annual meeting of the members and thereafter until his successor is duly elected and qualified or until he is removed in the manner elsewhere provided.

6. DIRECTORS MEETINGS: a) The organization meeting of a newly elected Board of Directors shall be held within ten days of its election at such place and time as shall be fixed by the Directors at the meeting at which they were elected, and no further notice of the organization meeting shall be necessary providing a quorum shall be present.

b) 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. Notice of regular meetings shall be given to each director, personally or by mail, telephone or telegraph at least three days prior to the day named for such meeting.

c) Special meetings of the directors may be called by the President and must be called by the Secretary at the written request of 1/3rd of the

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directors. Notice of the meeting shall be given personally or by mail, telephone or telegraph at least three days prior to the day named for such meeting, which notice shall state the time, place and purpose of the meeting.

d) Any director may waive notice of a meeting before or after the meeting and such waiver shall be deemed equivalent to the giving of notice.

e) A quorum at director's meetings shall consist of a majority of the entire board of directors. The acts approved by a majority of those present at a meeting at which a quorum is present shall constitute the acts of the Board of Directors, except where approval by a greater number of directors is required by the Master Deed, the Articles of Incorporation, or these By-Laws. If at any meeting of the Board of Directors, less than a quorum is present, the majority of those present may adjourn the meeting from time to time until a quorum is present. At any adjourned meeting any business which might have been transacted at the meeting as originally called may be transacted without further notice. The joinder of a director in the action of a meeting by signing and concurring in the minutes thereof shall constitute the presence of such director for the purpose of determining a quorum.

f) The presiding officer of director's meetings shall be the Chairman of the Board if such an officer has been elected, or if not, the President shall preside. In the absence of the presiding officer, the directors present shall designate one of their number to preside.

7. POWERS AND DUTIES OF THE BOARD OF DIRECTORS: All of the powers and duties of the Association existing under the Act, the Master Deed, the Articles of Incorporation and these By-Laws shall be exercised exclusively by the Board of Directors, its agents, contractors or employees, subject only to approval by unit owners when such is specifically required. Compensation of employees of the Association shall be fixed by the directors. A director may be an employee of the Association, and a contract for management of the condominium may be entered into with a director.

a) The affairs of the Association shall be administered by officers elected by the Board of Directors at its first meeting following the annual meeting of the members of the Association, which officers shall serve at the pleasure of the Board of Directors.



b) The executive officers of the Association shall be a President, who shall be a director, a Vice-President, who shall be a director, a Treasurer and Secretary (one person may hold the office of both Treasurer and Secretary), all of whom shall be elected annually by the Board of Directors and who may be removed by vote of the directors at any meeting. Any person may hold two or more offices except that the President shall not also be the Secretary. The Board of Directors may from time to time elect other officers to exercise such powers and duties as the Board shall find to be required to manage the affairs of the Association. Compensation of officers shall be fixed by the Board of Directors, subject to approval of a majority of the membership at the annual meeting.

c) The President shall be the chief executive officer of the Association. He shall have all of the 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 members from time to time, as he may in his discretion determine appropriate, to assist in the conduct of the affairs of the Association.

d) The Vice President shall in the absence of disability of the President exercise the powers and perform the duties of the President. He shall also generally assist the President and exercise such other powers and perform such other duties as shall be prescribed by the directors.

e) The Secretary shall keep the minutes of all proceedings of the directors and the members. He shall attend to the giving and serving of all notices to the members and directors and other notices required by law. He shall keep the records of the Association except those of the Treasurer, and shall perform all other duties incident to the office of Secretary of an Association and as may be required by the directors or the President. He shall keep a current register of members.

f) The Treasurer shall have custody of all property of the Association, including funds, securities, and evidences of indebtedness. He shall keep the books of the Association in accordance with good accounting practices and shall perform all other duties incident to the office of Treasurer.



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8. INDEMNIFICATION. Every director and every officer of the Association shall be indemnified by the Association against all expenses and liabilities, including counsel fees, reasonably incurred by or imposed upon him in connection with any proceeding to which he may be a party, or in which he may become involved, by reason of his being or having been a director or officer of the Association, or any settlement thereof, whether or not he is a director or officer at the time such expenses are incurred, except in such cases wherein the director or officer is adjudged guilty of willful misfeasance or malfeasance in the performance of his duties; provided that in the event of a settlement the indemnification herein shall apply only when the Board of Directors approves such settlement and reimbursement as being for the best interest of the Association.

9. BUDGET. The Board of Directors shall adopt a budget for each calendar year which shall include the estimated funds required to defray common expenses. Copies of the budget and proposed assessments shall be transmitted to each member 15 days prior to the beginning of each fiscal year for which the budget is made. If the budget is subsequently amended, a copy of the amended budget shall be furnished to each member. Each annual budget must be approved by the majority of the membership.

10. ASSESSMENTS. a) If a unit owner shall be in default in the payment of an installment or interest upon an assessment, the Board of Directors may accelerate the remaining installments of the assessment upon notice thereof to the unit owner and thereupon the unpaid balance of the assessment shall come due upon the date stated in the notice, but not less than 15 days after delivery thereof to the dwelling owner, or not less than 30 days after the mailing of such notice to him by registered mail or certified mail, whichever shall first occur.

b) Assessments for common expenses of emergencies which cannot be paid from the annual assessments for common expenses shall be made only after notice of the need therefor to the unit owners concerned. After such notice and upon approval in writing by persons entitled to cast more than 1/2 of the votes of the unit owners concerned, the assessment shall become effective, and it shall be due after 30 days notice thereof in such manner as the Board of Directors may require.



c) Fidelity bonds shall be required by the Board of Directors from all persons handling or responsible for Association funds. The amount of such bonds shall be in the amount of \$5,000.00. Any expenditure which exceeds \$5,000.00 must be approved by a majority vote of the membership.

11. PARLIAMENTARY RULES: Roberts Rules of Order (latest edition) shall govern the conduct of the Association meetings when not in conflict with the Declaration, the Articles of Incorporation or these By-Laws.

12. AMENDMENTS: These By-Laws may be amended in the following manner:

a) Notice of the subject matter of a proposed amendment shall be included in the notice of any meeting at which a proposed amendment is considered.

b) A resolution adopting a proposed amendment may be proposed by either the Board of Directors or by the members of the Association. Directors and members not present in person or by proxy at the meetings considering the amendment may express their approval in writing, providing such approval is delivered to the Secretary at or prior to the meeting. Except as elsewhere provided, such approvals must be by at least a majority of the entire membership of the Board of Directors and by not less than a majority of the votes of the entire membership, or by at least 60% of the votes of the entire membership of the Association.

c) No amendment shall discriminate against any unit owner or against any unit or class or group of units unless the unit owners so affected shall consent. No such amendment shall change any unit nor the share in the common elements appurtenant to it, nor increase the owners share of the common expenses, nor change the voting rights of members, unless the record owner of the unit concerned and all record owners of liens, thereon shall join in the execution of the amendment.

d) A copy of each amendment shall be certified by the President and Secretary of the Association as having been duly adopted and shall be effective when recorded in the Register's Office for Knox County, Tennessee.



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This is to certify that the above By-Laws were presented and unanimously passed by a vote of the members of The Highlands Owners Association, Inc. on the 7th day of April, 1981.

THE HIGHLANDS OWNERS ASSOCIATION, INC.

BY: Carol Brown
Secretary

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