

BYLAWS OF

LONE MOUNTAIN SHORES

OWNERS ASSOCIATION, INC.

Revision 2013

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BYLAWS OF LONE MOUNTAIN SHORES OWNERS ASSOCIATION, INC.

ARTICLE I

Statement of Principles and Purpose

Section 1. General Purpose. As described in the Restated Declaration of Covenants, Conditions, Restrictions, and Easements for Lone Mountain Shores (the “**Covenants**”), it is the intention of the Lone Mountain Shores Owners Association, Inc., a Tennessee nonprofit corporation (“**LMSOA**” or the “**Association**”), to impose upon its members mutually beneficial restrictions that allow reasonable use of their property that does not adversely affect the LMSOA or other owners of lots within Lone Mountain Shores, while helping preserve property values.

Section 2. Purpose of Bylaws and Board. The Lone Mountain Shores Board of Directors (the “**Board**”) has been established, in part, for the purpose of defining, maintaining, and administering the standards of development and the mutually beneficial restrictions of use and development referenced in the Covenants. The Bylaws have been developed to provide the process by which the Board will execute its responsibilities.

ARTICLE II

Members (Owners)

Section 1. Eligibility. The members of the LMSOA consist of the respective property owners of the Lone Mountain Shores subdivision (the “**Property**”). A property owner (an “**Owner**”) means the record owner, whether one or more persons or entities, of fee simple title to any lot in the Property, whether developed with improvements thereon or undeveloped (each a “**Lot**”). The words “**Member**” or “**Members**,” as used in these Bylaws, refer to an Owner or Owners, as the case may be, as stated on the deed of record in the Claiborne County Register of Deed’s Office. If an Owner is a land title holding trust under the terms of which all powers of management, operation, and control of the Owner’s Lot remains vested in the trust beneficiary, then the Member is that beneficiary.

Section 2. Succession. The membership of each Owner terminates when such Owner ceases to own a Lot. Upon the sale, transfer, or other disposition of an Owner’s ownership interest in the Property, such Owner’s membership in the Association is automatically transferred to the new Owner as described on the deed of conveyance. Upon sale, transfer, or other disposition, the new Owner shall notify the Secretary of the Association.

Section 3. Annual Meetings. Annual meetings of the Owners shall be held at a time

and place specified in the notice of such meeting. The annual meeting of Owners shall normally be held during the month of October. At the annual meeting, Owners shall receive reports on the activities and financial condition of the Association, and transact such other business as may properly come before the meeting.

Section 4. Special Owners Meetings. The Association shall hold a special meeting of its Owners upon the call of the Board or the President of the Board, or upon the written demand(s) to the Secretary by Owners holding at least ten percent (10%) of all votes entitled to be cast on any issue to be considered at the proposed special meeting. Any call or demand for a special meeting must describe the purpose(s) for which the special meeting is to be held. Only business within that purpose may be conducted at such meeting.

Section 5. Notice of Meetings. The Association shall notify Owners of the date, time, and place of each annual and special meeting of Owners no fewer than (30, nor more than 60, days before the meeting date. The notice of a meeting shall also contain such other information as may be required by these Bylaws. All notices will be mailed to the Owner's last known address according to Association records.

Section 6. Waiver of Notice. An Owner's attendance at a meeting:

(a) Waives objection to lack of notice or defective notice of the meeting, unless the Owner at the beginning of the meeting (or promptly upon arrival) objects to holding the meeting or transacting business at the meeting; and

(b) Waives objection to consideration of a particular matter at the meeting that is not within the purpose(s) described in the meeting notice, unless the Owner objects to considering the matter when it is presented.

Section 7. Voting. The aggregate number of votes of all Owners shall be equal to the total number of all Lots which are part of the Property, and shall be divided among the respective Owners with one vote allocated to each Lot. If any Owner consists of more than one person or entity, the voting rights of such Owner may not be divided but must be exercised as if the Owner consisted of only one person or entity in accordance with the proxy or other designation made by the persons and/or entities constituting such Owner. A "**Majority of the Owners**" means the owners of more than fifty percent (50%) of the voting rights of all Owners.

Notwithstanding the foregoing, no Owner who is in default in the payment of any assessment will be entitled to exercise the right to vote until the Owner has cured such default. An Owner will be deemed to be in default if such Owner has not paid his or her assessments to the Association, or its designee, within 10 days after the date such

assessments are due. An Owner may protest the amount of the assessment, but it still must be paid during the pendency of any protest to the Board.

Section 8. Quorum. Unless otherwise required by law, these Bylaws, or the Covenants, a quorum shall consist of the Owners present at a meeting either in person or by representation.

Section 9. Voting Requirements. Except as otherwise provided in these Bylaws or the Covenants, action on any matter voted upon is as follows:

- (a) Voting by written ballot is approved if a majority of Owners responding vote in favor of the action;
- (b) Voting at a meeting by Owners is approved if a majority of the Owners in attendance vote in favor of the action.

Section 10. Action by Written Ballot.

(a) Notwithstanding any other provision of these Bylaws, the following actions may only be taken by written ballot of Owners:

- (1) Election of members of the Board;
- (2) Approval of any new project that would require spending more than one-third of the total amount of Association dues assessed in the most recent year; and
- (3) Approval of any emergency assessment in an amount greater than \$125.00, in accordance with Article IV, Section 4.06, of the Covenants.

(b) Any action that may be taken at an annual or special meeting of Owners may be taken without a meeting if the Association delivers a written ballot to every Owner entitled to vote on the matter at their last known address. The written ballot shall set forth each proposed action and shall provide an opportunity to vote for or against each proposed action. All solicitations for votes by written ballot shall:

- (1) State the percentage of approvals necessary to approve each matter, other than election of Board members; and
- (2) Specify the time by which the ballot must be received by the Association to be counted.

ARTICLE III

Administration of Board of Directors

Section 1. Composition of Board of Directors. The LMS Board shall consist of five members (each an “**Officer**”), all of whom must be Owners in good standing with the Association. The Board shall consist of a President, Vice President, Secretary, Treasurer, and a member who shall also serve on the Architectural Review Committee (the “**ARC**”) as the liaison between the Board and the ARC. Board members shall hold office for a term of two years, unless removed from office pursuant to Article III, Section 8, and until their successor has been elected or appointed.

Section 2. Regular Meetings. Regular meetings of the Board may be held at such time and place as the President may determine from time to time, but no less frequently than once a year.

Section 3. Special Board Meetings. Special meetings of the Board may be called by the President or any two Officers.

Section 4. Notice of Meetings. Regular meetings of the Board may be held upon reasonable notice being provided by the President. Special meetings of the Board must be preceded by at least two days’ notice to each Officer of the date, time, and place, but not the purpose, of such special meeting. Notice of any adjourned meeting need not be given if the time and place to which the meeting is adjourned are fixed at the meeting at which the adjournment is taken, provided that the period of adjournment does not exceed one month.

Section 5. Waiver of Notice. If an Officer attends or participates in a meeting, he or she waives any required notice of the meeting, unless the Officer at the beginning of the meeting (or promptly upon arrival) objects to holding the meeting or transacting business at the meeting and does not thereafter vote for or assent to action taken at the meeting.

Section 6. Quorum and Voting. A quorum of the Board consists of a majority, but no fewer than three Officers then in office before a meeting begins. If a quorum is present when a vote is taken, the affirmative vote of a majority of the Officers present is the act of the Board, except as may otherwise be provided in these Bylaws or the Covenants.

Section 7. Vacancy. If a vacancy occurs on the Board the Board will appoint a replacement director to fill the vacancy or, at its discretion, the Board may decide that the replacement director should be elected by a vote of Owners. If the Directors remaining in office constitute less than a quorum of the Board, the replacement director(s) must be

elected by a vote of Owners. Any director so appointed or elected to fill a vacancy shall hold office for a term equal to the unexpired term of the director succeeded.

Section 8. Removal of Directors. The Owners may remove any one or more directors, with or without cause, at a special meeting specifically called for that purpose.

Section 9. Action without Meeting. Action that is required or permitted to be taken at a meeting of the Board may be taken without such a meeting if all directors consent. If all directors so consent, the affirmative vote of the number of directors that would be necessary to authorize or take such action at a meeting shall be the act of the Board, except as may otherwise be provided in these Bylaws or the Covenants. Action taken between meetings be included in the minutes filed with the Association's records.

Section 10. Immunity. To the fullest extent allowed by the laws of the State of Tennessee, as now in effect and as hereafter adopted or amended, each present and future Officer (and his or her estate, heirs, and personal representatives) shall be immune from suit arising from the conduct of the affairs of the Association.

Section 11. Compensation. Members of the Board may receive no compensation for their services as directors, unless expressly provided for in resolutions duly adopted by the Owners.

Section 12. Powers and Duties. The Board shall have the following powers and duties:

(a) To appoint the Officers in the event of a vacancy;

(b) To administer the affairs of the Association and the Property;

(c) To engage the services of an agent to maintain, repair, replace, administer, or operate the Property or any part thereof for all Owners, upon such terms and for such compensation and with such authority as the Board may approve;

(d) To formulate policies for the administration, management, and operation of the Property:

(e) To adopt rules and regulations, with written notice thereof to all Owners, governing the administration, management, operation, and use of the Property, and to amend such rules and regulations from time to time;

(f) To provide for the maintenance, repair, and replacement of the common areas of

the Property owned by the Association and payment therefor, and to approve payment vouchers or to delegate such approval to designated Officers or a managing agent;

(g) To provide for the hiring and removal of employees and other personnel, including accountants and attorneys, and to engage or contract for the services of others, and to make purchases for the maintenance, repair, replacement, administration, management, and operation of the Property, and to delegate any such powers to a managing agent

(h) To appoint committees of the Board and to delegate to such committees the Board's authority to carry out certain duties of the Board;

(i) To determine the fiscal year of the Association and to change said fiscal year from time to time as the Board deems advisable, but only as allowed by law;

(j) To estimate the amount of the annual budget, and to provide the manner of assessing and collecting from Owners their respective shares of such estimated expenses, as provided in the Covenants;

(k) Unless otherwise provided herein or in the Covenants, to comply with the instructions of the majority of the Owners, as expressed in a resolution duly adopted at any annual or special meeting of Owners;

(l) To resolve or mediate disputes, conflicts, or problems between or among Owners regarding issues related to the Property;

(m) To interpret and enforce these Bylaws, the Covenants, the ARC Guidelines, and any other rules and regulations of the Association ; and

(n) To exercise all other powers and duties of a board of administration as referred to in the laws of the State of Tennessee and all powers and duties of the Board of Directors referred to in the Covenants or these Bylaws.

Notwithstanding any of the foregoing, before the Board may approve any new project that would require spending more than one-third of the Association dues assessed in the prior year, such action must be approved by a vote of the Board, with at least three (3) Directors in support, and an affirmative vote of at least Fifty Five Percent (55%) of responding Owners by written ballot shall be required.

Section 13. Non-Delegation. These Bylaws may not be considered to grant to the

Board, the Association, or to any Officers any powers or duties which, by law, have been delegated to the Owners.

ARTICLE IV

Financial and Recordkeeping Matters

Section 1. Annual Budget. The Board shall cause to be prepared an estimated annual budget for each fiscal year of the Association. This budget shall include a reserve for contingencies for the next fiscal year and a reserve for expected future capital expenditures in reasonable amounts as determined by the Board. The estimated annual budget for each fiscal year shall be available upon a written request from any Owner in good standing with the Association. If at any time the Board determines it is necessary to withdraw funds from the capital funds on deposit for other than capital expenditures the membership shall be notified as to the amount and purpose of such withdrawal.

Section 2. Assessments. All assessments are due and payable as provided in the Covenants.

Section 3. Association Records. The Board shall cause to be kept detailed and accurate records of receipts and expenditures. Payment vouchers may be approved in such manner as the Board may determine. Said records and vouchers shall be available for examination by any Owner in good standing with the Association upon written request by such Owner at a time and place to be determined on a case-by-case basis.

Section 4. Individual Statements of Account. The Board shall, upon receipt of ten (10) days' written notice to it and upon payment of a reasonable fee, furnish to any Owner a statement of account setting forth the amount of any unpaid assessments or other charges due and owing from such Owner.

Section 5. Discharge of Liens. The Board may cause the Association to discharge any mechanic's lien or other encumbrance that may constitute a lien against the common areas of the Property, rather than a lien against only a particular Owner's Lot.

Section 6. Holding Funds. All funds collected on behalf of the Association shall be held and expended for the purposes designated herein and in the Covenants, and shall be deemed to be held for the benefit, use, and account of all Owners.

Section 7. Association Records. The Association shall keep at all times a copy of the following records at a location to be determined by the Board:

- (a) Its Charter or Restated Charter and all amendments thereto;
- (b) Its Covenants and all amendments thereto;
- (c) These Bylaws and all amendments thereto;
- (d) Resolutions adopted by the Board relating to the characteristics, qualifications, rights, limitations, and obligations of Owners or any class or category of Owners;
- (e) The minutes of all Board meetings and a record of all actions taken by the Board without a meeting;
- (f) All written correspondence, regardless of the media used, between and among Board members shall be kept as determined by the Board at the time of the communication.
- (g) The minutes of all meetings of Owners and the records of all actions taken by Owners without a meeting for the past three years;
- (h) All written communications to Owners generally within the past three years, including the past three years' annual financial statements;
- (i) A list of the names and business or home addresses of its current Officers;
- (j) The most recent annual report delivered to the Tennessee Secretary of State; and
- (k) All appropriate accounting records.

Section 8. Annual Financial Statements. The Association shall prepare annual financial statements that include a statement of financial position, statement of activities, and statement of cash flows as of the end of the fiscal year, and such other information necessary to comply with the requirements of the applicable provisions of the Tennessee Nonprofit Corporation Act. The Board shall assure that a certified audit of this Annual Financial Statement is completed each year.

ARTICLE V

Contractual Powers

Section 1. Effect of Decision Involving an Interested Officer. No contract or other

transaction between the Association and one or more of its Officers or between the Association and any corporation, firm, or association in which one or more of the Officers are directors, or are financially interested, is void or voidable because such Officer(s) are present at the meeting of the Board or a committee thereof which authorizes or approves the contract or transaction or because his or their votes are counted, if the circumstances specified in either of the following subparagraphs exists:

(a) The fact of the common directorship or financial interest is disclosed or known to the Board or committee and noted in the minutes, and the Board or committee authorizes, approves, or ratifies the contract or transaction in good faith by a vote sufficient for the purpose without counting the vote or votes of such Officer(s); or

(b) The contract or transaction is just and reasonable as to the Association when it is authorized, approved, or ratified.

Section 2. Quorum When an Interested Officer is Present. Common or interested Officers may be counted in determining the presence of a quorum at a meeting of the Board or a committee thereof which authorizes, approves, or ratifies a contract or transaction.

ARTICLE VI

Amendments

These Bylaws may be amended from time to time by action of the Board, unless specifically prohibited by the Covenants or these Bylaws. Before approving any material change to the Bylaws, the Board must notify Owners of the proposed change and provide Owners with the opportunity to see the proposed new Bylaws. If, within 30 days after sending such notification, 10% or more of the Owners request in writing a meeting to discuss the proposed change, the President will call a meeting for open discussion of the subject; otherwise, the changes will become effective at the end of the 30-day notice period. If a meeting is held in accordance with this Section, the Board will reconsider the proposed new Bylaws in light of the discussion at the meeting and take such further action, if any, as the Board deems appropriate.

ARTICLE VII

Deeds of Trust

The Board, whenever requested in writing by a deed of trust beneficiary of a Lot, may report any of the then unpaid assessments, fees, or common charges due from, or any default by, the Owner of the mortgaged Lot.

ARTICLE VIII

Principles of Interpretation

Section 1. Severability. These Bylaws, to the extent possible, shall be construed or reformed to give validity to all of its provisions. Any provision of these Bylaws found to be prohibited by law or unenforceable shall be ineffective to the extent of such prohibition or unenforceability without invalidating any other part hereof.

Section 2. Construction. In interpreting these Bylaws, unless the context otherwise provides or requires, the singular includes the plural, the plural includes the singular, and the use of gender includes both genders.

Section 3. Headings. Headings are included for the purpose of convenient reference, and they do not affect the meaning or interpretation of these Bylaws.

Section 4. Conflict between Documents. In case of any conflict between these Bylaws and the Covenants, the Covenants shall control. In case of any conflict between these Bylaws and the Architectural Guidelines, the Architectural Guidelines shall control.

ARTICLE IX

Miscellaneous Provisions

Section 1. Registration of Mailing Address. Each Owner shall register his current mailing address with the Secretary of the Association, and notices or demands intended to be served upon or given to an Owner will be personally delivered or sent by mail, postage prepaid, addressed in the name of the Owner at such registered mailing address.

Section 2. Notices. Whenever notice is required to be given to Owners, Officers, or the Association, unless otherwise provided by law, the Covenants, or these Bylaws, such notice may be given in person or by telephone, telegraph, mail, email, or private carrier. If such notice is given by mail, it shall be sent postage prepaid by first class United States mail or by registered or certified United States mail, return receipt requested, and addressed to the respective address which appears for each such person on the books of the Association. Written notice sent by email to Owners shall be deemed to have been given when it is transmitted. Any other written notice shall be deemed to have been given at the earliest of the following:

(a) when received;

(b) five days after its deposit in the United States mail if sent first class, postage prepaid; or

(c) on the date on the return receipt, if sent by registered or certified United States mail, return receipt requested, and the receipt is signed by or on behalf of the addressee.

Section 3. Waiver of Notice. Whenever notice is required to be given under the provisions of any statute, the Covenants, or these Bylaws, a waiver thereof in writing signed by the person entitled to such notice, whether signed before or after the date stated thereon, and delivered to the Secretary of the Association and included in the minutes, shall be deemed equivalent thereto.

Section 4. Negotiable Instruments. All checks, drafts, notes, or other obligations of the Association shall be signed by an authorized Officer or by such other person(s) as may be authorized by the Board.

Section 5. Deposits. The monies of the Association may be deposited in the name of

the Association in such bank(s) or financial institution(s) as the Board may designate from time to time and shall be drawn out by check signed by the Officer(s) or person(s) designated with such authority by resolution adopted by the Board.

Section 6. Limitation of Liability and Indemnification. The Association shall indemnify every Board member and Committee member against any and all judgments and expenses, including trial and appellate attorney's fees and costs reasonably incurred by or imposed upon any Board member or Committee member in connection with any action, suit, or other proceeding (including the settlement of any suit or proceeding if approved by the Board) to which he or she may be party by reason of being or having been a Board member or Committee member. Board members and Committee members are not liable for any mistake of judgment, negligent or otherwise, except for their own willful malfeasance, misconduct, or bad faith. Board members and Committee members have no personal liability with respect to any contract or other commitment made by them, in good faith, on behalf of the Association (except to the extent that such Board member or Committee member is also an Association Member), and the Association shall indemnify and forever hold each such Board member and Committee member free from and harmless against any and all liability to others on account of any such contract or commitment. Any right to indemnification provided for herein is not exclusive of any other rights to which a Board member or Committee member may be entitled.

With respect to claims or liabilities arising out of service as a Board member or a Committee member, the Association shall indemnify and advance expenses to each such present and future Board member or Committee member (and his or her estate, heirs, and personal representatives) to the fullest extent allowed by the laws of the State of Tennessee, as now in effect and as hereafter adopted or amended.

ARTICLE X

Definitions

As used in these Bylaws, the following terms have the meanings set forth below:

- a) “**ARC**” means the Lone Mountain Shores Architectural Review Committee;
- b) “**Association**” means the Lone Mountain Shores Owners Association, Inc., a non-profit corporation;
- c) “**Board**” means the Board of Directors of Lone Mountain Shores Owners Association, Inc.;
- d) “**Covenants**” means the Declaration of Covenants, Conditions, Restrictions, and Easements for Lone Mountain Shores, as amended;
- e) “**LMS**” means the planned community of Lone Mountain Shores created by the Covenants;
- f) “**LMS Governing Documents**” means (i) these Bylaws; (ii) the Declaration of Covenants Conditions, Restrictions, and Easements for Lone Mountain Shores; and (iii) the Architectural Guidelines, all as they may be amended from time to time;

- g)** “**LMSOA**” means the Lone Mountain Shores Owners Association, Inc., a non-profit corporation;
- h)** “**Lot**” means a designated parcel of land within LMS, whether developed with improvements thereon or undeveloped;
- i)** “**Majority of the Owners**” means the holders of more than fifty percent (50%) of the voting rights of Owners;
- j)** “**Member**” means an Owner or Owners, as the case may be, as stated on the deed of record in the Claiborne County Register of Deed’s Office. If an Owner is a land title holding trust under the terms of which all powers of management, operation, and control of the Owner’s Lot remain vested in the trust beneficiary, then the Member shall be that beneficiary;
- k)** “**Officer**” means a member of the Board;
- l)** “**Owner**” means the record owner, whether one or more persons or entities, of fee simple title to any lot in Lone Mountain Shores, but does not mean any person or entity who holds its interest merely as security for the performance of a debt or other obligation, until such person or entity has acquired fee simple title pursuant to foreclosure or other proceeding; and
- m)** “**Property**” means the Lone Mountain Shores subdivision, consisting of the aggregate of the common areas owned by the Association and all Lots.

By signing below the duly elected representative(s) of Lone Mountain Shores Owners Association, Inc. affirm that the foregoing Bylaws were duly adopted in accordance with the Bylaws of Lone Mountain Shores Owners Association, Inc., Revision 2007, in that the Material Changes to this document were approved by unanimous vote of the Board and the affirmative vote of fifty- five percent (55%) of the Owners voting by absentee ballot.

IN WITNESS WHEREOF, the said Lone Mountain Shores Owners Association, Inc., hereinbefore known as Declarant, has hereunto caused these presents to be executed on this the 12th day of August, 2013.

LONE MOUNTAIN SHORES OWNERS ASSOCIATION, INC.

BY: [Signature]
David A. Kennedy

STATE OF TENNESSEE:
COUNTY OF CLAIBORNE:

Personally appeared before me, the undersigned authority, a Notary Public in and for said County and State, as aforesaid, David N. McNeal and David A. Kennedy, with whom I am personally acquainted, who proved to me by satisfactory evidence of identity and who, upon oath, acknowledged himself/herself to be the President and Vice President for Lone Mountain Shores Owners Association, Inc., the within named bargainer, and that as such, he/she has been authorized to execute the foregoing instrument on behalf of said corporation for the purposes therein contained, by signing the name of the corporation by himself/herself as such President and Vice President.

WITNESS my hand and official seal at office this the 12th day of August, 2013.

Arnta Hange

