

BY-LAWS OF
VALENCIA HILLS CONDOMINIUM ASSOCIATION, INC.

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BY-LAWS OF
VALENCIA HILLS CONDOMINIUM ASSOCIATION, INC.

Article I
General

Section 1. Applicability. These By-Laws provide for the self government of Valencia Hills Condominium in accordance with the Articles of Incorporation and the Declaration.

Section 2. Name. The name of the corporation is Valencia Hills Condominium Association, Inc., hereinafter referred to as the Association.

Section 3. Membership. An owner of a unit shall automatically become a member of the Association upon taking title to the unit and shall remain a member for the entire period of ownership; as may be more fully provided below, a spouse of a member may exercise the powers and privileges of the member. If title to a unit be held by more than one person, the membership shall be shared in the same proportion as the title, but there shall be only one membership and one vote per unit. Membership does not include persons who hold an interest merely as security for the performance of an obligation, and the giving of a security interest shall not terminate the owner's membership. Membership shall be appurtenant to the unit to which it appertains and shall be transferred automatically by conveyance of that unit and may be transferred only in connection with the transfer of title.

Section 4. Voting. Each unit shall be entitled to one vote which may be cast by the owner, the owner's spouse, or by a lawful proxy as provided below. When more than one person owns a unit, the vote for such unit shall be exercised as they between or among themselves determine, but in no event shall more than one vote be cast with respect to any unit. In the event of disagreement among such persons and an attempt by two or more of them to cast such vote or votes, such persons shall not be recognized and such vote or votes shall not be counted. No owner shall be eligible to vote, either in person or by proxy, or be elected to the Board of Directors, if that owner is shown on the books or management accounts of the Association to be more than sixty (60) days delinquent in any payment due the Association.

Section 5. Majority. As used in these By-Laws, the term "majority" shall mean those votes, owners, or other group as the context may indicate totalling more than fifty percent (50%) of the total number of votes, owners, or other groups.

Unless otherwise specifically stated, the words "majority vote" mean more than fifty percent (50%) of those voting in person or by proxy. Unless otherwise provided in the Declaration or these By-Laws, all decisions shall be by majority vote.

Section 6. Purpose. The Association shall have the responsibility of administering the condominium, establishing the means and methods of collecting the contributions to the common expenses, arranging for the management of the condominium and performing all of the other acts that may be required to be performed by the Association by the Georgia Condominium Act and the Declaration. Except as to those matters which either the Georgia Condominium Act, the Declaration, or the Georgia Nonprofit Corporation Code specifically require to be performed by the vote of the Association, the administration of the foregoing responsibilities shall be performed by the Board of Directors as more particularly set forth below.

Article II Definitions

Unless the context otherwise requires, the terms as used in these By-Laws, the Declaration and the Articles of Incorporation shall have the following meanings:

Section 1. Act or Georgia Condominium Act means the Georgia Condominium Act, Ga. Laws 1975, No. 463; Ga. Code Ann. Chapter 85-16E, as it may be amended.

Section 2. Association means Valencia Hills Condominium Association, Inc. and its successors.

Section 3. Board or Board of Directors means the governing body of the Association.

Section 4. Common elements or common areas means that area and property submitted to be part of the condominium but not included within the boundaries of a unit, as defined in Paragraph 4 of the Declaration.

Section 5. Condominium means all of the property, as provided in Section 13.

Section 6. Declaration means the Declaration of Covenants, Conditions and Restrictions for Valencia Hills Condominium, that document filed of record in the Office of the Clerk of the Superior Court of Cobb County, Georgia for the purpose of submitting the condominium to the Act, as that document may be lawfully amended.

Section 7. Limited common elements means that property set aside for limited use as described in Paragraph 5 of the Declaration.

Section 8. Mortgage shall refer to any mortgage, deed to secure debt, deed of trust or other transfer or conveyance for the purpose of securing the performance of an obligation, including but not limited to a transfer or conveyance for such purpose of fee title.

Section 9. Officer means those individuals who are elected by the Board to serve as President, Vice President, Secretary, or Treasurer or such other subordinate offices as the Board may determine necessary.

Section 10. Original Declaration means the Declaration of Covenants, Conditions and Restrictions for Valencia Hills I, as filed by Southeastern Condominiums, Inc., a Georgia corporation, formerly known as CPL Condominium Enterprises, Inc. (the Declarant therein), dated March 14, 1974 and recorded in Deed Book 1509, Page 215 et seq., Cobb County, Georgia Records, and as lawfully amended prior to submission of the Condominium to the Georgia Condominium Act.

Section 11. Owner means the record title holder of a unit within the condominium, but shall not mean a mortgage holder.

Section 12. Person means any individual, corporation, firm, association, partnership or other legal entity.

Section 13. Property means all of the property submitted to the Act, as provided in Paragraph 2 of the Declaration.

Section 14. Unit means that portion of the condominium intended for individual ownership and use as described in the Declaration.

Other terms have their natural meanings or the meanings given in the Declaration, the Act, or the Georgia Nonprofit Corporation Code.

Article III Meetings of Members

Section 1. Annual Meetings. The regular annual meeting of the members shall be held at 8:00 p.m. on the third Monday in June, of each year, or at such other day and time within the month of May as may be determined by the Board.

Section 2. Special Meetings. Special meetings of the members for any purpose may be called at any time by the President, the Secretary, or Treasurer, or by request of any two or more members of the Board of Directors, or upon written request of the members who have a right to vote one-fourth (1/4) of all of the votes of the entire membership.

Section 3. Notice of Meetings. It shall be the duty of the Secretary to mail or to cause to be delivered to the units a notice of each meeting of the members of the Association at least twenty-one (21) days prior to each annual meeting and at least seven (7) days prior to each special meeting, stating the time and place where it is to be held and the purpose of any special meeting, to each owner of units of record; if any owner wishes notice to be given at an address other than his or her unit, the owner shall have designated by notice in writing to the Secretary such other address. The mailing or delivering of a notice of meeting in the manner provided in this Section shall be considered service of notice. Upon request, any institutional holder of a first mortgage shall be entitled to written notice of all meetings and shall be permitted to designate a representative to attend and observe any such meeting.

Section 4. Waiver of Notice. Waiver of notice of meeting of the owners shall be deemed the equivalent of proper notice. Any owner may, in writing, waive notice of any meeting of the owners, either before or after such meeting. Attendance at a meeting by an owner, whether in person or by proxy, shall be deemed waiver by such owner of notice of the time, date and place thereof unless such owner specifically objects to lack of proper notice at the time the meeting is called to order. Attendance at a special meeting shall also be deemed waiver of notice of all business transacted thereat unless objection to lack of notice is raised before the business, of which proper notice was not given, is put to a vote.

Section 5. Quorum. Except as may be provided elsewhere, a quorum shall be deemed present throughout any meeting of the members of the Association until adjourned if persons entitled to cast more than one-third of the votes are present at the beginning of the meeting.

Section 6. Adjournment. Any meeting of the owners may be adjourned from time to time for periods not exceeding forty-eight (48) hours by vote of the owners holding the majority of the votes represented at such meeting, regardless of whether a quorum is present. Any business which could be transacted properly at the original session of the meeting may be transacted at an adjourned session, and no additional notice of such adjourned session shall be required.

Section 7. Proxy. Any member entitled to vote may do so by written proxy duly executed by the member setting forth the meeting at which the proxy is valid. To be valid, a proxy must be filed with the Secretary prior to the opening of the meeting for which it is to be used. Proxies must be dated and may be revoked only by written notice delivered to the Association. Presence in person at the meeting for which a proxy is given shall automatically revoke the proxy, provided that the member reclaims his proxy from the Secretary before the result of any vote is announced.

Section 8. Conduct of Meetings. The President shall preside over all meetings of the members and the Secretary shall keep a minute book recording therein all resolutions adopted by the members and a record of all transactions. The President may conduct meetings in accordance with Roberts Rules of Order (latest edition), which shall govern the conduct of the meeting, when not in conflict with these By-Laws, with respect to any objection raised by any member as to the manner in which the President conducts the meeting.

Section 9. Consents. Any action which may be taken by a vote of the owners may also be taken by written consent signed by all owners.

Section 10. Location of Meetings. All annual and special meetings of the members shall be held at the Condominium or other suitable place, within Cobb County, Georgia, as determined by the Board.

Article IV Board of Directors

Part A. Composition and Selection.

Section 1. Composition. The affairs of the Association shall be governed by a Board of Directors. The Board shall be composed of seven (7) persons. The directors shall be owners of units or spouses of such owners; provided, however, that no owner and his or her spouse may serve on the Board at the same time.

Section 2. Term of Office. The directors shall be elected as provided in Section 7 of this Article, for staggered terms of two years. Nothing contained herein shall be construed to alter the term of any director elected prior to the adoption of these amended By-Laws. A director whose term expires shall hold office until his successor has been elected and has attended his first Board meeting.

Section 3. Removal of Members of the Board of Directors. At any regular or special meeting of the Association duly called, any one or more of the members of the Board of Directors may be removed with or without cause by a majority of the members and a successor shall then and there be elected to serve during the unexpired term of the vacancy thus created. Any director whose removal has been proposed by the members shall be given at least ten (10) days' notice of the calling of the meeting and the purpose thereof and shall be given an opportunity to be heard at the meeting.

Section 4. Vacancies. Vacancies in the Board of Directors caused by any reason, including the addition of a new director or directors but excluding the removal of a director by vote of the members, shall be filled by a vote of the majority of the remaining directors, even though less than a quorum, at any meeting of the Board of Directors for the remainder of the term of the member being replaced.

Section 5. Compensation. Directors shall not be compensated unless and to the extent the members of the Association authorize at any meeting duly called for that purpose. This provision shall not be construed to limit the right of any officer or director to reimbursement for authorized expenses incurred on behalf of the Association.

Section 6. Nomination. Nomination for election to the Board shall be made by a nominating committee which shall consist of three (3) members appointed by the President to serve from the close of one annual meeting to the close of the succeeding annual meeting. Such appointment shall be announced at the annual meeting. The nominating committee shall be announced at the annual meeting. The nominating committee may nominate any number of qualified individuals, but no less than the number of directors to be elected. The nominations shall be made at least twenty-one (21) days prior to the annual meeting and a brief statement about the qualifications of each individual so nominated shall be included with the notice of the annual meeting. Nominations shall also be allowed from the floor at the meeting, and failure to comply with this Section shall in no way invalidate the election of directors so nominated.

Section 7. Elections. At each annual meeting, one director from among those nominated shall be elected to succeed each director whose term is scheduled to expire. Each vote may be cast once for each director to be elected, and the persons receiving the largest number of votes shall be elected. Cumulative voting is not permitted.

Part B. Meetings.

Section 8. Regular Meetings. Regular meetings of the Board of Directors may be held at such time and place as shall be determined from time to time by the Board, but such meetings shall be held at least once every three months. The Board shall meet within ten (10) days after each annual meeting of members.

Section 9. Special Meetings. Special meetings of the Board of Directors may be called by the President on three (3) days notice to each director given by mail, in person or by telephone, which notice shall state the time, place and purpose of the meeting. Special meetings of the Board of Directors shall be called by the President, Secretary or Treasurer in like manner and on like notice on the written request of at least two (2) directors.

Section 10. Waiver of Notice. Any director may, at any time, in writing, waive notice of any meeting of the Board of Directors, and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a director at any meeting of the Board of Directors shall also constitute a waiver of notice by him or her of the time and place of such meeting. If all directors are present at any meeting of the Board of Directors, no notice shall be required and any business may be transacted at such meeting.

Section 11. Quorum and Conduct of Meetings. The President shall preside over all meetings of the Board of Directors and the Secretary shall keep a minute book recording therein all resolutions adopted by the Board of Directors and a record of all transactions and proceedings occurring at such meetings. A majority of directors shall constitute a quorum for the transaction of business. All decisions of the Board shall be by majority vote, unless otherwise explicitly provided in these By-Laws, and no director may vote by proxy.

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

Part C. Powers and Duties.

Section 13. Powers and Duties. The Board of Directors shall manage the affairs of the Association and shall have all the powers and duties necessary for the administration

of the condominium and may do all such acts and things as are not by the Declaration, Articles of Incorporation, or these By-Laws directed to be done and exercised exclusively by the members. The Board shall have the power to adopt such rules and regulations as it deems necessary and appropriate and to impose sanctions for violations thereof, including without limitation, monetary fines.

Section 14. Management Agent. The Association may hire a professional management agent or agents, at a compensation established by the Board, to perform such duties and services as the Board of Directors shall authorize, subject to the provision of Article IX, Section 11(f).

Section 15. Borrowing. The Board of Directors shall have the power to borrow money for the purpose of repair or restoration of common elements without the approval of the members of the Association; provided, however, that the Board shall obtain membership approval in the same manner as for special assessments set forth in Article VII, Section 5, in the event that the proposed borrowing is for the purpose of modifying, improving, or adding amenities to the condominium and the total amount of such borrowing exceeds or would exceed Seven Thousand Five Hundred Dollars (\$7,500) outstanding debt at any one time.

Part D. Committees.

Section 16. Nominating Committee. Pursuant to Section 6 of this Article IV, there shall be a nominating committee composed of three (3) members appointed in the manner and to perform the functions specified in Section 6 of this Article.

Section 17. Architectural Standards. The Board may establish an Architectural Standards Committee for the purpose of establishing and maintaining architectural standards on condominium property as hereinafter provided.

Section 18. Other Committees. There shall be such other committees as the Board shall determine with the powers and duties that the Board shall authorize. Unless otherwise provided in the resolution creating the committee, the chairperson of each committee shall be a member of the Board.

Article V Officers

Section 1. Designation. The principal officers of the Association shall be the President, Vice President, the Secretary, and the Treasurer, all of whom shall be elected by

and from the Board of Directors. The Board of Directors may appoint an Assistant Treasurer, an Assistant Secretary, and such other subordinate officers as in its judgment may be necessary. Such subordinate officers shall not be required to be members of the Board of Directors. Except for the offices of Secretary and Treasurer, which may be held by the same person, no person may hold more than one office.

Section 2. Election of Officers. The officers of the Association shall be elected annually by the Board of Directors, at the first meeting of the Board following each annual meeting of the members, and shall hold office at the pleasure of the Board of Directors and until a successor is elected.

Section 3. Removal of Officers. The Board may remove any officer, with or without cause, at any time.

Section 4. President. The President shall be the chief executive officer of the Association and shall preside at all meetings of the members and of the Board of Directors. The President shall have all the general powers and duties which are incident to the office of the president of a corporation organized under Georgia law, including but not limited to the power to appoint committees from among the members from time to time as he may in his discretion decide is appropriate to assist in the conduct of the affairs of the Association.

Section 5. Vice President. The Vice President shall act in the President's absence and shall have all powers, duties, and responsibilities provided for the President when so acting.

Section 6. Secretary. The Secretary shall keep the minutes of all meetings of the members and of the Board of Directors and shall have charge of such books and papers as the Board of Directors may direct, and shall, in general, perform all duties incident to the office of the secretary of a corporation organized under Georgia law.

Section 7. Treasurer. The Treasurer shall have the responsibility for the Association's funds and securities and shall be responsible for keeping full and accurate financial records and books of account showing all receipts and disbursements, for preparing all required financial statements and tax returns, and for the deposit of all monies and other valuable effects in the name of the Association or the managing agent in such depositories as may from time to time be designated by the Board of Directors. The Treasurer shall be responsible, with the managing agent, for the preparation of the budget as provided in Article VII.

Section 8. Agreements, Contracts, Deeds, Leases, Etc. All agreements, contracts, deeds, leases, promissory notes and other instruments of the Association shall be executed by at least two (2) officers or by such other person or persons as may be designated by resolution of the Board of Directors. The Board may authorize execution by any one or more persons of checks for general operating expenses.

Article VI
Association Responsibilities

Section 1. Liability and Indemnification of Officers and Directors. The Association shall indemnify every officer and director against any and all expenses, including counsel fees, reasonably incurred by or imposed upon such officer or director in connection with any action, suit or other proceeding (including settlement of any such action, suit or proceeding if approved by the then Board of Directors) to which he may be made a party by reason of being or having been an officer or director, whether or not such person is an officer or director at the time such expenses are incurred. The officers and directors shall not be liable for any mistake of judgment, negligent or otherwise, or for injury or damage caused by any such officer or director in the performance of his duties, except for their own individual willful misfeasance or malfeasance. The officers and directors shall 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 officers or directors may also be members of the Association) and the Association shall indemnify and forever hold each such officer or director free and harmless against any and all liability to others on account of any such contract or commitment. Any right to indemnification provided for herein shall not be exclusive of any other rights to which any officer or director, or former officer or director, may be entitled. The Association shall as a common expense maintain adequate general liability and, if obtainable, officers' and directors' liability insurance to fund this obligation and the insurance shall be written as provided in Section 2 of this Article VI.

Section 2. Insurance. The Association shall obtain and maintain at all times as a common expense insurance as required by Section 39 of the Georgia Condominium Act and as required herein. The Board shall conduct an annual insurance review which shall include, no less frequently than once every two years, a replacement cost appraisal, without respect to depreciation, of all insurable improvements on the property (with the exception of improvements and betterments made by the

respective owners at their expense) by one or more qualified persons, at least one of whom is a qualified building cost estimator.

(a) The Board of Directors shall utilize every reasonable effort to secure a master policy covering physical damage that will provide the following:

(1) That the insurer waives its rights of subrogation of any claims against directors, officers, the managing agent, the individual owners and their respective household members.

(2) That the master policy on the condominium cannot be cancelled, invalidated, or suspended on account of the conduct of any director, officer or employee of the Association or the managing agent without a prior demand in writing delivered to the Association and to all mortgagees of units to cure the defect and the allowance of a reasonable time thereafter within which the defect may be cured.

(3) That any "no other insurance" clause contained in the master policy shall expressly exclude individual unit owners' policies from its operation.

(4) That until the expiration of thirty (30) days after the insurer gives notice in writing to the mortgagee of any unit, the mortgagee's insurance coverage will not be affected or jeopardized by any act or conduct of the owner of such unit, the other unit owners, the Board of Directors, or any of their agents, employees, or household members; nor canceled for nonpayment of premiums.

(5) That the master policy may not be canceled or substantially modified without at least thirty (30) days' prior notice in writing to the Board of Directors and all mortgagees of units.

(6) An agreed value endorsement.

(7) That the deductible amount per occurrence shall not exceed One Thousand Dollars (\$1,000.00).

All policies of insurance shall be written with a company licensed to do business in the State of Georgia and holding a rating of XI or better in the Financial Category as established by A. M. Best Company, Inc., if available and, if not available, the best rating available. The company shall provide insurance certificates to each owner and each mortgagee.

In no event shall the insurance coverage obtained and maintained by the Association hereunder be brought into contribution with insurance purchased by individual unit owners or their mortgagees.

Each unit owner shall notify the Board of Directors of all structural improvements made by the unit owner to his unit.

Any unit owner who obtains an individual insurance policy covering any portion of the condominium, other than improvements and betterments made by such owner at his expense and personal property belonging to such owner, shall file a copy of such individual policy or policies with the Board of Directors within thirty (30) days after the purchase of such insurance. Such owner shall also promptly notify, in writing, the Board of Directors in the event such policy is canceled.

All public liability and officers' and directors' liability insurance shall contain a cross liability endorsement.

(b) In addition to the insurance required herein above, the Board shall obtain as a common expense:

(1) Workmen's compensation insurance if and to the extent necessary to meet the requirements of law.

(2) Public liability and officers' and directors' liability insurance in such amounts as the Board may determine but in no event less than that required by Section 39, Georgia Condominium Act. Such insurance shall contain a cross liability endorsement.

(3) Fidelity bonds covering officers, directors, employees and other persons who handle or are responsible for handling Association funds. Such bonds shall be in an amount no less than the maximum amount normally within the custody of such persons and shall contain, when applicable, waivers of any defense based upon the exclusion of persons serving without compensation.

(4) Such other insurance as the Board of Directors may determine to be necessary.

Section 3. Repair and Reconstruction. In the event of damage to or destruction of all or any part of the condominium as a result of fire or other casualty, unless eighty percent (80%) of the unit owners vote not to proceed with the reconstruction and repair of the structure, the Board of Directors or its duly authorized agent shall arrange for and supervise the prompt repair and restoration of the structure in

accordance with the original plats and plans. In the event of substantial damage or destruction, each institutional holder of a first mortgage shall be entitled to written notice of the damage, and nothing in these documents shall be construed to afford a priority to any unit owner with respect to the distribution of proceeds to any such unit.

The procedure for repair and reconstruction shall be:

(a) Cost Estimates. Immediately after a fire or other casualty causing damage to the condominium the Board of Directors shall obtain reliable and detailed estimates of the cost of repairing and restoring the structures (including any damaged unit) to a condition as good as that existing before such casualty. Such costs may also include professional fees and premiums for such bonds as the Board of Directors determines to be necessary.

(b) Source and Allocation of Proceeds. If the proceeds of insurance are not sufficient to defray the said estimated costs of reconstruction and repair as determined by the Board of Directors, or if at any time during the reconstruction and repair or upon completion of reconstruction and repair the funds for the payment of the costs thereof are insufficient, assessments shall be made against all of the unit owners. If after repair and reconstruction is completed there is a surplus of funds, such funds shall be common funds of the Association to be used as directed by the Board of Directors.

(c) Plans and Specifications. Any such reconstruction or repair shall be substantially in accordance with the plans and specifications under which the condominium was originally constructed.

(d) Encroachments. Encroachments upon or in favor of units which may be created as a result of such reconstruction or repair shall not constitute a claim or basis for any proceeding or action by the unit owner upon whose property such encroachment exists, provided that such reconstruction was substantially in accordance with the architectural plans under which the condominium was originally constructed. Such encroachments shall be allowed to continue in existence for so long as the reconstructed building shall stand.

(e) Construction Fund. The net proceeds of the insurance collected on account of a casualty and the funds collected by the Association from assessments against unit owners on account of such casualty shall constitute a construction fund which shall be disbursed in payment of the cost of reconstruction and repair in the manner set forth in this Section.

(f) Method of Disbursement. The construction fund shall be paid by the Association in appropriate progress payments to such contractor(s), supplier(s), and personnel performing the work or supplying materials or services for the repair and reconstruction of the buildings as are designated by the Board of Directors.

(g) Insurance Deductibles. If maintenance is required as a result of an insured loss, the amount of the deductible shall be considered a maintenance expense to be paid by the person or persons who would be responsible for such repair in the absence of insurance. If the loss affects more than one unit or a unit and the common elements, the cost of the deductible may be apportioned equitably by the Board among the parties suffering loss in accordance with the total cost of repair.

Section 4. Architectural Standards. No owner, occupant, lessee or lessor, or any other person may make any exterior change, alteration or construction, nor erect, place, or post any sign, object, light, or thing on the exterior of the buildings or any portion of the common elements without first obtaining the written approval of the Board or its delegate. Application shall be in writing and shall provide such information as the Board may reasonably require. The Board or its delegate may publish written architectural standards for exterior alterations or additions and any request in substantial compliance therewith shall be approved. In the event that the Board or its delegate fails to approve or to disapprove such application within sixty (60) days after it shall have been submitted, its approval will not be required and this Section 4 will be deemed complied with.

Section 5. Maintenance Responsibility.

(a) By the Owner. Each owner shall maintain and keep in good repair all portions of his unit and its appurtenant limited common elements (adjacent patio or deck), except as otherwise provided in subsection (b), including all glass surfaces and all doors, doorways, frames, and hardware that is part of the entry system of the unit.

(b) By the Association. The Association shall maintain and keep in good repair as a common expense all of the condominium property not required to be maintained and kept in good order by an owner. Except to the extent that insurance covers any damage or loss (or that insurance required but not maintained would cover any damage or loss), the Association shall not be responsible for any maintenance or repair to the interior of any unit. The Association shall be responsible for

all exterior surfaces except those listed in Section 5(a) of this Article VI whether or not included within the boundaries of a unit or its limited common elements unless the defect is the result of the owner's own conduct. The Association shall be authorized to perform, after notice, any maintenance upon a unit for which an owner is responsible and to charge, as provided for assessments herein, the owner with the actual costs of maintenance.

Article VII Assessments

Section 1. Purpose of Assessment. The assessments for common expenses provided for herein shall be used for the general purposes of promoting the recreation, health, safety, welfare, common benefit and enjoyment of the owners and occupants of units in the Condominium as may be more specifically authorized from time to time by the Board. Assessments may be used to compensate officers and directors only if approved by majority vote at a duly called annual or special meeting of the members.

Section 2. Creation of the Lien and Personal Obligation of Assessments. Each owner of any unit by acceptance of a Deed therefor, whether or not it shall be so expressed in such Deed, is deemed to covenant and agree to pay to the Association: (1) annual assessments or charges, and (2) special assessments, such assessments to be established and collected as hereinafter provided, and (3) specific assessments against any particular unit which are established pursuant to the terms of these By-Laws or the Declaration. All such assessments, together with charges, interest, costs, and reasonable attorney's fees, in the maximum amount permitted by Section 41 of the Georgia Condominium Act, shall be a charge on the unit and shall be a continuing lien upon the unit against which each assessment is made. Such amounts shall also be the personal obligation of the person who was the owner of such unit at the time when the assessment fell due. Each owner shall be liable for his or her portion of each assessment coming due while he or she is the owner of a unit and his or her grantee shall be jointly and severally liable for such portion thereof as may be due and payable at the time of conveyance. Assessments shall be paid in such manner and on such dates as may be fixed by the Board of Directors; unless otherwise provided, the assessments shall be paid in monthly installments. The Association may charge a reasonable fee not to exceed \$10.00 for the notice required in Section 41(d) of the Act.

Section 3. Acceleration. If a residence owner shall be in default in payment of an installment of an assessment, including but not limited to the monthly installments based on the annual budget, the Board of Directors may accelerate the remaining installments upon ten days written notice to such residence owner, whereupon the entire unpaid balance of such installment shall become due upon the date stated in such notice.

Section 4. Computation of Operating Budget and Assessment. It shall be the duty of the Board at least thirty (30) days prior to the Association's annual meeting to prepare a budget covering the estimated costs of operating the condominium during the coming fiscal year. The Board shall cause the budget and the assessments to be levied against each unit for that fiscal year to be delivered to each member at least fifteen (15) days prior to the meeting. The budget and the assessment shall become effective unless disapproved at the annual meeting by a vote of a majority of the total Association membership. Notwithstanding the foregoing, however, in the event that the membership disapproves the proposed budget or the Board fails for any reason so to determine the budget for that fiscal year, then and until such time as a budget shall have been determined as provided herein, the budget in effect for the preceding fiscal year shall continue for the succeeding fiscal year.

Section 5. Special Assessments. If the assessment proves inadequate for any year, the Board may at any time levy a special assessment against all owners; provided, however, that prior to becoming effective, any special assessment shall be approved by the affirmative vote of two-thirds (2/3) of those present, in person or by proxy, at a special or annual meeting of the members, notice of which shall specify that purpose.

Section 6. Notice of Meetings. Written notice of any meeting called for the purpose of taking any action authorized under Section 5 of this Article VII shall be sent to all members not less than twenty-one (21) days in advance of the meeting. Upon written request of any institutional holder of a first mortgage, that holder shall be entitled to written notice of any such meeting and shall be permitted to designate a representative to attend and observe the meeting.

Section 7. Lien for Assessments. The Association shall have full and complete lien rights as provided or permitted by Section 41, Georgia Condominium Act; and the lien shall specifically include the maximum costs, charges, fees, and rents set out in Section 41(b) of that Act.

Section 8. Capital Budget and Contribution. The Board of Directors shall annually prepare a capital budget which shall take into account the number and nature of replaceable assets, the expected life of each asset, and the expected repair or replacement cost. The Board shall set the required capital contribution, if any, in an amount sufficient to permit meeting the projected capital needs of the Association, as shown on the capital budget, with respect both to amount and timing by equal annual assessments over the period of the budget. The capital contribution required shall be fixed by the Board and included within the budget and assessment as provided in Section 4 of this Article. A copy of the capital budget shall be distributed to each member in the same manner as the operating budget.

Article VIII
Use Restrictions and Rule Making

Section 1. Authority and Enforcement. The condominium shall be used only for those uses and purposes set out in the Declaration. The Board of Directors shall have the authority to make and to enforce reasonable rules and regulations governing the conduct, use, and enjoyment of units and the common elements, provided that copies of all such rules and regulations be furnished to all owners. The Board shall have the power to impose reasonable fines which shall constitute a lien upon the property and to suspend an owner's right to vote or to use the common elements for violation of any duty imposed under the Declaration, these By-Laws or any rules and regulations duly adopted hereunder.

Section 2. Procedure. The Board shall not impose a fine, suspend a member's right to vote or infringe upon any other rights of a member or other occupant for violation of rules unless and until the following procedure is followed:

(a) Demand. Written demand to discontinue an alleged violation shall be served by notice upon the alleged violator specifying: (i) the alleged violation; (ii) the action required to abate the violation; and (iii) (A) if the violation is a continuing one, a time period, not less than ten (10) days, during which the violation may be abated without further sanction, or (B) if the violation is not a continuing one, a statement that any further violation of the same rule may result in the imposition of sanction after notice and hearing.

(b) Notice. Within twelve months of such demand, if the violation continues past the period allowed in the demand for abatement without penalty, or if the same rule is

subsequently violated, the Board shall serve the violator with written notice of a hearing to be held by the Board. The notice shall contain: (i) the nature of the alleged violation; (ii) the time and place of the hearing, which time shall be not less than ten (10) days from the giving of the notice; (iii) an invitation to attend the hearing and produce any statement, evidence and witnesses on his or her behalf; and (iv) the proposed sanction to be imposed.

(c) Hearing. The hearing shall be held pursuant to this notice affording the member a reasonable opportunity to be heard. Prior to the effectiveness of any sanction hereunder, proof of notice and the invitation to be heard shall be placed in the minutes of the meeting. Such proof shall be deemed adequate if a copy of the notice together with a statement of the date and manner of delivery is entered by the officer or director who delivered such notice. The notice requirement shall be deemed satisfied if a violator appears at the meeting. The minutes of the meeting shall contain a written statement of the results of the hearing and the sanction, if any, imposed.

Article IX Miscellaneous

Section 1. Notices. Unless otherwise provided in these By-Laws all notices, demands, bills, statements or other communications under these By-Laws shall be in writing and shall be deemed to have been duly given if delivered personally or if sent by registered or certified mail, return receipt requested, first class postage prepaid:

(a) If to a unit owner, at the address which the unit owner has designated in writing and filed with the Secretary, or if no such address has been designated, at the address of the unit of such owner; or

(b) If to the Association, the Board of Directors or the Managing Agent, at the principal office of the Association or the Managing Agent, if any, or at such other address as shall be designated by the notice in writing to the owners pursuant to this Section.

Section 2. Severability. The invalidity of any part of these By-Laws shall not impair or affect in any manner the validity, enforceability or effect of the balance of these By-Laws.

Section 3. Captions. The captions herein are inserted only as a matter of convenience and for reference, and

in no way define, limit or describe the scope of these By-Laws or the intent of any provision thereof.

Section 4. Gender and Grammar. The use of the masculine gender in these By-Laws shall be deemed to include the feminine gender, and the use of the singular shall be deemed to include the plural whenever the context so requires.

Section 5. Fiscal Year. The fiscal year shall begin on the first day of June and end on the thirty-first day of May of each year.

Section 6. Audit. An audit or review of the accounts of the Association shall be made annually as a common expense by a public accountant, and a copy of the report shall be furnished to each member who requests a copy in writing. Upon written request of any institutional holder of a first mortgage, such holder shall be entitled to receive a copy of the annual audited financial statement within 90 days after the end of each fiscal year.

Section 7. Conflicts. In the event of conflicts between the Act, the Declaration and these By-Laws, the Act and the Declaration shall control in that order.

Section 8. Condemnation. In the event of a taking by condemnation or by eminent domain, the provisions of Section 6 of the Georgia Condominium Act shall prevail and govern. Each institutional holder of a first mortgage shall be entitled to written notice of any such condemnation proceedings, and nothing in these documents shall be construed to give a priority to any unit owner in the distribution of proceeds to such unit.

Section 9. Amendment. These By-Laws may be amended at an annual or special meeting of the members by the affirmative vote of members holding at least two-thirds (2/3) of the votes in the Association. Members not present or represented by proxy at the meeting may cast their votes in writing after the meeting. Notice of any meeting at which an amendment will be considered shall state that fact and the subject matter of the proposed amendment. No amendment shall become effective until it is recorded in the Records of Cobb County, Georgia.

Section 10. Books and Records. All members of the Association and any institutional holder of a first mortgage shall, upon written request, be entitled to inspect all books and records of the Association during normal business hours and upon reasonable notice at the office of the Association or other place designated reasonably by the Board of Directors as the depository of such books and records.

Section 11. Special Mortgage Provisions.

(a) Notice of Default. Notwithstanding anything contained herein which might otherwise be construed to the contrary, a first mortgagee, upon request, will be entitled to written notification from the Association of any default in the performance by the owner of a unit in which such mortgagee has an interest of any obligation under the condominium instruments which is not cured within sixty (60) days.

(b) Consent of Owners Required. Notwithstanding anything contained herein which might otherwise be construed to the contrary, unless at least seventy five percent (75%) of the owners have given their prior written approval, the Association shall not be entitled to:

(i) By act or omission, seek to abandon or terminate the development;

(ii) Change the pro rata interest or obligations of any owner or unit for the purpose of (A) levying assessments or charges or allocating distributions of hazard insurance proceeds or condemnation awards, or (B) determining the pro rata share of ownership of each owner or unit in the common elements;

(iii) Partition or subdivide any unit;

(iv) By act or omission, seek to abandon, partition, subdivide, encumber, sell or transfer the common elements; provided, however, that the granting of easements for public utilities or for other public purposes consistent with the intended use of the common elements by the development shall not be deemed a transfer within the meaning of this provision; or

(v) Use hazard insurance proceeds for losses to any property (whether to units or to common elements) for other than the repair, replacement, or reconstruction of such property, except as provided by statute in case of substantial loss to the units and/or common elements.

(c) Association Books and Records. Notwithstanding anything contained herein which might otherwise be construed to the contrary, first mortgagees shall have the right to examine the books and records of the Association or the development.

(d) Funding of Reserves. Notwithstanding anything contained herein which might otherwise be construed to the contrary, annual assessments payable to the Association shall include an adequate reserve fund for maintenance, repairs and replacement of those portions of the common elements that must be replaced on a periodic basis.

(e) Priority of Mortgagees re Insurance Proceeds and Condemnation Awards. Notwithstanding anything contained herein which might otherwise be construed to the contrary, no owner or any other person shall have priority over any rights of first mortgagees of units pursuant to their mortgages in the case of a distribution to owners of insurance proceeds or condemnation awards for losses to or a taking of units and/or common elements.

(f) Management Agreement Limitations. Notwithstanding anything contained herein which might otherwise be construed to the contrary, any agreement for professional management of the development must provide for termination by either party without cause or payment of a termination fee on ninety (90) days or less written notice and a maximum contract term of three (3) years.

(g) Notice to FHLMC. Notwithstanding anything contained herein which might otherwise be construed to the contrary, the Association shall give to the Federal Home Loan Mortgage Corporation notice, in writing, upon receiving actual knowledge of any loss to, or taking of, the common elements if such loss or taking exceeds \$10,000.00 or damage to a unit covered by a mortgage purchased in whole or in part by the Federal Home Loan Mortgage Corporation if such loss exceeds \$1,000.00.