

BY-LAWS
OF
THE ANNANDALE PROPERTY OWNERS' ASSOCIATION, INC.

ARTICLE I

Name and Location

Section 1. Name and Location. These are the By-Laws of and for the Mississippi non-profit and non-share corporation named:

THE ANNANDALE PROPERTY OWNERS' ASSOCIATION, INC.

Said corporation is referred to herein at times as the "Association". The principal office of the Association is located at, and the mailing address of the Association is, 80 Annandale Parkway, Madison, Mississippi 39110.

ARTICLE II

Definitions

Section 1. Declarant. "Declarant", as used herein, means Annandale Development Company, a Delaware corporation.

Section 2. Project. The word "project" and the word "community", as used herein, mean that certain community known generally as "Annandale" being developed by the Declarant and others near the City of Madison, Madison County, Mississippi, in parts of Sections 27, 28, 33 and 34 of Township 8 North, Range 2 East, and part of Section 4 of Township 7 North, Range 2 East.

Section 3. Declaration. "Declaration", as used herein, means that certain instrument entitled "Declaration of Covenants and Restrictions" executed by the Declarant under date of October 18, 1985, filed for record in the office of the Chancery Clerk of Madison County at Canton, Mississippi, on _____, 1985, and appearing of record in the land records in said Chancery Clerk's office in Book _____, beginning at Page _____.

Section 4. Board of Directors. "Board of Directors" as used herein, means the Board of Directors of the Association.

Section 5. Charter. "Charter", as used herein, means the Charter of Incorporation of the Association.

Section 6. President, Vice President, Secretary and Treasurer. The words "President," "Vice President," "Secretary," and "Treasurer," as used herein, mean, respectively, the President, Vice President, Secretary and Treasurer of the Association.

Section 7. Other Definitions. Unless a different meaning is apparent from the context, all other expressions used herein shall have the same meaning as they are defined to have in the Declaration, except that the words "herein" as used in these By-Laws, shall mean in these By-Laws.

ARTICLE III

Membership and Voting Rights

Section 1. Membership. The Members of the Association shall be and consist of person who is, or who hereafter becomes, an Owner of a Lot comprising part of the Property.

Section 2. Voting Rights. Each Member shall have one vote in the election of each officer of the Association. For all other purposes, the voting rights of the Members shall be by class of membership, and shall be as follows, to wit:

(a) Class A Members. Each person, other than persons defined in the Declaration as "Developers," who is or who hereafter becomes the Owner of a Lot shall be a Class A Member of the Association. Class A Members shall be entitled to one vote for each Lot owned.

(b) Class B Members. Each of the persons defined in the Declaration as "Developers," and the nominee or nominees, if any, of each such person, shall be Class B Members of the Association. Class B Members shall be entitled to one vote for each Lot owned.

Section 3. Memberships Appurtenant to Real Property. In every case, the membership of a Class A Member and the membership of a Class B Member shall be appurtenant to the ownership of a Lot. A membership shall not be held, assigned, transferred, pledged, hypothecated, encumbered, conveyed or alienated in any manner except in conjunction with and as an appurtenance to the ownership, assignment, transfer, pledge, hypothecation, encumbrance, conveyance or alienation of the Lot to which the membership is appurtenant.

Section 4. Termination of Class B Memberships. The Class B Memberships shall terminate and automatically shall be converted into Class A Memberships upon the first to occur of the following dates, to wit:

(a) The 15th day of October of any year on which the total number of Lots owned of record by Class A Members is equal to or greater than four times the total number of Lots owned of record by Class B Members; or

(b) The date of October 15, 2005; or

(c) The date on which all remaining Class B Members shall voluntarily relinquish all Class B memberships by a written document or documents delivered to the Association.

Upon the termination of the Class B memberships, as provided above, all persons defined in the Declaration as "Developers" thereafter shall be and remain Class A Members as to each and every Lot concerning which they own the fee title otherwise required for Class A membership.

Section 5. Reinstatement of Class B Memberships. If on any one or more occasions prior to October 15, 2005, all Class B memberships should terminate, and if after any such termination any one or more of the Developers, in accordance with Article II of the Declaration, should annex additional real property to the Property, and if any such annexation results in the Developers' owning twenty percent (20%) or more of the total number of Lots upon the whole of the Property, then on each such occasion the status of the Developers as Class B Members shall be fully reinstated, and following each such occasion the status of the Developers, and the nominee or nominees, if any, of each of the Developers, shall continue to be Class B Members until the first thereafter to occur of the alternative dates specified in Subparagraphs (a), (b), and (c) above in Section 4 of this Article III. Following each such reinstatement of the Class B Memberships, and for so long thereafter as the Class B memberships shall continue to exist, the Developers, and the nominee or nominees, if any, of each of the Developers, shall have all the rights and powers of Class B Membership, as herein prescribed.

Section 6. Other Voting Provisions. As to all matters except the election of officers, only one vote may be cast with respect to any one Lot. Any person qualifying as a Member of more than one voting class of membership may exercise the votes to which he is entitled for each such class of membership. If the fee title to a particular Lot is owned of record by more than one person, the vote appurtenant to such Lot or parcel may be exercised by any one of the fee owners thereof, unless the other owner or owners of such fee title shall object prior to the completion of voting upon the particular matter under consideration. In the case of any such objection, the vote appurtenant to said Lot or parcel shall not be counted.

Section 7. No Preemptive Rights. The Members of the Association, simply by virtue of being such Members, shall have no preemptive rights to acquire any additional memberships which the Association may issue from time to time.

Section 8. Membership Certificates. In the event the Board of Directors should consider it necessary or appropriate to issue membership certificates or the like, then each such membership certificate shall state that the Association is organized under the laws of the State of Mississippi, and shall state the name of the registered holder or holders of the membership represented thereby, and shall be in such form as shall be approved by the Board of Directors. Membership certificates shall be consecutively numbered, bound in one or more books, and shall be issued therefrom upon certification as to the transfer of title to the Lot to which such membership is appurtenant. Every membership certificate shall be signed by the President or a Vice President and the Secretary or an Assistant Secretary and shall be sealed with the corporate seal. Such signatures and seal may be original or facsimile.

Section 9. Lost Certificates. The Board of Directors may direct that a new certificate or certificates to be issued in place of any membership certificate or certificates previously issued by the Association and alleged to have been destroyed or lost, upon the making of an affidavit of that fact by the person claiming the membership certificate to be lost or destroyed. When authorizing such issuance of a new certificate or certificates, the Board of Directors may, in its discretion, and as a condition precedent to the issuance thereof, require the registered holder of such lost or destroyed certificate or certificates, or his legal representative, to advertise the same in such manner as the Board of Directors shall require and to give the Association a bond in such sum as the Board of Directors may require as indemnity against any claim that may be made against the Association on account of the issuance of such new certificate.

Section 10. Liquidation Rights. Should the Association be dissolved and finally liquidated, the Board of Directors, after first paying or making provisions for payment of all lawful debts and liabilities of the Association, shall distribute all the remaining assets of the Association to whichever one or more of the following categories of recipients the Board of Directors in its discretion shall determine, to wit:

- (a) to a non-profit organization or organizations having aims and objectives similar to those of this Association; or
- (b) to the Owners of the Lots comprising the Property, in proportion to their rights thereto.

ARTICLE IV

Meetings of Members

Section 1. Place of Meeting. Meetings of the Members shall be held at the principal office or place of business of the Association, or at whatever other suitable place or places within the State of Mississippi as are reasonably convenient to the membership and as may be designated by the Board of Directors from time to time.

Section 2. Organizational Meeting. The organizational meeting of the Members shall be held at whatever time and place as may be designated by the initial Board of Directors named in the Charter, and shall be held within no more than sixty (60) days following the issuance of the Charter.

Section 3. Annual Meetings. The first annual meeting of the Members shall be held at whatever time and place as may be designated by the initial Board of Directors named in the Charter; provided, however, that the first annual meeting of Members shall be held within no more than one (1) year after the date of issuance of the Charter. Hereafter, the annual meetings of the Members shall be held on the third Tuesday of October in each succeeding year. At such annual meetings there shall be elected by ballot of the Members a Board of Directors in accordance with the provisions of Article V of these By-Laws, and officers of the

Association in accordance with the provisions of Article VI of these By-Laws. The Members also may transact such other business as may properly come before them.

Section 4. Special Meetings. It shall be the duty of the President to call a special meeting of the Members whenever such is directed by resolution of the Board of Directors, or whenever such is requested by a petition presented to the Secretary after first having been signed by at least twenty percent (20%) of the Members of each then outstanding class of membership; provided, however, that no special meetings shall be called, except upon resolution of the Board of Directors, prior to the first annual meeting of the Members as hereinabove provided. The notice of any special meeting shall state the time and place of such meeting and the purpose thereof. No business shall be transacted at a special meeting except such as is stated in the notice.

Section 5. Notice of Meetings. It shall be the duty of the Secretary to mail a notice of each annual or special meeting, stating the purpose thereof, as well as the time and place where the meeting is to be held, to each Member of record, at his address as it appears on the membership roster of the Association or, if no such address appears, at his last known address, at least ten (10) but not more than ninety (90) days prior to such meeting. Any notice so mailed shall be considered as a notice properly served. Attendance by a Member at any meeting of the Members shall be a waiver by him of notice of the time, place and purpose thereof. Notice of any annual or special meeting of the Members also may be waived in any other manner by any Member either prior to, at or after any such meeting.

Section 6. Roster of Membership. The Secretary shall maintain a current roster of the names and addresses of the Members of the Association. Each Member, upon becoming a Member, shall furnish the Secretary with his current mailing address, and thereafter shall notify the Secretary immediately in writing of any change or changes in his current mailing address.

Section 7. Quorum. The presence, either in person or by proxy of Members having at least fifty-one percent (51%) of the votes held by all Members in each then outstanding class of membership (each class of membership to be considered separately) shall constitute a quorum for the transaction of business at any meeting of Members. If, at any particular meeting of Members, the number of Members present should be less than or should fall below the number required for a quorum with respect to any one or more of the then outstanding classes of membership (considered separately), and if such deficiency is brought to the attention of the presiding officer by a proper call for a determination of quorum (which call and the results thereof shall be shown on the minutes of the meeting), then no further business may be transacted at such meeting until a quorum is present. As used in this Section, votes shall mean the votes held by Members for purposes other than the election of officers of the Association.

Section 8. Adjourned Meetings. If at any meeting of Members a quorum shall not be present, either before or after the meeting has begun, the Members who are present may adjourn the meeting to another designated time not less than forty-eight (48) hours from the time originally scheduled for the meeting.

Section 9. Voting. At every meeting of Members, the Members shall have the voting rights specified in Article III above. The affirmative vote of the Members having at least fifty-one percent (51%) of the total number of votes represented at the meeting, in person or by proxy, shall be necessary to decide any question properly brought before the meeting, unless the question be one as to which, by provision of law, or the Charter, or the Declaration, or these By-Laws, a different vote is required, in which case such provision of law, or the Charter, or the Declaration, or these By-Laws shall govern and control. In the event any membership is owned by a corporation, the vote or votes for such membership may be cast by any individual designated in a certificate signed by the president or any vice president of such corporation and attested by the secretary or any assistant secretary of such corporation and filed with the Secretary of the Association prior to or during the meeting at which the vote is to be cast. The vote or votes for any membership which is owned by a trust or any partner of the partnership, as the case may be, and, unless another trustee of the trust or another partner of the partnership, as the case may be, shall object prior to the completion of voting upon the particular matter under consideration, the presiding officer of the meeting shall have no duty to inquire as to the authority of the individual casting any such vote or votes. No Class A Member nor Class B Member who is shown by the books of the Association to be more than sixty (60) days delinquent in any payment due the Association shall be eligible to vote, either in person or by proxy, and no such delinquent Member shall be eligible to be elected to the Board of Directors or as an officer of the Association.

Section 10. Voting by Class. Whenever by law, or the Charter, or the Declaration, or these By-Laws, any action is required to be taken by a specified percentage of "each class of the then Members" of the Association, then such action shall be required to be taken separately by the specified percentage of the votes of the then outstanding Class A Members and by the specified percentage of the votes of the then outstanding Class B Members. Whenever by law, or the Charter, or the Declaration, or these By-Laws, any action is required to be taken by a specified percentage of the "then Members" of the Association, then such action shall be required to be taken by the specified percentage of the votes of the then outstanding total membership of the Association.

Section 11. Proxies. A Member may appoint only another Member or the Management Agent as his proxy; provided that in no case may any Member other than a Developer or the Management Agent cast more than one (1) vote on behalf of another member by virtue of a proxy from such other Member. All proxies must be in writing and must be in such form as has been approved by the Board of Directors and must be filed with the Secretary prior to the appointed time of the meeting at which the proxy is to be exercised. Unless limited by its provisions to a shorter term, each proxy

shall continue until revoked by a writing properly filed with the Secretary or by the death of the Member who gave the proxy, provided, however, that no proxy shall be effective for a period in excess of one hundred eighty (180) days.

Section 12. Rights of Mortgagees. Any institutional mortgagee of any Lot who desires notice of the annual and special meetings of the Members shall notify the Secretary to that effect by Registered Mail - Return Receipt Requested. Any such notice shall contain the name and post office address of such institutional mortgagee and the name of the individual at such address to whom notices of the annual and special meetings of the Members should be directed. The Secretary shall maintain a roster of all institutional mortgagees from whom such notices have been received and it shall be the duty of the Secretary to mail or otherwise cause the delivery of a notice of each annual and special meeting of the Members to each such institutional mortgagee, in the same manner, and subject to the same requirements and limitations as are otherwise provided in this Article for notice to the Members. Any such institutional mortgagee shall be entitled to designate a representative to attend any annual or special meeting of the Members and such representative may participate in the discussion at any such meeting and, upon his request made to the presiding officer in advance of the meeting, may address the Members present at any such meeting. Such representative shall have no voting rights at any such meeting. Such representative shall be entitled to copies of the minutes of all meetings of the Members upon request made in writing to the Secretary.

Section 13. Order of Business. The order of business at all regularly scheduled meetings of the Members shall be as follows:

- (a) Roll Call and certification of proxies.
- (b) Proof of notice of meeting or waiver of notice.
- (c) Reading and approval of minutes of preceding meeting.
- (d) Reports of officers, if any.
- (e) Reports of committees, if any.
- (f) Unfinished business.
- (g) New Business.
- (h) Appointment of inspectors of election.
- (i) Election of directors.
- (j) Election of officers.
- (k) Adjournment.

In the case of special meeting, items (a) through (d) above shall be applicable, and thereafter the agenda shall consist of the items specified in the notice of the meeting.

Section 14. Rules of Order and Procedure. The rules of order and all other matters of procedure at all annual and special meetings of the Members shall be determined by the presiding officer of such meeting.

Section 15. Inspectors of Election. The Board of Directors may, in advance of any annual or special meeting of the Members, appoint an uneven number of one or more inspectors of election to act at the meeting and at

any adjournment thereof. In the event inspectors are not so appointed, the presiding officer at any annual or special meeting of Members may appoint such inspectors of election. Each inspector so appointed, before entering upon the discharge of his duties, shall agree to execute the duties of inspector of election at such meeting. No officer or Director of the Association, and no candidate for officer or Director of the Association, shall act as an inspector of election at any meeting if one of the purposes of such meeting is to elect Directors or officers.

ARTICLE V

Directors

Section 1. Number and Qualifications. The affairs of the Association shall be managed and controlled by the Board of Directors. Prior to the first annual meeting of Members, the Board of Directors shall consist of the five individuals named as initial Directors in the Charter, said three individuals being _____, _____, and _____. Following the first annual meeting of Members, the Board of Directors shall consist of five individuals, who shall be appointed and elected as prescribed in these By-Laws. Directors need not be Members of the Association.

Section 2. Appointed and Elected Directors. From and after the first annual Members' meeting, and for so long as there is a Class B Member, the Board of Directors shall consist of Appointed Directors and Elected Directors. During all times when there is no Class B Member, all Directors shall be Elected Directors. From and after the first annual Members' meeting, and for so long as there is a Class B Member, the number of appointed Directors at all times shall be equal to two-thirds (2/3) of the total number of Directors prescribed from time to time by these By-Laws, or if at any time the total number of Directors prescribed by these By-Laws is not evenly divisible by three, then the number of appointed Directors shall be equal to the whole number next larger than two-thirds of the total number of Directors prescribed by these By-Laws.

Section 3. Change in Number. The number of Directors may be changed from time to time by appropriate amendment to these By-Laws, provided, however, that the number of Directors shall never be less than three nor more than nine, and provided further that a decrease in the number of Directors shall not operate to shorten the term of any incumbent Director.

Section 4. Powers and Duties. The Board of Directors shall have all the powers, authorities and duties necessary or appropriate for the management and administration of the affairs of the Association, and in managing and administering such affairs, the Board of Directors shall have power and authority to do all acts and things except those which by law or by the Declaration or by the Charter or by these By-Laws may be exercised and done only by the Members. The powers, authorities and duties of the Board of Directors shall include, but shall not be limited to, the following:

(a) To provide for the care, upkeep and surveillance of the common areas and community facilities and services in a manner consistent with law and the provisions of these By-Laws and the Declaration; and

(b) To provide for the establishment, assessment, collection, use and expenditure of assessments and carrying charges from the Members, and for the filing and enforcement of liens therefor in a manner consistent with law the the provisions of these By-Laws and the Declaration; and

(c) To provide for the designation, hiring and dismissal of the personnel necessary and appropriate for the good working order and proper care of the common areas and community facilities, and to provide services for the project in a manner consistent with law and the provisions of these By-Laws and the Declaration; and

(d) To provide for the promulgation and enforcement of such rules, regulations, restrictions and requirements as may be deemed proper respecting the use, occupancy and maintenance of the common areas and community facilities, including but by no means limited to rules, regulations, restrictions and requirements designed to prevent unreasonable interference with the use of the common areas and community facilities by the Members and others, all of which rules, regulations, restrictions and requirements shall be consistent with law and with the provisions of these By-Laws and the Declaration; and

(e) To authorize, in their discretion, the payment of patronage refunds if and when the funds derived from assessments shall prove to be more than sufficient to meet all reasonably foreseeable needs of the Association during the then current fiscal year; and

(f) To enter into agreements whereby the Association acquires leaseholds, memberships and other possessory or use interests in real or personal property for the purpose of promoting the enjoyment, recreation or welfare of the Members, and to declare expenses incurred in connection therewith to be common expenses of the Association; and

(g) To purchase insurance upon the common areas and community facilities in the manner provided for in these By-Laws; and

(h) To repair, restore or reconstruct all or any part of the common areas and community facilities after any casualty loss in a manner consistent with law and the provisions of these By-Laws, and to otherwise improve the common areas and community facilities; and

(i) To lease and to grant licenses, easements, rights-of-way, and other rights of use in all or any part of the common areas and community facilities; and

(j) To purchase Lots and to lease, mortgage or convey the same, subject to the provisions of these By-Laws and the Declaration; and

(k) To appoint the members of the Architectural Review Committee provided for in the Declaration, and to appoint the members of such other committees as the Board of Directors may from time to time designate.

Section 5. Management Agent. The Board of Directors shall employ for the Association a management agent or manager (herein at times referred to as the "Management Agent") at a rate of compensation established by the Board of Directors to perform such duties and services as the Board of Directors from time to time shall prescribe. The Association shall not undertake "self-management" or otherwise fail to employ a management agent or manager without the prior written approval of the holders of at least seventy-five percent (75%) of all first mortgages of record encumbering the Lots. Any management agreement entered into by the Association shall provide, inter alia, that such agreement may be terminated for cause by either party upon thirty (30) days' written notice to the other party. The term of any such management agreement shall not exceed one year; provided, however, that the term of any such management agreement may be renewable by mutual agreement of the parties for successive one-year periods.

Section 6. Election and Terms of Elected Directors. Elected Directors shall be elected by the Class A Members, and shall be elected at the annual Members' meetings, or in the event of a vacancy, either at the next ensuing annual Members' meeting or at a special Members' meeting called for that purpose. The election of Elected Directors shall be by secret written ballot, unless such be dispensed with for any particular election by the unanimous consent of the Members present, in person or by proxy, at the meeting during which the election is held. In voting for Elected Directors, a particular Member shall be entitled to cast votes equal in number to the number of votes to which such Member is entitled pursuant to Section 2 of Article III of these By-Laws times the number of Directors to be elected, but each Member must vote for that number of separate nominees which is equal to the total number of Directors to be elected, and must cast an equal number of votes for each such separate nominee. Each Elected Director shall hold office until his successor has been elected at the next ensuing annual Members' meeting and has duly qualified.

Section 7. Appointment and Terms of Appointed Directors. Appointed Directors shall be selected and appointed by the concurrence of a majority of the Class B Members. Each Appointed Director shall hold office until such time as his successor has been appointed and has duly qualified, or until such time as there are no Class B Members and an Elected Director has been properly elected as his successor at the next ensuing annual Members' meeting and has duly qualified, whichever time shall first occur. All Appointed Directors serving as such at the time of termination of all Class B memberships shall continue to serve as Directors until their successors have been properly elected at the next ensuing annual Members' meeting and have duly qualified.

Section 8. Vacancies. Should the office held by an Elected Director become vacant, such vacancy shall be filled by an election at the next ensuing annual Members' meeting or at a special Members' meeting called

for that purpose, and each individual so elected shall serve as Director until his successor has been elected at the next ensuing annual Members' meeting, and has duly qualified. Should the office held by an Appointed Director become vacant, such vacancy shall be filled by an individual selected and appointed by the concurrence of a majority of the Class B Members, and the individual so selected and appointed shall serve until such time as his successor has been appointed and has duly qualified, or until such time as there no longer are any Class B Members and his successor has been properly elected as an Elected Director at the next ensuing annual Members' meeting and has duly qualified, whichever time shall first occur.

Section 9. Removal of Elected Directors. At any special Members' meeting duly called for such purpose, any Elected Director may be removed from office, with or without cause, by the affirmative vote of a majority of the votes of the Class A Members present and voting, in person or by proxy, at such meeting, and in the event of such removal, a successor to the Elected Director thus created. Any Elected Director whose removal has been proposed shall be given an opportunity to be heard at the meeting called for the purpose of considering such removal. If any Elected Director who is a Class A Member becomes more than sixty (60) days delinquent in payment of any assessment or carrying charge owed the Association, he may be removed from his office as an Elected Director by a resolution adopted by a majority of the remaining Directors, and in the event of such removal, said remaining Directors may appoint an individual to serve as his successor, in which event the individual so appointed shall serve as Director until the next ensuing annual members' meeting.

Section 10. Removal of Appointed Directors. Any Appointed Director may be removed from office at any time, with or without cause, by the concurrence of a majority of the Class B Members, and in the event of such removal, a successor to the Appointed Director thus removed may be selected and appointed then and there to fill the vacancy thus created, such selection and appointment to be by the concurrence of a majority of the Class B Members.

Section 11. Compensation. Except upon resolution of at least two-thirds (2/3) of each class of the then Members of the Association, no compensation shall be paid to Directors for their services as Directors. After the first annual Members' meeting, no remuneration shall be paid to any Elected Director who is also a member for services performed by him for the Association in any other capacity unless a resolution authorizing such remuneration shall have been adopted by the Board of Directors before such services are undertaken. Directors may be reimbursed for their actual out-of-pocket expenses necessarily incurred in connection with their services as Directors.

Section 12. Organizational Meeting. The first meeting of a newly constituted Board of Directors shall be held within ten (10) days after the annual Members' meeting at which the elected Directors on such Board were elected, and such first meeting shall be held at the principal office of the Association or at such other place as may have been fixed by the

Members at such annual Members' meeting, and no notice shall be necessary to the Directors of such first meeting.

Section 13. 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 a majority of the Directors, but at least two (2) such meetings shall be held during each fiscal year. Notice of regular meetings of the Board of Directors shall be given to each Director, personally or by mail, telephone or telegraph, at least six (6) days prior to the day fixed for such meeting.

Section 14. Special Meetings. Special meetings of the Board of Directors may be called by the President on three (3) days' notice to each Director, given personally or by mail, telephone or telegraph, 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 or Secretary in like manner and upon like notice if requested in writing by at least one-half (1/2) of the Directors.

Section 15. Waiver of Notice. Before, at or after any meeting of the Board of Directors, any Director may waive, in writing, notice of such meeting, and such waiver shall have the same effect as if notice of the meeting had been properly and timely given to said Director. Attendance by a Director at any meeting of the Board of Directors shall be a waiver of notice by him of the time, place and purpose thereof. If all the Directors are present at any meeting of the Board of Directors, no notice shall be required and business of any type may be transacted at such meeting.

Section 16. Quorum. At all meetings of the Board of Directors a majority of the Directors shall constitute a quorum for the transaction of business, and the actions of the majority of the Directors present at any meeting at which a quorum is present shall be the actions of the Board of Directors. If at any meeting of the Board of Directors, including any one or more adjourned meetings, there should be less than a quorum present, the majority of those present may adjourn the meeting to a later time. At any such adjourned meeting, any business which might have been transacted at the meeting as originally called may be transacted without further notice.

Section 17. Action Without 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 members of the Board of Directors shall consent individually or collectively in writing to such action. Such written consent or consents shall be filed as part of the minutes of the Board of Directors.

Section 18. Rights of Mortgagees. Any institutional mortgagee of any Lot who desires notice of the regular and special meetings of the Board of Directors shall notify the Secretary to that effect by Registered Mail - Return Receipt Requested. Any such notice shall contain the name and post office address of such institutional mortgagee and the name of the individual at such address to whom notices of the regular and special

meetings of the Board of Directors should be directed. The Secretary shall maintain a roster of all institutional mortgagees from whom such notices have been received and it shall be the duty of the Secretary to mail or otherwise cause the delivery of a notice of each regular and special meeting of the Board of Directors to each such institutional mortgagee, in the same manner, and subject to the same requirements and limitations as are otherwise provided in this Article for notices to the Directors. Any such institutional mortgagee shall be entitled to designate a representative to attend any regular or special meeting of the Board of Directors and such representative may participate in the discussion at any such meeting and, upon his request made to the President in advance of the meeting, may address the Board of Directors at any such meeting. Such representative shall have no voting rights at any such meeting. Such representative shall be entitled to copies of the minutes of all meetings of the Board of Directors upon request made in writing to the Secretary.

Section 19. Fidelity Bonds. The Board of Directors shall require that all officers, Directors and employees of the Association who regularly handle or otherwise are responsible for the funds of the Association shall furnish adequate fidelity bonds or equivalent insurance against acts of dishonesty in accordance with the requirements of Article VII of these By-Laws. The premiums on such bonds or insurance shall be paid by the Association.

ARTICLE VI

Officers

Section 1. Designation. The principal officers of the Association shall be a President, a Vice President, a Secretary, and a Treasurer, all of whom shall be elected by the Members. Only those individuals who are members of the then current Board of Directors shall be eligible to serve as officers of the Association. However, a Director, merely by virtue of being a Director, shall not be considered an officer of the Association. In addition to the officers named above, the Members may elect, from among the members of the Board of Directors, one or more Assistant Secretaries and one or more Assistant Treasurers and such other officers as in their judgment may be necessary or appropriate. The offices of Secretary and Treasurer may be filled by the same individual, and likewise, the offices of Assistant Secretary and Assistant Treasurer may be filled by the same individual.

Section 2. Election of Officers. The initial officers of the Association shall be elected at the organizational meeting of the Members. Thereafter, the officers of the Association shall be elected annually at each annual Members' meeting, or, in the event of a vacancy, at a special Members' meeting called for such purpose. Each officer so elected shall hold office until his successor has been elected at the next ensuing annual Members' meeting, and has duly qualified.

Section 3. Vacancies. Should the office held by any officer become vacant, such vacancy shall be filled by an election at the next annual

Members' meeting or at a special Members' meeting called for that purpose, and the individual so elected shall hold the office to which elected until his successor has been elected at the next ensuing annual Members' meeting, and has duly qualified.

Section 4. Removal of Officers. At any special Members' meeting duly called for such purpose, any officer may be removed from office, with or without cause, by the affirmative vote of a majority of the Members present and voting, in person or by proxy, at such meeting, and in the event of such removal, a successor to the officer thus removed may be elected then and there to fill the vacancy thus created. Any officer whose removal has been proposed shall be given an opportunity to be heard at the meeting called for the purpose of considering such removal.

Section 5. President. The President shall be the chief executive officer of the Association. He shall preside at all meetings of the Members and all meetings of the Board of Directors. He shall have all of the general authorities, powers and duties which are normally vested in the office of president of a corporation, provided, however, that such authorities, powers and duties, from time to time, and at any time, may be restricted or enlarged by the Board of Directors.

Section 6. Vice President. The Vice President shall take the place of the President, and shall have the authorities and powers and perform the duties of the President, whenever the President is unwilling or unable to act. If neither the President nor the Vice President is willing and able to act, then the Board of Directors shall appoint one of its members to act as the chief executive officer of the Association on an interim basis. The Vice President shall assist the President generally, and when acting for the President, shall have the same authorities, powers and duties as the President. The authorities, powers and duties of the Vice President, from time to time and at any time, may be restricted or enlarged by the Board of Directors.

Section 7. Secretary. The Secretary shall keep the minutes of all Members' meetings and the minutes of all Board of Directors' meetings. The Secretary shall give notice of all annual and special Members' meetings and all regular and special Board of Directors' meetings. The Secretary shall have custody of the seal of the Association, if any. The Secretary shall have charge of the membership transfer books and of such other books and papers as the Board of Directors may specify. In addition, the Secretary shall have whatever other authorities, powers and duties, but only such authorities, powers and duties, as may be prescribed by the Board of Directors. If, at any one or more times, the Secretary is unwilling or unable to perform his duties, such duties may be performed by any one or more individuals designated by the Board of Directors.

Section 8. Treasurer. The Treasurer shall have responsibility for the funds and securities of the Association, and shall have responsibility for keeping, or causing to be kept, full and accurate accounts of all receipts and disbursements in books belonging to the Association. The Treasurer shall have responsibility for causing the deposit of all monies and other valuable effects in the name, and to the credit, of the

Association in such depositories as from time to time may be designated by the Board of Directors. In addition, the Treasurer shall have whatever other authorities, powers and duties, but only such authorities, powers and duties, as may be prescribed by the Board of Directors. If, at any one or more times, the Treasurer shall be unwilling or unable to perform any part of his duties, such duties may be performed by one or more other individuals designated by the Board of Directors.

ARTICLE VII

Insurance

Section 1. Insurance. The Board of Directors shall obtain and maintain for and in favor of the Association, to the extent reasonably available, at least the following:

(a) Casualty or physical damage insurance in an amount equal to the full replacement value (i.e., 100% of "replacement cost," without deduction or allowance for depreciation, but exclusive of value of land, foundation and excavation) of the common areas and community facilities (including all building service equipment and the like), such replacement value to be determined annually by the Board of Directors with the assistance of the insurance company affording such coverage, and such coverage to afford protection against at least:

- (i) loss or damage by fire and other hazards covered by the standard extended coverage endorsement; and
- (ii) such other risks as are customarily covered with respect to projects similar in construction, location and use, and such other risks as the Board of Directors in its discretion may from time to time determine to be appropriate;

which policy or policies affording such casualty or physical damage insurance may contain whatever special endorsements the Board of Directors in its discretion may deem appropriate, including but not limited to a "Demolition Endorsement" or its equivalent, and an "Increased Cost of Construction Endorsement" or its equivalent, and a "Contingent Liability from Operation of Building Laws Endorsement" or its equivalent; and

(b) A comprehensive policy of public liability insurance in such amount and in such form as may be considered appropriate by the Board of Directors in its discretion (but in an amount of not less than One Million Dollars (\$1,000,000.00) coverage for all claims for bodily injuries and/or property damage arising out of a single occurrence), which policy may include a "Severability of Interest Endorsement" or its equivalent if the Board of Directors in its discretion deems such appropriate, and which policy shall afford coverage with respect to whatever additional and special liabilities the Board of Directors in its discretion may specify, including, but not limited to, hired automobile liability, non-owned automobile liability, liability for property of others, liability incident to the ownership and use of the common areas and community facilities or

any portion thereof and, if applicable, elevator collision liability, garage keeper's liability, host liquor liability, and such other risks as are customarily covered with respect to projects similar in construction, location and use; and

(c) Workmen's compensation insurance to the extent necessary to comply with any applicable law; and

(d) A "Legal Expense Indemnity Endorsement," or its equivalent, affording protection for the officers and Directors of the Association for expenses and fees incurred by any of them in defending any suit or settling any claim, judgment or cause of action to which any such officer or Director shall have been made a party by reason of his or her services as such; and

(e) Insurance affording fidelity coverage to protect the Association against dishonest acts on the part of officers and Directors of the Association, trustees of and for the Association, and employees and agents of the Association who handle or are responsible for the handling of funds belonging to the Association, which fidelity coverage shall meet at least the following requirements:

(i) all such fidelity bonds and policies of insurance shall name the Association as obligee or named insured, as the circumstances may require; and

(ii) all such fidelity bonds and policies of insurance shall be written in an amount equal to at least one hundred fifty percent (150%) of the estimated annual operating budget of the Association, including reserves; and

(iii) all such fidelity bonds and insurance shall provide that they may not be cancelled or substantially modified (including cancellation for non-payment of premium) without at least ten (10) days prior written notice to any and all obligees and insureds named thereon and to any mortgagee of any Lot who requests such notice in writing; and

(f) Such other policies of insurance, including insurance for other risks of a similar or dissimilar nature, as shall be considered appropriate by the Board of Directors in its discretion.

Section 2. Limitations. All insurance obtained pursuant to the requirements of this Article shall be subject to the following provisions:

(a) All policies shall be written or reinsured with a company or companies licensed to do business in the State of Mississippi and holding a rating equivalent to a rating of "A + XV" or better in the most recent edition of Best's Insurance Guide.

(b) Exclusive authority to negotiate losses under said policies shall be vested in the Board of Directors, or its authorized representative.

(c) In no event shall the insurance coverage obtained and maintained pursuant to the requirements of this Article be brought into contribution with insurance purchased by the Owners of the Lots or their mortgagees, and any "no other insurance" or similar clause in any policy obtained for the Association pursuant to the requirements of this Article shall exclude such policies from consideration.

(d) Such policies shall contain no provision relieving the insurer from liability because of loss occurring while the hazard is increased, whether or not within the control or knowledge of the Board of Directors, and shall contain no provision relieving the insurer from liability by reason of any breach of warranty or condition caused by the Board of Directors or any one or more Members of the Association, or any of their respective agents, employees, tenants, mortgagees or invitees, or by reason of any act of neglect or negligence on the part of any of them.

(e) All policies shall provide that such policies may not be cancelled or substantially modified (including cancellation for non-payment of premium) without at least ten (10) days prior written notice to all insureds named therein, including any mortgagee of any Lot who requests such notice in writing.

(f) All policies shall contain a waiver of subrogation by the insurer as to any and all claims against the Association, the Board of Directors, the Members and their respective agents, employees and tenants, and a waiver of any defenses based upon co-insurance or invalidity arising from the acts of the insured.

ARTICLE VIII

Casualty Damage - Reconstruction or Repair

Section 1. Use of Insurance Proceeds. In the event of damage or destruction to the common areas and community facilities by fire or other casualty, the same shall be promptly repaired, replaced or reconstructed in substantial conformity with the original plans and specifications for same, and such shall be done with the proceeds of insurance available for that purpose, if any. The Association shall not use the proceeds of casualty insurance received as a result of damage or destruction of the common areas and community facilities for purposes other than the repair, replacement or reconstruction of the common areas and community facilities without the prior written consent and approval of the holders of at least seventy-five percent (75%) of the first mortgages of record encumbering the Lots.

Section 2. Proceeds Insufficient. In the event the proceeds of insurance are not sufficient to repair damage or destruction of the common areas and community facilities caused by fire or other casualty, or in the event such damage or destruction is caused by a casualty not insured

against, then and in either of those events, upon resolution of the Board of Directors, the repair, replacement or reconstruction of the damage shall be accomplished promptly by the Association at its common expense.

ARTICLE IX

Fiscal Management

Section 1. Fiscal Year. The fiscal year of the Association shall begin on the first day of January each year, except for the first fiscal year which shall begin on the date of the filing for record of the Declaration in the Land Records in the office of the Chancery Clerk of Hinds County at Jackson, Mississippi. The commencement date of the fiscal year as herein established shall be subject to change from time to time by resolution of the Board of Directors should the Board of Directors deem any such change or changes appropriate.

Section 2. Principal Office - Change of Same. The principal office of the Association shall be at the location set forth in Article I of these By-Laws. The Board of Directors, by resolution, may change the location of the principal office of the Association from time to time.

Section 3. Books and Accounts. Books and accounts of the Association shall be kept under the direction of the Treasurer in accordance with generally accepted accounting practices, consistently applied. The same shall include books with detailed accounts, in chronological order, of receipts and expenditures and other transactions of and for the Association, and shall specify the maintenance and repair expenses for the common areas and community facilities, the cost of services required or provided with respect to the same and any other expenses incurred by the Association. The amount of any assessment or portion of any assessment required for payment of any capital expenditures or to any reserves of the Association shall be credited upon the books of the Association to the "Paid-in-Surplus" account as a capital contribution by the Members. The receipts and expenditures of the Association shall be credited and charged to other accounts under classifications consisting of no less than the following:

(a) "Current Operations" which shall involve the control of actual expenses of the Association, including reasonable allowances for necessary contingencies and working capital funds in relation to the assessments and expenses herein elsewhere provided for; and

(b) "Reserves for Replacement" which shall involve the control of such reserves for replacement as are provided for in these By-Laws and as may be approved from time to time by the Board of Directors; and

(c) "Other Reserves" which shall involve the control over funding of and charges against any other reserve funds which may be approved from time to time by the Board of Directors; and

(d) "Investments" which shall involve the control over investment of reserve funds and such other funds as may be deemed suitable for investment on a temporary basis by the Board of Directors; and

(e) "Betterments" which shall involve the control over funds to be used for the purpose of defraying the cost of any construction or reconstruction, unanticipated repair or replacement of the common areas and community facilities and for expenditures for additional capital improvements or personal property made or acquired by the Association with the approval of the Board of Directors.

Section 4. Auditing. At the close of each fiscal year, the books and records of the Association shall be audited by an independent Certified Public Accountant whose report shall be prepared and certified in accordance with generally accepted auditing standards, consistently applied. Based upon such report, the Association shall furnish the Members and any mortgagee requesting same with an annual financial statement, which shall set forth a summary of all pertinent financial data, including the income and disbursements of the Association. Such annual financial statement shall be furnished within ninety (90) days following the end of each fiscal year.

Section 5. Inspection of Books. The books and accounts of the Association, the vouchers accrediting the entries made thereupon and all other records maintained by the Association shall be available for examination by the Members and their duly authorized agents or attorneys, and by the institutional holders of the first mortgages on the Lots and their duly authorized agents and attorneys, during normal business hours and for purposes reasonably related to their respective interests and after reasonable notice.

Section 6. Execution of Corporate Documents. With the prior authorization of the Board of Directors, all notes and contracts shall be executed on behalf of the Association by either the President or a Vice President, and all checks shall be executed on behalf of the Association by such officers, agents or other persons as may be authorized from time to time by the Board of Directors.

Section 7. Seal. The Board of Directors may provide a suitable corporate seal containing the name of the Association, which seal shall be in the charge of the Secretary. If so directed by the Board of Directors, a duplicate seal may be kept and used by the Treasurer or any assistant secretary or assistant treasurer.

ARTICLE X

Amendment

Section 1. Amendments. Subject to any other applicable limitations set forth in these By-Laws, these By-Laws may be amended by vote of the Members if, and only if, the number of votes cast in favor of any particular amendment shall be equal to at least two-thirds (2/3) of the total number of votes held by all Members of record at the time of the

vote. Amendment of these By-Laws shall be considered only at a special or annual meeting of Members, and only if a description of the proposed amendment accompanied a proper notice of such meeting.

Section 2. Proposal of Amendments. Amendments to these By-Laws may be proposed by the Board of Directors or by petition signed by Members having at least twenty-five percent (25%) of the total votes of all Members, which petition shall be delivered to the Secretary. A description of any proposed amendment shall accompany the notice of any annual or special meeting of the Members at which such proposed amendment is to be considered and voted upon.

ARTICLE XI

Mortgages - Notice - Other Rights of Mortgagees

Section 1. Notice to Board of Directors. Any Owner of any Lot in the project who mortgages such Lot shall promptly notify the Board of Directors of the name and address of his mortgagee and, if requested so to do, shall file a conformed copy of such mortgage with the Board of Directors. The Board of Directors shall maintain a suitable roster pertaining to such mortgages.

Section 2. Consents. Any other provision of these By-Laws or the Declaration to the contrary notwithstanding, neither the Members, nor the Board of Directors, nor the Association, by any act or omission, shall do any of the following things without the prior written consent and approval of the holders of at least seventy-five percent (75%) of all first mortgages of record encumbering the Lots:

(a) Abandon, partition, subdivide, encumber, sell or transfer any of the common areas or community facilities; provided, however, that the granting of rights-of-way, easements and the life for public utilities or for other purposes consistent with the use of the common areas and community facilities by the Members of the Association shall not be considered an encumbrance, sale or transfer within the meaning of this Subsection; or

(b) Abandon or terminate the Declaration; or

(c) Modify or amend any material or substantive provision of the Declaration or these By-Laws or the Charter; or

(d) Substantially modify the method of determining and collecting maintenance assessments as provided in the Declaration.

Section 3. Casualty Losses. In the event of substantial damage or destruction to any part of the common areas and community facilities, the Board of Directors shall give prompt written notice of such damage or destruction to the holders of all first mortgages of record encumbering the Lots. No provision of these By-Laws shall entitle any Member of the Association to any priority over the holder of any first mortgage of

record encumbering his Lot insofar as concerns the distribution to such Member of any insurance proceeds.

Section 4. Condemnation or Eminent Domain. In the event any portion of the common areas or community facilities is made the subject of any condemnation or eminent domain proceeding, or is otherwise sought to be acquired by any condemning authority, then the Board of Directors shall give prompt written notice of any such proceeding or proposed acquisition to the holders of all first mortgages of record encumbering the Lots. No provision of these By-Laws shall entitle any Member of the Association to any priority over the holder of any first mortgage of record encumbering his Lot insofar as concerns the distribution to such Member of the proceeds of any condemnation award or settlement.

ARTICLE XII

Indemnification of Officers and Directors

Section 1. Indemnification. The Association shall indemnify every officer and Director of the Association, and every person who may serve at the request of the Board of Directors as a director or officer of another association in which the Association owns an interest or shares of stock or of which the Association is a creditor, against all costs actually and reasonably incurred by any such officer, Director or person in connection with the defense of any action, suit or proceeding, civil or criminal, to which any such officer, Director or person is a party by reason of his being or having been such officer, Directors or person, provided that such indemnification shall not extend to any matters concerning which such officer, Director or person shall be adjudged in such action, suit or proceeding to be liable for negligence or misconduct in the performance of duty or a violation of the provisions of Sections 75-21-1 to 75-21-39 or Sections 75-23-1 to 75-23-53, Mississippi Code of 1972, as amended. Such indemnification shall include amounts payable as the result of the settlement of any such action, suit or proceeding; provided, however, that any such settlement shall be approved in writing by the then Board of Directors. The officers and Directors of the Association shall not be liable to the Members or to the Association for any mistake of judgment, or otherwise, except as provided by law and except for their own individual willful misconduct or bad faith. The officers and Directors of the Association shall have no personal liability with respect to any contract or other commitment made by them, in good faith, on behalf of the Association, and the Association shall indemnify and forever hold each such officer and 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 of the Association, or former officer or Director of the Association, may be entitled, whether by law, by resolution adopted by the Members after notice, or otherwise.

Section 2. Conflict and Identity of Interest. The Directors and officers shall exercise their powers and duties in good faith and with a view to the interests of the Association. No contract or other transaction between the Association and one or more of its Directors or

officers, or between the Association and any corporation, firm or association in which one or more of the Directors or officers of this Association are directors or officers or are pecuniarily or otherwise interested, shall be either void or voidable because such Director or Directors or officer or officers were present at the meeting of the Board of Directors or any committee thereof which authorized or approved the contract or transaction, or because his or their votes were counted for such purpose, if any of the conditions specified in any of the following paragraphs exists:

(a) The fact of the common directorate or interest is disclosed or known to the Board of Directors or a majority thereof or noted in the minutes of the Board, and the Board authorizes, approves, or ratifies such contract or transaction in good faith by a vote sufficient for such purpose; or

(b) The fact of the common directorate or interest is disclosed or known to the Members, or a majority thereof, and they approve or ratify the contract or transaction in good faith by a vote sufficient for such purpose; or

(c) The contract or transaction is commercially reasonable to the Association at the time it is authorized, ratified, approved or executed.

A common or interested Director may be counted in determining the presence of a quorum at any meeting of the Board of Directors or any committee thereof which authorizes, approves or ratifies any contract or transaction, and may vote thereat to authorize any contract or transaction with like force and effect as if he were not a common or interested Director.

ARTICLE XIII

Interpretation - Miscellaneous

Section 1. Conflict. These By-Laws are subordinate and subject to all provisions of the Declaration and to the provisions of the Charter. All the words and expressions in these By-Laws shall have the same meanings, respectively, as are attributed to them by the Declaration, except where such is clearly repugnant to the context. In the event of any conflict between these By-Laws and the Charter, the provisions of the Charter shall control.

Section 2. Notices. Unless another type of notice is herein elsewhere specifically provided for, any and all notices called for in these By-Laws shall be given in writing.

Section 3. Severability. In the event any provision or provisions of these By-Laws shall be determined to be invalid, void or unenforceable, such determination shall not render invalid, void or unenforceable any other provisions hereof which can be given effect.

Section 4. Waiver. No restriction, condition, obligation or provision of these By-Laws shall be deemed to have been abrogated or waived by reason of any failure or failures to enforce the same.

Section 5. Captions. The captions contained in these By-Laws are for convenience only and are not a part of these By-Laws and are not intended in any way to limit or enlarge the terms and provisions of these By-Laws or to aid in the construction thereof.

Section 6. Gender, etc. Whenever in these By-Laws the context so requires, the singular number shall include the plural and the converse, and the use of any gender shall be deemed to include all genders.