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Davidson County DEEDMAST
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MASTER DEED ESTABLISHING 1235 TOWNHOMES

Perfect Circle Properties, LLC (the "Developer") declares this Master Deed as its plan for ownership in townhomes of certain property (the "Property") located in Nashville, Davidson County, Tennessee and more particularly described in Exhibit A attached hereto and made a part hereof.

WITNESSETH

The Developer submits the Property and improvements thereon to a horizontal property regime in the manner provided in Tennessee Code Annotated, Title 66, Chapter 27, Sections 101-123, as may be amended or supplemented from time to time, and known as the "Horizontal Property Act" (the "Act"). The horizontal property regime shall be known as 1235 Townhomes, (the "Townhomes"). The Developer makes the following declarations regarding divisions, limitations, expansions, restrictions, reservations, easements, covenants and conditions, hereby declaring that the Property shall be held, conveyed, mortgaged, encumbered, leased, rented, used, occupied and improved subject to this Master Deed. The provisions of this Master Deed constitute covenants running with the land and are binding on and for the benefit of present and future owners, lessees and mortgages of any part of the Townhomes.

A. **Definitions.** Certain terms as used in this Declaration shall be defined as follows:

1. "Homeowners' Association" means the "1235 Townhomes Association, Inc." a nonstock, nonprofit corporation whose membership consists of all of the Unit owners acting as a group in accordance with this Declaration, any amendments thereto, the bylaws and any other governing documents.

2. "Common Elements" means:

(a) The Property in fee simple, except as included in the Private Elements.
(b) The grounds, landscaping, courtyard, roadways, walkways and parking areas located on the Property, except as included in the Private Elements.
(c) Any retaining walls constructed as part of the infrastructure of the Property; and
(d) All other devices or installations existing for common use, and all other elements of the structures erected upon the Property which are rationally of common use or necessary to their existence, upkeep and safety.

3. "Common Expenses" means and includes all charges, costs, and expenses incurred by the Homeowners' Association for and in connection with the administration and

operation of the Townhomes, including, without limitation, maintenance, repair, replacement, painting and restoration (to the extent not covered by insurance) of the Common Elements; and additions and alterations thereto; all labor, services, common utilities, materials, supplies and equipment therefor; all liability for loss or damage arising out of or in connection with the Common Elements and their use; all premiums for hazard, liability and other insurance with respect to the Townhomes; all liabilities incurred in acquiring a Unit pursuant to judicial sale; and all administrative, accounting, legal and managerial expenses. Also, "Common Expenses" shall include amounts incurred in replacing, or substantially repairing, major capital improvements of the Townhomes, including, but not limited to, road, driveway and parking lot resurfacing. All of the above shall constitute Common Expenses of the Townhomes for which the Unit owners shall be equally and severally liable for on a quarter-annual basis. The Common Expense budget shall include a reserve for capital expenditures.

4. "Limited Common Elements" means those Common Elements which are reserved for the exclusive use of a Unit, including but not limited to:

(a) Entrances and exits to the Units:
(b) Chimneys except that portion, if any, totally inside a Unit;
(c) Utility service facilities serving a unit or several Units; and
(d) An automobile parking space or spaces for each Unit which may be designated for the exclusive use of a Unit owner by the Developer or the Homeowners' Association under subsection 6 of Section D of this Master Deed.

5. "Private Elements" means the area of the Property upon which a Unit, including any courtyard associated with said Unit (all as indicated on Exhibit B attached hereto and incorporated herein by reference), is located and for which fee simple ownership and exclusive use is reserved to that Unit only. Notwithstanding that some of the following might be located in the Common Elements, the plumbing, heating and air conditioning equipment (including all ducts and pipes), electrical wiring and equipment, hot water heater, telephone lines, and other equipment located within or connected to a Unit for the sole purpose of serving that Unit exclusively, are a part of the Private Elements, the maintenance, repair and replacement of same being the responsibility of the Unit owner, except to the extent that the master insurance policy carried by the Homeowners' Association covers repairs or replacement.

6. "Property" means the real property located at 1235 Battlefield Drive – Unit 1 (Unit 1) and 1235 Battlefield Drive – Unit 2 (Unit 2) Nashville, Tennessee 37215 conveyed to 1235 Townhomes pursuant to this Master Deed.

7. "Unit" or "Townhome Unit" means the residential structure and associated courtyard as indicated on Exhibit B attached hereto and incorporated herein by reference, located on the Property and having direct access to the Common Elements. Each Unit shall be subject to fee simple ownership and exclusive use by the owner thereof. The identification numbers, location and extent of each Unit are as shown on Exhibit B.

B. Description of Units. 1235 Townhomes shall consist of two (2) Units. Units 1, and 2 are being constructed in the manner indicated on Exhibit B. The owner of each Unit, whether constructed or not, will have an equal and common right to share in the Common Elements of the Townhomes.

C. Common Interest. Each Unit shall have appurtenant thereto an equal and undivided interest in the Common Elements, shall have an equal and undivided share in all common profits and Common Expenses of the Townhomes, and shall have an equal and undivided interest for all other purposes, including voting.

D. Easements; Reservations; Parking Spaces. The Units and Common Elements shall have and be subject to the following easements:

1. An easement shall exist for the maintenance, repair and replacement of any and all pipes, wires, conduits, or other utility lines running through or around any Unit, which facilities serve more than the Unit and are part of the Common Elements.

2. If any part of the Common Elements encroaches upon any Unit or Limited Common Element, an easement shall exist for the encroachment, the maintenance, repair and replacement thereof, so long as it continues. If any Unit shall be partially or totally destroyed and then rebuilt, minor encroachments on any parts of the Common Elements due to reconstruction shall be permitted, and easements shall exist for the encroachments.

3. An easement shall exist for any part of a residential structure, including, but not by way of limitation, the roof, eave, cornice, gutter and related structural elements, as shall encroach over or upon any adjoining Unit or the Common Elements. Said easement shall also exist for the maintenance, repair and replacement of said encroaching structural elements.

4. An easement exists for ingress, egress and maintenance in favor of any public utility providing public utility service to the Townhomes.

5. An easement exists in favor of the Homeowners' Association, exercisable by the Homeowners' Association and its agents, to enter into any Unit from time to time in the event of emergency, for necessary action to prevent damage to any part of the Townhomes.

6. The Developer reserves the right during development to grant, transfer, cancel, relocate and otherwise deal with all utility and other easements now or hereafter affecting the Common Elements. After transfer of control of the administration of the Townhomes to the Homeowners' Association, as provided in Section H below, the council may grant permits, licenses, and easements over the Common Elements for utilities, roads, and other purposes reasonably necessary or useful for the proper maintenance or operation of the Townhomes.

7. Any exterior parking area or other exterior paved portion of the Townhomes designated for parking purposes shall be part of the Common Elements and not part of any individual Unit, except as indicated on Exhibit B.

8. Developer is irrevocably empowered, notwithstanding anything herein to the contrary, to sell, lease, or rent Units to any person approved by it. Developer shall have the right to transact, on the Townhomes' property, any business deemed necessary by Developer to consummate the sale, lease, or resale of Units, including, but not limited to, the right to post signs, to reserve parking spaces for prospective purchasers, to use the Common Elements and to show Units. Signs and all items pertaining to sales shall not be considered Common Elements and shall remain the property of Developer. As long as any Unit belonging to Developer remains unsold, neither the Unit owners, nor the Homeowners' Association, nor the use of the Townhomes' property, shall interfere with the sale of Units.

E. Alteration and Transfer of Interests. The Common Elements and easements appurtenant to each Unit shall have a permanent character and shall not be altered without the consent of the Homeowners' Association and the Unit owner affected, except where such authority is retained herein by the Developer. The Common Elements and easements shall not be separated from the Unit to which they appertain, and shall be deemed to be conveyed, leased or encumbered with the Unit even though the Common Elements or easements are not expressly mentioned or described in the conveyance or other instrument. Nothing in this Section shall prevent the Developer or the Homeowners' Association from subsequently designating (and allowing the construction of) attached porches, patios (with enclosure fences) and balconies as Limited Common Elements.

F. Partition. The Common Elements shall remain undivided and shall not be the object of any action for partition or division of any part thereof, except as provided by the Act.

G. Restrictions. The Units and the Common Elements shall be subject to the following restrictions, which restrictions shall be permanent:

1. Except as otherwise approved in writing by the Homeowners' Association, the Units shall be used only as a private dwelling, shall not be subdivided, and shall be subject to such limitations and conditions as may be contained herein, or in the Bylaws of the Homeowners' Association, or any rules which may be adopted from time to time by the Homeowners' Association as to the use and appearance of the Units and the Common Elements. Nothing contained herein shall prevent a unit from being used as a home office, provided such use does not violate applicable zoning regulations.

2. Any Unit lease shall be in writing and shall be subject to this Master Deed, as may be amended, and to the Bylaws and rules as amended from time to time. No Unit shall be rented on a daily, weekly or monthly basis.

3. Violation of this Master Deed, the Bylaws or any rules adopted by the Homeowners' Association, may be remedied by the Homeowners' Association, or its agent, by the imposition of reasonable fines or by legal action for damages, injunctive relief, restraining order, or specific performance. In addition, an aggrieved Unit owner may maintain a legal action for similar relief. A Unit owner, in accepting ownership of a Unit, agrees to become subject to this enforcement in the event of a violation.

H. Homeowners' Association. The administration of the Townhomes shall be vested in a Homeowners' Association consisting of all the Unit owners of the Townhomes. The Homeowners' Association has been incorporated as a non-stock, non-profit corporation under the name "1235 Townhomes Homeowner's Association, Inc.", which Charter is recorded in The Davidson County, Tennessee Register's office. A copy of the initial Bylaws of the Homeowners' Association is attached to this Master Deed as Exhibit C. The owner of any Unit, upon acquiring title, shall automatically become a member of the Homeowners' Association and shall remain a member until such time as his ownership of such Unit ceases for any reason, at which time his membership in the Homeowners' Association shall automatically cease. The administration of the Townhomes, including the adoption and amendment of bylaws, adoption of rules, assessment of Common Expenses and all other matters relating to the administration of the Townhomes, is vested in the Developer until (i) the date when all Units of the Townhomes have been conveyed, (ii) the Developer elects to surrender this power to the Unit owners, or (iii) three years after the date of conveyance of the first Unit to an owner other than Developer, whichever occurs first. Until that time, the Developer shall constitute the Homeowners' Association, and shall possess the irrevocable proxy of the Unit owners to operate and administer the Townhomes during this time, which proxy each Unit owner automatically grants upon acceptance of a deed to a Unit. All Unit owners, by acceptance of a deed to a Unit, agree to this administration of the Townhomes by the Developer.

I. Administration of theTownhomes. Administration of the Townhomes, including the use, maintenance, repair, replacement and restoration of the Common Elements, and any additions and alterations to them, shall be in accordance with the provisions of the Act, this Master Deed, the Bylaws of the Homeowners' Association, and all rules adopted by the Homeowners' Association. Specifically (but not exclusively), effective upon completion of all Units, the Homeowners' Association shall:

1. Maintain, repair and replace all improvements in the Common Elements which may be required by law to be maintained, repaired and replaced upon, adjoining, in connection with, or for the use of any part of the Townhomes.

2. Keep all Common Elements in a clean and sanitary condition and observe and perform all laws, ordinances, rules and regulations now or hereafter made by any governmental authority, where applicable to the Townhomes.

3. Well and substantially repair, maintain and keep all Common Elements of theTownhomes in good order and condition, including keeping all trees, shrubs and grass in good cultivation and replanting the same as may be necessary.

4. Except as may be provided herein, in the Bylaws and Townhomes' rules, keep all Limited Common Elements in a clean and sanitary condition and substantially repair, maintain and keep them in good order and condition.

5. Observe any setback lines affecting the Townhomes as shown on the plans herein mentioned.

6. Not make or suffer any waste or unlawful, improper or offensive use of the Townhomes.

7. Regulate the use of the Common Elements and Limited Common Elements.

J. Delegation of Administration. The Homeowners' Association shall be authorized to delegate the administration of its duties and powers by written contract to a professional managing agent or administrator employed for that purpose by the Homeowners' Association, so long as such contract does not exceed three years in duration and is cancelable by the Homeowners' Association, without cause or payment of a termination fee, upon 90 days prior written notice. It shall be the duty of the Homeowners' Association to determine, annually, the estimated Common Expenses of the Townhomes for the succeeding twelve months, and, having so determined, to make and collect the assessment quarter-annually from each Unit owner. Each Unit owner shall contribute equally, but assessments shall not begin until the first full month following the transfer of 50% of the Units and shall be prorated based upon the portion of the quarter-annual period remaining. At the time the purchase of a Unit from Developer is closed, the Homeowners' Association shall collect from the purchaser an amount equal to one quarter's assessment; such amount shall not be deemed the payment of the quarter's assessment, but shall be considered a working capital fund for the Council.

K. Waiver of Use of Common Elements. No Unit owner may except himself from liability for his contribution towards the Common Expenses by waiver of the use or enjoyment of any of the Common Elements or by abandonment of his Unit.

L. Unpaid Common Expenses Constitute Lien; Power of Sale.

1. Unpaid Common Expenses shall constitute a lien on the Unit of the delinquent Unit owner, prior to all other liens except for (i) liens for taxes and assessments lawfully imposed by governmental authorities against such Units and (ii) the lien of a first deed of trust. Such lien shall also secure reasonable attorney fees and all costs incurred in the collection of the unpaid share of Common Expenses or the enforcement of the lien. If a Unit owner shall fail to pay the proportionate share of Common Expenses for a period of ten days following the date on which the same become due, the council may assess a "late charge" of fifteen percent per annum of the unpaid amount or such other late charge as the Homeowners Association may determine. If such share remains unpaid for a period of thirty days following the due date, together with any late charge thereon, the council may declare the entire proportionate share of Common Expenses of that Unit owner for the next succeeding full twelve calendar months immediately due and payable, without further notice or demand, and proceed to collect the same. The lien for unpaid Common Expenses may be enforced by suit by the Homeowners' Association or the Homeowner Association's agent, acting on behalf of the Homeowners' Association, in like manner as a mortgage or deed of trust of real property, provided that thirty days' prior written notice of intent to sue to enforce the lien shall be mailed, postage prepaid to all persons having an interest in such Unit (including any mortgages), as shown on the Council's record of ownership. The Council shall have the power to bid on such Unit at judicial sale or pay for and accept a deed in lieu of foreclosure; and to acquire, hold,

lease, mortgage and convey such Unit. Suit to recover a money judgment for unpaid Common Expenses shall be maintainable without judicial lien enforcement and without waiving the right to enforce the lien securing the same. Without in any manner limiting its rights aforesaid, the Homeowners' Association or the Homeowners' Association's agent, acting on behalf of the Homeowners' Association, may also file a lien for unpaid Common Expenses.

2. For and in consideration of the privileges, protections, mutual enjoyment and use of the Common Elements, the assumption of the obligations of the Unit owners set forth in this Master Deed, the receipt of which is hereby acknowledged, and to secure the payment of shares of Common Expenses assessed against a Unit owner, late charges and attorney fees as provided herein, hereinafter collectively referred to as the "Secured Charges", a lien is expressly retained in favor of the Homeowners' Association.

For the purpose of better and more effectually securing the Secured Charges, rendering unnecessary any court proceedings for the enforcement of said lien in the event of the nonpayment of the Secured Charges, and for the consideration of one dollar paid in cash, receipt of which is acknowledged, the Unit owners, their heirs, successors, administrators, and assigns, hereinafter referred to as Trustors, hereby transfer and convey unto Robert L. Scruggs, Trustee, his successors and assigns (the "Trustee"), their respective units with the appurtenances, estate, Title and interest thereto belong.

Trustors agree (i) to pay the Secured Charges when due, as provided in this Master Deed: (ii) to pay, discharge, or remove any and all liens (except a first mortgage or deed of trust) which may be hereafter placed against their Unit and which shall adversely effect the lien of this instrument or enforcement of the items and provisions hereof: (iii) to keep their respective Units in good repair: (iv) to comply with all of the items and conditions of this Master Deed and By-Laws and all rules and regulations of the Council; and (v) to pay upon demand of Trustee or the Council, all cost and expenses, together with reasonable attorney fees, of any court appearance or other proceedings required by Trustee, his successors or the Council to enforce any provision of this Master Deed or the By-Laws or any rule and regulation of the Council. If any Trustor fails to do any of these things, then Trustee or the Council may do any or all of these things, and the amounts so paid shall bear interest at the highest rate allowed under applicable laws in effects from time to time from the day of payment and shall become a part of the Secured Charges accrued hereby.

If a Trustor shall pay the Secured Charges when due, then this trust conveyance shall be of no further force or affect with respect to such Trustor's Unit. If the Secured Charges with respect to any Unit are not paid promptly when due, this trust conveyance shall remain in full force and effect, and the trustee, or his successor in trust, is hereby authorized and empowered, upon giving twenty days notice by three publications in any newspaper, daily or weekly, published in Davidson County, Tennessee to sell the Unit at the front door of the Court House in that County to the highest bidder, for cash, at public outcry, free from all statutory rights of redemption, the equity of redemption, homestead, dower and all exemptions of every kind, which are hereby expressly waived: and the Trustee, or his successor in trust, is authorized and empowered to execute and deliver a deed to the purchaser. The Homeowners' Association may bid at any sale under this trust conveyance. The Homeowners' Association may, at any time after

a default in the payment of any of the Secured Charges, enter and take possession of the property, and shall only account for the net rents actually received by it. It is further agreed that, if the Homeowners Association fails, before instructing the Trustee to sell the Unit, as herein provided, to enter and take possession thereof, the purchaser shall be entitled to immediate possession thereof upon the delivery to him by the Trustee of a deed for said property. In case of sale hereunder, the proceeds will be applied by the Trustee as follows:

(i) First, to the payment of all costs, charges and expenses of executing this conveyances and enforcing said lien as herein provided, including reasonable attorney fees and expenses incurred for instituting or defending any litigation which may arise on account of the execution of this conveyance, or the enforcement of said lien;

(ii) Second, to the payment of all taxes which may be unpaid with respect to such Unit;

(iii) Third, to the payment of all unpaid Secured Charges with respect to such Unit;

(iv) Fourth, the residue, if any, will be paid to the Unit owner of such Unit, his order, representatives or assigns;

In case of death, absence, inability. or refusal to act of said Trustee at any time when action under the foregoing power and trusts may be required or for any other reason, the Homeowners' Association is hereby authorized and empowered to name and appoint a successor to the Trustee by an Instrument in writing to be recorded in The Register's Office for Davidson County, Tennessee, and the title herein conveyed to the above named Trustee shall be vested in said successor.

M. **Acquisition at Foreclosure Sale**. Where the mortgage of a first deed of trust of record or other purchaser of any Unit acquires ownership of such Unit as a result of the enforcement of the deed of trust, such Unit shall no longer be subject to a lien for unpaid assessments for Common Expenses which become due prior to such acquisition of title, except where such lien rights may be asserted against surplus proceeds of the sale.

N. **Insurance**. The Homeowners' Association shall carry such insurance coverages as it shall deem necessary and appropriate.

O. **Reconstruction.** Where casualty destruction, partial or total, occurs to a Unit, any reconstruction or repair must be substantially in accordance with the original plans and specifications, unless such modifications to said plans and specifications are approved by a majority of the Homeowners' Association.

P. **Alteration of the Cottage**. Restoration or replacement of the Townhomes (unless resulting from casualty destruction), or material alterations or additions to the buildings in the Townhomes, shall be undertaken by any Unit owner only after approval by the Homeowners' Association, which shall have the authority to amend this Master Deed with the

written consent of the owners of and the holders of all liens on Units affected and in accordance with the complete plans and specifications approved in writing by the Homeowners' Association. Promptly upon completion of such restoration, alteration or replacement, the Homeowners' Association shall duly record an amendment to this Master Deed if and to the extent there are any changes to the Common Elements, Limited Common Elements, or Private Elements.

Q. **Maintenance Fund**. The Board shall establish and pay into a Maintenance Fund all Common Expense collections from the Unit owners, assessed for and attributed to current expenses and shall pay from the Maintenance Fund all current Common Expenses of the Townhomes.

R. **Capital Replacement Fund**. The Homeowners' Association shall establish a Capital Replacement Fund and pay into the same from month to month that portion of Common expense collections from the Unit owners, attributable to the Common Expense budget item for capital replacement reserves. For example, if ten percent of the Common Expense budget for that partial year is assigned to capital replacement reserves, ten percent of Common Expense collections shall be paid over to the Capital Replacement Fund. Disbursements from this fund other than for investments as hereinafter authorized, shall be made only for replacing, or substantially repairing, major capital improvements, or for repayment of indebtedness incurred under Section T of this Declaration, approved by the Homeowners' Association. Fund balances available for investment may be invested by the Homeowners' Association in interest-bearing securities and/or savings accounts, so long as such investment is issued by an instrumentality of the United States or insured under a program secured by the full faith and credit of the United States.

S. **Additional Common Expense Provisions**. In addition to the other provisions of this instrument relating to the Townhomes' Common Expenses, the following requirements and limitations are applicable.

1. The interest of each Unit owner in the Maintenance Fund and Capital Replacement Fund cannot be withdrawn or separately assigned, but are deemed to be transferred with such Unit even though not mentioned or described in the conveyance thereof.

2. If the Townhomes herein created shall be terminated or waived, any part of the Funds remaining after full payment of Common Expenses and costs of termination shall be distributed to the then existing Unit owners.

T. **Incurrence and Retirement of Indebtedness.** The Homeowners' Association may borrow money from time to time for the following purposes:

1. To cover any budgetary deficit from operational expenses, so long as such loan can be repaid within six months from anticipated Common Expense income and not needed for ongoing operations.

2. To pay costs of reconstruction, major repair, replacement or alteration of the Common Elements incurred under Section Q (to the extent not covered by insurance

proceeds) and Section P of this Declaration. There shall be no more than one authorized loan outstanding at any one time. When it is necessary to effect such a loan, the Homeowners' Association may pledge, as security thereon, its right to receive that part of the monthly Common Expense income that is necessary to amortize the payoff of the loan.

U. **Voting and Voting Percentages.** Each Unit, whether constructed or not, shall be entitled to one (1) vote in all matters as to which a vote of Unit owners is taken hereunder. Owners shall be entitled to vote at Homeowners' Association meetings in person or by written proxy.

V. **Eminent Domain.** The following provisions shall control upon any taking by eminent domain:

1. In the event of the taking of an entire Unit by eminent domain, the Unit owner and the Unit owner's mortgagee(s), as their interests may appear, shall be entitled to receive the award for such Unit taking and, after acceptance thereof, the Unit owner, the Unit owner's mortgagee(s) and other interest holder shall be divested of all interests in the Townhomes. If any condemnation award shall become payable to any owner whose Unit is not wholly taken by eminent domain, then such award shall be paid by the condemning authority to the Homeowners' Association on behalf of such owner. In that event, the Homeowners' Association shall rebuild the Unit as is necessary to make it habitable and remit the balance, if any, of the condemnation proceeds pertinent to the Unit owner thereof and the Unit owner's mortgagee(s), as their interest may appear.

2. If there is any taking of any portion of the Townhomes other than any Unit, the condemnation proceeds relative to such taking shall be paid to the Homeowners' Association. The affirmative vote of not less than two of the Unit owners shall determine whether to rebuild, repair or replace the portion so taken or to take such other action as they deem appropriate. If no such affirmative vote is obtained, such condemnation proceeds shall be remitted to the Unit owners equally.

3. If the Townhomes continue after taking by eminent domain, then the remaining portion of the Townhomes shall be re-surveyed and this Master Deed amended accordingly by the Homeowners' Association.

W. **Mortgagee's Rights.**

1. A holder, insurer or guarantor of a first deed of trust ("Mortgagee"), upon written request to the Homeowners' Association stating the Mortgagee's name and address and the unit number of the Unit, will be notified timely and in writing by the Homeowners' Association of the following:

(a) Any condemnation or casualty loss which affects a material portion of the Townhomes or which affects any Unit that secures the Mortgagee's mortgage or deed of trust;

(b) Any sixty day delinquency in the payment of assessments or charges owed by the owner of any Unit on which the Mortgagee holds the mortgage or deed of trust;

(c) Any lapse, cancellation or material modification of any insurance policy or fidelity bond maintained by the Homeowners' Association: and

(d) Any proposed action that required the consent of mortgage holders.

2. The Homeowners' Association shall make available for inspection, upon request and during normal business hours or under other reasonable circumstances, to any Unit Owner or Mortgagee current copies of this Master Deed, the Bylaws, any rules and regulations, and the books, records and financial statements of the Homeowners' Association.

3. The Council shall furnish, upon written request, a financial statement for the immediately pending fiscal year to any Mortgagee.

4. Except as provided by the Act in case of substantial loss to the Units and/or Common Elements, unless all Unit Owners have given their prior written approval, the Homeowners' Association shall not be entitled to:

(a) By act or omission seek to abandon or terminate the Townhomes;

(b) Change the pro-rata interest or obligations of any Unit for the purpose of (i) levying assessments or charges or allocating distributions of hazard insurance proceeds or condemnation awards or (ii) determining the pro-rata share of ownership of each Unit in the Common Elements;

(c) Partition or subdivide any Unit; or

(d) By act or omission seek to abandon, partition, subdivide, encumber, sell or transfer the Common Elements (the granting of easements for public utilities or other public purposes consistent with the intended use of the Common Elements by the Townhomes shall not be deemed a transfer within the meaning of this clause).

5. No interpretation shall be given to this Master Deed or any other Townhomes' documents which would give a Unit Owner, or any other party, priority over any rights of first Mortgagees pursuant to their mortgages in the case of a distribution to Unit Owners of insurance proceeds or condemnation awards for losses to or taking of Units and/or Common Elements.

X. **Amendment of Master Deed.** Except as otherwise provided in this Master Deed, or in the Act, this Master Deed may be amended from time to time by:

1. A unanimous vote of all Unit owners, voting in person or by proxy at a meeting of the Homeowners' Association. Notice of the subject matter of a proposed

amendment shall be included in the notice of any meeting at which a President and Secretary of the Homeowners' Association as having been duly adopted and shall be effective upon recording of the signed instrument setting forth the amendment. No amendment shall discriminate against any Unit owner or against any class or group of Units, unless the Unit owner(s) affected shall consent. No amendment shall change any Unit, not the share of the Common Elements appurtenant to it, nor increase the Unit owner's share of the Common expenses, unless the Unit owner affected and all record holders of liens on the affected Unit join in the amendment.

2. The Developer in recording amended floor plans of Units on an as built basis without necessity of any Unit owners or other owners of interest joining in.

Y. **Transfer of Developer's Rights.** The Developer may assign, transfer or convey its interest in the Property and its interest as the Developer under the Master Deed. Any mortgagee of the Developer may acquire the Property or the Developer's interest under this Master Deed in order to enforce its mortgage. Any such successor to the Developer shall succeed to all of the rights of the Developer under this Master Deed, including, without limitation, those rights set forth in Sections B, D, H, J and X, and under the Bylaws.

Z. **Termination.** The Townhomes may be terminated as follows:

1. If it is determined the damaged property shall not be reconstructed because of substantial loss in accordance with Tenn. Code Ann. 66-27-118 as may be amended or supplemented from time to time.

2. At any time after obtaining the prior approval in writing of all Unit owners, and by all record owners of liens thereon in accordance with Tenn. Code Ann. 66-27-109.

The termination of the Townhomes shall be evidenced by a deed in compliance with Tenn. Code Ann. 66-27-109, certifying the facts effecting the termination, which deed shall become effective upon being recorded in The Register's office of Davidson County. Tennessee.

WITNESS the signature of the Developer on this 13th day of November, 2006.

Perfect Circle Properties, LLC

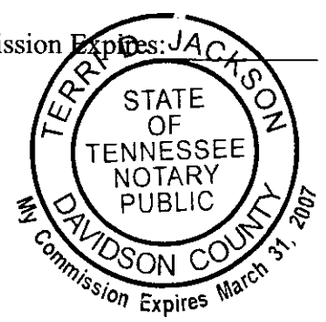
By: _____
Walker Igleheart, Chief Manager

STATE OF TENNESSEE
COUNTY OF DAVIDSON

Before me, the undersigned, a notary public in and for said County and State, personally appeared **Walker Igleheart**, with whom I am personally acquainted (or proved to me on the basis of satisfactory evidence), and who, upon oath, acknowledged himself to be the Chief Manager of **Perfect Circle Properties, LLC,** the within named bargainor, A Tennessee Limited Liability Company, and that as such Chief Manager, being authorized so to do, executed the foregoing instrument for the purpose therein contained, by signing the name of the company by himself as Chief Manager.

WITNESS my hand and official seal this the 13th day of November, 2006.

Commission Expires: JACKSON

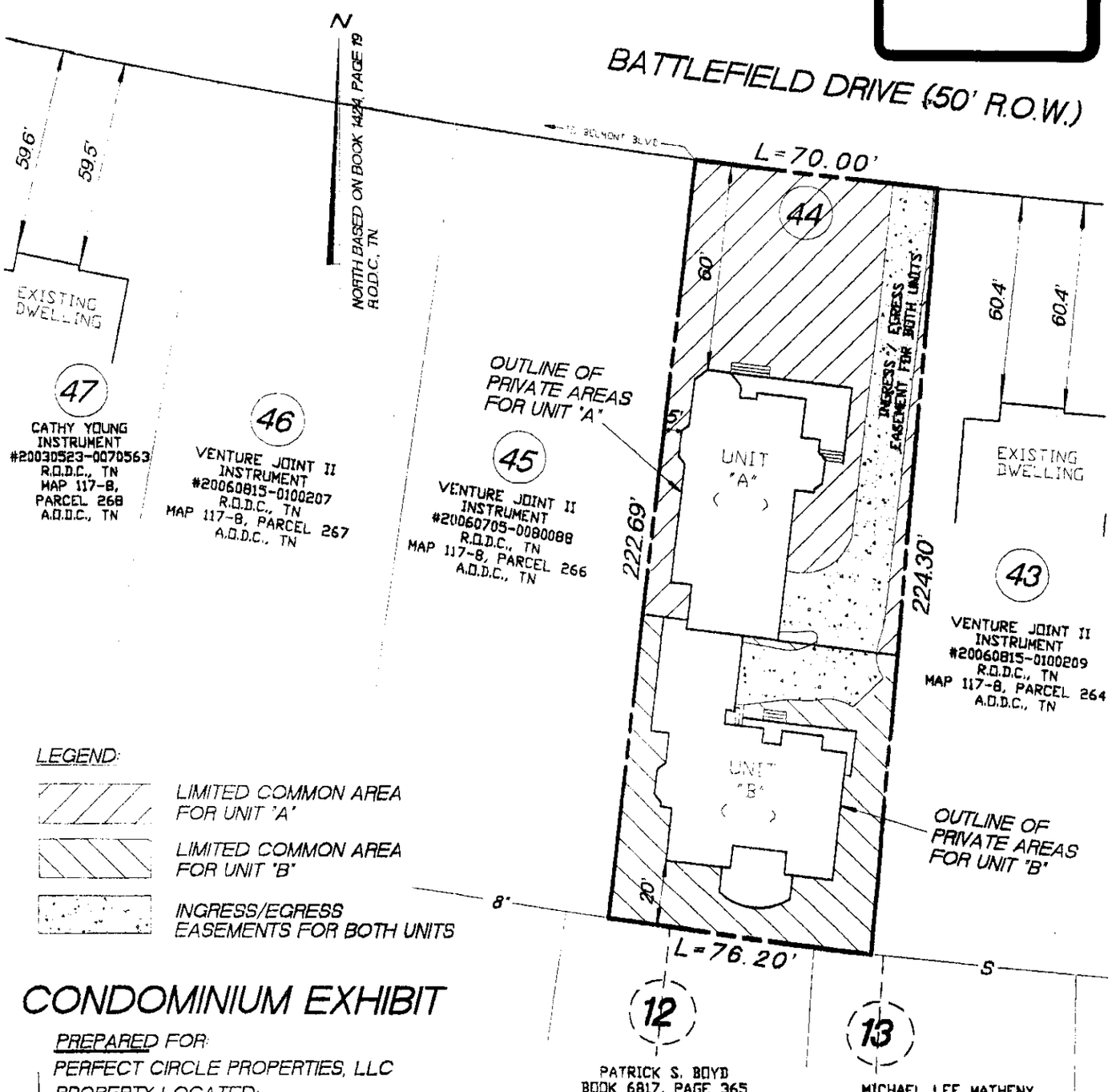


Terri D. Jackson
Notary Public

EXHIBIT A

LAND IN DAVIDSON COUNTY, TENNESSEE, BEING LOT NO. 44 ON THE PLAN OF GALECREST NO. 2, BLOCK "G" OF RECORD IN PLAT BOOK 1424, PAGE 19, SAID REGISTER'S OFFICE FOR DAVIDSON COUNTY, TENNESSEE TO WHICH PLAN REFERENCE IS HEREBY MADE FOR A MORE COMPLETE LEGAL DESCRIPTION.

EXHIBIT B



LEGEND:

- LIMITED COMMON AREA FOR UNIT 'A'
- LIMITED COMMON AREA FOR UNIT 'B'
- INGRESS/EGRESS EASEMENTS FOR BOTH UNITS

CONDOMINIUM EXHIBIT

ORDER# 293-41-6

PREPARED FOR:
PERFECT CIRCLE PROPERTIES, LLC

PROPERTY LOCATED:
1235 BATTLEFIELD DRIVE, NASHVILLE
DAVIDSON COUNTY, TENNESSEE

LAND DESCRIPTION
LOT 44, BLOCK G OF
GALECREST, SECTION 2
(BOOK 1424, PAGE 19, R.O.D.C., TN)
MAP 117-8 PARCEL 265

RECORDED:
INSTRUMENT #20050831-0104553
R.O.D.C., TN

SCALE 1" = 40' DATE: 10-27-06

40' 0 40' 80'
GRAPHIC SCALE (IN FEET) 1" = 40'

CAMPBELL, McRAE AND ASSOCIATES SURVEYING INC.
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EXHIBIT C

BYLAWS

OF

1235 TOWNHOMES ASSOCIATION, INC.

ARTICLE I: **Association of Unit Members**

Section 1. Eligibility. The Members of 1235 Townhomes Association, Inc. a Tennessee not-for-profit corporation, shall consist of the Unit Owners of the property known as 1235 Townhomes located at 1235 Battlefield Drive – Unit A (Unit A) and 1235 Battlefield Drive – Unit B (Unit B) Nashville, Tennessee 37215 (the "Property"). If a Unit Owner is a trust, then the member shall be a beneficiary of such trust, and if a Unit Owner or such a beneficiary is a corporation or partnership, the member may be an officer, partner or employee of such Unit Owner or beneficiary.

Section 2. Succession. The membership of each Unit Owner shall terminate when he ceases to be Unit Owner, and upon the sale, transfer or other disposition of his ownership interest in the Property, his membership in the Association shall automatically be transferred to the new Unit Owner succeeding to such ownership interest.

Section 3. Annual Meeting. The annual meeting of the Association (except for the First Annual Meeting, as hereinafter defined) shall be held on the first Tuesday of the second calendar month following the close of the association's fiscal year. The first annual meeting of the Association (the "First Annual Meeting") will be called by Developer at such time as, in its discretion, it deems best, but in no event shall such meeting take place later than the expiration of the Development Period.

Section 4. Special Meeting. Special meetings may be held at any time upon the call of the President or upon the written demand by the Unit Owners of at least thirty percent (30%) of all the votes entitled to be cast at such a meeting, said written demand to be delivered to the Secretary. Upon receipt of such demand, the Secretary shall send out notices of the meeting to all members of the Association.

Section 5. Notice of Meetings. A written or printed notice of every meeting of the Association, stating whether it is an annual meeting or special meeting, the authority for the call of the meeting, the place, day and hour thereof and the purpose therefor, shall be given by the Secretary or the person or persons calling the meeting at least twenty (20) days before the date set for such meeting (but no more than sixty (60) days before such meeting). Such notice shall be given to each member in any of the following ways: (a) by any manner permitted under the Master Deed, or (b) by leaving the same with him personally, or (c) by leaving the same at the residence or usual place of business of such member, or (d) by mailing it, postage prepaid, addressed to such member at his address as it appears on the records of the Association, or (e) if such member cannot be located by reasonable efforts, by posting said notice on the entrance of each unit. If notice is given pursuant to the provisions of this section, the failure of any member to receive actual notice of the meeting shall in no way invalidate the meeting or any proceedings at such meeting. In the case of a special meeting or in the case of an annual meeting at which Unit Owners will be called upon to approve: (I) director or officer conflicts of interest; (2) indemnification of officers, employees or agents; (3) any amendment to the Association Charter; (4) an amendment of these Bylaws; (5) a merger of the Association with another entity; (6) dissolution of the Association, or (7) any other matter now or hereafter governed by the notice provisions of the Tennessee Nonprofit Corporation Act, the written or printed notice shall also state the purpose or purposes for which the meeting is called. Upon written request for notices, mailed by certified mail, addressed to the secretary of the Association at the address of the Association, the holder of any duly recorded first mortgage or deed of trust against any Unit may obtain a copy of any and all notices permitted or required to be given, and any such mortgagee requesting such notice shall thereafter receive all notices sent to the members from and after receipt of

said request until said request is withdrawn or said mortgage is discharged of record.

Section 6. Waiver of Notice. The presence of all the members, in person or by proxy, at any meeting shall render the same a valid meeting, unless any member shall, at the opening of such meeting, object to the holding of the same for noncompliance with the provisions of Section 5 of this Article I. Any meeting so held without objection shall, notwithstanding the fact that no notice thereof was given, or that notice given was improper, be valid for all purposes, and at such meeting any general business may be transacted and any action may be taken; provided, however, that where a member has pledged his vote by mortgage, deed of trust or agreement of sale, only the presence of the pledgee will be counted in determining whether notice is waived with regard to business dealing with such matters upon which the member's vote is so pledged.

Section 7. Quorum; Voting. At any meeting of the Association, two-thirds (2/3) of the unit Owners, present or by proxy, shall constitute a quorum, and, except as otherwise provided herein, in the Master Deed or in the Act, the concurring vote of a Majority of the Unit Owners shall be valid and binding upon the Association. In the event a member has pledged his vote by mortgage, of trust or agreement of sale, the member's vote will be recognized in computing a quorum with respect to any business conducted concerning such matters upon which said member's vote is so pledged or mortgaged unless the mortgage, deed of trust or agreement of sale provides otherwise, in which event such instruments shall control. In the event of such mortgage or pledge, the Unit Owner shall provide the Association with a copy of the pledging or mortgaging instrument.

Section 8. Membership Voting. Any Person or combination thereof owning any Unit duly recorded in his or its name, the ownership of which shall be determined by the records of the Register's Office for Davidson County, Tennessee, shall be a member of the Association, and either in person or by proxy entitled to a vote equivalent to one vote for each Unit so owned at all meetings of the Association. Any provision to the contrary notwithstanding, co-owners or joint owners shall be deemed one Unit Owner and one member. The authority given by a member to another person to represent such member at meetings of the Association shall be in writing, signed by such member (or if a Unit is jointly owned then by co-owners or joint owners, by all such co-owners or joint owners; or if such member is a corporation, by the proper officers thereof, and shall be filed with the Secretary, and unless limited by its terms, such authority shall be deemed good until revoked in a writing filed with the Secretary. An executor, administrator, guardian or trustee may vote in person or by proxy at any meeting of the Association with respect to any Unit owned or held by him in such capacity, whether or not the same shall have been transferred to his name by a duly recorded conveyance. In case such Unit shall not have so been transferred to his name, he shall satisfy the Secretary that he is the executor, administrator, guardian or trustee holding such Unit in such capacity. Whenever any such Unit is owned by two or more persons jointly according to the Record, the vote thereof may be exercised by any one of the owners present in the absence of protest by the other or others; PROVIDED, HOWEVER, that when the vote of an owner or owners has been pledged by mortgage or deed of trust of record, only the vote of the pledgee will be recognized upon those matters upon which the owner's or owners' vote is so pledged except as otherwise provided in Section 7.

Section 9. Adjournment. Any meeting of the Association may be adjourned from time to time to such place and time as may be determined by majority vote of the members present, whether a quorum be present or not, without notice other than the announcement at the meeting. At any adjourned meeting at which a quorum is present, any business may be transacted that might have been transacted by a quorum at the meeting originally called.

ARTICLE II: **Board of Directors**

Section 1. Number and Qualification. The affairs of the Association shall be governed by a board of directors (the "Board of Directors" or the "Board") composed of two (2) persons, and all such directors shall be Unit Owners (or owners of an interest in a Unit).

Section 2. Powers and Duties. The Board of Directors shall have all of the powers and duties granted thereto in the Master Deed and all other powers and duties necessary for the administration of the affairs of the Association, and may do all such acts and things as are not by law, by the Master Deed or by these Bylaws directed to be exercised and done by the Unit Owners.

Section 3. Other Powers and Duties. In addition to duties imposed by the Master Deed, these Bylaws or by resolutions of the Association, the Board of Directors shall have the following powers and duties:

(a) to elect and remove the officers of the Association;

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

(c) to engage the services of an agent (hereinafter sometimes called the "Managing Agent") to maintain, repair, replace, administer and operate the Property or any part hereof for all Unit Owners, upon such terms and for such compensation and with such authority as the Board may approve; provided, however, that any management agreement relating to the Property shall be terminable for cause upon thirty (30) days' notice and shall have a term of not less than one (1) year nor more than three (3) years, which term shall be renewable upon approval of the Board of Directors; and provided further, however, that any such management agreement entered into during the Development Period shall be terminable by the Association without cause or penalty on ninety (90) days' prior notice;

(d) to formulate policies for the administration, management and operation of the Property and the Common Elements;

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

(f) to provide for the surveillance, maintenance, repair, and replacement of the Common Elements and payments therefor, and to approve payment vouchers or to delegate such approval to the officers or the manager or Managing Agent;

(g) to provide for the designation, hiring and removal of employees and other personnel, including accountants and attorneys, and to engage or contract for the services of others, and to make purchases for the maintenance, repair, replacement, administration, management and operation of the Property and the Common Elements, and to delegate any such powers to the Managing Agent (and any such employees or other personnel who may be the employees of a Managing Agent);

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

(i) to determine the fiscal year of the Association and to change said fiscal year from time to time as the Board deems advisable;

(j) to fix the estimated annual budget, and to provide the manner of assessing and collecting from Unit Owners their respective shares of such estimated expenses, as hereinafter provided;

(k) to enter into any lease of premises suitable for use as guest or custodian apartments, upon such terms as the Board may approve;

(l) to borrow money for the purpose of repair or restoration of Common Elements without the approval of the members of the Association;

(m) to secure insurance policies as required by the Master Deed, and in this regard, to review, on an annual basis, the amounts of coverage afforded by such policies;

(n) unless otherwise provided herein or in the Master Deed, to comply with the instructions of a majority of Unit Owners as expressed in resolutions duly adopted at any annual or special meeting of Unit Owners;

(o) to exercise all other powers and duties of Unit Owners as a group referred to in the Act, or in the Master Deed or these Bylaws.

The Association shall not, in any event, be bound either directly or indirectly by any contract or lease entered into by the Developer on behalf of the Association (including but not limited to management contracts) unless such contract or lease has a term of one (1) year or less and contains a right of termination, which is exercisable without cause and without penalty at any time after passage of control from the Developer to the Association, upon not more than ninety (90) days' notice.

Section 4. Manager or Managing Agent; Employees Generally. The Managing Agent shall perform such duties and services as the Board of Directors shall authorize, including, but not limited to, the duties listed in Section 3 of this Article. The duties conferred upon the Managing Agent by the Board of Directors may be at any moment revoked, modified or amplified by the vote of the Association in a duly constituted meeting. The Board of Directors and/or the Managing Agent (with the approval of the Board of Directors) may employ any other employees or agents to perform such duties at such salaries as the Board of Directors may establish. The Board of Directors may enter into such service contracts on behalf of the Association as are necessary and appropriate and shall have the authority, but not the obligation, to assume, on behalf of the Association, any initial service contracts entered into by Developer that comply with the requirements and limitations imposed herein.

Section 5. Election and Term of Office. The directors of the Association shall be elected by the affirmative vote of not less than two-thirds (2/3) of the Unit Owners. At the First Annual Meeting, the terms of office for the first board of directors (the "First Board") shall be fixed wherein two directors shall serve for one year. At the expiration of the initial term of office of each respective director, his successor shall be elected by all those entitled to vote. The directors shall hold office until their successors have been elected and hold their first meeting.

Section 6. Vacancies. Vacancies in the Board of Directors caused by any reason other than the removal of a director by a vote of the Association shall be filled by the remaining directors, even though they may constitute less than a quorum; and each person so elected shall be a director until a successor is elected at the next annual meeting of the Association.

Section 7. Removal of Directors. At any regular meeting or special meeting duly called, any one or more of the elected directors may be removed with or without cause by not less than two-thirds (2/3) of the Unit Owners and a successor may then and there be elected to fill the vacancy thus created. Any director whose removal has been proposed by the Unit Owners shall be given an opportunity to be heard at the meeting.

Section 8. Compensation. No compensation shall be paid to directors for their services as directors. No remuneration shall be paid to a director for services performed by him for the Association in any other capacity, unless a resolution authorizing such remuneration shall have been unanimously adopted by the Board of Directors before the services are undertaken. A director may not be an employee of the Association.

Section 9. Organizational Meeting. The first meeting of a newly elected Board of Directors shall be held within one week of election at such place as shall be fixed by the directors at the meeting at which such directors were elected, and no notice shall be necessary to the newly elected directors in order legally to constitute such meeting, providing the whole Board is present.

Section 10. 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 not less than two-thirds (2/3) of the directors.

Section 11. Special Meetings. Special meetings of the Board of Directors may be called by the President on three days' notice to each director, given personally or by mail, addressed to his residence, or by telephone, which notice shall state the time, place (as hereinabove provided) and purpose of the meeting. Special meetings of the Board of Directors shall be called by the President or Secretary in like manner and on like notice on the written request of not less than two (2) directors.

Section 12. Waiver of Notice. Before or at any meeting of the Board of Directors, any director may, in writing, waive notice of such meeting and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a director at any meeting of the Board shall be a waiver of notice by him of the time and place thereof. If all the directors are present at any meeting of the Board, no notice shall be required and any business may be transacted at such meeting.

Section 13. Board of Directors' Quorum. At all meetings of the Board of Directors, two-thirds (2/3) of the directors shall constitute a quorum for the transaction of business, and the acts of a majority of the directors present at a meeting at which a quorum is present shall be the acts of the Board of Directors. If, at any meeting of the Board of Directors, there be less than a quorum present, the majority of those present may adjourn the meeting to a different time. At any such adjourned meeting, any business that might have been transacted at the meeting, as originally called, may be transacted without further notice.

Section 14. Bonds of Officers and Employees. The Board of Directors shall require that all officers and employees (including without limitation any management agent) of the corporation handling or responsible for corporate funds shall be covered by blanket fidelity bonds naming the Association as obligee, which bonds shall be in an amount not less than one hundred fifty percent (150%) of the estimated annual operating expenses of the Project. Each such bond shall contain an agreement to notify the Board, the holder of a first mortgage or deed of trust on a Unit and every other person in interest who shall have requested such notice at least thirty (30) days' prior notice of any cancellation or material alteration of such bond. The premiums on such bonds shall be paid by the Association as a common expense of the Association.

ARTICLE III: **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 Board of Directors. The directors may appoint an assistant treasurer, an assistant secretary, and such other officers as in their judgment may be necessary. An officer may serve in more than one capacity; provided, however, that there shall be no less than two (2) persons serving as officers; and further provided that no one person shall serve as both President and Secretary simultaneously.

Section 2. Election of Officers. The officers of the Association shall be elected annually by the Board of Directors at the organizational meeting of each new Board of Directors and shall hold office at the pleasure of the Board of Directors.

Section 3. Removal of Officers. Upon the affirmative vote of a majority of the members of the Board of Directors, any officer may be removed, either with or without cause, and his successor elected at any regular meeting of the Board of Directors, or at any special meeting of the Board of Directors for such purpose.

Section 4. President. The President shall be the chief executive officer of the Association. He shall preside at all meetings of the Association and of the Board of Directors. He shall have all of the general powers and duties that are usually vested in the office of president of an association, including, but not limited to, the power to appoint committees from among the Unit Owners 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 take the place of the President and perform his duties whenever the President shall be absent or unable to act. If neither the President nor the Vice President is able to act, the Board of Directors shall appoint some other member of the Board to do so on an interim basis. The Vice President shall also perform such other duties as shall from time to time be imposed upon him by the Board of Directors.

Section 6. Treasurer. The Treasurer shall have the responsibility for Association funds and securities and shall be responsible for keeping full and accurate accounts of all receipts and disbursements in books belonging to the Association. He shall be responsible for the deposit of all monies and other valuable effects in the name, and to the credit, of the Association in such depositories as may from time to time be designated by the Board of Directors.

Section 7. Secretary. The Secretary shall attend and keep the minutes of all meetings of the Board of Directors and of the Association; shall give all notices as provided by these Bylaws, and shall have other powers and duties as may be incidental to the office of Secretary, given him by these Bylaws or assigned to him from time to time by the directors. If the Secretary shall not be present at any meeting, the presiding officer shall appoint a secretary pro tempore who shall keep the minutes of such meeting and record them in the books provided for that purpose.

Section 8. Auditor. The Association may at any meeting appoint some person, firm or corporation engaged in the business of auditing to act as auditor of the Association and to perform such audits and fiscal duties as may be requested of him by the Association.

ARTICLE IV: **Assessments**

Section I. Annual Budget. The Board shall cause to be prepared an estimated annual budget for each fiscal year of the Association. Such budget shall take into account the estimated common expenses and cash requirements for the year, including, but not limited to, salaries, wages, payroll taxes, legal and accounting fees, working capital fund, supplies, materials, parts, services, maintenance, repairs, replacements, landscaping, insurance, fuel, power, and all other common expenses. To the extent that the assessments and other cash income collected from Unit Owners during the preceding year shall be more or less than the expenditures for such preceding year, the surplus or deficit, as the case may be, shall also be taken into account. The annual budget shall also take into account the estimated net available cash income for the year from the lease, operation or use of the Common Elements. The annual budget shall provide for a reserve for contingencies for the year and replacements, in reasonable amounts as determined by the Board.

Section 2. Assessments. The estimated annual budget for each fiscal year shall be approved by the Board, and copies thereof shall be furnished by the Board to each Unit Owner, not later than thirty (30) days prior to the beginning of such year. On or before the first day of the first month and of each succeeding month of the year covered by the annual budget, each Unit Owner shall pay, as his respective monthly assessment for the common expenses, one-twelfth (I/12) of his proportionate share of the common expenses for such year as shown by the annual budget. The proportionate share for each Unit Owner shall be based upon his respective ownership interest in the Common Elements as set forth in Exhibit B to the Master Deed. In the event that the Board shall not approve an estimated annual budget or shall fail to determine new monthly assessments for any year, or shall be delayed in doing so, each Unit Owner shall continue to pay each month the amount of his respective monthly assessment as last determined. Each Unit Owner shall pay his monthly assessment on or before the first day of each month to the Managing Agent or otherwise as directed by the Board. No Unit Owner shall be relieved of his obligation to pay any assessment by abandoning or not using his Unit, the Common Elements, or the Limited Common Elements.

Section 3. Partial Year or Month. For the first fiscal year, the annual budget shall be as approved

by the First Board. If such first fiscal year, or any succeeding fiscal year, shall be less than a full year, then the monthly assessments for each Unit Owner shall be proportionate to the number of months and days in such period covered by such budget. Commencing with the date of occupancy of his Unit, each Unit Owner shall pity his assessment for the following month or fraction of a month, which assessment shall be in proportion to his respective ownership interest in the Common Elements and the number of months and days remaining of the period covered by the current annual budget, and which assessment shall be computed by the Board.

Section 4. Annual Report. Within ninety (90) days after the end of each fiscal year covered by an annual budget, or as soon thereafter as practicable, the Board shall cause to be furnished to each Unit Owner a statement for such year, showing the receipts and expenditures and such other information as the Board may deem appropriate.

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

Section 6. Expenditures. Except for the Management Agreement described in Article II, Section 3(c) hereof and expenditures and contracts specifically authorized by the Master Deed and Bylaws, the Board shall not approve any expenditure in an amount in excess of ten percent (10%) of the annual budget for the then current year, unless required for emergency repair, protection or operation of the Common Elements or Limited Common Elements, nor enter into any contract for more than three (3) years, without the prior approval of two-thirds (2/3) of the total ownership in the Common Elements.

Section 7. Lien. It shall be the duty of every Unit Owner to pay his proportionate share of the common expenses as provided in the Master Deed, and as assessed in the manner herein provided. If any Unit Owner shall fail or refuse to make any such payment of assessments when due, such delinquent payment shall be subject to a late charge in an amount established by the Board, and such delinquent payment shall also bear interest at the rate of twelve percent (12%) per annum. Such delinquent payment, together with penalty and interest, shall constitute a lien, as provided in the Act, enforceable by the Board, on the interest of such Unit Owner in the Property. The Association, or its successors and assigns, acting through the Board or its agents, shall have the right to maintain a suit to foreclose any such lien, and there shall be added to the amount due the costs of said suit and other fees and expenses, together with legal interest and reasonable attorney's fees, the Association, acting through the Board, shall have the authority to exercise and enforce any and all rights and remedies as provided for in the Act, the Master Deed, or these Bylaws, or as are otherwise available at law or in equity, for the collection of all unpaid assessments.

Section 8. Records and Statement of Account. The Board shall cause to be kept detailed and accurate records in chronological order of its receipts and expenditures affecting the Common Elements, specifying and itemizing the common expenses incurred. Payment vouchers may be approved in such manner as the Board may determine. The Board shall, upon receipt of ten (10) days' written notice to the Association and upon payment of a reasonable fee, furnish to any Unit Owner a statement of his account setting forth the amount of any unpaid assessment or other charges due and owing from such Unit Owner.

Section 9. Discharge of Liens. The Board may cause the Association to discharge any mechanic's lien or other encumbrance which, in the opinion of the Board, may constitute a lien against the Property or the Common Elements, rather than a lien against only a particular Unit. When less than all the Unit Owners are responsible for the existence of any such lien, the Unit Owners responsible shall be jointly and severally liable for the amount necessary to discharge the same and for all costs and expenses, including attorney's fees, incurred by reason of such lien.

Section 10. Holding of Funds. All funds collected hereunder shall be held and expended for the purposes designated herein, and (except for such special assessments as may be levied hereunder against less than all the Unit Owners and for such adjustments as may be required to reflect delinquent or prepaid assessments) shall be deemed to be held for the benefit, use and account of all the Unit Owners in the percentages set forth on Exhibit B to the Master Deed.

Section 11. Working Capital. A working capital fund shall be maintained by the Association during the initial months of the Property's operation, in an aggregate amount equal to at least two months' assessments for each Unit. Each Unit's share of the working capital fund must be collected and transferred to the Association at the time of the closing of the sale of each Unit and maintained in an account for the use and benefit of the Association. The Developer, however, shall not be required to make contributions to the working capital fund until the end of the Development Period. The purpose of the working capital fund is to insure that the Association will have cash available to meet unforeseen expenditures, and/or to acquire additional equipment or services deemed necessary or advisable by the Board, and disbursements from such fund shall be made as directed by the Board. Amounts paid into the working capital fund shall in no event be considered advance payment(s) of monthly assessments.

During the Development Period, the Developer shall not use the working capital funds to defray its own expense, or construction costs, or to make up any budget deficits. When, however, unsold Units are sold, the Developer may use funds collected at closing for the working capital fund to reimburse itself for any sums it has paid the Association for unsold Units' shares of such fund.

ARTICLE V: **Use and Occupancy Restrictions**

Section 1. General. No unlawful, noxious or offensive activities shall be carried on in any Unit or elsewhere on the Property, nor shall anything be done therein or thereon which shall constitute a nuisance or which shall in the judgment of the Board cause unreasonable noise or disturbance to others.

Section 2. Maintenance and Repair.

(a) Every Unit Owner must perform promptly all maintenance and repair work within his Unit that, if omitted, would affect the Property in its entirety or a part belonging to other Unit Owners, and is responsible for the damages and liabilities that his failure to do so may cause.

(b) All the repairs of internal installations of a Unit such as water, light, power, sewage, telephone and sanitary installations, lamps and all other accessories belonging to the Unit area shall be maintained at the Unit Owner's expense.

(c) A Unit Owner shall reimburse the Association for any expenditure incurred in repairing or replacing any Common Elements damaged through the Unit Owner's fault, together with a fee equal to twenty percent (20%) of the cost of any such repair or replacement.

Section 3. Use of Units. All units shall be used in accordance with the provisions of the Bylaws, the Master Deed and the Rules and Regulations.

Section 4. Leases. All leases or rental agreements for Units shall be in writing and must be specifically subject to the Master Deed and Bylaws. A copy of every such lease, as and when executed, shall be furnished to the Board. No Unit may be leased or rented for a period of less than six (6) months. The lessee under every such lease shall be bound by and subject to all of the obligations under the Master Deed and Bylaws, of Unit Owner making such lease and the lease shall expressly so provide. Any Unit Owner making such lease shall not be relieved thereby from any of said obligations. The Board shall have all the authority in its sole discretion to require at any time that any Unit Owner who is leasing his Unit, place on deposit with the Board such sums as the Board may require and determine to be used as an indemnity against loss or damage to the Common Elements which might be caused by such Unit

Owner's lessee. The terms of the indemnity shall be such terms as might be satisfactory to the Board. The Board shall furnish Unit Owner a notice in writing which shall constitute that Unit Owner's notice to make such deposit. In the event Unit Owner fails to comply with the terms of the notice within ten (I0) days from the date the notice is mailed to him, the Board at its option may elect to terminate the subject lease. The Board shall give Unit Owner and his lessee notice of such election in writing.

Section 5. Use by Developer. During the period of sale by Developer of any Units, Developer, Developer's agents, employees, contractors and subcontractors, and their respective agents and employees, shall be entitled to access, ingress to and egress from the Buildings and Property as may be required for purposes of sale of Units. In addition, Developer reserves the right to enter into, upon, over and under any Unit for a period of one (1) year after the date of sale of the Unit for such purposes as may be reasonably necessary for Developer or its agents to service any Unit. While Developer owns any of the Units and until each Unit sold by it is occupied by Purchasers, Developer and its employees may use and show one or more of such unsold or unoccupied Units as a model Unit or Units and may use one or more of such unsold or unoccupied Units as a sales office, and may maintain customary signs in connection herewith.

Section 6. Rules and Regulations. In order to assure the peaceful and orderly use and enjoyment of the Buildings and Common Elements of the Property, the Association may from time to time adopt, modify and revoke in whole or in par: by a vote of not less than sixty-seven percent (67%) of the members at any meeting duly called for the purpose, such reasonable rules and regulations, to be called Rules and Regulations, governing the conduct of persons in said Property as it may deem necessary. The Rules and Regulations, upon adoption, and every amendment, modification and revocation thereof, shall be delivered promptly to each Unit Owner and shall be binding upon all members and occupants of the Property.

The initial Rules and Regulations shall be as follows:

1. The entrances of the Buildings shall not be obstructed or used for any purpose other than ingress to and egress from the Units.

2. No exterior of any Unit or the windows or doors thereof or any other portions of the common elements shall be painted or decorated by any Unit Owner in any manner without the prior consent of the Board.

3. No furniture, equipment or other personal articles shall be placed in the entrances or other Common Elements other than in enclosed balconies and patios.

4. No Unit Owner shall make or permit any noise or objectionable odor that will disturb or annoy the occupants of any of the Units in the Property or do or permit anything to be done therein that will interfere with the rights, comfort or convenience of other Unit Owners.

5. Each Unit Owner shall keep his Unit in a good state of preservation and cleanliness and shall not sweep or throw or permit to be swept or thrown therefrom, or from the doors or windows thereof, any dirt or other substance.

6. No shades, awnings, window guards, ventilators, fans or air-conditioning devices shall be used in or about the Buildings or Common Elements except such as shall have been approved by the Board.

7. No window shutters shall be used in or about the Buildings or Common Elements without prior consent of the Board.

8. All interior curtains, blinds and window treatments in the Units shall have white backings so that only such white backing shall be visible from the exterior of the Buildings,

9. No sign, notice, lettering or advertisement shall be inscribed or exposed on or at any window, door or other part of the Property, except such as shall have been approved in writing by the Board; nor shall anything be projected out of any window of the Buildings without similar approval.

10. All garbage, refuse, and ashes from the Buildings shall be deposited with care in receptacles intended for such purpose only at such times and in such manner as Managing Agent shall direct.

11. Water closets and other water apparatus in the Buildings shall not be used for any purposes other than those for which they were constructed; nor shall any sweepings, rubbish, rags, paper, ashes or any other article be thrown into the same. Any damage resulting from misuse of any water closet or other apparatus shall be paid for by the Unit Owner causing such damage.

12. All balconies and patios shall be maintained neatly and cleanly. All plants on such balconies and patios must be potted and all pots must have drip pans. No personal belongings other than outdoor furniture and accessories may be stored or displayed on unenclosed balconies. No satellite dishes or similar devices shall be placed or installed on balconies.

13. Caged birds or animals, house cats, and dogs under 80 pounds may be kept in a Unit Owner's Unit unless the same shall become a nuisance or disturbance to other Unit Owners. In no event shall any other bird or animal be kept or harbored in the Buildings. All Unit Owners shall obey all applicable leash laws, will not allow their pets to run loose at any time, and will not leave them tied up outside their Units.

14. No radio, television aerial or satellite dish shall be attached to or hung from the exterior of the Buildings without written approval of the Board.

15. The agents of Managing Agent, and any contractor or workman authorized by Managing Agent, may enter any Unit at any reasonable hour of the day for any purpose permitted under the terms of the Master Deed, these Bylaws or the Rules and Regulations.

16. No Unit Owner or any employee or any client, visitor or guest of a Unit Owner shall be allowed on the roof of the Buildings without the express permission of the Managing Agent or the Board.

17. All costs to repair any damage to the Buildings or Common Elements caused by the moving or carrying of any article therein shall be paid by the Unit Owner responsible for the presence of such article.

18. No Unit Owner shall interfere in any manner with any portion of the heating, air-conditioning or lighting apparatus that are part of the Common Elements and not part of the Unit Owner's unit.

19. No Unit Owner shall use or permit to be brought into the Buildings any inflammable oils or fluids such as gasoline, kerosene, naphtha or benzene, or other explosives or articles deemed extra hazardous to life, limb or property, without in each case obtaining the prior written consent of the Board.

20. The Unit Owners shall not be allowed to put their names on or near any entry to the Buildings or entrance to any Unit, except in the proper places provided by the Board for such purpose.

21. The Unit Owners must keep the interiors of their Units clean and free from obstructions. The Board and the Managing Agent assume no liability for loss or damage to articles stored or placed in the Buildings or Common Area.

22. Any damage to the Buildings or equipment caused by Unit Owners, employees of

Unit Owners or their invitees, licensees, guests, visitors, clients or patients shall be repaired at the expense of the Unit Owners responsible for such damage.

23. Unit Owners shall be held responsible for the actions of their employees, invitees, licensees, visitors, clients, patients or guests.

24. Complaints regarding the management of the Buildings and grounds or regarding the actions of other Unit Owners shall be made in writing to the President.

25. Supplies, goods and packages of every kind are to be delivered in such manner as the Board may prescribe, and the Board is not responsible for the loss or damage of any such property, even if such loss or damage that may occur through the carelessness or negligence of the employees of the Buildings.

26. No Unit shall be used or occupied in such manner as to obstruct or interfere with the enjoyment of occupants, or other residents of adjoining Units; nor shall any nuisances or immoral or illegal activity be committed or permitted to occur in or about any Unit or upon any part of the Common Elements.

27. The Common Elements are intended for use for the purpose of affording movement within the Buildings and of providing access to the Units. No part of the Common Elements shall be obstructed so as to interfere with its use for the purposes hereinabove recited. Nor shall any part of the Common Elements be used for general storage purposes after the completion of the construction of the Buildings by Developer, except the maintenance storage room(s); nor shall anything be done therein or thereon in any manner that may increase the rate of hazard and liability insurance covering said area and the improvements situated thereon. No Unit Owner shall penetrate or core drill into the slabs, which comprise part of the Common Elements.

Section 7. Remedies. In the event of any violation of the provisions of the Act, the Master Deed, these Bylaws or the Rules and Regulations by any Unit Owner (either by his own conduct or by the conduct of any occupant of his Unit), the Association, or its successors or assigns, shall have each and all of the rights and remedies that may be provided for in the Act, the Master Deed, these Bylaws and/or the Rules and Regulations, or that may be available at law or in equity.

Section 8. Right of Entry. The Managing Agent or any person authorized by the Board of Directors shall have the right to enter each Unit at any time in cases of emergency and at all other reasonable times if the Unit Owner or Occupant is present. Every Unit Owner and Occupant shall permit other Unit Owners or their representatives to enter his Unit at reasonable times for the purpose of performing authorized installations, alterations or repairs to any Common Elements therein for central services provided that requests for entry are made in advance.

ARTICLE VI: **Amendments**

These Bylaws may be amended, modified or revoked in the same manner as the Master Deed, PROVIDED, HOWEVER, that the contents of these Bylaws shall always contain those particulars that are required to be contained herein by the Act; and PROVIDED, FURTHER, that no modifications of or amendment to these Bylaws shall be valid unless set forth in an amendment to the Master Deed.

Article VII: **Liability of Officers, Directors and Members; Indemnification**

Section 1. Exculpation. No director or officer of the Association shall be liable for acts or defaults of any other officer or member or for any loss sustained by the Association or any member thereof, unless the same has resulted from his own willful misconduct or negligence.

Section 2. General. To the extent permitted by law, the Association shall indemnify and hold harmless each of its Directors and officers, each member or any committee appointed pursuant to these Bylaws, against all contractual and other liabilities to others arising out of contracts made by, or other acts of such Directors, officers, or committee members on behalf of Unit Owners, or arising out of their status as Directors, officers, or committee members, unless any such contract or act shall have been made fraudulently or with gross negligence or criminal intent. It is intended that the foregoing indemnification shall include indemnification against all costs and expenses (including, but not limited to, counsel fees, amounts of judgments paid and amounts paid in settlement) reasonably incurred in connection with the defense of any claim, action, suit or proceeding, whether civil, criminal, administrative or otherwise, in which any such Director, officer, or committee member may be involved by virtue of such person's being or having been such Director, officer, or committee member, provided, however, that such indemnity shall not be operative with respect to (a) any matter as to which such person shall have been finally adjudged in such action, suit or proceeding to be liable for gross negligence or fraud in the performance of his duties as such Director, officer, or committee member, or (b) any matter settled or compromised, unless, in the opinion of independent counsel selected by or in a manner determined by the Board, there is not reasonable ground for such person's being adjudged liable for gross negligence or fraud in the performance of his duties as such Director, officer, or committee member.

Section 3. Success on Merits. To the extent that a member of the Board, or an officer of the Association, or a member of any committee appointed pursuant to these Bylaws has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in Section 1, or in defense of any claim, issue or matter therein, he shall be indemnified against expenses (including attorney's fees) actually and reasonably incurred by him in connection therewith.

Section 4. Advance Payment. Expenses incurred in defending a civil or criminal action, suit or proceeding may be paid by the Association in advance of the final disposition of such action, suit or proceeding as authorized by the Board in the specific case upon receipt of an undertaking by or on behalf of the person or entity seeking such indemnification or payment in advance to repay such amount unless it shall ultimately be determined that he is entitled to be indemnified by the Association as authorized in this Article VII.

Section 5. Miscellaneous. The Association and the Board shall have the power to raise and the responsibility for raising, by special assessment or otherwise, any sums required to discharge its obligations under this Article; provided, however, that the liability of any Unit Owner arising out of any contract made by or other acts of the Directors, officers, or members of such committees, shall be limited to such proportion of the total liability hereunder as said Unit Owner's percentage interest in the Common Elements bears to the total percentage interest of all Unit Owners in the Common Elements. Every agreement made by the Directors, officers, or members of such committees, or by the Managing Agent on behalf of Unit Owners shall provide that the Directors, officers, or members of such committees, or the Managing Agent, as the case may be, are acting only as agents for Unit Owners and shall have no personal liability thereunder (except as Unit Owners), and that each Unit Owner's liability thereunder shall be limited to such proportion of the total liability thereunder as his percentage of interest in the Common Elements bears to the total percent interest of all Unit Owners in the Common Elements. The indemnification provided by this Article VII shall not be deemed exclusive of any other rights to which those seeking indemnification may be entitled under any statute, agreement, vote of members of the Association, or disinterested members of the Board or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office. Such right to indemnification shall continue as to a person or entity who has ceased to be a member of the Board, officer of the Association, or member of such committee, and shall inure to the benefit of the heirs, executors, administrators, successors and assigns of such person or entity.

ARTICLE VIII: **Deeds of Trust and Mortgages**

Any holder, insurer or guarantor of a deed of trust or mortgage with respect to a Unit may file a copy of such instrument with the Board through the Secretary, or otherwise identify to the Board through

the Secretary the name and address of such holder, insurer or guarantor and the number or address of the corresponding Unit, and the Board through the Secretary shall be required to notify such holder or mortgagee of:

(1) Any condemnation loss or any casualty loss that affects a material portion of the Property or the Unit covered by such mortgage or deed of trust;

(2) Any delinquency in the payment of expenses or charges owed relating to the Unit that is covered by such mortgage or deed of trust that remains uncured for sixty (60) days, and that the holder or mortgagee may, at its option, pay such delinquent expenses;

(3) Any lapse, cancellation or material modification of any insurance policy or fidelity bond maintained by the Association;

(4) Any proposed action that would require the consent of a specified percentage of deed of trust or mortgage lien holders.

Any holder of a deed of trust or mortgage with respect to a Unit or any insurer or guarantor of such mortgage or deed of trust may, upon written request to the Board through the Secretary, receive a copy of the Association's financial statement for the immediately preceding fiscal year.

ARTICLE IX: **Books and Records**

Current copies of the Master Deed, these Bylaws, other rules and regulations concerning the Property, and the books, records and financial statements of the Association shall be available for inspection by any Unit Owner or by any holder, guarantor or insurer of any first mortgage or deed of trust covering a Unit at the principal office of the Association. For purposes of this paragraph, "available" shall mean available for inspection, upon request, during normal business hours. Copies may be purchased by such persons at reasonable cost, to be established from time to time by the Board.

ARTICLE X: **Rights of Developer During Development Period**

Section 1. Development Period. As used in these Bylaws, the term "Development Period" shall have the meaning set forth in Paragraph 1(i) of the Master Deed.

Section 2. Meetings of Association. Notwithstanding those provisions of Article I of these Bylaws that are to the contrary, meetings of the Association during the Development Period shall take place only upon the call of Developer. At any such meeting, Developer may (but shall not be required to) submit to a vote of the Unit Owners any matter that properly may come before a meeting of the Association, and the provisions of Article I hereof shall be applicable to all proceedings in connection with any matter so submitted. Except as provided in the immediately preceding sentence, and notwithstanding any provisions of Article I of these Bylaws that is to the contrary, during the Development Period, Developer, in its sole discretion, shall determine all matters that may properly come before the Board and/or the Association.

Section 3. Board of Directors. Notwithstanding those provisions of Article II of these Bylaws that are to the contrary, during the Development Period (a) the Board of Directors shall be composed of such number of persons [not to exceed three (3)] as Developer from time to time shall determine, and (b) the members of the Board of Directors shall be appointed by Developer from time to time, shall serve for such terms and shall be subject to removal by Developer, all as Developer shall determine in its sole discretion; provided, however, that no such director's term shall extend later than the date of the First Annual Meeting.

Section 4. Officers. Notwithstanding those provisions of Article III of these Bylaws that are to the

contrary, during the Development Period, the officers of the Association shall be appointed by Developer from time to time, shall serve for such terms and shall be subject to removal by Developer, all as Developer shall determine in its sole discretion; provided, however, that no such officer's term shall extend later than the organizational meeting of the new Board of Directors following the First Annual Meeting.

Section 5. Amendment of Bylaws During Development Period. Nothing contained in this Article X shall be deemed to give Developer any right or power to amend these Bylaws or any of the Rules and Regulations during the Development Period without the consent or approval of the number of Unit Owners required hereunder for such purpose. Notwithstanding the provisions of Articles V and VI hereof, these Bylaws and the Rules and Regulations may not be amended by the Unit Owners during the Development Period without the express written approval of the Developer.

ARTICLE XI: **Definition of** Terms

The terms used in these Bylaws, to the extent they are defined therein, shall have the same meaning as set forth in the Master Deed for 1235 Townhomes, of record in the Office of the Register of Davidson County, Tennessee.

The term "member" as used in these Bylaws, means "Unit Owner" as defined in the Master Deed.

ARTICLE XII: **Conflicts**

These Bylaws are set forth to comply with the requirements of the Act, as it may be amended from time to time, and to allow the Bylaws to control in specific situations where such law allows. In the event any of the Bylaws conflict with the provisions of the Act or of the Master Deed, the provisions of the Act or of the Master Deed, as the case may be, shall control.