

BY-LAWS
OF
SEVEN HILLS HOMEOWNERS ASSOCIATION, INC.

Article I Name, Principal Office, and Definitions

1.1. Name.

The name of the corporation is Seven Hills Homeowners Association, Inc. (the "Association").

1.2. Principal Office.

The Association's principal office shall be located in Cobb or Paulding County, Georgia. The Association may have such other offices as the Board may determine or as the Association's affairs require.

1.3. Definitions.

The words used in these By-Laws shall be given their normal, commonly understood definitions. Capitalized terms shall have the same meaning as set forth in that certain recorded Declaration of Covenants, Conditions, and Restrictions for Seven Hills, as it may be amended and supplemented from time to time (the "Declaration"), unless the context indicates otherwise.

Article II Membership: Meetings, Quorum, Voting, Proxies

2.1. Membership.

The Association shall have two classes of membership, Class "A" and Class "B," as more fully set forth in the Declaration. The provisions of the Declaration pertaining to membership are incorporated by this reference.

2.2. Place of Meetings.

The Association shall hold meetings at the Association's principal office or at such other suitable place the Board may designate.

2.3. Association Meetings.

The Association shall hold its first meeting, whether a regular or special meeting, within one year after the Association's incorporation. Thereafter, the Association shall hold regular annual meetings, and the Board shall set annual meetings so as to occur within 90 days before or after the close of the Association's fiscal year. Meetings shall be of the Voting Members unless Georgia law requires otherwise or the Board specifies otherwise.

2.4. Special Meetings.

The President may call special meetings. In addition, it shall be the duty of the President or the Secretary to call a special meeting if so directed by Board resolution or upon a petition signed by Voting Members representing at least 20% of the total Class "A" votes of the Association.

2.5. Notice of Meetings.

The Association's Secretary shall cause written notice stating the place, day, and hour of any Association meeting to be given in any manner permitted by Georgia law. Notice may be mailed, or sent by personal delivery, or, if permitted, notice may be posted in a conspicuous, prominent place within Seven Hills, sent by facsimile, electronic mail, or other electronic communication device, or provided in such other manner which is reasonably calculated, as determined in the Board's discretion, to provide personal notice to the Voting Members. Notice shall be given at least 10 but less than 60 days before the date of the meeting, by or at the direction of the President or the Secretary or the officers or Persons calling the meeting.

In the case of a special meeting or when a statute or these By-Laws require otherwise, the notice shall state the purpose or purposes for which the meeting is called. No business shall be transacted at a special meeting except as stated in the notice.

If posted, notice shall be deemed delivered when posted. If mailed, the notice of a meeting shall be deemed delivered when deposited in the United States mail addressed to the Voting Member at his or her address as it appears on the Association's records, with postage prepaid. If sent by facsimile, electronic mail, or such other electronic communication device, notice shall be deemed to be delivered when transmitted to the Voting Member at his or her address or number as it appears on the Association's records. Failure to receive actual notice of an Association meeting shall not affect the validity of any action taken at such meeting.

2.6. Waiver of Notice.

Waiver of notice of a meeting of the Voting Members shall be deemed the equivalent of proper notice. Any Voting Member may waive, in writing, notice of any meeting of the Voting Members, either before or after such meeting. A Voting Member's attendance at such meeting shall be deemed waiver by such Voting Member of notice of the time, date, and place thereof, unless such Voting Member

specifically objects to lack of proper notice at the time the meeting is called to order. Attendance at a special meeting also shall be deemed waiver of notice of all business transacted at such meeting unless a Voting Member raises an objection on the basis of lack of proper notice before the business is put to a vote.

2.7. Adjournment of Meetings.

If the Association cannot hold a meeting because a quorum is not present, a majority of the Voting Members who are present at such meeting may adjourn the meeting to a time not less than five or more than 30 days from the time the original meeting was called. At the reconvened meeting, the Association may transact any business which it might have transacted at the original meeting. If a time and place for reconvening the meeting is not fixed by those in attendance at the original meeting, or if the date for the reconvened meeting is changed, notice of the time and place of the reconvened meeting shall be given to Voting Members in the manner described in Section 2.5.

Voting Members present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough Voting Members to leave less than a quorum, provided that at least a majority of the votes required to constitute a quorum approve any action taken.

2.8. Voting.

Members shall have such voting rights as are set forth in the Declaration, which provisions are incorporated herein by this reference. Voting Members may vote at a meeting by voice vote or ballot or may vote by mail without the necessity of a meeting, as determined by the Board; provided, the Board shall hold meetings when required by the Declaration, these By-Laws, or Georgia law.

Unless a Voting Member has been selected for a Neighborhood pursuant to the Declaration, the Owners within such Neighborhood shall be entitled personally to cast the votes attributable to their respective Units on any issue requiring a membership vote under the Governing Documents. Under circumstances where a Voting Member has *not* been selected for a Neighborhood pursuant to the Declaration, references in these By-Laws to a Voting Member shall be deemed to refer to a Member having the right personally to cast his or her vote.

Votes for the election of directors shall be cast by written ballot. All Member votes cast at meetings are subject to the quorum requirements of Section 2.11. The Board may permit votes to be cast electronically (*i.e., via* the Internet, intranet, or electronic mail) with sufficient verification of authenticity and if permitted by law.

2.9. Proxies.

A Voting Member selected by the Members within a Neighborhood to vote on their behalf in a representative capacity pursuant to the Declaration may not vote by proxy but only in person or through

his or her designated alternate. On any matter as to which a Member is entitled personally to cast the vote for his Unit, such vote may be cast in person or by proxy, subject to the limitations of Georgia law relating to use of general proxies and subject to any specific provision to the contrary in the Declaration or these By-Laws.

Every proxy shall be in writing specifying the Unit for which it is given, signed by the Member or his or her duly authorized attorney-in-fact, dated, and filed with the Association's Secretary prior to the meeting for which it is to be effective. Unless the proxy specifically provides otherwise, a proxy shall be presumed to cover all votes which the Member giving such proxy is entitled to cast, and in the event of any conflict between two or more proxies purporting to cover the same voting rights, the later dated proxy shall prevail, or if dated as of the same date, both shall be deemed invalid.

Every proxy shall be revocable and shall automatically cease upon (a) conveyance of any Unit for which it was given, (b) receipt by the Secretary of written notice of revocation of the proxy or of the death or judicially declared incompetence of a Member, or (c) 11 months from the date of the proxy, unless a shorter period is specified in the proxy.

2.10. Majority.

As used in these By-Laws, the term "majority" shall mean those votes, Owners, or other group as the context may indicate totaling more than 50% of the total eligible number.

2.11. Quorum.

Except as these By-Laws or the Declaration otherwise provide, the presence of Voting Members representing at least 25% of the Association's total Class "A" votes shall constitute a quorum at all Association meetings.

2.12. Conduct of Meetings.

The President or any designee the Board approves shall preside over all Association meetings. The Secretary shall ensure that minutes of the meetings are kept and that all resolutions adopted and all other transactions occurring at such meetings are recorded with the Association's records.

2.13. Action Without a Meeting.

Any action required or permitted by law to be taken at a meeting of the Voting Members may be taken without a meeting, without prior notice, and without a vote if all Voting Members entitled to vote on such matter sign a written consent specifically authorizing such action. The Secretary shall file such consents with the minutes of the Association along with the Secretary's certification that the subscribers to the consent constitute all of the Voting Members entitled to vote. Such consent shall have the same force and effect as a vote of the Voting Members at a meeting.

Article III Board of Directors: Selection, Meetings, Powers

A. Composition and Selection.

3.1. Governing Body; Composition.

The Board shall govern the Association's affairs. Each director shall have one equal vote. Except with respect to directors the Class "B" Member appoints, directors shall be Members or residents; provided, no Owner and resident representing the same Unit may serve on the Board at the same time. A "resident" shall be any natural person 18 years of age or older whose principal residence is a Unit within Seven Hills. If a Member is not an individual, any officer, director, partner, or trust officer of such Member shall be eligible to serve as a director unless a written notice to the Association signed by such Member specifies otherwise; provided, no Member may have more than one such representative on the Board at a time, except in the case of directors the Class "B" Member appoints.

3.2. Number of Directors.

The Board shall consist of three to five directors, as provided in Sections 3.3 and 3.5. The initial Board shall consist of the three directors identified in the Articles of Incorporation.

3.3. Directors During Class "B" Control Period.

Directors appointed by the Class "B" Member pursuant to Section 3.5 shall be appointed by the Class "B" Member acting in its sole discretion and shall serve at the pleasure of the Class "B" Member.

3.4. Nomination and Election Procedures.

(a) Nomination of Directors. Except with respect to directors the Class "B" Member appoints, nominations for election to the Board shall be made in accordance with policies and procedures the Board establishes. Such policies and procedures may include, but are not limited to, permitting or requiring that nominations be made through a nominating committee, permitting "write-in" candidates, and permitting nominations from the floor.

If appointed, the Nominating Committee shall consist of a Chairman, who shall be a Board member, and three or more Members or representatives of Members. The Nominating Committee shall make as many nominations for election to the Board as it deems appropriate in its discretion, but in no event less than the number of positions to be filled as provided in Section 3.5. The Nominating Committee shall nominate separate slates for the directors, if any, to be elected at large by all Class "A" votes and for the director(s) to be elected by the votes within each Voting Group.

All candidates shall have a reasonable opportunity to communicate their qualifications to the Members and to solicit votes.

(b) Election Procedures. Each Voting Member may cast all votes assigned to the Units which it represents for each position to be filled from the slate of candidates on which such Voting Member is entitled to vote. There shall be no cumulative voting. That number of candidates equal to the number of positions to be filled receiving the greatest number of votes shall be elected. Directors may be elected to serve any number of consecutive terms.

3.5. Election and Term of Office.

Except as these By-Laws may otherwise specifically provide, election of directors shall take place at the Association's annual meeting. Notwithstanding any other provision of these By-Laws:

(a) Within 30 days after the time that Class "A" Members other than Builders own 75% of the Units permitted under the Master Plan, or whenever the Class "B" Member earlier determines, the President shall call for an election by which the Class "A" Members (either through Voting Members, if elected, or individually) shall elect one of the three directors. (A director the Class "A" Members elect is referred to as a "Class "A" Director.") The remaining two directors shall be the Class "B" Member's appointees. The Class "A" Director shall not be subject to removal by the Class "B" Member and shall be elected for a term which expires on the date of the second annual meeting following his or her election. Upon expiration of such director's term, and thereafter upon the expiration of each successor's term, a successor shall be elected for a two-year term.

(b) Within 90 days after termination of the Class "B" Control Period, or whenever the Class "B" Member earlier determines, the Class "B" Member-appointed directors shall resign, the Board shall increase to five directors, and the President shall call for an election by which the Class "A" Members shall elect four directors to fill the vacancies and the newly created director positions. The director elected by the Class "A" Members under paragraph (a) above shall continue to serve. Directors elected by the Class "A" Members pursuant to this paragraph shall not be subject to removal by the Class "B" Member and shall serve until the second annual meeting following their election. Upon expiration of such directors' terms, and thereafter upon the expiration of each successor's term, a successor shall be elected for a two-year term.

Thereafter, upon expiration of the term of office of each Class "A" Director, Voting Members entitled to elect such director shall elect a successor to serve a term of two years; provided, if necessary to establish staggered terms for the directors, the Board may, for one time only, provide that two directors be elected to each serve one term of three years. Directors the Class "A" Members elect shall hold office until their respective successors have been elected.

In the event that any director position remains unfilled due to a lack of interested candidates or for any other reason, the Board may continue to conduct business despite such vacancy; provided, the remaining directors shall use reasonable efforts to fill any such vacancies (*e.g.*, attempting to fill vacancies by appointment, holding regular elections, etc.).

For any Neighborhood for which a Voting Member has been elected, votes for Class "A" Directors shall be cast by the Voting Members. Prior to the election of a Voting Member for a Neighborhood, the Class "A" votes for directors from within such Neighborhood shall be cast by the individual Class "A" Members.

3.6. Removal of Directors and Vacancies.

Any Class "A" Director may be removed, with or without cause, by the vote of Voting Members representing a majority of the votes entitled to be cast for the election of such director. Any director whose removal is sought shall be given notice prior to any meeting called for that purpose. Upon removal of a director, the Voting Members entitled to elect the director so removed shall elect a successor to fill the vacancy for the remainder of the term of such director.

A majority of the directors at a regular or special meeting at which a quorum is present may remove any Class "A" Director who (a) has three consecutive unexcused absences from Board meetings, (b) is more than 30 days delinquent (or resides in a Unit owned by a Member who is so delinquent) in the payment of any assessment or other charge due the Association, or (c) fails to cure a Governing Document violation pertaining to his or her Unit after being given notice from the Board or its designee and a reasonable opportunity to cure such violation. The Board may appoint a successor to fill the vacancy for the remainder of the term.

In the event of the death, disability, or resignation of a director, the Board may declare a vacancy and appoint a successor to fill the vacancy until the next annual meeting, at which time the Voting Members entitled to fill such directorship may elect a successor for the remainder of the term.

The Board shall appoint directors from within the Voting Group represented by the director who vacated the position.

This Section shall not apply to directors the Class "B" Member appoints or to any director serving as Declarant's representative. The Class "B" Member or Declarant shall appoint a successor to fill any vacancy on the Board resulting from the death, disability, or resignation of a director appointed by or elected as a representative of the Class "B" Member or Declarant.

B. Meetings.

3.7. Organizational Meetings.

The Board shall hold an organizational meeting within 10 days following each annual membership meeting at such time and place as the Board shall fix.

3.8. Regular Meetings.

The Board shall hold regular meetings at such time and place as a majority of the directors shall determine, but the Board shall hold at least four such meetings during each fiscal year with at least one per quarter.

3.9. Special Meetings.

The Board shall hold special meetings when called by written notice the President, Vice President, or any two directors sign.

3.10. Notice; Waiver of Notice.

(a) Notices of Board meetings shall specify the time and place of the meeting and, in the case of a special meeting, the nature of any special business to be considered. The Board shall give notice to each director by (i) personal delivery; (ii) first class mail, postage prepaid; (iii) telephone communication, either directly to the director or to a person at the director's office or home who would reasonably be expected to communicate such notice promptly to the director; or (iv) facsimile, electronic mail, or other electronic communication device, with confirmation of transmission. All such notices shall be given at the director's telephone number, fax number, electronic mail address, or sent to the director's address as shown on the Association's records. The Board shall deposit notices sent by first class mail into a United States mailbox at least five business days before the time set for the meeting. The Board shall give notices at least four days before the time set for a regular meeting and at least 72 hours before the time set for a special meeting.

(b) Transactions of any Board meeting, however called and noticed or wherever held, shall be as valid as though taken at a meeting duly held after regular call and notice if (i) a quorum is present, and (ii) either before or after the meeting each director not present signs a written waiver of notice, a consent to holding the meeting, or an approval of the minutes. The waiver of notice or consent need not specify the purpose of the meeting. Notice of a meeting also shall be deemed given to any director who attends the meeting without protesting before or at its commencement about the lack of adequate notice.

3.11. Telephonic Participation in Meetings.

Members of the Board or any committee the Board designates may participate in a Board or committee meeting by means of conference telephone or similar communications equipment, through which all persons participating in the meeting can hear each other. Participation in a meeting pursuant to this subsection shall constitute presence at such meeting.

3.12. Quorum of Board.

At all Board meetings, a majority of the directors shall constitute a quorum for the transaction of business, and the votes of a majority of the directors present at a meeting at which a quorum is present

shall constitute the Board's decision, unless these By-Laws or the Declaration specifically provide otherwise. A meeting at which a quorum is initially present may continue to transact business, notwithstanding the withdrawal of directors, if at least a majority of the required quorum for that meeting approves any action taken. If the Board cannot hold a meeting because a quorum is not present, a majority of the directors present at such meeting may adjourn the meeting to a time not less than five or more than 30 days from the date of the original meeting. At the reconvened meeting, if a quorum is present, the Board may transact without further notice any business which it might have transacted at the original meeting.

3.13. Conduct of Meetings.

The President shall preside over all Board meetings; provided, in the President's absence, the Vice President or another Board designee shall preside. The Secretary shall cause to be kept a minute book of Board meetings, recording all Board resolutions and all transactions and proceedings occurring at such meetings.

3.14. Open Meetings; Executive Session.

(a) Except in an emergency, the Board shall post notice of meetings at least 48 hours in advance of the meeting at a conspicuous place within Seven Hills which the Board establishes for the posting of Association notices. Notice of any meeting at which assessments are to be established shall state that fact and the nature of the assessment. Subject to Section 3.15, all Board meetings shall be open to all Voting Members and, if required by law, all Owners; but attendees other than directors may not participate in any discussion or deliberation unless a director requests that they be granted permission to speak. In such case, the President may limit the time any such individual may speak.

(b) Notwithstanding the above, the President may adjourn any Board meeting and reconvene in executive session, and may exclude persons other than directors, to discuss matters of a sensitive nature, such as pending or threatened litigation, personnel matters, etc.

3.15. Action Without a Formal Meeting.

Any action to be taken or which may be taken at a Board meeting may be taken without a meeting if all of the directors sign a written consent, setting forth the action so taken. Such consent shall have the same force and effect as a unanimous vote. The Secretary shall file written consents with the minutes of the Board's proceedings. The Board shall post a notice of the Board's action in a prominent place within Seven Hills within three business days after obtaining all written consents to an action. Failure to give notice shall not render the action taken invalid.

C. Powers and Duties.

3.16. Powers.

The Board shall have all of the powers and duties necessary for administrating the Association's affairs and for performing all Association responsibilities and exercising all Association rights set forth in the Governing Documents and as provided by law. The Board may do or cause to be done on the Association's behalf all acts and things except those which the Governing Documents or Georgia law require to be done or exercised exclusively by the Voting Members or the membership generally.

3.17. Duties.

The Board's duties shall include, without limitation:

- (a) preparing and adopting, in accordance with the Declaration, an annual budget establishing each Owner's share of the Common Expenses and any Neighborhood Expenses;
- (b) levying and collecting such assessments from the Owners;
- (c) providing for the operation, care, upkeep, and maintenance of the Area of Common Responsibility consistent with the Community-Wide Standard;
- (d) designating, hiring, and dismissing personnel necessary to carry out the Association's rights and responsibilities and, where appropriate, providing for compensation of such personnel and for the purchase of equipment, supplies, and materials to be used by such personnel in the performance of their duties;
- (e) depositing all funds received on the Association's behalf in a bank depository which it shall approve, and using such funds to operate the Association; provided, any reserve funds may be deposited, in the Board's business judgment, in depositories other than banks;
- (f) opening bank accounts on the Association's behalf and designating the signatories required;
- (g) making or contracting for the making of repairs, additions, and improvements to or alterations of the Common Area in accordance with the Governing Documents;
- (h) enforcing by legal means the provisions of the Governing Documents and bringing any proceedings which may be instituted on behalf of or against the Owners concerning the Association; provided, the Association's obligation in this regard shall be conditioned in the manner provided in the Declaration;

- (i) obtaining and carrying property and liability insurance and fidelity bonds, as provided in the Declaration, paying the cost thereof, and filing and adjusting claims, as appropriate;
- (j) paying the cost of all services rendered to the Association;
- (k) keeping books with detailed accounts of the Association's receipts and expenditures;
- (l) making available to any prospective purchaser of a Unit, any Owner, and the holders, insurers, and guarantors of any Mortgage on any Unit, current copies of the Governing Documents and all other books, records, and financial statements of the Association as provided in Section 6.4;
- (m) permitting utility suppliers to use portions of the Common Area reasonably necessary to the ongoing development or operation of Seven Hills; and
- (n) indemnifying an Association director, officer, or committee member or former Association director, officer, or committee member to the extent Georgia law, the Articles of Incorporation, or the Declaration requires such indemnity.

3.18. Compensation.

Directors shall not receive any compensation from the Association for acting as such unless Voting Members representing a majority of the total Class "A" votes in the Association approve of compensation at a regular or special Association meeting. The Association may reimburse any director for expenses he or she incurs on the Association's behalf upon approval of a majority of the other directors. Nothing herein shall prohibit the Association from compensating a director, or any entity with which a director is affiliated, for services or supplies he or she furnishes to the Association in a capacity other than as a director pursuant to a contract or agreement with the Association, provided that such director made his or her interest known to the Board prior to entering into such contract and a majority of the Board, excluding the interested director, approved such contract.

3.19. Right of Class "B" Member to Disapprove Actions.

So long as the Class "B" membership exists, the Class "B" Member shall have a right to disapprove any action, policy, or program of the Association, the Board, and any committee which, in the Class "B" Member's sole judgment, would tend to impair rights of Declarant or Builders under the Declaration or these By-Laws, interfere with development or construction of any portion of Seven Hills, or diminish the level of services the Association provides.

(a) Notice. The Association shall give the Class "B" Member written notice of all meetings and proposed actions approved at Association, Board, or committee meetings (or by written consent in lieu of a meeting). The Association shall give such notice by regular, first class mail, electronic mail, or by personal delivery at the address the Class "B" Member has registered with the Association, which notice complies with the requirements for notice of Board meetings with Section 3.10, and which notice

shall, except in the case of the regular meetings the Board holds pursuant to these By-Laws, set forth with reasonable particularity the agenda to be followed at such meeting; and

(b) Opportunity to be Heard. The Association shall give the Class "B" Member the opportunity at any such meeting to join in or to have its representatives or agents join in discussion from the floor of any prospective action, policy, or program which would be subject to the right of disapproval set forth herein.

The Board shall not implement any action, policy, or program subject to the right of disapproval set forth herein until and unless the requirements of this Section have been met.

The Class "B" Member, its representatives or agents, shall make its concerns, thoughts, and suggestions known to the Board and/or the members of the subject committee. The Class "B" Member, acting through any officer or director, agent, or authorized representative, may exercise its right to disapprove at any time within 10 days following the meeting at which such action was proposed or, in the case of any action taken by written consent in lieu of a meeting, at any time within 10 days following receipt of written notice of the proposed action. The Class "B" Member may use this right to disapprove to block proposed actions, but shall not use it to require any action or counteraction of any committee, the Board, or the Association. The Class "B" Member shall also not use its right to disapprove to reduce the level of services which the Association is obligated to provide or to prevent capital repairs or any expenditure required to comply with applicable laws and regulations.

3.20. Management.

The Board may employ for the Association a professional management agent or agents at such compensation as the Board may establish, to perform such duties and services as the Board shall authorize. The Board may delegate such powers as are necessary to perform the manager's assigned duties but shall not delegate policy-making authority or those duties set forth in Sections 3.17(a), 3.17(b), 3.17(c), 3.17(g), and 3.17(i). The Board may employ Declarant, any of Declarant's joint venturers, affiliates, or agents, or their affiliates, as managing agent or manager.

The Board may delegate to one of its members the authority to act on the Board's behalf on all matters relating to the duties of the managing agent or manager, if any, which might arise between Board meetings.

The Association shall not be bound, either directly or indirectly, by any management contract executed during the Class "B" Control Period unless such contract contains a right of termination the Association may exercise with or without cause and without penalty, at any time after termination of the Class "B" Control Period upon not more than 90 days' written notice.

3.21. Accounts and Reports.

The following management standards of performance shall be followed unless the Board by resolution specifically determines otherwise:

- (a) accounting and controls should conform to generally accepted accounting principles;
- (b) the Association's cash accounts shall not be commingled with any other accounts;
- (c) the managing agent shall accept no remuneration from vendors, independent contractors, or others providing goods or services to the Association, whether in the form of commissions, finder's fees, service fees, prizes, gifts, or otherwise; any thing of value received shall benefit the Association;
- (d) the managing agent promptly shall disclose to the Board any financial or other interest which he or she may have in any firm providing goods or services to the Association;
- (e) commencing at the end of the quarter in which the first Unit is sold and closed, the Board shall prepare financial reports for the Association at least quarterly containing:
 - (i) an income statement reflecting all income and expense activity for the preceding period on a cash or accrual basis;
 - (ii) a statement reflecting all cash receipts and disbursements for the preceding period;
 - (iii) a variance report reflecting the status of all accounts in an "actual" versus "approved" budget format;
 - (iv) a balance sheet as of the last day of the preceding period; and
 - (v) a delinquency report listing all Owners who are delinquent in paying any assessments at the time of the report (any assessment or installment thereof shall be considered to be delinquent on the 15th day following the due date unless the Board specifies otherwise by resolution); and
- (f) an annual report consisting of at least the following shall be available for Members' review within 180 days after the close of the fiscal year: (i) a balance sheet; (ii) an operating (income) statement; and (iii) a statement of changes in financial position for the fiscal year. An independent public accountant shall prepare such annual report on an audited, reviewed, or compiled basis, as the Board determines.

3.22. Borrowing.

The Association shall have the power to borrow money for any legal purpose; provided, the Board shall obtain Voting Member approval in the same manner provided in the Declaration for Special Assessments if the proposed borrowing is for the purpose of making discretionary capital improvements and the total amount of such borrowing, together with all other debt incurred within the previous 12-month period, exceeds or would exceed 5% of the Association's budgeted gross expenses for that fiscal year.

3.23. Right to Contract.

The Association shall have the right to contract with any Person for the performance of various duties and functions. This right shall include, without limitation, the right to enter into common management, operational, or other agreements with trusts, condominiums, cooperatives, or Neighborhood and other owners or residents associations, within or outside of Seven Hills. Any common management agreement shall require the Board's consent.

3.24. Enforcement.

The Association shall have the power to enforce the Governing Documents and to impose sanctions for violations of the Governing Documents. To the extent the Declaration specifically requires, the Board shall comply with the following procedures prior to imposition of sanctions:

(a) Notice. The Board or its delegate shall serve the alleged violator with written notice describing (i) the nature of the alleged violation, (ii) the proposed sanction to be imposed, (iii) a period of not less than 10 days within which the alleged violator may present a written request for a hearing to the Board; and (iv) a statement that the Board shall impose the proposed sanction as contained in the notice unless the alleged violator challenges the charges within the time required to request a hearing. If a timely request for a hearing is not made, the Board shall impose the sanction stated in the notice; provided, the Board may, but shall not be obligated to, suspend any proposed sanction if the alleged violator cures the violation within the required period. Such suspension shall not constitute a waiver of the Board's right to sanction any Person's future violation of the same or other provisions and rules.

(b) Hearing. If the alleged violator requests a hearing within the required period, the Board shall hold the hearing in executive session. The Board shall afford the alleged violator a reasonable opportunity to be heard. Prior to the effectiveness of any sanction hereunder, the Board shall cause proof of proper notice to be placed in the minutes of the meeting. Such proof shall be deemed adequate if the officer, director, or agent who delivered such notice enters into the minutes of the meeting a copy of the notice, together with a statement of the date and manner of delivery. The notice requirement shall be deemed satisfied if the alleged violator or its representative appears at the meeting. The minutes of the meeting shall contain a written statement of the results of the hearing and the sanction, if any, imposed.

(c) Additional Enforcement Rights. Notwithstanding anything to the contrary in this Article, if the Declaration permits, the Board may elect to enforce any provision of the Governing Documents by self-help (specifically including, but not limited to, towing vehicles that violate parking rules and requiring persons violating rules relating to Common Area use to cease such violating use immediately) or, following compliance with the dispute resolution procedures set forth in the Declaration, if applicable, by suit at law or in equity to enjoin any violation or to recover monetary damages or both, without the necessity of compliance with the procedure set forth above. In any such action, to the maximum extent permissible, the Owner or occupant responsible for the violation of which abatement is sought shall pay all costs, including reasonable attorneys fees actually incurred. Any entry onto a Unit for purposes of exercising this power of self-help shall not be deemed as trespass.

3.25. Board Standards.

In the performance of their duties, Association directors and officers shall be insulated from personal liability as provided by Georgia law for directors and officers of nonprofit corporations, and as otherwise provided in the Governing Documents. Directors are required to exercise the ordinary and reasonable care of directors of a corporation, subject to the business judgment rule.

As defined herein, a director shall be acting in accordance with the business judgment rule so long as the director (a) acts within the express or implied terms of the Governing Documents and his or her actions are not *ultra vires* (i.e., outside the scope of the director's authority); (b) affirmatively undertakes to make decisions which he or she reasonably believes are necessary for the Association's continued and successful operation and, when decisions are made, they are made on an informed basis; (c) acts on a disinterested basis, promptly discloses any real or potential conflict of interests (pecuniary or other) and avoids participation in decisions and actions when a conflict exists; and (d) acts in a non-fraudulent manner and without reckless indifference to the Association's affairs. A director acting in accordance with the business judgment rule shall be protected from personal liability.

Board determinations of the meaning, scope, and application of Governing Documents provisions shall be upheld and enforced so long as such determinations are reasonable. The Board shall exercise its power in a fair and nondiscriminatory manner and shall adhere to the procedures established in the Governing Documents.

3.26. Board Training Seminar.

The Board may require that each Class "A" Director complete a board training seminar within such director's first six months of directorship which is intended to educate the director with respect to his or her responsibilities and duties. The seminar may be presented live, on video or audio tape, or in other format, as the Board determines in its discretion.

Article IV Officers

4.1. Officers.

The Association's officers shall be a President, Vice President, Secretary, and Treasurer. The President and Secretary shall be elected from among Board members; other officers may, but need not be, Board members. The Board may appoint such other officers, including one or more Assistant Secretaries and one or more Assistant Treasurers, as it shall deem desirable, such officers to have such authority and perform such duties as the Board prescribes. The same person may hold any two or more offices, except the offices of President and Secretary.

4.2. Election and Term of Office.

The Board shall elect the Association's officers at the first Board meeting following each annual meeting of the Voting Members, to serve until their successors are elected.

4.3. Removal and Vacancies.

The Board may remove any officer whenever in its judgment the Association's best interests will be served, and may fill any vacancy in any office arising because of death, resignation, removal, or otherwise, for the unexpired portion of the term.

4.4. Powers and Duties.

The Association's officers shall each have such powers and duties as generally pertain to their respective offices, as well as such powers and duties as the Board may specifically confer or impose. The President shall be the Association's chief executive officer. The Treasurer shall have primary responsibility for preparing the budget as provided for in the Declaration and may delegate all or part of the preparation and notification duties to a finance committee, management agent, or both.

4.5. Resignation.

Any officer may resign at any time by giving written notice to the Board, the President, or the Secretary. Such resignation shall take effect on the date of the receipt of such notice or at any later time specified therein, and unless otherwise specified therein, acceptance of such resignation shall not be necessary to make it effective.

4.6. Agreements, Contracts, Deeds, Leases, Checks, Etc.

At least two officers, or such other person or persons as the Board may designate by resolution, shall execute all Association agreements, contracts, deeds, leases, checks, and other instruments.

4.7. Compensation.

Officers' compensation shall be subject to the same limitations as directors' compensation under Section 3.18.

Article V Committees

5.1. General.

The Board may appoint such committees as it deems appropriate to perform such tasks and to serve for such periods as the Board may designate by resolution. Each committee shall operate in accordance with the terms of such resolution.

5.2. Neighborhood Committees.

In addition to any other committees appointed as provided above, each Neighborhood which has no formal organizational structure or association may elect a Neighborhood Committee to assist the Board in determining the nature and extent of services to be provided to the Neighborhood by the Association in addition to services the Association is required to provide in accordance with a Supplemental Declaration or which it otherwise provides to all Members. On all such matters, the Neighborhood Committee may advise the Board but shall not have the authority to bind the Board. A Neighborhood Committee, if elected, shall consist of three to five Members, as determined by the vote of the Owners of Units within the Neighborhood.

Neighborhood Committee members shall be elected for a term of one year or until their successors are elected. Any director elected to the Board from a Neighborhood shall be an *ex officio* member of the Neighborhood Committee. The Voting Member representing such Neighborhood shall be the chairperson of the Neighborhood Committee, shall preside at its meetings, and shall be responsible for transmitting any and all communications to the Board.

In the conduct of its duties and responsibilities, each Neighborhood Committee shall abide by the notice and quorum requirements applicable to Board meetings. Meetings of a Neighborhood Committee shall be open to all Owners of Units in the Neighborhood and their representatives. Members of a Neighborhood Committee may act by unanimous written consent in lieu of a meeting.

Article VI Miscellaneous

6.1. Fiscal Year.

The Association's fiscal year shall be the calendar year unless the Board establishes a different fiscal year by resolution.

6.2. Parliamentary Rules.

Except as may be modified by Board resolution, *Robert's Rules of Order* (the then current edition) shall govern the conduct of Association proceedings when not in conflict with Georgia law or the Governing Documents.

6.3. Conflicts.

If there are conflicts among the provisions of Georgia law, the Articles of Incorporation, the Declaration, and these By-Laws, the provisions of Georgia law, the Declaration, the Articles of Incorporation, and these By-Laws (in that order) shall prevail.

6.4. Books and Records.

(a) Inspection by Members and Mortgagees. The Board shall make available for inspection and copying by any holder, insurer, or guarantor of a first Mortgage on a Unit; any Member; or the duly appointed representative of any of the foregoing at any reasonable time and for a purpose reasonably related to his or her interest in a Unit: the Governing Documents, the membership register, books of account, and the minutes of meetings of the Members, the Board, and committees. The Board shall provide for such inspection to take place at the Association's office or at such other place within Seven Hills as the Board shall designate.

(b) Rules for Inspection. The Board shall establish rules with respect to:

- (i) notice to be given to the custodian of the records;
- (ii) hours and days of the week when such an inspection may be made; and
- (iii) payment of the cost of reproducing documents requested.

(c) Inspection by Directors. Every director shall have the absolute right at any reasonable time to inspect all Association books, records, and documents and the physical properties the Association owns or controls. The director's right of inspection includes the right to make a copy of relevant documents at the Association's expense.

6.5. Notices.

Except as the Declaration or these By-Laws otherwise provide, all notices, demands, bills, statements, or other communications under the Declaration or these By-Laws shall be in writing and shall be deemed to have been duly given if delivered personally or by private carrier; if sent by United States mail; or, if the intended recipient has given its prior written authorization to use such method of delivery, by facsimile, or electronic mail. Notices shall be delivered or sent to the intended recipient as follows:

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

(b) if to the Association, the Board, or the managing agent, at the principal office of the Association or the managing agent or at such other address as shall be designated by notice in writing to the Members pursuant to this Section; or

(c) if to any committee, at the principal address of the Association or at such other address as shall be designated by notice in writing to the Members pursuant to this Section.

Notice sent in accordance with this Section shall be deemed to have been duly given and effective:

(a) if sent by United States Mail, when deposited with the U.S. Postal Service, correctly addressed, with first class postage prepaid;

(b) if delivered personally or by private carrier, when actually delivered to the address of the intended recipient, as evidenced by the signature of the person at such address who accepts such delivery; or

(c) if sent by facsimile or electronic mail, upon transmission, as evidenced by a printed confirmation.

6.6. Amendment.

(a) By Class "B" Member. Prior to Declarant's conveyance of the first Unit to a Person other than a Builder, Declarant unilaterally may amend these By-Laws. Thereafter, the Class "B" Member or the Board unilaterally may amend these By-Laws at any time and from time to time if such amendment is necessary (i) to bring any provision into compliance with any applicable governmental statute, rule, or regulation, or judicial determination; (ii) to enable any reputable title insurance company to issue title insurance coverage on the Units; or (iii) to enable any institutional or governmental lender, purchaser, insurer, or guarantor of mortgage loans, including, for example, the Federal National Mortgage Association or Federal Home Loan Mortgage Corporation, to make, purchase, insure, or guarantee mortgage loans on the Units; provided, any such amendment shall not adversely affect the title to any Unit unless the Owner shall consent thereto in writing.

In addition, so long as the Class "B" membership exists, the Class "B" Member unilaterally may amend these By-Laws for any other purpose, provided the amendment has no material adverse effect upon the rights of more than 5% of the Members.

(b) By Members Generally. Except as provided above, these By-Laws may be amended only by the affirmative vote or written consent, or any combination thereof, of Voting Members

representing 67% of the Association's total Class "A" votes, and the consent of the Class "B" Member, if such exists. Notwithstanding the above, the percentage of votes necessary to amend a specific clause shall not be less than the prescribed percentage of affirmative votes required for action to be taken under that clause.

(c) Validity and Effective Date of Amendments. Amendments to these By-Laws shall become effective upon recordation unless a later effective date is specified therein. Any procedural challenge to an amendment must be made within six months of its recordation, or such amendment shall be presumed to have been validly adopted. In no event shall a change of conditions or circumstances operate to amend any provisions of these By-Laws.

No amendment may remove, revoke, or modify any right or privilege of Declarant or the Class "B" Member without the written consent of Declarant, the Class "B" Member, or the assignee of such right or privilege.

CERTIFICATION

I, the undersigned, do hereby certify:

That I am the duly elected and acting Secretary of Seven Hills Homeowners Association, Inc., a Georgia corporation;

That the foregoing By-Laws constitute the original By-Laws of said Association, as duly adopted at a meeting of the board of directors thereof held on the ____ day of _____, 20__.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed the seal of said Association this ____ day of _____, 20__.

Secretary [SEAL]

BY-LAWS

OF

SEVEN HILLS HOMEOWNERS ASSOCIATION, INC.

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