

APPENDIX A
BY-LAWS
OF
CHEROKEE RIDGE PROPERTY OWNERS ASSOCIATION, INC
AN ALABAMA NON-PROFIT CORPORATION

ARTICLE I

Offices

Section 1. **Principal Office.** The principal office of Cherokee Ridge Property Owners Association, Inc., (the "Association") shall be located at 113 South Main Street, Alabama 35016, but meetings of members and directors may be held at such places within Marshall or Madison county, Alabama, as may be designated by the board of directors.

Section 2. **Other Offices.** The Association may also have offices at such other place or places as may be lawful and as the board of directors may from time to time designate.

ARTICLE II

Section 1. **"Association"** shall mean and refer to Cherokee Ridge Property Owners Association, Inc., an Alabama non-profit corporation, its successors and assigns.

Section 2. **"Properties"** shall mean all such existing properties, and additions thereto, as are subject to the Declaration of any Supplemental Declaration under the provisions of Article III of the Declaration.

Section 3. **"Common Area"** shall mean all real property and easements to be owned by the Association for the common use and, enjoyment of the owners. The Common Area to be owned by the Association at the time of the conveyance of the first Lot includes all roads set forth on the plat, and any additions thereto, and further includes all areas designated as "common area" on the plat or Subdivision Map thereof.

Section 4. **"Lot"** shall mean and refer to any parcel of real property designated as Lot on the recorded Subdivision map or any additions thereto. A Lot shall be deemed "Developed" when streets, water lines, power lines, and telephone lines serving said Lot have been completely installed. A Lot shall be deemed "approved" when a residence has been completely constructed thereon. All other Lots shall be deemed "Undeveloped" Lots.

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Section 5. “**Owner**” shall mean and refer to the record owner, whether one or more persons or entities, of equitable or beneficial title (or legal title if same has merged) of any Lot. The foregoing does not include persons or entities who hold an interest in any Lot merely as security for the performance of an obligation.

Section 6. “**Declarant**” shall mean Cherokee Ridge Corporation, and its affiliate, Cherokee Ridge Golf, Inc., both Alabama corporations, their successors, assigns and affiliates.

Section 7. “**Declaration**” shall mean and refer to the Declaration of Covenants, Conditions and Restrictions applicable to the Properties recorded in the Office of the Judge of Probate of Marshall County, Alabama, as may from time to time be amended.

Section 8. “**Member**” shall mean and refer to any person who is a member of the Association. Every owner of every lot developed or undeveloped, improved or unimproved, shall be a Member.

Section 9. “**Common Expense**” shall mean:

(a) Expense of administration, maintenance, repair or replacement of the Common Area and portions of Lots maintained by the Association pursuant to the by-laws of the Association;

(b) Expense declared common expense by provisions of the Declaration or the by laws of the Association;

(c) Expense agreed upon as common expense by the Association lawfully assessed against the Owners in accordance with the By- Laws of the Association;

(d) Any valid charge against the Association as a Whole.

Section 10. “**Manager**” shall mean any person, firm or corporation employed or engaged to perform management services for the Association.

ARTICLE III

Meetings of Members

Section 1. **Annual Meeting.**

(a) The annual meeting of the members of the Association, commencing with the year 1993, shall be held at the principal office of the Association in the State of Alabama, or at such other place, within or without the State of Alabama, as may be designated and

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stated in the notice of the meeting, on the Third Monday in October of each year (or if said day be a legal holiday, then on the next succeeding business day not a legal holiday) for the purpose of appointing or electing directors and for the transaction of such other business as may properly be brought before the meeting.

(b) If the election of directors shall not be held on the day designated herein for any annual meeting or any adjournment thereof, the board of directors shall cause the election to be held at a special meeting of the Members as soon thereafter as said special meeting may be conveniently held. At such meeting the members may elect the directors and transact other business with the same force and effect as at an annual meeting duly called and held.

Section 2. **Special Meetings.** Special meetings of the members shall be held at the principal office of the Association in the State of Alabama, or at such other place, within or without the State of Alabama, as may be designated and stated in the notice of the meeting, upon call of the president, the board of directors, the secretary or upon written request of not less than twenty-five percent (25%) of the membership.

Section 3. **Notice of Meetings.** Written or printed notice stating the place, day and hour of the meeting shall be given before the date of the meeting, either personally or by mail, by or at the direction of the board of directors, the president, secretary, or the officer or persons calling the meeting, to each Member entitled to vote at such meeting. Such notice shall be given not less than ten (10) days before the date of the meeting- In the case of a special meeting, or of an annual meeting at which special action is to be taken, such notice shall also state the purpose, or purposes, for which the meeting is called, or the special action which is proposed to be taken. If mailed, such notice shall be deemed to have been given when deposited in the United States mail, addressed to the Member at the Member's address as it appears on the books of the Association, with postage thereon prepaid.

Except where otherwise required by law, notice of any adjourned meeting of the Members of the Association shall not be required to be given except by announcement at the meeting.

Whenever any notice is required to be given any Member under the provisions of the constitution or laws of Alabama or under the provisions of the Articles of incorporation of the Association or these by-laws, a waiver thereof in writing signed- by the Member or Members entitled to such notice, whether before or after the time stated therein, shall be equivalent to the giving of such notice.

Section 4. **Quorum.** A quorum at all meetings of Members shall consist of the Members entitled to cast sixty percent (60%) of the votes of the membership of the Association, at the meeting, present in person or by proxy except as otherwise provided

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by law or the Articles of Incorporation of the Association. At any meeting or any adjournment thereof, whether or not a quorum be present, a majority of those present in person or by proxy and entitled to vote may adjourn such meeting from time to time. If the required quorum is not present, another meeting may be called, and the required quorum at the subsequent meeting shall be one-half (1/2) of the required quorum at the preceding meeting. No such subsequent meeting shall be held more than sixty (60) days following the preceding meeting. As many subsequent meetings may be called as necessary until such time as a quorum is present.

Section 5. **Organization.** Meetings of the Members shall be presided over by the president, or by a vice president, or if none thereof is present, then by a chairman to be chosen by a majority of the Members entitled to vote who are present in person or by proxy at the meeting. The secretary of the Association or, in his absence, an assistant secretary shall act as secretary of every meeting, but if neither the secretary nor an assistant secretary is present, the meeting shall choose any person present to act as secretary of the meeting.

Section 6. **Voting.**

(a) At all meetings of the Members the voting need not be by ballot, except that the voting shall be by ballot on all matters with respect to which any person entitled to vote at such meeting shall so request and on other matters upon which voting by ballot is expressly required by the Articles of Incorporation of the Association or by the laws of Alabama.

(b) At all elections of directors, the persons receiving the greatest number of votes shall be elected the directors of the Association.

(c) At any meeting of the Members each Member having the right to vote shall be entitled to vote in person or by proxy executed in writing by such Member or by his duly authorized attorney-in-fact. No proxy shall be valid after eleven (11) months from the date of its execution, unless otherwise provided in the proxy. Each proxy shall be delivered to the inspectors of election prior to the vote at the meeting. The attendance at any meeting of a Member who may theretofore have given a proxy shall not have the effect of revoking the proxy unless the Member so attending shall, in writing, so notify the secretary of the meeting at any time prior to the voting of the proxy.

(d) A Member shall have one (1) vote per Lot of which the member is the owner.

Section 7. **Declarant's Voting Rights.** The Declarant shall have one (1) vote per Lot owned by the Declarant on all matters before the Members of the Association.

Section 8. **Inspectors of Election.** At all elections of directors, or in any other case in which inspectors may act, at least one (1) inspector of election shall, at the written or oral

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request of any member entitled to vote upon such matter, be appointed by the board of directors of the Association, or in its failure thereof, by the chairman of the meeting, except as otherwise provided by law. The inspector or inspectors of election shall take and subscribe an oath faithfully to execute the duties of inspector at such meeting with strict impartiality, and according to the best of his or their ability, and shall take charge of the polls after the vote shall have been taken shall make a certificate of the result thereof, but no director or candidate for the office of director shall be appointed as such inspector. If there be a failure to appoint inspectors, the Members present at the meeting, by a per capita vote, may choose temporary inspectors in the number required.

Section 9. **Action by Members Without a Meeting.** Any action required to be taken at a meeting of the Members of the Association, or any action which may be taken at a meeting off the Members, may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the Members entitled to vote with respect to the subject matter thereof. Such consent shall have the same force and effect as a unanimous vote of Members.

ARTICLE IV

Directors

Section 1. **Business of Association to be managed by the Board of Directors.** Except as may be otherwise provided in the Articles of Incorporation of the Association, the business and affairs of the Association shall be managed by the board of directors. in case the majority of the members of tile board of directors is disqualified to art with respect to any matter, the doing of the act may be authorized by the requisite percentage of the voting Members.

Section 2. **Member and Election of Directors.** The number of persons constituting the initial board of directors is set forth in the Articles of Incorporation of the Association. Upon the expiration of the terms of the members of the initial board of directors the number of directors of the Association shall not be less than three (3) nor more than seven (7) members, as the board of directors may from time to time determine by resolution.

Directors must be at least twenty-one (21) years of age but need not be residents of Alabama, nor Members of the Association.

Section 3. **Nomination of Directors.** Nominations for election to the Board of Directors shall be made by a Nominating Committee. The Nominating committee shall consist of a Chairman, who shall be a member of the Board of Directors, and two (2) or more members of the Association. The Nominating Committee shall be appointed by the Board of Directors not less than thirty (30)

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Days prior to each annual meeting of the members to serve from the close of such annual meeting until the close of the next annual meeting, and such appointment shall be announced at each such annual meeting. The Nominating Committee shall make as many nominations for election to the Board of Directors as it shall in its discretion determine but in no event less than the number of vacancies or terms to be filled. Nominations shall be permitted from the floor. All candidates shall have a reasonable opportunity to communicate their qualifications to the members and to solicit votes.

Section 4. **Quorum of Directors.** A majority of the directors shall constitute a quorum for the transaction of business. The act of a majority of the directors present at a meeting at which a quorum is present shall be the act of the board of directors.

Section 5. **Vacancies in Board of Directors.** Vacancies occurring in the board of directors may be filled by the affirmative vote of a majority of the remaining directors though less than a quorum of the board of directors. A director elected to fill a vacancy shall be elected to serve until the next annual meeting of Members. Any directorship to be filled by reason of an increase in the number of directors shall be filled by election at an annual Members meeting or at a special meeting of Members called for that purpose.

Section 6. **Committees.** The board of directors may by resolution or resolutions, passed by a majority of the whole board, designate one or more committees, each committee to consist of one (1) or more of the directors of the, Association., which to the extent provided in such resolution or resolutions shall have and may during intervals between the meetings of the board exercise the powers of the board of directors in the management of the business and affairs of the Association and may have power to authorize the seal of the Association to be affixed to all papers which may require it. The designation of such committee and the delegation thereto of authority shall not operate to relieve the board of directors, or any member thereof, of any responsibility imposed upon it or him by law.

Section 7. **Architectural Committee.** An Architectural Committee shall be organized and operate as set forth in the Declaration.

Section 8. **Place and Notice of Directors Meetings.** Meetings of the board of directors, regular or special, may be held either within or without the State of Alabama. Regular meetings of the board of directors may be held at such times and places as shall have theretofore been fixed by resolution of the board of directors and may be held at such times and places without any further notice. A regular meeting of the board of directors shall be held immediately following the annual meeting

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of the Members. Special meetings of the board of directors may be called by any member of the board of directors or by the president or secretary of the Association. Notice of any special meeting of the board of directors shall be given to the directors at least forty-eight (48) hours prior to the meeting. Such notice may be given by telephone, telegraph, cable, or by the mailing of a letter of notice to the director at his last known address. The notice of any special meeting shall contain a statement of the business to be transacted at, or the purpose of, such special meeting. Attendance of a director at a meeting shall constitute a waiver of notice of such meeting, except where the director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. Whenever any notice is required to be given to any director under the provisions of the constitution or laws of Alabama or these by-laws, a waiver thereof in writing signed by the director or directors entitled to such notice, whether before or after the time stated therein, shall be equivalent to the giving of such notice.

Meetings of the board of directors shall be presided over by one (1) of their number who may be designated by the Members as chairman of the board. If the Members have not designated a chairman of the board, the directors may designate a chairman of the board.

Section 9. **Executive Session.** The Board may, with approval of a majority of a quorum, adjourn a meeting and reconvene in executive session to discuss and vote upon personnel matters, litigation in which the Association is or may become involved, and orders of business of a similar nature. The nature of any and all business to be considered in executive session shall first be announced in open session.

Section 10. **Action by Directors and Committees of Directors Without a Meeting.** If the Articles of Incorporation so provide, any action required or permitted to be taken at any meeting of the board of directors, or any committee thereof, may be taken without a meeting, if, prior to such action, a written consent thereto is signed by all members of the board or of such committee, as the case may be, and such written consent is filed with the minutes of proceedings of the board or committee.

Section 11. **Director or Committee Member Relying upon Certain Reports and Records Protected.** A director or a member of a committee designated by the board of directors shall in the performance of his duties be fully protected in relying in good faith upon the books of accounts or reports made to the Association by any of its officials, or by an independent certified public accountant, or by an appraiser selected with reasonable care by the board of directors or by any such committee, or in relying in good faith upon other records of the Association.

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Section 12. **Removal.** Any director may be removed from the Board of Directors, with or without cause, by a majority vote of the voting Members of the Association.

Section 13. **Compensation.** No director shall receive compensation for any service he may render to the Association. However, any director may be reimbursed for his actual expense incurred in performance of his duties.

Section 14. **Powers.** The board of directors shall have power to:

(a) adopt and publish rules and regulations governing the use of the Common Area and facilities, and the personal conduct of the Members and their guests thereon, and to establish penalties for the infraction thereof;

(b) suspend the voting rights and right to use of the recreational facilities of a Member during any period in which such Member shall be in default in than payment of any assessment levied by the Association. Such rights may also be suspended after notice and hearing, for a period not to exceed 60 days for infraction of published rules and regulations;

(c) exercise for the Association all powers, duties and authority vested in or delegated to this Association and not reserved to the membership by other provisions of these by-laws, the Articles of Incorporation, or the Declaration;

(d) declare the office of a member of the board of directors to be vacant in the event such member shall be absent from three (3) consecutive regular meetings of the board of directors;

(e) to authorize the officers to enter into one or more management agreements with third parties in order to facilitate efficient operation of the- Properties. The terms of said management agreements shall be as determined by the board of directors to be in the best interests of the Association, and shall be subject in all respects to tire Articles of Incorporation, these By-Laws and the Declaration;

(f) purchase, lease or otherwise acquire in the name of the Association Lots offered for sale or lease, or surrendered by their owners to the Association or its board of directors;

(g) purchase Lots at foreclosure or judicial sales in the name of the Association;

(h) sell, lease, mortgage or otherwise deal with Lots acquired by, and subleasing Lots leased by the Association;

(i) adopt and amend reasonable Rules and Regulations governing the conduct of all people on the Properties and the use of the Lots and Common Area;

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(j) obtain such insurance as the board of directors may deem necessary or desirable; and

(k) to perform any and all other powers as may be permitted by the Declaration.

Section 15. **Duties.** It shall be the duty of the board of directors to:

(a) cause to be kept a complete record of all its acts and Association affairs and to present a statement thereof to the Members at the annual meeting of the Members, or at any special meeting when such statement is requested in writing by one-fourth (1/4) of the Members;

(b) supervise all officers, agents and employees of this Association, and to see that their duties are properly performed;

(c) as more fully provided in the Declaration, to:

(1) fix the amount of the annual assessment;

(2) send written notice of each assessment to every Owner subject thereto in advance of each annual assessment period; and

(3) foreclose the lien against any property for which assessments are not paid as provided in the Declaration or to bring an action at law against the owner personally obligated to pay the same.

(d) issue, or to cause an appropriate officer to issue, upon demand by any person, a certificate setting forth whether or not any assessments has been paid. A reasonable charge may be made by the board for the issuance of these certificates. If a certificate states an assessment has been paid, such certificate shall be conclusive evidence of such payment;

(e) procure and maintain adequate insurance as required by the Declaration;

(f) cause all officers or employees having fiscal responsibilities to be bonded, as it may deem appropriate;

(g) cause the Common Area and exterior portions of the buildings and improvements thereon to be maintained.

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ARTICLE V

Officers

Section 1. **Officers of the Association.** The board of directors, as soon as reasonable after the appointment or election thereof held in each year, shall elect a president, one or more vice presidents, with such designation, if any, as the board of directors or the president may determine, a secretary, a treasurer, and such other officers and with such designations, as it may deem proper. Any two or more offices, except the offices of president and, secretary may be concurrently held by the same person at the same time.

Section 2. **Term and Removal of Officers Of the Association.** The term of office of all officers shall be at the pleasure of the board of directors unless otherwise determined by the board of directors. Any officer may be removed from office, either with or without, cause, at any time, by the affirmative vote of a majority of the members of the board of directors then in office.

Section 3. **President.** The President shall serve as the chief executive officer of the Association, responsible to the board of directors, for administering the operations of the Association, and he shall perform such other duties as may be assigned to him by the board of directors. The president may execute bonds, mortgages, and bills of sale, assignments, conveyances, and all other contracts requiring a seal, under the seal of the Association, except those required by law to be otherwise signed and executed, or except when the signing and execution thereof when permitted by law shall be expressly delegated by the board of directors to some other officer or agent of the Association. He shall preside at all meetings of the Members.

Section 4. **Vice Presidents.** Each vice president of the Association shall, subject to the authority and direction of the president, have general and active management of such operations, areas or divisions of the business of the Association as may be designated by the board of directors or by the president, and shall carry into effect the resolutions of the board of directors and the orders of the president with respect to such operations, area or divisions. The regular powers and duties of the president in such areas and divisions may, upon delegation by the president, be exercised and performed by the vice president to whom delegated, subject to the authority and direction of the president. Each of the vice presidents may execute bonds, mortgages, and bills of sale, assignments, conveyances, and all other contracts requiring a seal, under the seal of the Association, except where required by law to be otherwise signed and executed, or except where the signing and execution thereof when permitted by law shall be expressly delegated by the board of directors to some other officer or agent of the Association. Each of them shall have such designations and other powers, and perform such other duties as may be assigned to him by the board of directors or by the president.

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Section 5. **Secretary.** The secretary shall keep a record of the minutes of all meetings of the Members, directors and committees exercising the powers of the board of directors, and shall give such notices as may be required by law or by these By- Laws. He shall have charge of the seal of the Association, and of all books, records and papers of the Association, except such as shall be in the charge of the treasurer, or some other person authorized to have custody and possession thereof by resolution of the board of directors. The secretary shall keep current records showing the Members of the Association together with their addresses and perform such other duties as required by the board of directors.

Section 6. **Treasurer.** The treasurer shall keep account of all moneys of the Association received or disbursed, shall deposit all moneys in the name of and to the credit of the Association in such banks and depositories as may be designated by resolution of the board of directors of the Association, and shall safely care for all valuables of the Association. The treasurer shall cause an annual audit of the Association books to be made by a public accountant on the completion of each fiscal year, and shall prepare an annual budget and statement of income and expenditures to be presented to the membership at its regular annual meeting, and shall deliver a copy of each to the Members.

Section 7. **Remaining Officers.** The remaining officers of the Association shall each have such powers and duties as generally pertain to their respective offices, as well as such powers and duties as from time to time may be conferred by the board of directors.

ARTICLE VI

Books and Records

The books, records and papers of the Association shall at all times, during reasonable business hours, be subject to inspection by any Member. The Declaration, the Articles of Incorporation and the by-laws of the Association shall be available for inspection by any Member at the principal office of the Association, where copies may be purchased at reasonable cost.

ARTICLE VII

Operation of the Association

Section 1. **Assessments.** As more fully provided in the Declaration, each Member is obligated to pay the Association annual and special assessments, which are secured by a continuing lien upon the property against which the assessment is made. Any assessments, which are not paid when due, shall be delinquent. If the assessment is not paid within the permitted time period after the due date, the Association may bring an action at law against the Owner personally obligated to pay the same or foreclose the lien against the property, and interest, costs, including reasonable attorneys' fees of any such action shall be added to the amount of such assessment. No owner may waive or

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otherwise escape liability for the assessments provided for herein by nonuse of the Common Area or abandonment of his Lot.

Section 2. **Violations by Owners.** The violation of any rule or regulation adopted by the Association or breach of any by-law contained herein, or breach of any provisions of the Declaration, shall give the board of directors and the Association the right, in addition to any other rights set forth in these by-laws:

(a) to enter the Lot in which and union which such violation or breach exists and summarily abate and remove at the expense of the defaulting owner any structure, thing, or condition that may exist therein contrary the intent and meaning of the provisions hereof, and the board of directors shall not thereby be deemed guilty of any manner of trespass.

(b) to enjoin, abate or remedy by appropriate legal proceedings either at law or in equity the continuation of such breach.

(c) to levy charges against any Member in an amount equal to damages sustained by virtue of any such Members violation of the intent and meaning of the provisions of these by-laws and of the rules and regulations promulgated hereunder, or that of guests or tenants under his control upon finding thereof by the board.

(d) if the Association has adopted and published rules and regulations governing the use of Common Area and facilities, and the personal conduct of any person thereon violates such rules and regulations, the board may in its discretion, suspend such use of any such person for violation of such rules any regulations for a period not to exceed sixty (60) days.

Section 3. **Maintenance, Repair and Replacement.** The Association shall maintain, repair and replace all of-the Common Area and in the event that such maintenance, repair or replacement was caused by the negligence or misuse of the owner, such expense shall be charged to such Owner. Each Owner shall maintain, repair and replace at his own expense all portions of his own Lot. Each Owner shall be responsible for consequential damages to any other Lot or to the Common Area caused intentionally or negligently, or by his failure to properly maintain, repair and make replacements to his Lots.

Section 4. **Water Charges.** Water shall be supplied by Arab Water Works directly to each Lot through a separate meter, and each owner shall be required to pay, the bill for water consumed or used on his Lot. The water consumed or used in the Common Area shall be separately metered, and the Association shall pay all bills for water consumed in the Common Area as a Common Expense.

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Section 5. **Electricity.** Electricity shall be supplied by the Arab Electric Cooperative directly to each Lot through a separate meter, and each owner shall be required to pay the bill for electricity consumed or used on his Lot. The electricity serving the remaining Common Area shall be separately metered and the Association shall pay all bills for electricity consumed in such portions of the Common Area as a Common Expense.

Section 6. **Sewer.** Sewer service, if any, shall be supplied by the Association or its assignee directly to each Lot for a tap-on fee and monthly service fee as authorized by the Association, and each owner shall be required to pay said fees when the same become due from time to time.

Section 7. **Cable Television Service.** Cable television service, if any, shall be supplied by the Association or its assignee directly to each Lot for a tap-on-fee and monthly service fee as authorized by the Association, and each owner shall be required to pay said fees when the same become due from time to time.

Section 8. **Right-of-Access.** Each Owner shall grant a right of access to his Lot to the Manager, or any other person authorized by the Association for the purpose of making inspection and for the purpose of correcting any condition originating on his Lot and threatening another Lot or the Common Area, provided that any such entry shall be at a time reasonably convenient to the owner. In case of an emergency, such right of entry shall be immediate whether the owner is present at the time or not.

ARTICLE VIII

Insurance

Section 1. **Coverage.** To the extent possible, the board of directors shall obtain and maintain the insurance coverage set forth in Sections 2 through 6 hereof. All insurance affecting the Common Area shall be governed by the provisions of this Article.

Section 2. **Physical Damage.** All buildings and improvements and all personal property owned by the Association, shall be insured for the benefit of the Association, against risks of physical damage as follows:

(a) All real property shall be insured for an amount equal to its full insurable replacement cost and personal property shall be insured for an amount equal to its actual cash value. Prior to obtaining any insurance on real property under this Section, the board of directors may obtain an appraisal from a qualified appraiser for the purpose of determining the replacement cost of such real property.

(b) The insurance shall afford protection against loss or damage by reason of:

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(i) Fire and other hazards covered by the standard form and extended coverage;

(ii) Vandalism and malicious mischief;

(iii) Such other risks of physical damage as from time to time may be customarily covered with respect to buildings and improvements similar in construction, location and use as those on the Common Area;

(iv) Such other risks of physical damage as the board of directors may from time to time deem appropriate.

(c) The insurance shall contain the following provisions:

(i) Waivers by the insurer of rights of subrogation against the Association and Owners;

(ii) That the insurance shall not be affected or diminished by any act or negligence of any owner or occupant of any portion of the Properties when such act of negligence is not within the control of the board of directors;

(iii) That the insurance shall not be affected or diminished by failure of any owner to comply with any warranty or condition when such failure to comply is not within the control of the board of directors.

Section 3. **Liability Insurance.** To the extent available, the board of directors shall obtain and maintain comprehensive general liability insurance in such limits as the board of directors may from time to time determine, insuring the Association, and at the discretion of the board of directors, the board of directors, the Manager, and each Owner for claims arising out of or in connection with the ownership, operation or maintenance of any of the Association's property. The board of directors shall review such limits once a year.

Section 4. **Workmen's Compensation Insurance.** The board of directors shall obtain and maintain workmen's compensation insurance, if necessary, to meet the requirements of the laws of the State of Alabama.

Section 5. **Other Insurance.** The board of directors is authorized to obtain and maintain such other insurance as it shall determine from time to time to be desirable.

Section 6. **Premiums.** Premiums upon insurance policies purchased by the Association shall be paid as a Common Expense.

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Section 7. **Proceeds.** All insurance policies purchased by the board of directors covering property losses shall be for the benefit of the Association and shall provide that all proceeds shall be paid to the Association. The board of directors shall receive such proceeds as are paid and shall contract to rebuild or repair such damages or destroyed portions of the Common Area to as good condition as formerly. All such insurance proceeds shall be deposited in a bank or other financial institution, the accounts of which bank or institution are insured by a federal governmental agency, with the provision agreed to by said bank or institution that such funds may be withdrawn only a duly authorized representative or representatives of the Association.

ARTICLE IX

CONDEMNATION

Section 1. **Partial Taking Without Direct Effect on Lots.** If any part of the Properties shall be taken or condemned by any authority having the power of eminent domain, such that no Lot or portion thereof is taken, all compensation and damages for and on account of the taking of the common Area, exclusive of compensation for consequential damages to certain affected Lots, shall be payable to the Association. The Association shall have the right to negotiate and litigate the issues with respect to the taking and compensation affecting the common Area, without limitation on the right of the owners to represent their own interests. All proceeds of any such taking shall be paid to the Association and shall be used promptly to the extent necessary for restoring or replacing improvements so taken on the remaining Common Area in as substantial compliance to the original plan of the improvements as possible to restore the general value of the Common Area. In the event there is an award in excess of the amount necessary to so substantially restore the Common Area, it shall be distributed by the Association to the Owners in proportion to their membership in the Association. Nothing herein contained shall prevent owners whose Lots are specifically affected by the taking or condemnation from joining in the condemnation proceedings and petitioning on their own behalf for all damages relating to the loss of value of the affected Lots, or improvements thereon, exclusive of damages relating to Common Area. In the event the condemnation award does not allocate consequential damages to specific Lots, but includes an award for reduction in value of the Lots without such allocation, the award shall be divided between the affected interests may appear by owners and the Common Area damages as the arbitration in accordance with the rules Of the American Arbitration Association.

Section 2. **Partial or Total Taking Directly Affecting Lots.** If part or all of the properties shall be taken or condemned by any authority having the power of eminent domain, such that any Lot or any part thereof is taken, the Association shall have the right with respect to the Common Area as in Section 1 of this Article, and the proceeds shall be payable as provided therein.

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The Owners whose Lots are partially or totally taken shall represent and negotiate for themselves with respect to damages affecting their respective Lots.

ARTICLE X

MISCELLANEOUS

Section 1. **Fiscal Year.** The fiscal year of the Association shall end on the last day of December or each year unless otherwise determined by the board of directors.

Section 2. **Corporate Seal.** The corporate seal of the Association shall have inscribed thereon the name of the Association and the words "Corporate Seal".

Section 3. **Indemnification of Directors and Officers.**

(a) Subject to the provisions of subsection (c) hereof, the Association shall indemnify any person who was or is a party, or is threatened to be made a party, to any threatened, pending or completed claim, action, suit or proceeding, whether civil, criminal, administrative or investigative, including appeals by reason of the fact that he is or was a director, officer, employee or agent of the Association, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Association, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful, except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable for negligence or misconduct in the performance of his duty to the Association.

(b) To the extent that a director, officer, employee or agent of the Association has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in subsection (a) of this section, or in defense of any claim, issue or matter therein, he shall be indemnified against expenses (including attorneys fees) actually and reasonably incurred by him in connection therewith, notwithstanding that he had not been successful on any other claim, issue or matter in any such action, suit or proceeding.

(c) Any indemnification under subsection (a) shall (unless ordered by a court) be made by the Association only as authorized in the specific case upon a determination that indemnification of the director, officer, employee or agent is proper in the circumstances because he has met the applicable standard of conduct set forth in subsection (a). Such determination shall be made (1) by the board of directors by a majority vote of a quorum consisting of directors who were not parties to, or who have been

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wholly successful on the merits or otherwise with respect to, such claim, action, suit or proceeding, or (2) by the Members.

(d) Expenses (including attorneys' fees) incurred in defending a civil or criminal claim, action, suit or proceeding may be paid by the Association in advance of the final disposition of such claim, action, suit or proceeding as authorized in the manner provided in the preceding subsection (c) upon receipt of an undertaking by or on behalf of the director, officer, employee or agent to repay such amount if and to the extent it shall ultimately be determined that he is not entitled to be indemnified by the Association as authorized in this section.

(e) The indemnification provided by this section shall not be deemed exclusive of, and shall be in addition to, any other which those indemnified may be entitled under any other statute, rule of law, provision in the Associations Articles of Corporation, By-Laws, agreement, vote of Members or disinterested directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office, shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

(f) The Association shall have the power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Association, against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the Association would have the power to indemnify him against such liability under the provisions of this section.

Section 4. **Loan.** No loan or advance of company funds shall be made to any director or executive officer, employee or agent of the Association.

ARTICLE XI

INVALIDITY, CONFLICT AND WAIVER

Section 1. **Invalidity.** The invalidity or unenforceability of any provision of these by-laws shall not in any way affect the remaining provisions hereof, which shall continue in full force and effect.

Section 2. **Conflict.** In the event of any conflict between these bylaws and the provisions of the Declaration, the provisions of the Declaration shall control.

Section 3. **Waiver.** No restriction, condition, obligation or covenant contained in these by-laws shall be deemed to have

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been abrogated or waived by reason of failure to enforce the same, irrespective of violations or breaches thereof which may occur.

ARTICLE XIII

BY-LAWS AND THEIR AMENDMENTS

These by-laws shall be subject to alteration, amendment or repeal, and new by - laws adopted by the affirmative votes of a majority of the voting Members present in person or by proxy at any annual or special meeting of the Members and entitled to vote thereat, a quorum being present. No amendment or modification of these by-laws will affect or impair the validity or priority of any mortgage encumbering any Lot nor the validity or priority of any other proper lien.

WE, THE UNDERSIGNED, being all the Directors of Cherokee Ridge Property Owners Association, Inc., do hereby certify:

THAT WE are entitled to exercise all the voting power of said corporation; and

THAT WE hereby assent to the within and foregoing by-laws and hereby adopt the same as the by-laws of said corporation;

IN WITNESS WHEREOF, we have hereunto subscribed our names this 20th day of April, 1992.

Tom Mullis, Director
Scotty Hawk, Director
Bob Anderson, Director