LEGACY BAY HOMEOWNERS ASSOCIATION
BYLAWS
Amended August 2015

ARTICLE I

GENERAL PROVISIONS

Section 1. Applicability. These Bylaws are established pursuant to the Tennessee Nonprofit Corporation Act, Tennessee Code Annotated Section 48-51-101, et seq. (the "Act") and are applicable to the Legacy Bay Homeowners Association ("Association"); and are binding on all present and future owners, and occupants of any lot in Legacy Bay Subdivision ("Legacy Bay").

ARTICLE II

MEMBERSHIP AND MEETINGS

Section 1. Members. All owners of lots in Legacy Bay shall constitute the members of the Association. The owner of any lot, upon acquiring title thereto, shall automatically become a member of the Association and shall remain a member thereof until such time as his ownership of such lot ceases for any reason, at which time his membership in the Association shall automatically cease.

Section 2. Place of Meetings. Meetings of the Association members shall be held at the principal office of the Association, or at such other suitable place convenient to the members as may be designated by the Board of Directors of the Association.

Section 3. Annual Meetings. The Annual Meeting of the Association shall be held on the first Saturday in August of each year. An Annual Meeting may be postponed or rescheduled by a majority vote of the Board of Directors for extenuating circumstances. A rescheduled meeting shall take place within 14 days of the originally scheduled meeting. Members will be given at least five days notice of the rescheduled meeting via any one or more of the following means: the Association's website, electronic mail, written mail, or telephone message on the Association's telephone. The President shall preside at all Annual Meetings of the Association.

Section 4. Special Meetings. It shall be the duty of the President to call a Special Meeting of the lot owners if so directed by a motion of the Board of Directors or upon a petition signed and presented to the Secretary by not less than 10%, in the aggregate, of voting members. The President shall preside at all Special Meetings of the Association. Special meetings shall have a published agenda with items specific to that meeting.

Section 5. Notice of Annual and Special Meetings. The Secretary or designee shall give written notice of Annual and Special Meetings to every member according to the Association's record of membership, at least 10 days, but no more than 60 days before the date set for the meeting. Each notice shall state the time, date, place and purpose of the meeting. Written notice may be served upon a member by delivering it to the member personally, or by mailing it, first class postage prepaid, to the address as it appears on the Association's record of membership. Written notice is effective when received if personally delivered, or, when notice is mailed first class postage prepaid, 5 days after its deposit in the United States Mail. No business requiring a vote of the

members shall be transacted at a Special Meeting except as stated in notice. If the meeting notice contains any item(s) requiring a vote of the members a proxy shall be mailed along with the meeting notice.

Section 6. Quorum: The presence in person or by proxy of members owning more than 30% of the lots shall constitute a quorum at Annual and Special Meetings for voting purposes unless otherwise stipulated in the Covenants, Conditions and Restrictions.

Section 7. Adjournment of Annual or Special Meetings. Any Annual or Special Meetings of the Association may be adjourned to such place and time as may be determined by majority vote of all the members present, whether or not a quorum be present. A rescheduled meeting shall take place within 14 days of the originally scheduled meeting. Members will be given at least five days notice of the rescheduled meeting via any one or more of the following means: the Association's website, electronic mail, written mail, or telephone message on the Association's telephone.

Section 8. Voting. Voting shall be as provided in the Declaration of Covenants, Conditions and Restrictions, for Legacy Bay Subdivision ("Restrictions"). Votes may be cast in person or by proxy. Proxies must be filed with the Secretary at or before the time of each meeting. A member may designate any person, who need not be a member, to act as proxy. The designation of any such proxy shall be made in writing, signed by the member or provided via a secure electronic alternative when available, and unless limited by its own terms, shall be revocable by written notice to the Secretary. If more than one person or entity shall own a lot, and agree on their vote, then the majority of the owners of the lot shall be entitled to cast the vote, or, if no majority position can be arrived at, the President shall declare the vote a nullity.

Section 9. Suspension of Membership and Voting Rights. During any period in which an owner of any lot shall be in default of any payment of any assessment, annual, special or otherwise, then the member shall not be entitled to vote or use the common areas or facilities until such time as the default is cured or the suspension has ended.

Section 10. Vote Required to Transact Business. Unless expressly provided otherwise by these Bylaws or the restrictions, a majority of the votes cast by the members, in person or by proxy, shall bind the Association and all members. A majority of the votes shall mean those members having more than 50% of the total authorized votes of all members present in person or by proxy at any meeting of the members.

Section 11. Procedure for Election of Directors. Any member may nominate any other member to serve on the Board of Directors of the Association pursuant to timely notice in writing or by electronic conveyance to the President or Secretary of the Association. A member's notice of nomination must be received by the Association-not fewer than 45 days, nor more than 60 days, prior to the scheduled date of an election meeting, regardless of any postponement, deferral or adjournment of that meeting to a later date. A member's notice shall set forth:

(a) as to each person whom the member proposes to nominate for election or reelection as a director: (i) the name, residence address, Legacy Bay lot number, electronic address (if any) and telephone number of such person, and (ii) such person's written consent or electronic acknowledgement to being named as a nominee and to serving as a director if elected~~;~~. Nominations from the floor may take place at all meetings of the members at which

directors are to be elected. The nominee nominated from the floor must be present to consent to the nomination and to serving as a director if elected; and

(b) as to the member giving the notice, the name and address and Legacy Bay lot number of the member giving the notice.

(c) EXCEPTIONS PURSUANT TO CORPORATE LAW. This section shall not apply to the election of a director to a vacant directorship which may be filled by the Board of Directors under these Bylaws.

Section 12. Vote Required to Elect Directors. Election of directors at all meetings of the members at which directors are to be elected shall be by written secret ballot, and a plurality of the votes cast thereat shall elect directors. The Board of Directors shall establish a method of maintaining voter confidentiality to include, but not be limited to:

(a) ensuring that proxies are received, recorded, and securely retained by the Secretary
(b) designating a minimum of 3 members to count ballots. None of these members may be nominees and each shall be bound by confidentiality.

Section 13. Order of Business. The order of business at all Annual Meetings of the members shall, to the extent required, be as listed below. Items requiring a vote of the members shall be listed separately under new business and include a concise explanation of the issue.

(a) Roll call and verification of all members present
(b) Verification of proxies
(c) Proof of notice of meeting or waiver of notice
(d) Reading of minutes of preceding meeting
(e) Reports of officers
(f) Reports of Board of Directors
(g) Reports of committees
(h) Unfinished business.
(i) Election of Board of Directors.
(j) Installation of new Board Members
(k) New business to be conducted by the new Board of Directors
(l) Adjournment

ARTICLE III

BOARD OF DIRECTORS

Section l. Number and Term. The affairs of the Association shall be governed by the Board of Directors. The members of the Association shall elect 5 directors to the Board of Directors. The terms of the Board shall be staggered. With the first election after enactment of this provision two members will serve three year terms, two members will serve two year terms and one member will serve a one year term. The length of terms will be determined by the number of votes received. The individuals receiving the greatest number of votes shall receive the longer terms. In the event of a tie vote, length of terms shall be determined by lottery among those elected directors with tie votes. Thereafter all terms will be for three years. All persons elected to the Board of Directors shall be members of the Association.

Section 2. Powers and Duties. The Board of Directors shall have the powers and duties necessary for the administration of the affairs of the Association and shall do all such acts and things except by law, or by these Bylaws or the Restrictions may not be delegated to the Board of Directors. Such powers and duties of the Board of Directors shall include, but shall not be limited to, the following:

(a) Operation, care, surveillance, upkeep and maintenance of the Common Area.

(b) Determination of the common expenses required for the affairs of Legacy Bay.

(c) Collection of the annual assessments and special assessments from the members.

(d) Employment and dismissal of the personnel necessary for the maintenance, operation, repair, and replacement of the Common Area and facilities.

(e) Adoption and amendment of Administrative Rules and Regulations covering the details of the operation and use of Legacy Bay, except those established in the Restrictions.

(f) Opening and maintaining of bank accounts on behalf of the Association and designating the signatories required therefor.

(g) Obtaining and reviewing the insurance for the Common Area pursuant to the provisions of Article VIII.

(h) Levying special assessments, as determined by the Board of Directors, against the members for violations of the Rules and Regulations established by the Board of Directors.

(i) Adjusting and settling claims under insurance policies obtained pursuant to Articles VII and VIII and executing and delivering releases or settlement of such claims in behalf of all the members, all holders of deeds of trust, mortgages, or other liens on the Common Area and all owners of the other interest in the property.

Section 3. Managing Agent. The Board of Directors may employ a managing agent at a compensation established by the Board of Directors, to perform such duties and services as the Board of Directors shall authorize. The Board of Directors may delegate to the managing agent any of its power granted in these Bylaws as it deems necessary except for those powers set forth in subdivisions (b), (e), (f), (g) and (i) of Section 2 of this Article.

Section 4. Removal of Directors. At a Special Meeting of the members called for the purpose of removing a director or directors, those members of the Board of Directors may be removed from office with or without cause by a 2/3rds majority vote of the members present and by proxy. Any director whose removal has been proposed by a member shall be given an opportunity to be heard at the meeting. If a director or directors are removed, successors shall be elected pursuant to Article II, section 11 of these Bylaws, and such successors shall fill the remaining term of the vacancies thus created.

Section 5. Removal of Directors for Default on Assessment(s). Any director who is a member of the Association and who is delinquent in any assessment owed to the Association and fails to cure the default owed to the Association within 30 days shall automatically be removed from office. Any director who has had his membership rights terminated (as by sale of his lot) shall

automatically be removed from office. Any vacancy in the Board of Directors caused by automatic removal shall be filled in accordance with the procedure provided in Article III, Section 7.

Section 6. Convictions. Any director who has been found to have been convicted of a crime deemed by a majority vote of the Board to be undesirable to the well being of the community shall be immediately removed from office and replaced according to section 7 of this Article.

Section 7. Vacancies. All vacancies in the Board of Directors caused by any reason other than removal of a director by a vote of the members shall be filled by a vote of a majority of the remaining directors at a meeting of the Board of Directors held for that purpose within 60 days after the occurrence of any such vacancy, even though the members of the Board of Directors present at such meeting may constitute less than a quorum. Each person so elected to the Board of Directors shall remain a director for the remainder of the term of the director being replaced.

Section 8. Board of Directors Meetings. (a) Meetings of the Board of Directors may be held at such time and place as shall be determined from time to time by the majority of the members of the Board of Directors provided that at least three Formal Meetings are held during the fiscal year. (b) Work Sessions of the Board of Directors may be called by the President at any time or upon the written request of two or more directors for a work session. The President or the Board of Directors may invite selected members or non-members to attend any meeting of the Board of Directors to provide input on matters under discussion. The Board of Directors may determine at its sole discretion to convene in closed session to discuss matters of a confidential nature.

Section 9. Notice of Meetings of Board of Directors. The Secretary or designee approved by the Board shall give notice of each Formal Meeting or Work Session of the Board of Directors to every director at least 2 days before the date set for the meeting. Notice may be served upon a member of the Board of Directors by (a) delivering it to him personally or (b) electronic mailing of such notice or (c) by direct personal telephone contact.

Section 10. Quorum and Majority of the Board of Directors. A majority of the members of the Board of Directors shall constitute a quorum. At any meeting of the Board of Directors a quorum of the Directors must be present to transact the business properly before the Board of Directors. A majority of directors means more than 50% of the directors present at a meeting. Any meeting at which less than a quorum is present or at which a quorum is no longer present shall be adjourned to such time and place as the majority of directors present at the meeting so decide without further notice.

Section 11. Compensation. No director shall receive any compensation from the Association for acting as such. However, a director shall be reimbursed for any reasonable and necessary expenses incurred on behalf of the Association.

Section 12. Liability of the Board of Directors. The members of the Board of Directors shall not be personally liable to the members of the Association for any mistakes of judgment, negligence, breach of fiduciary duty or otherwise, except for any breach of the Director's duty of loyalty to the Association or its members, for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, or for unlawful distributions.

Section 13. Fidelity Bonds. That Board of Directors shall obtain adequate fidelity bonds for all officers, agents, and employees of the Association handling or responsible for Association funds.

The premiums on such bonds shall be deemed a common expense. The members of the Association may waive this requirement upon unanimous vote.

ARTICLE IV

OFFICERS

Section 1. Designation of Officers. The principal officers of the Association shall be the President, the Vice President, the Secretary, and the Treasurer. The President and Vice President shall be elected from the Board of Directors. The Secretary and the Treasurer shall be elected either from the Board of Directors or from the membership. All officers shall be members of the Association. No person may hold more than one office.

Section 2. Election and Term. The officers of the Association shall be elected annually by the Board of Directors no later than 14 days after the Annual Meeting. All officers shall serve a one-year term and shall hold office at the pleasure of the Board of Directors. The Board of Directors shall act within 14 days to fill any vacant officer position.

Section 3. Removal of Officers. Any officer may be removed either with or without cause by majority vote of the Board of Directors or at any special meeting called for such purpose.

Section 4. President. The President shall be the chief executive officer of the Association and shall preside at all meetings of the members and all meetings and Work Sessions of the Board of Directors. Subject to the control of the Board of Directors, the President shall exercise general supervision and direction over the management and conduct of the business and affairs of the Association, with all the general powers and duties which are incident to the office of president of a corporation. The President shall also have such duties and powers as may be imposed by the Board of Directors.

Section 5. Vice President. The Vice President shall assume and perform the duties of the President whenever the President shall be absent or unable to act. The Vice President shall also have such duties and powers as may be imposed upon him by the Board of Directors or by the President.

Section 6. Secretary. The Secretary shall have the responsibility to ensure that minutes are kept of all meetings of the members and the Board of Directors. The Secretary shall arrange to provide for all notices as required by these Bylaws, maintain and keep a continuous record of ownership of all lots, have charge of such books, documents and records of the Association as the Board of Directors may direct. The Secretary shall also have such duties and powers as may be imposed by the Board of Directors or by the President.

Section 7. Treasurer. The Treasurer shall be responsible for accurately maintaining and keeping the financial records and books of account showing all receipts and disbursements of the Association and prepare regular reports thereof in a manner approved by the Board. The Treasurer shall be responsible for the proper deposit and custody in the name of the Association of all the Association funds and securities. The Treasurer shall also have such duties and powers as may be imposed by the Board of Directors or by the President.

Section 8. Compensation. No officer shall receive any compensation from the Association for acting as such. However, an officer shall be reimbursed for any reasonable and necessary expenses incurred on behalf of the Association.

ARTICLE V

INDEMNIFICATION

Section 1. Circumstances for Claim of Indemnification. Subject to Section 4 of this Article, any person who was or is a party to, or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by the Association) by reason of the fact that he is or was a director, officer, employee or agent of the Association, shall be indemnified by the Association against all expenses (including attorneys' fees, judgments, fines and amounts paid in settlement) actually and reasonably believed to be in or not opposed to the best interest of the Association and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not meet the standard of conduct set forth in this section.

Section 2. Determination of Right to Indemnification. Subject to Section 4 of this Article, determination of the right to indemnification and the amount thereof may be made, at the option from time to time in these Bylaws or by any of the following procedures: (i) Order of the court, administrative body or agency having jurisdiction of the action, suit or proceeding; (ii) Resolution adopted by the majority of a quorum of the Board of Directors of the Association without counting in such majority or quorum any directors who have incurred expenses in connection with such action, suit or proceeding; (iii) Resolution adopted by a majority of the quorum of the members entitled to vote at a meeting without counting members who are directors who have incurred expenses in connection with such action, suit or proceeding; or (iv) Order of any court having jurisdiction over the Association. Any such determination that a payment by way of indemnity should be made shall not be exclusive of any other right which such directors, officers, employees and agents of the Association may have or hereafter acquire and, without limiting the generality of such statement, they shall be entitled to the directors, or agreement, their rights under this Article being cumulative. The provisions of this Article shall apply to any member of any committee appointed by the Board of Directors. In reference to (ii) and (iii) of this section a majority vote of the members shall take precedence over the majority vote of the Board.

Section 3. Payment During Pendency of Action. A disinterested majority of the Board of Directors of the Association or a majority of quorum of the members entitled to vote at a meeting shall be authorized to pay to any person entitled to indemnification under this Article all actual expenses incurred in connection with such action, suit or proceeding during the pendency thereof.

Section 4. Intent. It is the intention of the Association that this Article and the indemnification possible under the laws of the State of Tennessee and if one or more provisions of this Article should be held unenforceable for any reason, all of the remaining portions of this Article shall remain in full force and effect.

ARTICLE VI

COMMON EXPENSES AND ASSESSMENTS

Section 1. Common Area Expenses. The Common Expenses shall include, among other things, (a) the costs of repair and maintenance of the common areas and facilities (b) the cost of all insurance premiums on all policies of insurance required to be or which have been obtained by the Board of Directors, (c) such amounts as the Board of Directors may deem proper for the operation and maintenance of the property, (d) reserve funds required to be established under Section 2 of this Article, (e) any amount necessary to indemnify a director, officer, employee or agent of the Association under Article V, and (f) any other expense deemed a common expense under the Restrictions or these Bylaws and (g) as defined in the Restrictions.

Section 2. Funds. The Board of Directors shall establish a general fund and reserve funds to be funded as a Common Expense. The funds shall be kept in interest-bearing accounts or securities with the exception of those funds necessary to cover ongoing expenses. Funds to cover ongoing expenses may be maintained in a checking account, interest bearing if possible. All disbursements by check must be made by signature of the Treasurer and the President. The Vice President may sign in the absence of either the Treasurer or the President. The Treasurer may use electronic payments to pay recurring bills such as but not limited to, electric, telephone and internet. The Board of Directors will approve procedures to monitor the use of electronic payments. The Board of Directors, at its discretion, may decide to authorize the President to hold and use a debit card tied to the Association's checking account, providing that the President shall not be authorized to use the debit card without prior approval of either the Treasurer or Vice President for any expense.

(a) The "general fund" shall be used for all common expenses and generally to provide for normal budgeted expenses.

(b) The operation reserve fund shall be used to meet any deficits incurred after the annual budget determination for common expenses and generally to provide an immediate influx of working capital for the Association. The Board of Directors shall determine from time to time a percentage of the yearly assessment of money to be placed in the fund, provided, however, that in no event should this amount be less than 5% of the yearly assessment of all members. The yearly allocation to this fund shall cease when the accumulated fund balance exceeds one year's total common expense budgeted for the Association.

(c) The reserve and replacement fund shall be used for the improvement, reconstruction, replacement, or alteration of any part of Legacy Bay determined under Section 3 of this Article or provided for in Article VIII of these Bylaws. The Board of Directors shall create and keep current a Reserve Study Plan which identifies the long term cost and appropriate annual accruals of maintaining the common property and needs of the Association. The Board of Directors shall allocate funds annually to meet the annual accruals identified in the Reserve Study Plan. The Board of Directors shall determine from time to time a percentage of the yearly assessment and thus allocate an amount of money to be placed in this fund yearly, provided, however, that in no event shall this amount be less than 5% of the yearly assessment of all members.

Section 3. Annual Budget. The Board of Directors shall prepare a budget annually for the Association determining the amount of money necessary to pay the common expenses of the

Association, as determined by Article IV of the Declaration of Covenants and Restrictions for Legacy Bay Subdivision. A copy of the annual budget shall be made available to each member. The Board of Directors shall advise all members, in writing, of the annual assessment(s). The Board of Directors may not increase the annual assessment more than 5% over the previous year without a majority vote of those present in person or by proxy at a Special Meeting called for that purpose.

Section 4. Special Assessments. In the event that the Board of Directors determines that additional money is needed to pay common expenses, they may, whether the reserve funds are depleted or not, assess that additional money against all members according to their percentage of individual ownership interest in the common areas and facilities. Any such special assessment shall be due and payable at such time or times as the Board of Directors shall determine.

Section 5. Liens for Unpaid Assessments. The Association shall have a lien on the real property of any member whose assessment, either annual or special or any installment thereof has not been paid by the due date for payment thereof. No such lien shall be prior to the lien of any mortgage or deed of trust on any one or more lot. All members expressly waive any right to homestead or other statutory exemption they may have with respect to such lien, and expressly waive any right of redemption should such lien be foreclosed. The Board shall adopt a policy regarding the process for placement of liens.

Section 6. Collection of Assessments. The Board of Directors shall determine the times and methods for payment of the common expense assessments and shall take prompt action to collect any assessment from any member who is in default in the payment of his assessment. A member is in default when his assessment remains unpaid for 15 days after the due date for payment thereof.

Section 7. Default in Payment of Assessments. In the event of default, all sums due and payable by the member shall, in the discretion of the Board of Directors, include a 10% penalty or bear interest at a rate permitted by law. The Board of Directors may file a lien and/or maintain a suit to recover monies for unpaid assessments or may maintain an action to foreclose the lien on the member's lot. The Association shall have the right to purchase such lot at the foreclosure sale. In the event of any default, the member shall be obligated to pay, and shall be liable for all unpaid assessments and interest, together with all expenses, including attorney's fees, incurred by the Board of Directors in any proceeding, including foreclosure, brought to collect such unpaid assessments whether or not suit has been filed. A suit to recover a money judgment for unpaid assessments shall be maintainable without foreclosing or waiving the lien securing the same.

Section 8. Assessments of Units Owned by the Association . Assessments shall not be made to the Association for lot(s) it may own. All expenses incurred by the Association for maintaining any lots it may own shall be deemed common expenses.

Section 9. Other Assessments. In the event that a member violates any of the Rules and Regulations established pursuant to these By-laws or the Restrictions, the Board of Directors may, in its discretion, regardless of any other remedies available to the member committing a violation, impose an additional assessment hereinafter called a fine provided, however, that in no event shall such a fine exceed $100 for each violation period. However, no fines shall be imposed unless the Board of Directors has established and made available an appropriate fine schedule taking into consideration the magnitude of the violation, as well as the damage, health, safety and risk to the neighbors and the Legacy Bay community. The fine schedule shall also

include an appropriate resolution period, after which, payment of fines and remedies for non-payment including additional fines or arbitration and/or further legal action if fines do not lead to a satisfactory resolution can be re-assessed. The Board of Directors may also impose an assessment to recover costs of expenses due to a violation of the Rules and Regulations, and may include a reasonable service fee assessment.

Section 10. Assessments and Sale or other Transfers of Lots. The settlement of all fees due the Association shall be made prior to or at the time of property closing. No member shall be liable for the payment of any part of the common expenses assessed against his lot subsequent to a sale, transfer or other conveyance by him of such lot. Such member, however, will remain personally liable for any unpaid assessment made prior to the sale, transfer or other conveyance by him.

Section 11. Statement of Unpaid Assessments. The Board of Directors shall promptly provide any member requesting in writing, a written statement of all unpaid assessments due from such member. In no event shall any unpaid assessment be demanded and collected which exceeds the amount in the statement claimed to be due and payable. The Board of Directors may in its discretion charge a reasonable fee for providing such statement to a member.

ARTICLE VII

INSURANCE

Section 1. Insurance. To the extent available, the Board of Directors shall obtain and maintain coverage as set forth herein. All insurance affecting the Association shall be governed by the provisions of this Article. The premiums for all insurance obtained by the Board of Directors shall be deemed a common expense.

Section 2. Insurable Interest of the Association. The insurable interest of the Association shall be coverage on the common real property and all improvements thereon as well as personal property owned by the Association. The real property and all of the personal property owned by the Association shall be insured against loss or damage by reason of fire or other perils normally covered by extended coverage, vandalism and other mischief, such other risks of physical damage as the Board of Directors deems appropriate.

Section 3. Amount of Insurance. Personal property shall be insured for an amount equal to its actual cash value. All real property and fixtures shall be insured for at least an amount equal to its actual cost. Prior to obtaining any insurance on real property under this Section and at least annually thereafter, the Board of Directors shall determine the actual replacement cost of the property using whatever professional assistance that might be required to make the determination.

Section 4. Policy Provisions. The insurance policy obtained shall include, to the extent available, without limitation, the following provisions:

(a) Waivers by the insurer of rights of subrogation, other than those based on fraud or criminal acts, against the Association and the members;

(b) That the insurance shall not be affected or diminished by reason of any other insurance carried by the member or mortgagee of the lot;

(c) That the insurance shall not be affected or diminished by any act or neglect of any member or any occupants or owners of any improvement when such act or neglect is not within control of the Association.

(d) That the insurance shall not be affected or diminished by failure of any member or any occupants or owners of improvements to comply with any warranty or condition when such failure to comply is not within the control of the Association;

(e) Such deductible as to loss, but not coinsurance features, as the Board of Directors, in its sole judgment and discretion, deems prudent and economical;

(f) That the insurance may not be canceled or substantially modified (except for the addition of property increases in the amount of coverage) without at least 30 days prior written notice to both the name and all mortgages of lots;

(g) Adjustment of loss shall be made with the Board of Directors of the Association;

(h) Proceeds for losses shall be payable to the Board of Directors, as Trustee, subject to the rights of individual mortgagees,

(i) The named insured shall be the Association;

(j) That, before the insurer exercises any option to restore the property instead of making a cash settlement, the insurer shall obtain a written permission from the Board of Directors; and

(k) That the insurer shall pay the assessments for common charges assessed against any damaged insured property until such property is repaired and habitable.

Section 5. Liability Insurance. The Board of Directors shall obtain and maintain public liability insurance for bodily injury and property damage in such limits as the Board of Directors may from time to time determine, insuring the Association, the Board of Directors, and each member with respect to liability arising from ownership of the common elements. Such liability insurance shall also cover cross-liability claims among members and the Association. The Board of Directors shall review and adjust, if necessary, such limits at least annually. The insurance provided under this Section shall include, without limitation, the same provisions enumerated in subsections (a), (b), (c) and (d) of Section 4 of this Article.

Section 6. Other Insurance. The Board of Directors is authorized to obtain and maintain such other insurance as it may from time to time deem appropriate, or as may be required by law.

Section 7. Evidence of Insurance. Upon written request of any member or mortgagee, the Association will supply copies of insurance policies maintained by the Association, as well as proof of payment of premiums thereon, provided however, that the Association shall not be liable for any failure to provide such copies or proof.

ARTICLE VIII

REPAIR AND RECONSTRUCTION AFTER FIRE OR OTHER CASUALTY

Section 1. Vote of the Members. In the event of significant damage to a common area improvement through fire or other casualty, and if insurance funds, excluding deductible, are insufficient for full reconstruction of the structure, the Board of Directors shall promptly call a Special Meeting of the members for the purpose of voting on whether to repair or reconstruct the damage to the improvement, except as provided by Section 2 of this Article. If reconstruction would comprise more than 2/3rds of the structure, and if insurance funds, excluding deductible, are insufficient for reconstruction, the Board of Directors shall proceed with repair or reconstruction only upon the affirmative approval by 2/3rds vote of all members present at such Special Meeting, in person or by proxy.

Section 2. Vote Not Required. In the event that damage caused by fire or other casualty can be repaired at a cost not exceeding the amount of casualty insurance funds, excluding deductible, that are available for repair or reconstruction, and if reconstruction would comprise 2/3rds or less of the building the Board of Directors may proceed with the repair or reconstruction or may, in their discretion, call a Special Meeting of the members to vote upon whether to proceed with repair or reconstruction. If 2/3rds of the members present at any such Special Meeting, in person or by proxy, vote to repair or reconstruct, the Board of Directors shall promptly proceed with such repair or reconstruction.

Section 3. Repair and Reconstruction. Repair or reconstruction must be either (a) substantially in accordance with the architectural and engineering plans and specifications as provided for herein by the Restrictions, or (b) according to new plans and specifications approved by the Board of Directors and a 2/3rds majority of the lot owners present at any such Special Meeting, in person or by proxy.

Section 4. Funds for Repair or Reconstruction. If repair or reconstruction is to take place as defined in Sections 1, 2 and 3 of this Article, to the extent available, any insurance proceeds received due to a fire or other casualty shall be used for repair or reconstruction. In the event that the insurance proceeds are not sufficient to repair or reconstruct that damage caused by fire or other casualty, the Board of Directors shall use so much of the reserve for replacements fund as it deems appropriate. Any remaining balance of funds necessary to complete the repair or reconstruction shall be deemed a common expense and be assessed against all members in accordance with Section 4 of Article VI.

ARTICLE IX

RESTRICTIVE COVENANTS

Section 1. The Restrictions shall govern the use of all lots and Common Areas within Legacy Bay. Any conflict between provisions of the Bylaws of the Association and Restrictions shall be resolved in favor of the Restrictions the provisions of which are superior to and shall supersede the Bylaws.

ARTICLE X

FINANCIAL MANAGEMENT AND RECORDS

Section 1. Records. The Treasurer shall keep financial records and books of account for the Association. The Treasurer will be responsible to ensure that a separate record for each lot is kept which shall contain the amount of each assessment of the common expenses against such lot, the date when due, the amounts paid thereon, and the balance remaining unpaid, and all other records required.

Section 2. Examination of Records. The Treasurer shall ensure that detailed, accurate records, in chronological order, are kept of the receipts and expenditures of the Association, specifying and itemizing the maintenance and repair expenses of the common elements and facilities and other expenses incurred by the Association. Such records and the vouchers and receipts supporting such records shall be made available for examination and inspection by any member or his appointed agent at a mutually agreed-upon time and date at a location specified by the Association President. Records shall be deemed confidential if they relate to a members financial status and will not be available for inspection to other than that member.

Section 3. Annual Financial Statement. An Annual Financial Summary report of the receipts and expenditures of the Association along with details of the status of each fund shall be made available by the Board of Directors to all members at least annually.

Section 4. Annual Review. Each year the Board of Directors shall ensure a detailed review of the financial records of the Association. A summary of the annual review shall be made available to all members of the Association.

Section 5. Fiscal Year. The Board of Directors shall, in their sole discretion, select a fiscal year for the Association.

Section 6. Record Keeping. All official records of the Association shall be kept secured in an area designated by the Board of Directors. The Board of Directors shall take due diligence in protecting the confidentiality, safety and security of the official records of the Association.

ARTICLE XI

MAINTENANCE, REPAIR AND IMPROVEMENTS

Section 1. Maintenance of Lots and Improvements. Every member or occupant shall, at his own expense, at all times well and substantially repair and maintain his lot and the improvements thereon and in accordance with the standards of the community, and shall be liable for all loss caused by his failure to perform such work diligently. Every member or occupant shall reimburse the Association promptly on demand for all expenses incurred by the Association in repairing or replacing any uninsured loss or damage to the common elements and facilities caused by such person. Members shall give prompt notice to the Board of Directors of any such loss or damage or either defect in the common elements when discovered.

Section 2. Additions, Alterations or Improvements by Association. Whenever, in the judgment of the Board of Directors, the common elements and facilities shall require additions, alteration

or improvements costing in excess of an amount equal to $75,000 and the making of such additions, alterations, or improvements shall have been approved by a majority of the members, the Board of Directors shall proceed with such addition, alterations or improvements and shall assess all members for the costs thereof as a common expense. Any additions, alterations, or improvements costing less than an amount equal to $75,000 may be made by the Board of Directors without approval of the members and the costs thereof shall constitute a common expense.

Section 3. Right of Access. All lot owners shall grant a right of access to their lots to the Board of Directors or its designee, for the purpose of correcting any condition originating on the lot that threatens a common element or facility or other lots/structures, provided that requests for entry are made at least 48 hours in advance and that such entry is at a time reasonably convenient to the member. In the case of an emergency, as determined in the sole discretion of the Board of Directors, members of the Board or its designee(s) shall have an immediate right of access to the lot whether the member is present at the time or not.

ARTICLE XII

DISSOLUTION OF THE ASSOCIATION

Section 1. The property of the Association shall include, but not limited to, bank accounts, insurance policies and proceeds and books and records, and are conclusively deemed to be common elements appurtenant to each lot and shall not be subject to withdrawal or an action to partition such property by any member except as provided for in these Bylaws.

Section 2. Vote of the Lot Owners. Upon the unanimous vote of all the lot owners and all mortgagees and the proper recordation by deed of that vote in the Register's Office for Hawkins County, Tennessee, the Association shall cease and all the lot owners shall own the property as tenants in common with each lot owner holding the same undivided interest in the property as they held in the common elements and facilities.

ARTICLE XIII

GENERAL PROVISIONS AND SEVERABILITY AND CONFLICTING PROVISIONS

Section 1. If any term, covenant, restriction, provision, phrase or other element of the Covenants, Conditions and Restrictions of Legacy Bay Subdivision ("Restrictions") or Bylaws is held to be invalid or unenforceable for any reason whatsoever, such holding shall not be deemed to affect, alter, modify or impair in any manner whatsoever any other term, provision, restriction, covenant or element of the said documents.

Section 2. Captions used in the Restrictions and Bylaws are inserted solely as a matter of convenience and shall not be relied upon or used in construing the effect or meaning of any of the text of the Restrictions and Bylaws.

Section 3. If any provision of the Bylaws or Restrictions or any section, sentence, clause, phrase or word or the application thereof in any circumstances be judicially held in conflict with the

laws of the State of Tennessee, then the said laws shall be deemed controlling, and the validity of the remainder of the Restrictions and Bylaws and the application of any provision, section, sentence, clause, phrase or word in other circumstances shall not be affected thereby. If any provisions of the Bylaws should conflict with provisions of the Covenants, Conditions and Restrictions of Legacy Bay Subdivision, or should appear to be in conflict, then the provisions of the Covenants, Conditions and Restrictions shall be deemed to be superior and shall control.

ARTICLE XIV

MISCELLANEOUS PROVISIONS

Section 1. Tort Liability. Each lot owner shall be deemed to have released and exonerated each other lot owner and the Association, and the Association shall be deemed to have released and exonerated each lot owner, from any tort liability other than based on fraud, intentional or criminal acts to the extent to which such liability is satisfied by proceeds of any liability insurance carried by the Association or by a lot owner.

Section 2. Amendments. These Bylaws may be amended in any respect not inconsistent with the Restrictions, and amended, by vote of 75% of the lot owners present or by proxy at any meeting of the Association duly called for such purpose. The Board of Directors shall thereupon make available a written or electronic copy thereof to each lot owner and known mortgagee.

Section 3. Mortgagees. Wherever the term mortgage or mortgagee shall appear in these Bylaws, the same shall be deemed to include deeds of trust and the beneficiary under such deed of trust.

Section 4. Subordination. The Bylaws are subordinated and subject to all provisions of the Restrictions, which shall control in case of any conflict. All terms herein, unless plainly evident from the context that a different meaning was intended, shall have the same meaning as in the Restrictions.

Section 5. Transfer or Lease. Every owner who transfers or leases title to a lot or to the premises thereon, as well as the new owner or lessee, must give written notice to the Board of Directors of such transfer or lease within ten days of so doing.

Section 6. Association Address. All written notices or correspondence to the Board of Directors and to the Association shall be submitted to the following address until or unless subsequently changed by the Board of Directors: 6035 Paradise Cove Drive, Mooresburg, TN, 37811

LEGACY BAY HOMEOWNERS ASSOCIATION, INC.

By: _____
President