

BY-LAWS
OF
SAVANNAH QUARTERS EAST ASSOCIATION, INC.

Article I Name, Principal Office, and Definitions

1.1. Name.

The name of the corporation is Savannah Quarters East Association, Inc. (the "Association").

1.2. Principal Office.

The principal office of the Association shall be located in Chatham County, Georgia. The Association may have such other offices, either within or outside Georgia, as the Board of Directors may determine or as the affairs of the Association may require.

1.3. Definitions.

The words used in these By-Laws shall be given their normal, commonly understood definitions. Unless the context indicates that another meaning is intended, capitalized terms used in these By-Laws shall have the same meaning as set forth in the Declaration of Covenants, Conditions and Restrictions for Savannah Quarters East, recorded by Southwest Quarter Holdings LLC ("Declarant") in the Office of the Clerk of the Superior Court of Chatham County, Georgia (as it may be amended and supplemented, the "Declaration").

Article II Membership: Meetings, Quorum, Voting, Proxies

2.1. Membership.

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

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2.2. Place of Meetings.

Meetings of the Association shall be held at the principal office of the Association or at such other suitable place convenient to the Members as the Board may designate.

2.3. Annual Meetings.

The first meeting of the membership, whether a regular or special meeting, shall be held within one year after the date of incorporation of the Association. The Board shall schedule subsequent regular annual meetings so as to occur during the third quarter of the Association's fiscal year on such date and at such time as the Board may specify.

2.4. Special Meetings.

The President may call special meetings. In addition, it shall be the duty of the President to call a special meeting if so directed by resolution of the Board or upon a petition signed by Members representing at least 25% of the total votes in the Association.

2.5. Notice of Meetings.

Written or printed notice stating the place, day, and hour of any meeting of the Members shall be delivered, either personally or by mail, to each Member entitled to vote at such meeting, not less than 10 nor more than 50 days before the date of such meeting, by or at the direction of the President or the Secretary or the officers or persons calling the meeting.

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

If mailed, the notice shall be deemed to be delivered when deposited in the United States mail addressed to the Voting Member at his or her address as it appears on the Association's records, with postage prepaid.

2.6. Waiver of Notice.

Any Member may waive, in writing, notice of any meeting of the Members, either before or after such meeting. Attendance at a meeting by a Member or the Member's proxy shall be deemed waiver by such Member of notice of the time, date, and place thereof, unless such Member or proxy specifically objects to lack of proper notice at the time the meeting is called to order. Attendance at a special meeting also shall be deemed waiver of notice of all business transacted at such meeting unless an objection on the basis of lack of proper notice is raised before the business is put to a vote. Waiver of notice of a meeting of the Members pursuant to this Section shall be deemed the equivalent of proper notice.

2.7. Adjournment of Meetings.

If any meeting of the Association cannot be held because a quorum is not present, a majority of the Members entitled to vote at such meeting shall have the power to adjourn the meeting to another time subject to the same notice requirements, unless the meeting is held within thirty (30)

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days after the adjourned meeting, in which event no additional notice shall be required if the time and place of the following meeting is announced at the adjourned meeting. If a meeting is adjourned due to a lack of quorum, and a subsequent meeting is scheduled in lieu thereof, all notice requirements being applicable to such subsequent meeting, and such notice indicates that the subsequent meeting is being held due to lack of a quorum at the adjourned meeting, then the quorum requirement for the subsequent meeting shall be one-half (½) of the quorum requirement for the adjourned meeting, provided that such subsequent meeting is held within forty five (45) days of the adjourned meeting. The reducing quorum requirement may take place multiple times for multiple subsequent meetings (reducing by fifty percent (50%) each time) subject to a minimum quorum requirement referred to below, provided all notice requirements and time periods are complied with, until a meeting is held at which a quorum is present. In no event shall the quorum requirement be reduced beyond ten percent (10%) of the total number of votes of the Members.

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

2.8. Voting.

The voting rights of the Members shall be as set forth in the Declaration and in these By-Laws, and such voting rights provisions are specifically incorporated by this reference.

2.9. Proxies.

At any meeting of the Members, a Member may vote in person or by proxy, subject to the limitations of Georgia law relating to use of proxies and subject to any specific provision to the contrary in the Declaration or these By-Laws.

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

Every proxy shall be revocable and shall automatically cease upon: (a) conveyance of any Parcel for which it was given, (b) receipt by the Secretary of written notice of revocation of the proxy or of the death or judicially declared incompetence of a Member who is a natural person, (c) 11 months from the date of the proxy, unless a shorter period is specified in the proxy, or (d) adjournment of the first meeting of the Members held on or after the date of the proxy at which a quorum is present.

2.10. Majority.

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

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2.11. Quorum.

Except as otherwise provided in these By-Laws or in the Declaration, the presence of Members or their proxies representing at least 20% of the total votes eligible to be cast at the meeting shall constitute a quorum for any Association meeting; provided, if a quorum is not present at a meeting when initially called, the quorum requirement for any subsequent attempt to call such meeting shall be reduced to 10% of the total votes eligible to be cast at the meeting.

2.12. Conduct of Meetings.

The President shall preside over all meetings of the Association, and the Secretary shall keep the minutes of the meetings and record in a minute book all resolutions adopted and all other transactions occurring at such meetings.

2.13. Action Without a Meeting.

In addition to such matters as to which the Governing Documents or Georgia law provide for approval by written consent or permit to be voted on by written ballot in lieu of a meeting, any action required or permitted by law to be taken at a meeting of the Members may be taken without a meeting, without prior notice and without a vote if written consent specifically authorizing the proposed action is signed by all Members entitled to vote thereon. Such consents shall be signed, dated and delivered to the Association within 60 days after the Association's receipt of the earliest dated consent. Such consents shall be filed with the minutes of the Association and shall have the same force and effect as a vote of the Members at a meeting.

Article III Board of Directors: Selection and Meetings

3.1. Governing Body: Composition.

The affairs of the Association shall be governed by a Board of Directors, each of whom shall have one vote. Except with respect to directors appointed by the Class "B" Member, directors shall be Members or tenants of Parcels; provided, however, only one person representing a particular Parcel may serve on the Board at any time. If a Member or tenant is not a natural person, any officer, director, partner or trust officer of such Member or tenant shall be eligible to serve as a director unless otherwise specified by written notice to the Association signed by such Member. No Member may have more than one such representative on the Board at a time, except in the case of directors appointed by the Class "B" Member.

3.2. Number of Directors.

The Board shall consist of three to seven directors, as provided in Section 3.3.

3.3. Manner and Timing of Selection.

(a) The initial Board shall consist of three directors identified in the Articles of Incorporation. Except as otherwise provided in this Section 3.3, the Class "B" Member shall have

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sole and full authority to appoint, remove and replace the members of the Board until termination of the Class "B" Control Period.

(b) Within 30 days after the time that Members other than Declarant own 150 acres of land within the Properties, or whenever the Class "B" Member earlier determines, the President shall call for an election by which the Class "A" Members shall be entitled to elect one of the three directors. The remaining two directors shall be appointees of the Class "B" Member. The director elected by the Class "A" Members shall not be subject to removal by the Class "B" Member and shall be elected for a term of two years or until the happening of the event described in subsection (c), whichever is shorter. If such director's term expires prior to the happening of the event described in subsection (c), a successor shall be elected for a like term.

(c) Within 30 days after the time that Members other than Declarant own 300 acres of land within the Properties, or whenever the Class "B" Member earlier determines, the Board shall be increased to five directors. The President shall call for an election by which the Class "A" Members shall be entitled to elect two of the five directors. The remaining three directors shall be appointees of the Class "B" Member. The directors elected by the Members shall be elected for a term of two years or until the happening of the event described in subsection (e) below, whichever is shorter. If such directors' terms expire prior to the happening of the event described in subsection (e) below, successors shall be elected for a like term.

(d) Within 30 days after the time that Members other than Declarant own 450 acres of land within the Properties, or whenever the Class "B" Member earlier determines, the Board shall be increased to seven directors. The President shall call for an election by which the Class "A" Members shall be entitled to elect three of the seven directors. The remaining four directors shall be appointees of the Class "B" Member. The directors elected by the Members shall be elected for a term of two years or until the happening of the event described in subsection (d) below, whichever is shorter. If such directors' terms expire prior to the happening of the event described in subsection (d) below, successors shall be elected for a like term.

(e) Within 90 days after termination of the Class "B" Control Period, the President shall call for an election by which the Class "A" Members shall be entitled to elect six of the seven directors. The remaining director shall be an appointee of the Class "B" Member. Directors elected by the Members shall serve until the first annual meeting following the termination of the Class "B" Control Period. Not later than the first annual meeting after the termination of the Class "B" Control Period, an election shall be held. Three directors shall serve a term of two years and three directors shall serve a term of one year, as such directors determine among themselves.

The Class "B" Member shall be entitled to appoint one director until termination of the Class "B" Membership, at which time the director elected by the Class "B" Member shall resign and the remaining directors shall be entitled to appoint a director to serve until the next annual meeting. At such meeting, the seventh director shall be elected by the votes of all Members. Such director shall be elected for a term of two years.

Upon expiration of the term of office of each director elected by the Members, the Members entitled to elect such director shall be entitled to elect a successor to serve a term of two years. Directors elected by the Members shall hold office until their respective successors have been elected.

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3.4. Nomination and Election Procedures.

(a) Nominations and Declarations of Candidacy. The Board shall appoint a Nominating Committee to nominate candidates for election to each position on the Board of Directors which is to be filled by the votes of Class "A" Members. The Nominating Committee shall consist of a Chairman, who shall be a member of the Board, and four Members or representatives of Members. Members of the Nominating Committee shall be appointed by the Board not less than 30 days prior to each annual meeting to serve a term of one year and until their successors are appointed, and such appointment shall be announced in the notice of each election.

The Nominating Committee may make as many nominations for election to the Board as it shall in its discretion determine. The Nominating Committee shall nominate separate slates for the directors, if any, to be elected at large and for the director(s) to be elected by the Members within each class. In making its nominations, the Nominating Committee shall use reasonable efforts to nominate candidates representing the diversity which exists within the pool of potential candidates.

Prior to each election of directors, the Board shall prescribe the opening date and the closing date of a reasonable filing period in which each and every eligible person who has a bona-fide interest in serving as a director may file as a candidate for any position to be filled by votes of Class "A" Members. The Board may establish reasonable regulations and procedures for declarations of candidacy, which may include a requirement that the candidate have the support of a minimum number of other Members, as evidenced by their signatures on the candidate's declaration of candidacy. Such filing period and the requirements for filing as a candidate shall be published to the Members, by posting on the Common Area, newsletter or other form of general communication.

Nominations for any position may also be permitted from the floor at any meeting at which an election is to be held. Each candidate shall be given a reasonable, uniform opportunity to communicate his or her qualifications to the Members and to solicit votes.

(b) Election Procedures. Elections may be held at a meeting or by mail, as the Board determines. If held by mail, the Secretary shall cause notice of the election to be mailed or delivered to each Member at least 10 days prior to the closing date which the Board has established for filing of ballots. Such notice shall be accompanied by a written ballot listing all candidates for each vacancy nominated by the Nominating Committee and any additional candidates for each vacancy who have qualified in accordance with the procedures described in subsection (a) above. The notice shall specify the name and address to which the ballots should be returned and the date by which they must be received in order to be counted, which date shall be the "election date." The ballot shall include a space for write-in candidates.

For any election, each Member may cast all Class "A" votes which such Member holds for each position to be filled from any slate of candidates on which Class "A" Members are entitled to vote. There shall be no cumulative voting. That number of candidates equal to the number of positions to be filled from each slate who receive the greatest number of votes shall be elected. Directors may be elected to serve any number of consecutive terms.

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3.5. Removal of Directors and Vacancies.

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

Any director elected by the Members who has three consecutive unexcused absences from Board meetings shall be deemed to have resigned. Any director elected by the Members who is more than 30 days delinquent (or is the representative of a Member who is so delinquent) in the payment of any assessment or other charge due the Association may be removed by a majority of the directors present at a regular or special meeting at which a quorum is present.

In the event of the death, disability, or resignation of a director, or upon the Board's removal of a director pursuant to the foregoing paragraph, the Board may declare a vacancy and appoint a successor to fill the vacancy until the next annual meeting, at which time the Members entitled to fill such directorship may elect a successor for the remainder of the term. Any director whom the Board appoints shall be selected from among Members (or representatives of Members) within the class of membership represented by the director who vacated the position.

This Section shall not apply to directors appointed by the Class "B" Member nor to any elected director serving as Declarant's representative. The Class "B" Member or Declarant shall be entitled to appoint a successor to fill any vacancy on the Board resulting from the death, disability or resignation of a director appointed by or elected as a representative of the Class "B" Member or Declarant.

3.6. Organizational Meetings.

The first meeting of the Board following each annual meeting of the membership shall be held within 10 days thereafter at such time and place as the Board shall fix.

3.7. Regular Meetings.

Regular meetings of the Board may be held at such time and place as a majority of the directors shall determine, but at least four such meetings shall be held during each fiscal year with at least one per quarter unless the directors waive such requirement or otherwise act by unanimous written consent in lieu of a meeting.

3.8. Special Meetings.

Special meetings of the Board shall be held when called by written notice signed by the President or Vice President or by any two directors.

3.9. Notice; Waiver of Notice.

(a) Notices of Board meetings shall specify the time and place of the meeting and, in the case of a special meeting, the nature of any special business to be considered. The notice shall be given to each director by: (i) personal delivery; (ii) first class mail, postage prepaid; (iii) telephone

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communication, either directly to the director or to a person at the director's office or home who would reasonably be expected to communicate such notice promptly to the director; or (iv) facsimile, computer, or other electronic communication device, with confirmation of transmission. All such notices shall be given at the director's telephone number, fax number, or electronic mail address, or sent to the director's mailing address as shown on the records of the Association. Notices sent by first class mail shall be deposited into a United States mailbox at least five business days before the time set for the meeting. Notices given by personal delivery, telephone, or other device shall be delivered or transmitted at least 72 hours before the time set for the meeting.

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

3.10. Telephonic Participation in Meetings.

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

3.11. Quorum of Board.

At all Board meetings, a majority of the directors shall constitute a quorum for the transaction of business, and the votes of a majority of the directors present at a meeting at which a quorum is present shall constitute the decision of the Board, unless otherwise specifically provided in these By-Laws or the Declaration. A meeting at which a quorum is initially present may continue to transact business, notwithstanding the withdrawal of directors, if any action taken is approved by at least a majority of the required quorum for that meeting. If any Board meeting cannot be held because a quorum is not present, a majority of the directors present at such meeting may adjourn the meeting to a time not more than 30 days from the date of the original meeting. At the reconvened meeting, if a quorum is present, any business which might have been transacted at the meeting originally called may be transacted without further notice.

3.12. Conduct of Meetings.

The President shall preside over all meetings of the Board, and the Secretary shall keep a minute book of Board meetings, recording all Board resolutions and all transactions and proceedings occurring at such meetings.

3.13. Open Meetings: Executive Session.

(a) Subject to the provisions of Section 3.13(b) all Board meetings shall be open to all Members, but attendees other than directors may not participate in any discussion or deliberation

unless a director requests that they be granted permission to speak. In such case, the President may limit the time any such individual may speak.

(b) Notwithstanding the above, upon a motion in an open meeting to assemble in closed session, which motion states the purpose for the closed session and is approved by majority vote of the Board, the President may adjourn any meeting of the Board and reconvene in closed session, and may exclude persons other than directors, to consult with legal counsel, to discuss matters of a sensitive nature, such as contracts, potential or pending litigation, personnel matters, matters involving violations or alleged violations of the Governing Documents, and matters involving the personal liability of a Member to the Association. The Board shall restrict discussions during any closed session to those specific matters stated in the motion. No action agreed upon in closed session shall become effective unless the Board reconvenes in an open meeting to take a vote on such matter, the substance of which shall be reasonably identified in the open meeting. Nothing herein shall require the disclosure of information in violation of law.

3.14. Action Without a Formal Meeting.

Any action to be taken at a meeting of the directors or any action that may be taken at a meeting of the directors may be taken without a meeting if a consent in writing, setting forth the action so taken, is signed by all of the directors, and such consent shall have the same force and effect as a unanimous vote.

Article IV Officers

4.1. Officers.

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

4.2. Election and Term of Office.

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

4.3. Removal and Vacancies.

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

4.4. Resignation.

Any officer may resign at any time by giving written notice to the Board, the President, or the Secretary. Such resignation shall take effect on the date of the receipt of such notice or at any

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later time specified therein, and unless otherwise specified therein, acceptance of such resignation shall not be necessary to make it effective.

Article V Administration

5.1. Powers and Duties of Board.

(a) General Authority. The Board shall be responsible for conducting the affairs of the Association and shall be authorized to exercise all rights and powers of the Association and to do all acts and things on behalf of the Association except those as to which the Governing Documents or Georgia law specifically require to be done or approved by the membership generally. The Board shall have all powers necessary for the administration of the Association's affairs.

(b) Duties. Duties of the Board shall include, without limitation:

(i) preparing and adopting, in accordance with the Declaration, an annual budget establishing each Owner's share of the Common Expenses and any Service Area Expenses;

(ii) levying and collecting such assessments from the Owners;

(iii) providing for the operation, care, upkeep, and maintenance of the Area of Common Responsibility consistent with the Community-Wide Standard;

(iv) designating, hiring, and dismissing personnel necessary to carry out the Association's rights and responsibilities and where appropriate, providing for compensation of such personnel and for the purchase of equipment, supplies, and materials to be used by such personnel in the performance of their duties;

(v) depositing all funds received on behalf of the Association in a bank depository which it shall approve, and using such funds to operate the Association; provided, any reserve funds may be deposited, in the Board's best judgment, in depositories other than banks;

(vi) making and amending use restrictions and rules in accordance with the Declaration;

(vii) opening bank accounts on behalf of the Association and designating the signatories required;

(viii) making or contracting for the making of repairs, additions, and improvements to or alterations of the Common Area in accordance with the Declaration and these By-Laws;

(ix) enforcing by legal means the provisions of the Governing Documents and bringing any proceedings which may be instituted on behalf of or against the Owners concerning the Association;

(x) obtaining and carrying property and liability insurance and fidelity bonds, as provided in the Declaration, paying the cost thereof, and filing and adjusting claims, as appropriate;

(xi) paying the cost of all services rendered to the Association;

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(xii) keeping books with detailed accounts of the Association's receipts and expenditures;

(xiii) making available to any prospective purchaser of a Parcel, any Owner, and the holders, insurers, and guarantors of any Mortgage on any Parcel, current copies of the Governing Documents and all other books, records, and financial statements of the Association as provided in Section 8.3;

(xiv) permitting utility suppliers to use portions of the Common Area reasonably necessary to the ongoing development or operation of the Properties;

(xv) indemnifying a director, officer or committee member, or former director, officer or committee member of the Association to the extent such indemnity is required by Georgia law, the Articles of Incorporation or the Declaration; and

(xvi) assisting in the resolution of disputes between Owners and others without litigation, as set forth in the Declaration.

5.2. Powers and Duties of Officers.

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

5.3. Compensation of Directors and Officers.

Directors and officers shall not receive any compensation from the Association for acting as such unless approved by Members representing a majority of the total votes in the Association at a regular or special meeting of the Association. Any officer or director may be reimbursed for expenses incurred on behalf of the Association upon approval of a majority of the directors other than the director requesting the reimbursement, if applicable. Nothing herein shall prohibit the Association from compensating an officer or director, or any entity with which an officer or director is affiliated, for services or supplies furnished to the Association in a capacity other than as an officer or director pursuant to a contract or agreement with the Association, provided that such officer's or director's interest was made known to the Board prior to entering into such contract and such contract was approved by a majority of the Board, excluding the interested director.

5.4. Management Agent.

The Board may employ for the Association a professional management agent or agents at such compensation as the Board may establish, to perform such duties and services as the Board shall authorize. The Board may delegate such powers as are necessary to perform the manager's assigned duties, but shall not delegate policy-making or decision-making authority or ultimate responsibility for those duties set forth in Section 5.1(h). Declarant or any Declarant Affiliate may be employed as managing agent or manager.

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

5.5. Committees.

(a) General. In addition to those committees specifically authorized elsewhere in the Governing Documents and in this Section 5.5, the Board may appoint such committees as it deems appropriate to perform such tasks and to serve for such periods as the Board may designate by resolution. Each committee shall operate in accordance with the terms of such resolution.

(b) Covenants Committee. The Board may appoint a Covenants Committee consisting of at least three and no more than seven Members, including at least one Class "A" member. Acting in accordance with the provisions of the Declaration, these By-Laws, and resolutions the Board may adopt, the Covenants Committee, if established, shall be the hearing tribunal of the Association and shall conduct all hearings held pursuant to Article VII of these By-Laws.

(c) Service Area Committees. Each Service Area which has no formal organizational structure or association may elect a Service Area Committee to determine the nature and extent of services, if any, to be provided to the Service Area by the Association in addition to those provided to all Members of the Association in accordance with the Declaration. A Service Area Committee may advise the Board on any other issue but shall not have the authority to bind the Board. Service Area Committees, if elected, shall consist of three Members unless the Owners of Parcels within the Service Area agree, by the vote of at least 51% of such Owners, to increase the number to five.

The election of a Service Area Committee may be conducted at a meeting of the Service Area or by mail in the same manner as the election of the Board, except that only Owners (or their representatives) and tenants of Parcels within the Service Area shall be eligible to serve, and notices and ballots shall be given only to the Owners of Parcels within the Service Area. For any election, the Owners of Parcels within the Service Area shall be entitled to cast the entire vote assigned to their respective Parcels for each position to be filled on the Committee. That number of candidates equal to the number of positions to be filled receiving the greatest number of votes shall be elected. Committee members shall be elected for a term of one year or until their successors are elected. The Committee shall elect a chairperson who shall preside at its meetings, and shall be responsible for transmitting any and all communications to the Board.

In the conduct of its duties and responsibilities, each Service Area Committee shall abide by the notice and quorum requirements applicable to the Board under Sections 3.9, 3.10 and 3.11. Meetings of a Service Area Committee shall be open to all Owners of Parcels in the Service Area and their representatives. Members of a Service Area Committee may act by unanimous written consent in lieu of a meeting.

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

So long as the Class "B" Membership exists, the Class "B" Member shall have a right to disapprove any action, policy or program of the Association, the Board and any committee which, in the sole judgment of the Class "B" Member, would tend to impair rights of Declarant or Developer Members under the Declaration or these By-Laws, or interfere with development or construction of any portion of the Properties, or diminish the level of services being provided by the

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Association. The Class "B" Member may exercise this right to disapprove to block proposed actions or to require reversal of actions taken in violation of this Section, but otherwise may not use its right to disapprove: to require any action on behalf of any committee, the Board, or the Association; to reduce the level of services which the Association is obligated to provide; to prevent capital repairs; or to block any action or expenditure required to comply with applicable laws and regulations.

No action, policy or program subject to the right of disapproval set forth herein shall become effective or be implemented until and unless the requirements of subsections (a) and (b) below have been met and either the Class "B" Member has waived its right to disapprove or the 10-day period described in subsection (c) has expired without the Class "B" Member exercising its right to disapprove. Any action taken in violation of this Section or in disregard of the Class "B" Member's exercise of such right of disapproval shall be outside the scope of the Association's authority and invalid and the Class "B" Member shall be entitled to pursue any and all remedies available at law or in equity, including damages or injunctive relief, to remedy such violation of its rights hereunder.

(a) Notice. The Class "B" Member shall be given written notice of all meetings and proposed actions approved at meetings (or by written consent in lieu of a meeting) of the Association, the Board or any committee. Such notice shall be given by certified mail, return receipt requested, or by personal delivery at the address it has registered with the Secretary of the Association, which notice complies as to Board meetings with Section 3.9 and which notice shall, except in the case of the regular meetings held pursuant to the By-Laws, set forth with reasonable particularity the agenda to be followed at such meeting.

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

(c) Exercise of Right to Disapprove. The Class "B" Member, acting through any officer or director, agent or authorized representative, may exercise its right to disapprove at any time within 10 days following the meeting at which such action was proposed or, in the case of any action taken by written consent in lieu of a meeting, at any time within 10 days following receipt of written notice of the proposed action.

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

All agreements, contracts, deeds, leases, checks, and other instruments of the Association shall be executed by at least two officers or by such other person or persons as the Board may designate by resolution.

5.8. Right To Contract.

The Association shall have the right to contract with any Person for the performance of various duties and functions. This right shall include, without limitation, the right to enter into common management, operational, or other agreements with trusts, condominiums, cooperatives, or Service Area and other owners associations, within and outside Savannah Quarters. Any common management agreement shall require the consent of a majority of the Board.

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Article VI Accounting and Financial Matters

6.1. Fiscal Year.

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

6.2. Accounting.

The following accounting standards shall be followed unless the Board by resolution specifically determines otherwise:

- (a) accrual accounting, as defined by generally accepted accounting principles, shall be employed;
- (b) accounting and controls should conform to generally accepted accounting principles;
- (c) cash accounts of the Association shall not be commingled with any other accounts;
- (d) no remuneration shall be accepted by the managing agent from vendors, independent contractors, or others providing goods or services to the Association, whether in the form of commissions, finder's fees, service fees, prizes, gifts, or otherwise; any thing of value received shall benefit the Association; and
- (e) any financial or other interest which the managing agent may have in any firm providing goods or services to the Association shall be disclosed promptly to the Board.

6.3. Reports.

(a) Commencing at the end of the quarter in which the first Parcel is sold and closed, financial reports shall be prepared for the Association at least quarterly containing:

- (i) an income statement reflecting all income and expense activity for the preceding period on an accrual basis;
- (ii) a statement reflecting all cash receipts and disbursements for the preceding period;
- (iii) a variance report reflecting the status of all accounts in an "actual" versus "approved" budget format;
- (iv) a balance sheet as of the last day of the preceding period; and
- (v) a delinquency report listing all Owners who are delinquent in paying any assessments at the time of the report and describing the status of any action to collect such assessments which remain delinquent (any assessment or installment thereof shall be considered to be delinquent on the 15th day following the due date unless otherwise specified by Board resolution); and

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(b) An annual report consisting of at least the following shall be made available to all Members within 120 days after the close of the fiscal year: (i) a balance sheet; (ii) an operating (income) statement; and (iii) a statement of changes in financial position for the fiscal year. Such annual report shall be prepared on an audited, reviewed, or compiled basis, as the Board determines, by an independent public accountant.

6.4. Borrowing.

The Association shall have the power to borrow money for any legal purpose; provided, the Board shall obtain Member approval in the same manner provided in Section 8.2 of the Declaration for Special Assessments if the proposed borrowing is for the purpose of making discretionary capital improvements and the total amount of such borrowing, together with all other debt incurred within the previous 12-month period, exceeds or would exceed 10% of the Association's budgeted gross expenses for that fiscal year.

Article VII Enforcement Procedures

The Association shall have the power, as provided in the Declaration, to impose sanctions for any violation of the Governing Documents. To the extent specifically required by the Declaration, the Board shall comply with the following procedures prior to imposition of sanctions:

(a) Notice. The Board or its delegate shall serve the alleged violator with written notice describing (i) the nature of the alleged violation, (ii) the proposed sanction to be imposed, (iii) a period of not less than 10 days within which the alleged violator may present a written request for a hearing to the Board or the Covenants Committee, if one has been appointed pursuant to Article V; and (iv) a statement that the proposed sanction shall be imposed as contained in the notice unless a challenge is begun within 10 days of the notice. If a timely request for a hearing is not made, the sanction stated in the notice shall be imposed; provided the Board or Covenants Committee may, but shall not be obligated to, suspend any proposed sanction if the violation is cured within the 10-day period. Such suspension shall not constitute a waiver of the right to sanction future violations of the same or other provisions and rules by any Person.

(b) Hearing. If a hearing is requested within the allotted 10-day period, the hearing shall be held before the Covenants Committee, or if none has been appointed, then before the Board in closed session. The Covenants Committee or Board shall provide at least 14 days' prior written notice to the alleged violator of the date, time and location of the hearing. Proof of proper notice shall be placed in the minutes of the hearing. Such proof shall be deemed adequate if a copy of the notice, together with a statement of the date and manner of delivery, is entered by the officer, director, or agent who delivered such notice. The notice requirement shall be deemed satisfied if the alleged violator or its representative appears at the hearing. The alleged violator shall be afforded a reasonable opportunity to be heard and may be represented by counsel at the hearing. The minutes of the hearing shall contain a written statement of the results of the hearing and the sanction, if any, imposed. Written notice of the decision reached and the sanction, if any, imposed, shall be sent to the alleged violator within five days after the hearing.

(c) Appeal. Following a hearing before the Covenants Committee, the violator shall have the right to appeal the decision to the Board. To exercise this right, a written notice of appeal must be received by the Association's manager, President, or Secretary within 10 days after the hearing date.

Article VIII Miscellaneous

8.1. Parliamentary Rules.

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

8.2. Conflicts.

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

8.3. Books and Records.

(a) Inspection by Members and Mortgagees. Except as otherwise specifically provided in this Section 8.3, any Member, any holder of a first Mortgage on a Parcel, or the duly appointed representative of any of the foregoing, shall have the right to examine and copy the books and records maintained by the Association, including the Governing Documents, the membership register, books of account, and the minutes of meetings of the Members, the Board, and committees. Such right may be exercised only for a purpose reasonably related to the requesting party's interest in a Parcel. The Association's membership roster shall not be used for purposes of commercial solicitation.

Notwithstanding the above, the Association's books and records may be withheld from inspection and copying to the extent that they concern:

- (i) personnel matters or a person's medical records;
- (ii) communications with legal counsel or attorney work product;
- (iii) transactions currently in negotiation and agreements containing confidentiality requirements;
- (iv) pending litigation;
- (v) pending matters involving enforcement of the Governing Documents;
- (vi) disclosure of information in violation of law; or
- (vii) minutes or other records of Board meetings held in closed session pursuant to Section 3.13 of these By-Laws.

Such right of inspection may be exercised only during reasonable business hours or at another mutually convenient time, and upon five days' prior written notice to the Board. The Board may impose and collect a charge, reflecting its actual costs of materials and labor, prior to providing copies of any books and records under this Section. The Board shall provide for such inspection to take place at the Association's office or at such other place within Savannah Quarters as the Board shall designate.

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

8.4. Notices.

Except as otherwise provided in the Declaration or these By-Laws, all notices, demands, bills, statements, or other communications under the Declaration or these By-Laws shall be in writing and shall be deemed to have been duly given if delivered personally or if sent by United States mail, first class postage prepaid:

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

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

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

8.5. Amendment.

(a) By Class "B" Member. Until termination of the Class "B" Control Period, the Class "B" Member may unilaterally amend these By-Laws at any time and from time to time if such amendment is necessary (i) to bring any provision into compliance with any applicable governmental statute, rule, regulation, or judicial determination; (ii) to enable any reputable title insurance company to issue title insurance coverage on the Parcels; or (iii) to satisfy the requirements of any local, state or federal governmental agency. In addition, so long as the Class "B" Membership exists, the Class "B" Member may unilaterally amend these By-Laws for any other purpose, provided the amendment has no material adverse effect upon any right of any Member.

(b) By Members Generally. Except as provided above, these By-Laws may be amended only upon the affirmative vote or written consent, or any combination thereof, of Members entitled to cast 51% of the total Class "A" votes in the Association, and the consent of the Class "B" Member, if such exists. Notwithstanding the above, the percentage of votes necessary to amend a specific clause shall not be less than the prescribed percentage of affirmative votes required for action to be taken under that clause.

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

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

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