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BYLAWS
FOR
THE CLOISTER AT ST. HENRY,
PHASE IA
(A Horizontal Property Regime)

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BYLAWS
OF
THE CLOISTER AT ST. HENRY,
PHASE IA

ARTICLE I

Members (Unit Owners)

Section 1. Eligibility. The members of THE CLOISTER OWNERS' ASSOCIATION, a Tennessee non-profit corporation, shall initially consist of the respective Unit Owners of the Property known as THE CLOISTER AT ST. HENRY, PHASE IA, located at 77 Vaughns Gap Road, Nashville, Tennessee 37205. The terms used in these Bylaws are used as they are defined in the Master Deed to which these Bylaws are attached as an Exhibit. Said Master Deed is recorded in the office of the Register of Deeds of Davidson County, Tennessee. The words "member" or "members" as used in these Bylaws mean and shall refer to "Unit Owner" or "Unit Owners," as the case may be, as defined in the Master Deed. If a Unit Owner is a trust, then the member shall be a beneficiary of such trust, and if a Unit Owner or such a beneficiary is a corporation or partnership, the member may be an officer, partner or employee of such Unit Owner or beneficiary. As the Developer submits Additional Phases of the Development Property, as defined in the Master Deed, to the provisions of the Act, the same become Additional Phases of The Cloister at St. Henry, the respective Unit Owners of such phases shall become additional members of the Association with the same rights, privileges and responsibilities as the members herein.

Section 2. Succession. The membership of each Unit Owner shall terminate when he ceases to be a Unit Owner, and upon the sale, transfer or other disposition of his

ownership interest in the Property, his membership in the Association shall automatically be transferred to the new Unit Owner succeeding to such ownership interest.

Section 3. Regular Meetings. The first regular annual meeting of Unit Owners of Phase IA (the "First Meeting") may be held, subject to the terms hereof, on any date, at the option of the Board. Provided, however, that said First Meeting shall be held not more than one hundred twenty (120) days after Developer has sold and delivered its deed for at least thirty-seven (37) Units of the Property. In any event, the First Meeting shall be held not less than three (3) years following conveyance of the first Unit by the Developer. Subsequent to the First Meeting, there shall be a regular annual meeting of Unit Owners (of all phases) within fifteen (15) days after the end of each fiscal year of the Association. All such meetings of Unit Owners shall be held at such place in Davidson County, Tennessee, and at such time as specified in the written notice of such meeting which shall be delivered to all Unit Owners at least ten (10) days prior to the date of such meeting.

Section 4. Special Meetings. Special meetings of all Unit Owners may be called by the President or by a majority of the members of the Board, or by Unit Owners having at least three-fifths (3/5) of the votes entitled to be at such meeting. Said special meetings shall be called by delivering written notice to all Unit Owners not less than ten (10) days prior to the date of said meeting, stating the date, time and place of said special meeting and the matters to be considered.

Section 5. New Phase Meetings. Within one hundred twenty (120) days after seventy percent (70%) of the Units of any additional phase of the Development Property has been submitted to the provisions of the Act, but not more than three (3) years following the conveyance by the Developer of the first Unit of such additional phase so submitted, all Unit Owners of all phases shall have a meeting (herein referred to as a "new phase meeting"), at which meeting four (4) members of the Board shall be elected for new terms as described in Article II, Section 1.

Section 6. Delivery of Notice of Meetings. Notices of meetings may be delivered either personally or by mail to a Unit Owner at the address given to the Board by said Unit Owner for such purpose, or to the Unit Owner's Unit, if no address for such purpose has been given to the Board.

Section 7. Voting. Until Additional Phases are submitted to the provisions of the Act, the aggregate number of votes of all Unit Owners shall be fifty-four (54), and shall be divided among the respective Unit owners, with one (1) vote allocated to each Unit. As Additional Phases are submitted to the provisions of the Act, the aggregate number of votes of all Unit Owners shall be increased by the total Units of such phases. If any Unit Owner consists of more than one person, the voting rights of such Unit Owner shall not be divided but shall be exercised as if the Unit Owner consisted of only one person in accordance with the proxy or other designation made by the persons constituting such Unit Owner. The Developer may exercise the voting rights with respect to Units owned by it.

No Unit Owner who is in default in the payment of his assessments hereunder shall be entitled to exercise his right to vote hereunder until he has cured such default. A Unit Owner shall be deemed to be in default if he has not paid his assessments to the Board, or its agent, within ten (10) days after the date such assessments are due. A Unit Owner may protest the amount of the assessment, but it still must be paid during the pendency of the protest to the Board.

Section 8. Quorum. A quorum of Unit Owners for any meeting shall be constituted by Unit Owners represented in person or by proxy and holding a majority of the votes entitled to be cast at such meeting.

ARTICLE II

Board of Managers

Section 1. Number, Election and Term of Office. The Board of Managers of the Association (referred to in the Horizontal Property Act of the State of Tennessee as the

"board of administrators," and sometimes referred to herein as the "Board") shall consist of five (5) members (herein referred to as "Managers" or "members of the Board"). Four (4) Managers shall be elected at each regular annual meeting and each new phase meeting of Association members by the vote of Unit Owners. The Developer shall appoint the five (5) interim members of the Board (the "Interim Board") until the First Meeting, and thereafter, the Developer shall be entitled, at its option, to appoint one Board member who does not have to be a Unit Owner. All members of the Board shall hold office for a term of one (1) year except for members of the Interim Board, the First Board and the member chosen by the Developer, all of whom shall hold office for the terms herein set forth. The First Meeting shall, among other business, elect the first four (4) members of the Board (the "First Board"). Those candidates for election as Manager receiving the greatest number of votes cast either in person or by proxy at the meeting shall be elected. Members of the Interim Board shall hold office until the First Meeting. Two (2) members of the First Board shall hold office until the first regular annual meeting of Association members after the First Meeting, or until the next new phase meeting, whichever first occurs, and two (2) other members of the First Board shall hold office until the second regular annual meeting of Association members after the First Meeting or until the next new phase meeting, whichever first occurs. The member appointed by the Developer shall hold office at the pleasure of the Developer.

Section 2. Qualification. Except for members of the Interim Board, and the Manager appointed by the Developer, each Manager shall be a Unit Owner or the spouse of a Unit Owner. As of the date of the new phase meeting for each Additional Phase submitted to the provisions of the Act, at least one (1) member of the Board shall be a Unit Owner of each phase of the Development Property. If a Manager shall cease to meet such qualifications during his term, he shall thereupon cease to be a Manager and his place on the Board shall be deemed vacant.

Section 3. Vacancies. Any vacancy occurring in the Board shall be filled by majority vote of the remaining members thereof. Any Manager so elected to fill a vacancy shall hold office for a term equal to the unexpired term of the Manager which he succeeds. In the event the Developer does not desire to appoint a Manager, the Board shall, by majority vote, fill such vacancy for a term of one (1) year at a time.

Section 4. Meetings. A regular annual meeting of the Board shall be held within ten (10) days following the regular annual meeting of Unit Owners and each new phase meeting. Special meetings of the Board shall be held upon a call by the President or by a majority of the Board on not less than forty-eight (48) hours' notice in writing to each Manager, delivered personally or by mail or telegram. Any Manager may waive notice of a meeting, or consent to the holding of a meeting without notice, or consent to any action proposed to be taken by the Board without a meeting. A Manager's attendance at a meeting shall constitute his waiver of notice of said meeting.

Section 5. Removal. Any Manager may be removed from office for cause by the vote of three-fifths (3/5) of the total vote of the Unit Owners.

Section 6. Compensation. Managers shall receive no compensation for their services as Managers, unless expressly provided for in resolutions duly adopted by the Unit Owners.

Section 7. Quorum. Three (3) Managers shall constitute a quorum.

Section 8. Powers and Duties. The Board shall have the following powers and duties:

- (a) to elect and remove the Officers of the Association as hereinafter provided;
- (b) To administer the affairs of the Association and the Property;
- (c) to engage the services of an agent (hereinafter sometimes called the "Managing Agent") to maintain, repair, replace, administer and operate the Property and the

Community Facilities, or any part thereof, for all of the Unit Owners, upon such terms and for such compensation and with such authority as the Board may approve; provided, however, that the First Board, appointed as provided herein, shall ratify and approve the Management Agreement between the Developer, on behalf of the Association, and a management corporation, which may either be the Developer or a corporation related to the Developer, to act as Managing Agent for the Property and the Community Facilities;

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

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

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

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

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

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

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

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

(l) unless otherwise provided herein or in the Master Deed, to comply with the instructions of a majority of the Unit Owners (as said majority is defined in paragraph 1(k) of the Master Deed), as expressed in a resolution duly adopted at any annual or special meeting of the Unit Owners;

(m) to exercise all other powers and duties of the board of administrators or Unit Owners as a group referred to in the Horizontal Property Act of the State of Tennessee and all powers and duties of the Board of Managers referred to in the Master Deed or these Bylaws.

Section 9. Non-Delegation. Nothing in this Article or elsewhere in these Bylaws shall be considered to grant to the Board, the Association or to the Officers of the Association any powers or duties which, by law, have been delegated to the Unit Owners.

ARTICLE III

Officers

Section 1. Designation. At each regular annual meeting, the Managers present at said meeting shall elect the following Officers of the Association by a majority vote:

(a) a President, who shall be a Manager and who shall preside over the meetings of the Board and of the Unit Owners, and who shall be the chief executive officer of the Association;

(b) a Secretary, who shall keep the minutes of all meetings of the Board and of the Unit Owners, and who shall, in general, perform all the duties incident to the office of Secretary, and who may be a representative of the Managing Agent;

(c) a Treasurer, who shall be responsible for financial records and books of account and the manner in which such records and books are kept and reported; and

(d) such additional Officers as the Board shall see fit to elect.

Section 2. Powers. The respective Officers shall have the general powers usually vested in such Officers; provided that the Board may delegate any specific powers to any other Officer or impose such limitations or restrictions upon the powers of any Officer as the Board may see fit.

Section 3. Term of Office. Each Officer shall hold office for the term of one (1) year and until his successor shall have been appointed or elected and qualified.

Section 4. Vacancies. Vacancies in any office shall be filled by the Board by a majority vote of the remaining members thereof at a special meeting of said Board. Any officer so elected to fill a vacancy shall hold office for a term equal to the unexpired term of the Officer he succeeds. Any Officer may be removed for cause at any time by vote of three-fifths (3/5) of the total members of the Board at a special meeting thereof.

Section 5. Compensation. The Officers shall receive no compensation for their services as Officers, unless expressly provided for in a resolution duly adopted by the Unit Owners.

ARTICLE IV

Assessments

Section 1. Annual Budget. The Board shall cause to be prepared an estimated annual budget for each fiscal year of the Association. Such budget shall take into account the estimated common expenses and cash requirements for the year, including but not limited to salaries, wages, payroll taxes, legal and accounting fees, working capital fund, supplies, materials, parts, services, maintenance, repairs, replacements, landscaping, insurance, fuel, power, and all other common expenses. To the extent that the assessments and other cash income collected from the Unit Owners during the preceding year shall be

more or less than the expenditures for such preceding year, the surplus or deficit, as the case may be, shall also be taken into account. The annual budget shall also take into account the estimated net available cash income for the year from the lease, operation or use of the Common Elements. The annual budget shall provide for a reserve for contingencies for the year and a reserve for replacements, in reasonable amounts as determined by the Board.

Section 2. Assessments. The estimated annual budget for each fiscal year shall be approved by the Board, and copies thereof shall be furnished by the Board to each Unit Owner, not later than thirty (30) days prior to the beginning of such year. On or before the first day of the first month and of each succeeding month of the year covered by the annual budget, each Unit Owner shall pay, as his respective monthly assessment for the common expenses, one-twelfth (1/12) of his proportionate share of the common expenses for such year as shown by the annual budget. Such proportionate share for each Unit Owner shall be prorata as each Unit bears to all the Units and for Phase IA the share for each Unit shall be one fifty-fourth (1/54) until Additional Phases are submitted to the provisions of the Act. As Additional Phases are submitted, the administration, operation, repair, maintenance and replacement of the Common Elements of such Additional Phases shall become common expenses for all Unit Owners of all phases (including Phase IA). Such common expenses of Additional Phases shall become part of the annual budget and all Unit Owners (including Phase IA) shall contribute prorata in the percentage or fraction as each Unit bears to all Units of all phases. The Board shall have the discretion to increase or decrease contributions of the Unit Owners of a particular phase in the event the Board determines that inequities would result from a level or equal contribution by all Unit Owners of all phases. The factors determining an inequity shall be those determined by the Board in its sole discretion reasonably exercised. In the event that the Board shall not approve an estimated annual budget or shall fail to determine new monthly assessments for any year, or

shall be delayed in doing so, each Unit Owner shall continue to pay each month the amount of his respective monthly assessment as last determined. Each Unit Owner shall pay his monthly assessment on or before the first day of each month to the Managing Agent or as may be otherwise directed by the Board. Provided, however, the Board may in its discretion adopt a policy of allowing discount for early payment of such fees. No Unit Owner shall be relieved of his obligation to pay his assessment by abandoning or not using his Unit, the Common Elements, the Limited Common Elements or the Recreation Facilities.

Section 3. Partial Year or Month. For the first fiscal year and thereafter until the First Board for Phase IA is elected, the annual budget shall be approved by the Interim Board. If such first fiscal year, or any succeeding fiscal year, shall be less than a full year, then the monthly assessments for each Unit Owner shall be proportionate to the number of months and days in such period covered by such budget. Commencing with the date of occupancy of his Unit, each Unit Owner shall pay his assessment for the following month or fraction of a month, which assessment shall be in proportion to his respective ownership interest in the Common Elements and the number of months and days remaining of the period covered by the current annual budget, and which assessment shall be as computed by the Board.

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

Section 5. Supplemental Budget. In the event that during the course of any year, it shall appear to the Board that the monthly assessments, determined in accordance with the estimated annual budget for such year, are insufficient or inadequate to cover the estimated common expenses and limited common expenses for the remainder of such year, then the Board shall prepare and approve a supplemental budget covering the estimated

deficiency for the remainder of such year, copies of which supplemental budget shall be furnished to each Unit Owner, and thereupon a supplemental assessment shall be made to each Unit Owner for his proportionate share of such supplemental budget.

Section 6. Expenditures. Except for the Management Agreement described in Article II, Section 8(e) hereof and expenditures and contracts specifically authorized by the Master Deed and Bylaws, the Board shall not approve any expenditure in excess of Fifty Thousand and No/100 Dollars (\$50,000.00) unless required for emergency repair, protection or operation of the Common Elements or Limited Common Elements, nor enter any contract for more than three (3) years without the prior approval of a majority of the vote of the Unit Owners.

Section 7. Lien. It shall be the duty of every Unit Owner to pay his proportionate share of the common expenses and limited common expenses, as provided in the Master Deed, and as assessed in the manner herein provided.

If any Unit Owner shall fail or refuse to make any such payment of the common expenses or limited common expenses when due, the amount thereof, together with interest thereon at the highest rate of interest then permitted under the laws of the State of Tennessee, after said common expenses become due and payable, shall constitute a lien, as provided in the Act, enforceable by the Board, on the interest of such Unit Owner in the Property; provided, however, that such lien shall be subordinate to the lien of a recorded first mortgage or deed of trust on the interest of such Unit Owner, except for the amount of the proportionate share of common expenses and limited common expenses which are due and payable from and after the date on which such mortgage owner or holder either takes possession of the Unit, accepts a conveyance of any interest therein (other than as security), or files suit to foreclose its mortgage or deed of trust. The provisions of this paragraph of this Section 7 shall not be amended, changed, modified or rescinded in any way without the prior written consent of all such lien holders of record.

The Association or its successors and assigns, or the Board or its agents, shall have the right to enforce the lien as provided in paragraph 10(b) of the Master Deed or to maintain a suit to foreclose any such lien, and there shall be added to the amount due the costs of said suit and other fees and expenses, together with legal interest and reasonable attorneys' fees to be fixed by the Court. Furthermore, if any Unit Owner shall fail or refuse to pay when due his proportionate share of the common expenses or limited common expenses and such Unit Owner withholds possession of his Unit after demand by the Board or the Association in writing setting forth the amount claimed, the Board or the Association shall have the right to possession of such Unit. The Board or the Association shall have the authority to exercise and enforce any and all rights and remedies as provided for in the Horizontal Property Act, the Master Deed or these Bylaws, or as are otherwise available at law or in equity, for the collection of all unpaid assessments.

Section 8. Records and Statement of Account. The Board shall cause to be kept detailed and accurate records in chronological order of the receipts and expenditures affecting the Common Elements and Limited Common Elements, specifying and itemizing the common expenses and limited common expenses incurred. Payment vouchers may be approved in such manner as the Board may determine.

The Board shall, within ten (10) days of receipt of a written request to it or the Association and upon payment of a reasonable fee as set by the Board, furnish to any Unit Owner a statement of his account setting forth the amount of any unpaid assessments or other charges due and owing from such Unit Owner.

Section 9. Discharge of Liens. The Board may cause the Association to discharge any mechanic's lien or other encumbrance which, in the opinion of the Board, may constitute a lien against the Property, the Common Elements or the Recreation Facilities, rather than a lien against only a particular Unit Ownership. When less than all the Unit Owners are responsible for the existence of any such lien, the Unit Owners responsible shall

be jointly and severally liable for the amount necessary to discharge the same and for all costs and expenses, including attorneys' fees, incurred by reason of such lien.

Section 10. Holding of Funds. All funds collected hereunder shall be held and expended for the purposes designated herein, and (except for such special assessments as may be levied hereunder against less than all the Unit Owners and for such adjustments as may be required to reflect delinquent or prepaid assessments) shall be deemed to be held for the benefit, use and account of all the Unit Owners in accordance with their respective ownership interests set forth in Section 7 of the Master Deed.

ARTICLE V

Use and Occupancy Restrictions

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

Each Unit Owner shall maintain his Unit in good condition and in good order and repair, at his own expense, and shall not do or allow anything to be done in his Unit which may increase the cost or cause the cancellation of insurance on other Units or on the Common Elements. No Unit Owner shall display, hang or store any clothing, sheets, blankets, laundry, or other articles outside his Unit, which may be visible from the outside of his Unit (other than draperies, curtains, or shades of a customary nature and appearance, subject to the rules and regulations of the Board), or paint or decorate or adorn the outside of his Unit, or install outside his Unit any canopy or awning, or outside radio or television antenna, or Citizens Band radio transmitters, or other equipment, fixtures or items of any kind, without the prior written permission of the Board or the written permission of the Managing Agent, acting in accord with the Board's direction. The foregoing restrictions as to use and occupancy shall not be construed to prohibit a Unit Owner from placing and

maintaining outdoor furniture and decorative foliage of a customary nature and appearance on a patio which is a Limited Common Element appurtenant to his Unit. No owner of a Unit, shall display, hang, store or use any sign outside his Unit, in a hallway or elsewhere, or which may be visible from the outside of his Unit without the prior written permission of the Board or the written permission of the Managing Agent, acting in accord with the Board's direction.

No structure of a temporary character, tent, shack, detached garage not part of a Unit, barn, or other out-buildings shall be permitted on the Property at any time, temporarily or permanently, except with the prior written consent of the Board; provided, however, that temporary structures may be erected for use in connection with the repair or rebuilding of the Buildings or any portion thereof. Trailers or boats may only be stored overnight on the Property (without Board permission) if stored or parked at all times in a Unit's garage.

Section 2. Animals. No animals shall be raised, bred, or kept in any Unit, except for dogs, household cats and small birds owned as household pets by a Unit Owner, provided that said pets are not kept for any commercial purpose, and provided that said pet shall be kept in strict accordance with the administrative rules and regulations relating to household pets from time to time adopted or approved by the Board, and provided that said pet shall not, in the judgment of the Board, constitute a nuisance to others.

All dogs owned by Unit Owners and kept in a Unit shall be on leash while outside the Unit. All such dogs shall be exercised by the Owner within a three (3) foot wide strip surrounding the inside boundaries of the Parcel. Owners shall use their best efforts to cause their dogs to relieve themselves in the aforesaid area.

The Board, in its discretion, may limit the number of dogs and cats per Unit to not more than two (2) dogs or two (2) cats or one (1) cat and one (1) dog.

Section 3. Trash. Trash, garbage and other waste shall be kept only in sanitary

containers, and shall be disposed of in a clean and sanitary manner as prescribed from time to time in rules and regulations of the Board.

Section 4. Use by Developer. During the period of sale by the Developer of any Units, the Developer, and said Developer's agents, employees, contractors and sub-contractors, and their respective agents and employees, shall be entitled to access, ingress to and egress from said Buildings and Property as may be required for purposes of said sale of Units. While the Developer owns any of the Units and until each unit sold by it is occupied by the purchasers, the Developer and his employees may use and show one or more of such unsold or unoccupied Units as a model Unit or Units and may use one or more of such unsold or unoccupied Units as a sales office, and may maintain customary signs in connection therewith.

Section 5. Storage. Articles of personal property belonging to any Unit Owner, such as baby carriages, bicycles, wagons, toys, furniture, clothing and other articles, shall not be stored or kept in or on any part of the Common Elements except in such common storage areas or storage lockers, if any, specifically designated for the respective Unit Owner by the Board or by the Managing Agent acting in accord with the Board's direction. Storage of boats, trailers, campers, and motor homes on the Property shall be subject to the rules and regulations of the Board applicable thereto.

Section 6. Wiring. No Unit Owner shall overload the electrical wiring in the Building, or operate any machines, appliances, accessories or equipment in such manner as to cause, in the judgment of the Board, an unreasonable disturbance to others, or connect any machines, appliances, accessories or equipment to the heating or plumbing system, without the prior written consent of the Board or the prior written consent of the Managing Agent, given in accord with the Board's direction.

ARTICLE VI

Contractual Powers

No contract or other transaction between the Association and one or more of its

Managers or between the Association and any corporation, firm or association in which one or more of the Managers of this corporation are directors, or are financially interested, is void or voidable because such Manager or Managers are present at the meeting of the Board or a committee thereof which authorizes or approves the contract or transaction or because his or their votes are counted, if the circumstances specified in either of the following subparagraphs exist:

(a) the fact of the common directorship or financial interest is disclosed or known to the Board or committee and noted in the minutes and the Board or committee authorizes, approves or ratifies the contract or transaction in good faith by a vote sufficient for the purpose without counting the vote or votes of such Manager or Managers; or

(b) the contract or transaction is just and reasonable as to the Association at the time it is authorized or approved.

Common or interested Managers may be counted in determining the presence of a quorum at a meeting of the Board or a committee thereof which authorizes, approves or ratifies a contract or transaction.

ARTICLE VII

Amendments

These Bylaws may be amended or modified from time to time by action or approval of the vote of two-thirds (2/3) of the Unit Owners casting one (1) vote for each Unit owned, as provided in Article I, Section 7, of these Bylaws. Such amendments shall be recorded in the Office of the Register of Deeds for Davidson County, Tennessee.

ARTICLE VIII

Indemnification

Section 1. General. The Association shall indemnify and hold harmless each of its Managers and Officers, each member of any committee appointed pursuant to the Bylaws of the Association, and the Board and Developer, against all contractual and other liabilities

to others arising out of contracts made by or other acts of such Managers, Officers, committee members or Developer, on behalf of the Unit Owners, or arising out of their status as Managers, Board, Officers, committee members or Developer, unless any such contract or act shall have been made fraudulently or with gross negligence or criminal intent. It is intended that the foregoing indemnification shall include indemnification against all costs and expenses (including, but not limited to, counsel fees, amounts of judgments paid and amounts paid in settlement) reasonably incurred in connection with the defense of any claim, action, suit or proceeding, whether civil, criminal, administrative or other, in which any such Manager, Officer, Board, committee member or Developer may be involved by virtue of such persons being or having been such Manager, Officer, Board, committee member, or Developer; provided, however, that such indemnity shall not be operative with respect to (a) any matter as to which such person shall have been finally adjudged in such action, suit or proceeding to be liable for gross negligence or fraud in the performance of his duties as such Manager, Officer, Board, committee member, or Developer, or (b) any matter settled or compromised, unless, in the opinion of independent counsel selected by or in a manner determined by the Board, there is not reasonable ground for such persons being adjudged liable for gross negligence or fraud in the performance of their duties as such Manager, Officer, Board, committee member, or Developer.

Section 2. Success on Merits. To the extent that the Developer or a member of the Board of Managers or an Officer of the Association or a member of any committee appointed pursuant to the Bylaws of the Association has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in Section 1, or in defense of any claim, issue or matter therein, he shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him in connection therewith.

Section 3. Advance Payment. Expenses incurred in defending a civil or criminal action, suit or proceeding may be paid by the Association in advance of the final disposition

of such action, suit or proceeding as authorized by the Board of Managers in the specific case upon receipt of an undertaking by or on behalf of the person or entity seeking such indemnification or payment in advance to repay such amount unless it shall ultimately be determined that he is entitled to be indemnified by the Association as authorized in this Article VIII.

Section 4. Miscellaneous. The Association and the Board shall have the power to raise and the responsibility for raising, by special assessment or otherwise, any sums required to discharge its obligations under this Article, provided, however, that the liability of any Unit Owner arising out of any contract made by or other acts of the Managers, Board, Officers, members of such committee, or Developer, or out of the aforesaid indemnity in favor of the Managers, Board, Officers, members of such committees, or Developer, shall be limited to such proportion of the total liability hereunder as said Unit Owner's percentage of interest in the Common Elements bears to the total percentage interest of all the Unit Owners in the Common Elements. Every agreement made by the Managers, Board, Officers, members of such committees, Developer or by the Managing Agent on behalf of the Unit Owners shall provide that the Managers, Board, Officers, members of such committees, Developer or the Managing Agent, as the case may be, are acting only as agents for the Unit Owners and shall have no personal liability thereunder (except as Unit Owners), and that each Unit Owner's liability thereunder shall be limited to such proportion of the total liability thereunder as his percentage of interest in the Common Elements bears to the total percentage interest of all Unit Owners in the Common Elements. The indemnification provided by this Article VIII shall not be deemed exclusive of any other rights to which those seeking indemnification may be entitled under any statute, agreement, vote of members of the Association or disinterested members of the Board of Managers or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office. Such right to indemnification shall continue as to a person or entity who has ceased to be

Developer or a member of the Board of Managers, Officer of the Association or a member of such committee, and shall inure to the benefit of the heirs, executors, administrators, successors and assigns of such person or entity.

ARTICLE IX

Mortgages

Section 1. Notice to Board. A Unit Owner who mortgages his Unit shall notify the Board of the name and address of his mortgagee and shall file a conformed copy of the note and deed of trust or mortgage with the Board; the Board shall maintain such information in a book entitled "Mortgages of Units."

Section 2. Notice of Unpaid Common Charges. The Board, whenever so requested in writing by a mortgagee of a Unit, shall promptly report any then unpaid common charges due from or any other default by the Owner of the mortgaged Unit.

Section 3. Notice of Default. The Board, when giving notice to a Unit Owner of a default in paying common charges or other default, shall send a copy of such notice to each holder of a mortgage covering such Unit whose name and address has theretofore been furnished to the Board.

Section 4. Examination of Books. Each Unit Owner and each mortgagee of a Unit shall be permitted to examine the books of account of the Association at reasonable times, on business days, but not more often than once a month.

Section 5. Interest of Valid First Deed of Trust. The interest of a valid first deed of trust shall be superior to the interest of the Board in the event of a default, and nothing in this instrument shall be construed to the contrary. If the first mortgagee has incorporated the terms of these Bylaws, the Master Deed and the contract in its deed of trust, then said first mortgagee may, at its option, declare a default in its deed of trust by reason of any default hereunder, and may proceed to enforce its rights according to the terms of the deed of trust notwithstanding any enforcement instituted by the Board.

ARTICLE X

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Definition of Terms

The terms used in these Bylaws, to the extent they are defined herein, shall have the same definition as set forth in the Master Deed for The Cloister at St. Henry, Phase IA, to which they are attached as an Exhibit, which Master Deed is recorded in the Office of the Register of Deeds for Davidson County, Tennessee.

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

ARTICLE XI

Conflicts

These Bylaws are set forth to comply with the requirements of Chapter 27 of Title 64, Tennessee Code Annotated, as it may be amended from time to time, and to allow the Bylaws to control in specific situations where such law allows. In case any of the Bylaws conflict with the provisions of said statute or of the Master Deed, the provisions of said statute or of the Master Deed, as the case may be, shall control.

