

BY-LAWS
OF
STERCHI HILLS UNIT 3 HOMEOWNERS ASSOCIATION, INC.

ARTICLE I
DEFINITIONS

Section 1. "Association" shall mean and refer to the Sterchi Hills Unit 3 Homeowners Association, Inc., a non-profit corporation organized and existing under the laws of the State of Tennessee.

Section 2. "The Properties" shall mean and refer to subdivided residential lots in Sterchi Hills Subdivision, Unit 3, as shown on the map of the same of record in Map Cabinet N, Slide 273-C, in the records of the Knox County Register's Office, and any additional units that may be added to Sterchi Hills Subdivision from time to time by the Developer.

Section 3. "Common Properties" shall mean and refer only to the subdivision entrance area, subdivision street lights, and the proposed swimming pool and related facilities and amenities.

Section 4. "Developer" shall mean and refer to M. A. Schubert, Jr., Trustee, and Patrick J. Schaad, Trustee.

ARTICLE II
LOCATION

Section 1. The principal office of the Association shall be located at 1601 Third Creek Road, Knoxville, Tennessee, 37921, or at such other place as shall be designated by the members of the association from time to time.

ARTICLE III
MEMBERSHIP

Section 1. Every person or entity that is the owner of a fee or undivided fee interest in any residential lot in Sterchi Hills Subdivision, Unit 3, and any additional units that may be added to Sterchi Hills Subdivision from time to time by the Developer shall be a member of the Association, provided that any such person or entity who holds such interest merely as a security for the performance of an obligation shall not be a member. Also, religious groups, organizations, or associations owning lots shall not be members of the Association.

Section 2. Except as otherwise provided herein, all members are subject to the payment of annual and special assessments levied by the Association and the obligation to pay such assessments is imposed against each owner of and shall become a lien upon the property against which such assessments are made. Except as otherwise provided herein, each and every owner of any of the subdivided lots in Sterchi Hills, Unit 3, and any additional units that may be added to Sterchi Hills Subdivision from time to time by the Developer and each additional Owner of any lot by acceptance of a deed therefore, whether or not it shall be so expressed in any such deed or other conveyance, shall be deemed to covenant with one another and agree to pay to the Association: (1) annual assessments or charges; and (2) special assessments for capital improvements, such assessments, to be fixed established, and collected from time to time as hereinafter provided. The annual and special assessments, together with such interest thereon and costs of collection thereof as hereinafter provided, shall be a charge on the land and shall be a continuing lien upon the property against which each such assessment is made. Each such assessment, together with such interest thereon and cost of collection thereof as hereinafter provided, shall also be the personal obligation of the person who was the Owner of such property at the time the assessment fell due. The developer shall be a member of the Association so long as it owns any lot in Unit 3 of the Subdivision or any lots in any additions to Sterchi Hills Subdivision as may be made from time to time by the Developer, its successors and assigns, but shall be exempt from the provisions of this Section. The Developer shall not be required to pay any other dues or special assessments.

Notwithstanding anything to the contrary herein contained, the lien imposed upon each and every subdivided lot by the special assessments levied by the Association as provided herein, shall at all times be subject to and subordinate to the lien of any mortgage or Deed of Trust made by the owner of said subdivision lot or lots to any lender secured thereby, and it shall not be necessary for the Association to execute any waiver of priority or Subordination Agreement in order to enable said lender to perfect its prior and superior lien on the subdivided lot.

Section 3. The membership rights of any Owner whose interest in the Properties is subject to assessment under Article III, Section 2, whether or not such person be personally obligated to pay such assessments, may be suspended by Action of the Directors during the period that the assessments remain unpaid; but, upon payment of such assessments, the Owner's rights and privileges shall be automatically restored. If the Directors have adopted and properties and facilities and the personal conduct of any Owner, the Owner's family members and their invitees thereon, as provided in Article IX, Section 1 hereof, they may, in their discretion, suspend the rights of any such Owner, its family members and invitees for violation of such rules and regulations for a period not to exceed thirty (30) days.

ARTICLE IV

VOTING RIGHTS

Section 1. The association shall have two classes of voting membership:

Class A: Class A members shall be all those owners as defined in Article III, Section 1, with the exception of the Developer. Class A members shall be entitled to one vote for each lot in which they hold the interests required for membership by Section 1, Article III. When more than one person holds such interest or interests in any lot, all such persons shall be members, and the vote for such lot shall be exercised as they among themselves determine, but in no event shall more than one vote be cast with respect to any such lot.

Class B: Class B members shall be the Developer. The Class B member shall be entitled to three votes for each lot in which it holds the interest required for membership by Article III, Section 1, provided that the Class B membership shall cease and become converted to Class A membership when the total votes outstanding in the Class A membership equals the total votes outstanding in the Class B membership, at which time the Class B membership shall be determined to be a Class A membership and entitled to vote as such. Notwithstanding anything to the contrary contained in the Declaration Covenants and Restrictions of Sterchi HILLS Subdivision or in the Charter or By-Laws of the Sterchi Hills Unit 3 Homeowners Association, Inc., the Class B member shall be entitled to exercise veto power at any time and for any reason, so long as Class B membership continues to exist as provided herein. Said veto power shall entitle the Class B member to overrule and/or nullify any vote taken by Class A members.

ARTICLE V

PROPERTY RIGHTS AND RIGHTS OF ENJOYMENT OF COMMON PROPERTY

Section 1. Each member shall be entitled to the use and enjoyment of the common properties and facilities subject to the rules and regulations imposed by the Association.

Section 2. Any member may delegate his rights of enjoyment in the Common Properties and Facilities to the members of his family who reside upon the Properties or to any of his tenants who reside thereon under a leasehold interest for a term of one year or more. Such member shall notify the Secretary in writing of the names of any such person and of the relationship of the member to such person. The rights and privileges of such person are subject to suspension under Article III, Section 3, to the same extent as those of the member.

Section 3. The proposed swimming pool and related facilities and amenities when completed shall be available for recreational use by the immediate family of the owners of subdivided residential lots in Sterchi Hills Subdivision, Unit 1 and Unit 2, and such additions to Sterchi Hills Subdivision as may from time to time be made by the Developer, its successors and assigns. The Association shall establish charges for annual swimming pool memberships and shall promulgate rules and regulations in connection therewith. All owners of residential lots in Sterchi Hills Subdivision, Unit 3, and any additional properties added to Sterchi Hills Subdivision from time to time by the Developer and its successors and assigns, shall be entitled to use the proposed swimming pool and related facilities and amenities when completed as provided in this article and these by-laws without payment of the annual swimming pool membership fee; however, residential lot owners of Units 1 and 2 of Sterchi Hills Subdivision shall be required to purchase an annual swimming pool membership as a condition of each lot owners' right to use the proposed swimming pool and related facilities and amenities.

ARTICLE VI
ASSOCIATION PURPOSES AND POWERS

The Association has been organized for the following purposes:

Section 1. To promote the health, safety, and general welfare of the residents of Sterchi hills Subdivision, Unit 3, and any additional units that may be added to Sterchi Hills Subdivision from time to time by the Developer, in Knox County, Tennessee, and to own, acquire, build, operate, and maintain the common areas described herein including the improvements thereon, and as also provided in the Articles of Incorporation of Sterchi Hills Unit 3 Homeowners Association, Inc.

Section 2. The powers and rights of the Association shall be as specified in Articles of Incorporation of Sterchi Hills Unit 3 Homeowners Association, Inc. All such powers and rights shall at all times be subject to the conditions and provisions of the Declaration of Restrictions affecting the properties in Sterchi Hills Subdivision, Unit 3. Such provisions are incorporated herein as fully and as completely as if specifically set forth.

ARTICLE VII
Board of Directors

Section 1. The affairs of the corporation shall be managed by a Board of Directors consisting of not less than three (3) and not more than seven (7) Directors who will be members of the Association. At the first annual meeting, the members shall elect at least one director for a term of three (3) years; one director for a term of two (2) years and one (1) director for a term of one (1) year; and at each annual meeting thereafter, the members shall elect directors for terms of three (3) years to fill the vacancies occurring each year.

Section 2. Vacancies in the Board of Directors shall be filled by the remaining directors, any such appointed director to hold office until his successor is elected by the Members, who may make such election at the next annual meeting of the Members or at any special meeting duly called for that purpose.

ARTICLE VIII
Election of Directors: Nominating Committee

Section 1. Nominations of election to the Board shall be made by a Nominating Committee.

Section 2. The Nominating Committee shall consist of a Chairman, who shall be a member of the Board of Directors, and two or more members of the Association. The Nominating Committee shall be appointed by the Board of Directors prior to each annual meeting to allow them sufficient time to make nominations for all vacancies to be filled by election of the members at the annual meeting.

Section 3. The Nominating Committee shall make as many nominations for election to the Board of Directors as it shall in its discretion determine, but shall nominate not less than the number of individuals corresponding to the number of vacancies to be filled. Persons other than those nominated by the Committee may be nominated from the floor.

Section 4. The nominees, corresponding to the number of vacancies to be filled, receiving the greatest number of votes from the members shall be elected the Directors for the ensuing year.

ARTICLE IX
Powers and Duties of the Board of Directors

Section 1. The Board of Directors shall have power:

(a) To call special meetings of the members whenever it deems necessary and it shall call a meeting at any time upon written request of one-fourth (1/4) of the voting membership, as provided in Article XII, Section 2.

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(b) To appoint and remove at its pleasure all officers, agents, and employees of the Association, prescribe their duties, fix their compensation, and require of them such security or fidelity bond as it may deem expedient. Nothing contained in these By-laws shall be construed to prohibit the employment of any Member, Officer, or Director of the Association in any capacity whatsoever.

(c) To establish, levy and assess, and collect the assessments or charges referred to in Article III, Section 2.

(d) To adopt and publish rules and regulations governing the use of the common properties and facilities and the personal conduct of the members and their guests thereon.

(e) To exercise for the Association all powers, duties, and authority vested in or delegated to this Association, except those reserved to the members herein or in the Declarations of Restrictions affecting the respective units in Sterchi Hills Unit 3 and any additional units that may be added to Sterchi Hills Subdivision from time to time by the Developer.

(f) In the event that any member of the Board of Directors of this Association shall be absent from three (3) consecutive regular meetings of the Board of Directors, the Board may by action taken at the meeting during which said third absence occurs, declare the office of said absent Director to be vacant.

Section 2. It shall be the duty of the Board of Directors:

(a) To cause to be kept a complete record of all its acts and corporate affairs and to present a statement thereof to the members at the annual meeting of the members or at any special meeting when such is requested in writing by one-fourth (1/4) of the voting membership as provided in Article XII, Section 2.

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

(c) To issue, or to cause an appropriate officer to issue, upon demand by any person a certificate setting forth whether any assessment has been paid. Such certificate shall be conclusive of any assessment therein stated to have been paid.

ARTICLE X

DIRECTORS' MEETINGS

Section 1. A regular meeting of the Board of Directors shall be held on the first Monday of each month, provided that the Board of Directors may, by resolution, change the day of holding such regular meeting.

Section 2. Notice of such regular meeting is hereby dispensed with. If the day for the regular meeting shall fall upon a holiday the meeting shall be held on the first day following which is not a holiday and no notice thereof need be given.

Section 3. Special meetings of the Board of Directors shall be held when called by any officer of the Association or by any two directors after not less than three (3) days notice to each director.

Section 4. The transaction of any business at any meeting of the Board of Directors, however called and noticed, or wherever held, shall be valid as though made at a meeting duly held after regular call and notice if a quorum is present, and, if either before or after the meeting each of the directors not present signs a written waiver of the minutes thereof. All such waivers, consents or approvals shall be filed with the corporate records and made a part of the minutes of the meeting.

Section 5. The majority of the Board of Directors shall constitute a quorum thereof

ARTICLE XI

OFFICERS

Section 1. The Officers shall be a President, a Vice President, a Secretary, and a Treasurer. All Officers shall be members of the Board of Directors.

Section 2. The Officers shall be chosen by majority vote of the Directors.

Section 3. All Officers shall hold office during the pleasure of the Board of Directors, but no Officer shall be permitted to serve in excess of three (3) consecutive years.

Section 4. The President shall preside at all meetings of the Board of Directors, shall see that orders and resolutions of the Board of Directors are carried out and shall sign all notes, checks, leases, mortgages, deeds and all other written instruments.

Section 5. The Vice President shall perform all the duties of the President in his absence.

Section 6. The Secretary shall record the votes and keep the minutes of all proceedings in a book to be kept for that purpose. He shall sign all certificates of membership. He shall keep the records of the Association. He shall record in a book kept for that purpose the names of all members of the Association together with their addresses as registered by such members.

Section 7. The Treasurer shall receive and deposit in appropriate bank accounts all monies of the Association and shall disburse such funds as directed by resolution of the Board of Directors provided however, that a resolution of the Board of Directors shall not be necessary for disbursements made in the ordinary course of business conducted within the limits of a budget adopted by the Board. The Treasurer shall sign all checks and notes of the Association, provided that such checks and notes shall also be signed by the President or the Vice President.

Section 8. The Treasurer shall keep proper books of account and cause an annual audit of the Association books to be made at the completion of each fiscal year by a committee of three persons to be appointed by the President; one person shall be a member of the Board of Directors but shall not be the Treasurer. The Treasurer shall prepare an annual budget and balance sheet statement, and the budget and balance sheet statement shall be presented to the regular annual meeting.

ARTICLE XII

MEETING OF MEMBERS

Section 1. The regular annual meeting of the members shall be held on the Fifteenth (15) day of January in each year, beginning January 15, 1997. If the day for the annual meeting of the members shall fall upon a holiday, the meeting will be held on the first day following which is not a holiday.

Section 2. Special meetings of the members for any purpose may be called at any time by any two (2) or more members of the Board of Directors, or upon written request of the members who have a right to vote one-fourth (1/4) of all of the votes of the entire membership or who have a right to vote one-fourth (1/4) of the votes of the Class A membership.

Section 3. Notice of any meetings shall be given to the members by the secretary. Notice may be given to the member either personally, or by sending a copy of the notice through the mail to his address appearing on the books of the corporation. Each member shall register his address with the Secretary, and notices of meeting shall be mailed to him at such address. Notice of any meeting, regular or special, shall be mailed at least six (6) days in advance of the meeting and shall set forth in general the nature of the business to be transacted.

Section 4. The presence at the meeting of members entitled to cast, or of proxies entitled to cast, one-tenth (1/10) of the votes irrespective of class of membership shall constitute a quorum for any action governed by these ByLaws.

Section 5. All meetings will be conducted in accordance with Robert's Rules of Order.

Section 6. Voting shall be by secret ballot if requested by 25% of those present, or at the discretion of the presiding officer.

ARTICLE XIII

PROXIES

Section 1. At all corporate meetings of members, each member may vote in person or by proxy.

Section 2. All proxies shall be in writing and filed with the Secretary. No proxy shall extend beyond a period of eleven (11) months and each proxy shall automatically cease upon sale by the member of his home or other interest in the Properties.

ARTICLE XIV
BOOKS AND PAPERS

Section 1. The books, records, and papers of the Association shall at all times, during reasonable business hours, be subject to the inspection of any members.

ARTICLE XV
AMENDMENTS

Section 1. These By-Laws may be amended, at a regular or special meeting of the members, by a vote of a majority of each class of members present in person or by proxy, provided that any matter stated herein to be or which is governed by the Declaration of Restrictions applicable to the Properties may not be amended except as provided in such Covenants and Restrictions.

Section 2. In the case of any conflict between the Articles of Incorporation and these By-Laws, the Articles shall control and in the case of any conflict between the Declaration of Restrictions applicable to the Properties referred to in Section 1 and these By-laws, the Declaration of Restrictions shall control.

IN WITNESS WHEREOF, the undersigned, being all of the members of Sterchi Hills Unit 3 Homeowners Association, Inc., have hereunto set their hands.

Original signed by: M. A. Schubert, Jr., Trustee
Patrick J. Schaad, Trustee