



SEVEN HILLS HOMEOWNERS ASSOCIATION, INC.

**PROTECTIVE
COVENANTS &
RESTRICTIONS

AND

NEIGHBORHOOD
BY-LAWS**

THE UNITED STATES OF AMERICA

DOES hereby certify that

PROTECTIVE ORDER

ISSUED BY THE

COURT OF THE DISTRICT OF COLUMBIA

AND

IN RE: [REDACTED]

BY-LAWS

DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS

FOR

SEVEN HILLS

THIS DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS is made this 1st day of December, 2003, by TEMCO ASSOCIATES, a joint venture comprised of Cousins Real Estate Corporation and Temple-Inland Realty, Inc.

PART ONE: INTRODUCTION TO THE COMMUNITY

This Declaration provides a governance structure and a flexible system of standards and procedures for the overall development, expansion, administration, maintenance, and preservation of Seven Hills as a residential master planned community.

Article I Creation of the Community

1.1. Purpose and Intent.

Temco Associates, as the owner of the real property described in Exhibit "A" (or, if not the owner, with the owner's consent), is recording this Declaration to establish a general plan of development for Seven Hills, a planned community. This Declaration provides for Seven Hills's overall development, administration, maintenance, and preservation and provides a flexible and reasonable procedure for Seven Hills's future expansion. An integral part of the development plan is the Seven Hills Homeowners Association, Inc., an association comprised of all Seven Hills property owners, to own, operate, and/or maintain various common areas and community improvements and to administer and enforce this Declaration and the other Governing Documents.

This document does not and is not intended to create a condominium within the meaning of O.C.G.A. § 44-3-70, *et seq.*

1.2. Binding Effect.

This Declaration governs the property described in Exhibit "A," and any other property submitted to this Declaration in the future in accordance with Article IX. This Declaration shall run with the title to such property and shall bind anyone having any right, title, or interest in any portion of such property, their heirs, successors, successors-in-title, and assigns.

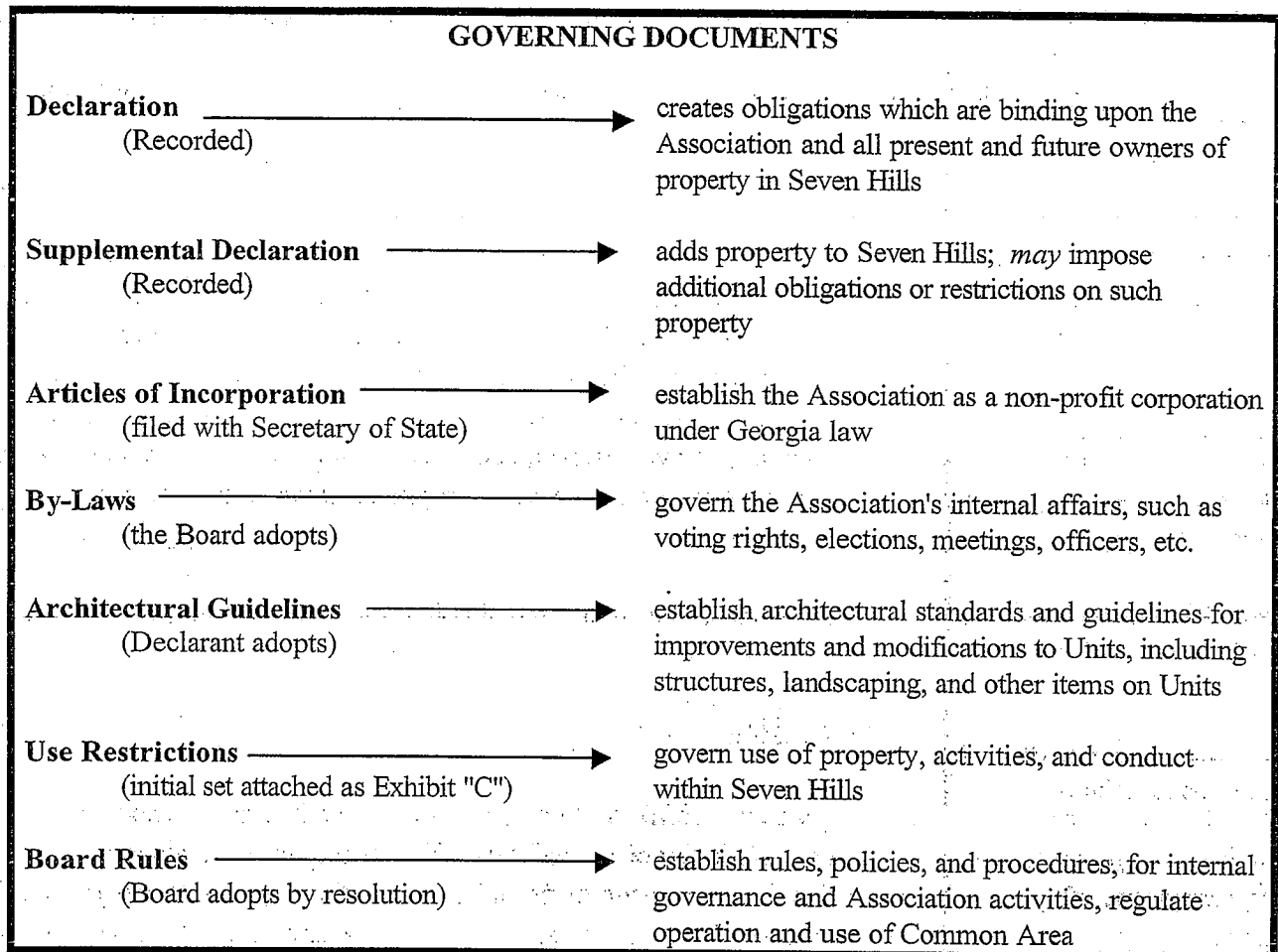
Declarant, the Association, any aggrieved Owner, and their respective legal representatives, heirs, successors, and assigns may enforce this Declaration. This Declaration, as it may be amended, is

intended to remain in effect in perpetuity. However, so long as Georgia law limits the period during which covenants may run with the land, this Declaration shall run with and bind Seven Hills so long as permitted. After such time, this Declaration shall be extended automatically for successive 20-year periods, unless terminated in accordance with O.C.G.A. §44-5-60, as it may be amended.

If any provision of this Declaration would be unlawful, void, or voidable by reason of any Georgia law restricting the period of time that covenants on land may be enforced, such provision shall expire 21 years after the death of the last survivor of the now living descendants of Elizabeth II, Queen of England. Nothing in this Section shall be construed to permit termination of any easement created in this Declaration without the consent of the holder of such easement.

1.3. Governing Documents.

The following diagram identifies and summarizes the "Governing Documents," each as may be amended:



Additional restrictions or provisions which are more restrictive than the provisions of this Declaration may be imposed on any portion of Seven Hills, in which case, the more restrictive

provisions will be controlling. However, during the Development and Sale Period, no Person shall record any additional covenants, conditions, and restrictions, whether contained in a declaration or any other instrument, affecting any portion of Seven Hills without Declarant's written consent. Thereafter, the Association must consent. Any instrument recorded without the required consent is void and of no force and effect.

If there are conflicts among Georgia law, the Articles, the Declaration, and the By-Laws, then Georgia law, the Declaration, the Articles, and the By-Laws (in that order) shall control. If there are conflicts between the Governing Documents and any Neighborhood Association's covenants, restrictions, or policies, the Governing Documents shall control.

The Governing Documents apply to all Owners and occupants of property within Seven Hills, as well as to their respective tenants, guests, and invitees. Any lease on a Unit shall provide that the tenant and all occupants of the leased Unit are bound by and obligated to comply with the Governing Documents.

If any court should determine that any provision of this Declaration or any other of the Governing Documents is invalid, or invalid as applied in a particular instance, such determination shall not affect the validity of other provisions or applications of such provision.

Article II Concepts and Definition

2.1. Defined Terms.

The terms used in the Governing Documents shall generally be given their natural, commonly accepted definitions unless otherwise specified. The following terms, when capitalized, shall be defined as set forth below.

"Affiliate": Any Person which (either directly or indirectly, through one or more intermediaries) controls, is in common control with, or is controlled by, another Person, and any Person that is a director, trustee, officer, employee, independent contractor, shareholder, agent, co-venturer, subsidiary, personal representative, or attorney of any of the foregoing. For the purposes of this definition, the term "control" means the direct or indirect power to direct or cause the direction of an entity's management or policies with respect to the development of Seven Hills or otherwise, whether through the ownership of voting securities, by contract, or otherwise.

"Architectural Guidelines": Seven Hills's architectural, design, and construction guidelines and review procedures adopted pursuant to Article IV, as they may be amended.

"Architectural Review Committee" or "ARC": The committee appointed by the Board to administer architectural controls within Seven Hills, as provided in Article IV.

"Area of Common Responsibility": The Common Area, together with such other areas, if any, for which the Association has or assumes responsibility pursuant to the terms of this Declaration, any Supplemental Declaration, or other applicable covenants, contracts, or agreements.

"Articles": The Articles of Incorporation of Seven Hills Homeowners Association Inc., filed with the Georgia Secretary of State, as they may be amended.

"Association": Seven Hills Homeowners Association, Inc., a Georgia nonprofit corporation, its successors or assigns.

"Base Assessment": Assessments levied on all Units subject to assessment under Article VIII to fund Common Expenses for the general benefit of all Units.

"Board": The Association's board of directors, selected as provided in the By-Laws.

"Builder": Any Person who purchases one or more Units for the purpose of constructing homes for later sale to consumers, or who purchases land within Seven Hills for further subdivision, development, and/or resale in the ordinary course of its business.

"By-Laws": The By-Laws of Seven Hills Homeowners Association, Inc., as they may be amended. A copy of the initial By-Laws is attached to this Declaration as Exhibit "D."

"Class "A" Member": Each Owner except, during the period of Class "B" Membership, Declarant and any Affiliate of Declarant.

"Class "B" Control Period": The period of time during which the Class "B" Member is entitled to appoint a majority of Board members. The Class "B" Control Period shall terminate on the first to occur of the following:

- (a) when 100% of the total number of Units permitted by the Master Plan have certificates of occupancy issued thereon and have been conveyed to Class "A" Members other than Builders;
- (b) December 31, 2032; or
- (c) when, in its discretion, the Class "B" Member so determines.

"Class "B" Member": Collectively, and until termination of the Class "B" Membership, Declarant and any of Declarant's Affiliates which own a Unit.

"Common Area": All real and personal property which the Association owns, leases, or otherwise holds possessory or use rights in for the Owners' common use and enjoyment. The term shall include the Limited Common Area, as defined below.

"Common Expenses": The actual and estimated expenses the Association incurs, or expects to incur, for the Owners' general benefit, including any reasonable reserve the Board may find necessary and appropriate.

"Community-Wide Standard": The standard of conduct, maintenance, or other activity generally prevailing throughout Seven Hills or established pursuant to the Architectural Guidelines, Use Restrictions, or Board resolutions, whichever is the highest standard. Declarant shall establish the initial standard. The Community-Wide Standard may contain objective elements, such as specific lawn or house maintenance requirements, and subjective elements subject to the Board's or the ARC's discretion. The Community-Wide Standard may evolve as development progresses and as the needs and desires within Seven Hills change.

"Declarant": Temco Associates, a joint venture, or any successor or assign who takes title to any portion of the property described in Exhibit "A" or "B" for the purpose of development and/or sale and who is designated as Declarant in a recorded instrument the immediately preceding Declarant executes.

"Development and Sale Period": The period during which Declarant owns real property within Seven Hills or has an unexpired option unilaterally to annex property into Seven Hills.

"Limited Common Area": A portion of the Common Area primarily benefiting one or more, but less than all, Units or Neighborhoods, as more particularly described in Article XII.

"Master Plan": The master land use plan for the development of Seven Hills, as it may be amended, which includes all of the property described in Exhibit "A" and all or a portion of the property described in Exhibit "B." Inclusion of property on the Master Plan shall not, under any circumstances, obligate Declarant to subject such property to this Declaration, nor shall the omission of property described in Exhibit "B" from the Master Plan bar its later submission to this Declaration as provided in Article IX.

"Member": Each Unit Owner, subject to Section 6.2.

"Mortgage": A mortgage, deed of trust, deed to secure debt, or any other form of security instrument affecting title to any Unit. The term "Mortgagee" shall refer to a beneficiary or holder of a Mortgage.

"Neighborhood": A group of Units designated as a separate Neighborhood in accordance with Section 6.4(a). Units within a Neighborhood may share Limited Common Areas and/or receive benefits or services from the Association which are not provided to all Units. A Neighborhood may include more than one housing type and may include parcels which do not border on each other. If the Association provides benefits or services to less than all the Units within a Neighborhood, then the Association may levy a Neighborhood Assessment or a Specific Assessment against just those Units for such benefits or services.

"Neighborhood Association": Any owners association having jurisdiction over a Neighborhood which is subordinate to the Association's rights under this Declaration. This Declaration does not require the creation of any Neighborhood Association.

"Neighborhood Assessments": Assessments levied against Units in a particular Neighborhood or Neighborhoods to fund Neighborhood Expenses, as described in Section 8.2.

"Neighborhood Expenses": The actual and estimated expenses which the Association incurs or expects to incur for the benefit of Owners within a particular Neighborhood, including any reserve for capital repairs and replacements and administrative charges authorized by this Declaration or the Supplemental Declaration(s) applicable to such Neighborhood.

"Owner": One or more Persons who hold title to any Unit, but excluding in all cases any party holding an interest merely as security for the performance of an obligation (e.g., a Mortgagee). If a Unit is sold under a recorded contract of sale, and the contract specifically so provides, the purchaser (rather than the fee owner) will be considered the Owner.

"Person": An individual, corporation, partnership, trustee, or any other legal entity.

"Special Assessment": Assessments levied against all Owners or against a group of Owners responsible for Neighborhood Expenses, in accordance with Section 8.5.

"Specific Assessment": Assessments levied against a particular Owner or Owners in accordance with Section 8.6.

"Supplemental Declaration": A recorded instrument which subjects additional property to this Declaration, designates Neighborhoods, identifies Common Area or Limited Common Area, imposes additional restrictions and obligations on the land described in such instrument, and/or designates Voting Groups.

"Seven Hills": The real property described in Exhibit "A," together with such additional property as is subjected to this Declaration in accordance with Article IX.

"Unit": A portion of Seven Hills, whether improved or unimproved, which may be independently owned and is intended for development, use, and occupancy as an attached or detached residence for a single family. The term shall refer to the land, if any, which is part of the Unit as well as any improvements thereon. The boundaries of each Unit shall be delineated on a recorded plat.

Prior to recording a subdivision plat delineating Units within a parcel, such parcel shall be deemed to be a single Unit. Thereafter, the portion encompassed on such plat shall contain the number of Units determined as set forth in the preceding paragraph. Any portion not encompassed on such plat shall continue to be treated as a single unit.

"Use Restrictions": The restrictions and rules set forth in Exhibit "C," as they may be supplemented, modified, and repealed pursuant to Article III.

"Voting Group": One or more Voting Members, or a group of Members, who vote on a common slate for election of directors, as more particularly described in Section 6.4(c).

"Voting Member": Any Owner authorized personally to cast the vote for his or her Unit. In addition, the term shall refer to an individual selected to cast the votes for a Neighborhood pursuant to Section 6.4(b). Under circumstances where a Voting Member has not been selected for a Neighborhood, references in the Governing Documents to a Voting Member, as applied to such Neighborhood, shall be deemed to refer to any Class "A" Member who owns a Unit in such Neighborhood and is entitled personally to cast the votes for his or her Unit.

2.2. Interpretation of Certain References.

(a) Recording. All references in the Governing Documents to a "recorded" legal instrument, or to "recordation" or the "recording" of a legal instrument, shall refer to an instrument filed, or the filing of a legal instrument in the Office of the Clerk of the Superior Court of Paulding County, Georgia, as applicable, or such other place designated as the official location for filing documents affecting title to real estate in such counties in order to make them a matter of public record.

(b) Consent or Approval. All references in the Governing Documents to "consent" or "approval" shall refer to permission or approval which, unless otherwise expressly qualified in the specific provision, may be granted or withheld in the discretion of the Person whose consent or approval is required.

(c) Discretion and Determinations. All references in the Governing Documents to "discretion" or to the right to "determine" any matter shall refer to the sole and absolute power or right to decide or act and, unless otherwise expressly limited in the Governing Documents, a Person entitled to exercise its discretion or make a determination may do so without consent or approval of others, and without regard to the reasonableness of, and without the necessity of justifying, the decision, determination, action, or inaction.

(d) Notice. All references in the Governing Documents to "notice" or "notify" or any derivative of such terms shall be deemed to refer to written notice by personal delivery, United States mail, private carrier, or, if the intended recipient has given its prior written authorization to use such method of delivery, facsimile or electronic mail with written confirmation of transmission.

Notices shall be deemed to have been duly given and effective:

(i) if sent by United States mail, when deposited with the U.S. Postal Service, correctly addressed, with first class or higher priority postage prepaid;

(ii) if delivered personally or by private carrier, when actually delivered to the address of the intended recipient, as evidenced by the signature of the person at such address who accepts such delivery; or

(iii) if sent by facsimile or electronic mail, upon transmission, as evidenced by a printed confirmation of transmission.

PART TWO: CREATION AND MAINTENANCE OF COMMUNITY STANDARDS

The standards for use and conduct, maintenance, and architecture at Seven Hills are what give the community its identity and make it a place that people want to call "home." This Declaration establishes procedures for adopting, modifying, applying, and enforcing such standards while providing the flexibility for the community standards to evolve as Seven Hills changes and grows.

Article III Use and Conduct

3.1. Framework for Regulation.

The Governing Documents establish a framework of affirmative and negative covenants, easements, and restrictions which govern Seven Hills. Within that framework, the Board and the Members must be able to respond to unforeseen problems and changes in circumstances, conditions, needs, desires, trends, and technology. This Article establishes procedures for creating, modifying, and expanding Use Restrictions.

Unless otherwise specifically provided, this Article shall not apply to administrative and operating policies that the Board may adopt ("Board Rules") relating to the Common Areas, such as hours of operation of a recreational facility, regulating the use of private roads, and the method of allocating or reserving use of a facility (if permitted) by particular individuals at particular times, notwithstanding that such policies may be published as part of the Use Restrictions. The Board may adopt Board Rules by resolution or otherwise pursuant to its general authority, without Member approval.

3.2. Rule Making Authority.

(a) Board Authority. Subject to the terms of this Article and the Board's duty to exercise business judgment and reasonableness on behalf of the Association and its Members, the Board may adopt new Use Restrictions or modify or rescind existing Use Restrictions by a majority vote of the directors at any Board meeting.

(b) Membership Authority. Subject to the notice requirements in subsection (c), the Voting Members representing a majority of the votes in the Association may also adopt new Use Restrictions

and modify or rescind existing Use Restrictions at any meeting of the Association duly called for such purpose, regardless of the manner in which the original Use Restriction was adopted. However, during the Development and Sale Period, any such action shall also be subject to Declarant's approval.

(c) Notice. The Board shall send notice to all Owners concerning any proposed Use Restriction change at least five business days prior to the meeting of the Board or the meeting of the Voting Members at which such action is to be considered. At any such meeting, Voting Members shall have a reasonable opportunity to be heard before the proposed action is put to a vote. This notice requirement shall not apply to the adoption of Board Rules.

(d) Effective Date. A Use Restrictions change adopted under this section shall take effect 30 days after the date on which written notice of the Use Restrictions change is given to the Owners.

(e) Conflicts. No action taken under this Article shall have the effect of modifying, repealing, or expanding the Architectural Guidelines or any provision of this Declaration other than the initial Use Restrictions set forth in Exhibit "C." In the event of a conflict between the Architectural Guidelines and the Use Restrictions, the Architectural Guidelines shall control. In the event of a conflict between the Board Rules and the Use Restrictions, the Use Restrictions shall control.

3.3. Owners' Acknowledgment and Notice to Purchasers.

Each Owner, by acceptance of a deed, acknowledges and agrees that the use, enjoyment, and marketability of his or her Unit may be affected by the Use Restrictions, that the Use Restrictions may change from time to time as provided under Section 3.2, and that such changes may not be set out in a recorded instrument. All purchasers of Units are on notice that the Association may have adopted changes to the Use Restrictions. Copies of the current Use Restrictions may be obtained from the Association.

3.4. Protection of Owners and Others.

Except as set forth in this Declaration (either initially or by amendment) or in the initial Use Restrictions set forth in Exhibit "C," all Use Restrictions (and all Board Rules) shall comply with the following provisions:

(a) Similar Treatment. Similarly situated Owners shall be treated similarly; however, the Use Restrictions and Board Rules may vary by Neighborhood or by housing type.

(b) Displays. The Association shall not abridge Owners' rights to display religious and holiday signs, symbols, and decorations on their Units of the kinds normally displayed in residential neighborhoods; provided, the Association may adopt time, place, and manner restrictions with respect to any displays visible from outside any structure on the Unit.

The Association shall not regulate the content of political signs; however, it may regulate the time, place, and manner of posting such signs (including design criteria).

(c) Household Composition. The Association shall not interfere with any Owner's freedom to determine his or her household's composition, except the Association may limit the total number of occupants permitted in each dwelling based upon the dwelling's size and its fair use of the Common Area.

(d) Activities Within Dwellings. The Association shall not interfere with the activities carried on within dwellings, except it may prohibit activities not normally associated with property restricted to residential use, and it may restrict or prohibit any activities that create monetary costs for the Association or other Owners, that create a danger to anyone's health or safety, that generate excessive noise or traffic, that create unsightly conditions visible outside the dwelling, or that are an unreasonable source of annoyance.

(e) Allocation of Burdens and Benefits. The Association shall not reallocate financial burdens among the various Units or change Common Area use rights to any Owner's detriment over that Owner's written objection. This shall not prevent the Association from changing the Common Area available, from adopting generally applicable rules for use of Common Area, or from denying use privileges to those who are delinquent in paying assessments, abuse the Common Area, or violate the Governing Documents. This provision does not affect the right to increase assessments as provided in Article VIII.

(f) Alienation. The Association shall not prohibit the leasing or transfer of any Unit, or require the Association's consent for leasing or transferring any Unit; provided, the Association may require a minimum lease term of up to 12 months and may require that Owners use lease forms the Association approves.

(g) Abridging Existing Rights. The Association shall not require an Owner to dispose of personal property that was in or on a Unit prior to the adoption of such rule if such personal property complied with all rules previously in force. This exemption shall apply only to property and not to conduct and shall apply only during the period such personal property is continuously in or on a Unit or the period of such Owner's ownership of the Unit, whichever is shorter. It shall not apply to subsequent Owners who take title to the Unit after adoption of the rule.

(h) Reasonable Rights to Develop. The Association may not unreasonably impede Declarant's right to develop Seven Hills.

The limitations in Subsection (a) through (g) shall not apply to amendments to this Declaration adopted in accordance with Article XIX.

Article IV Architecture and Landscaping

4.1. General.

No structure or thing shall be placed, erected, or installed upon any Unit and no improvement or other work (including staking, clearing, excavation, grading, and other site work, exterior alterations of existing improvements, or planting or removing landscaping) shall take place within Seven Hills, unless permitted or approved under this Article and the Architectural Guidelines.

Approval is not required to repaint the exterior of a structure in accordance with its most recently approved color scheme or to remodel, paint, or redecorate the interior of a structure. However, interior modifications which are visible from outside the structure shall be subject to approval.

All dwellings constructed on any portion of Seven Hills shall be designed and built in accordance with the plans and specifications of a licensed architect unless Declarant or its designee otherwise approves in its discretion.

This Article shall not apply to Declarant's or its Affiliate's activities or to the Association's activities during the Class "B" Control Period.

4.2. Architectural Review.

(a) Declarant's Authority. Until 100% of the Units permitted under the Master Plan have been issued certificates of occupancy and conveyed to Class "A" Members other than Builders, Declarant shall have exclusive authority to administer and enforce architectural controls under this Article and to review and act upon all applications for new construction and landscaping, and modifications to existing improvements within Seven Hills. There shall be no surrender or delegation of this authority prior to that time except in a recordable instrument which Declarant executes. Declarant may, in its discretion, designate one or more Persons from time to time to act on its behalf in reviewing applications hereunder. In reviewing and acting upon any request for approval, Declarant or its designee shall act solely in Declarant's interest and shall owe no duty to any other Person.

Declarant may from time to time delegate or assign all or any portion of its rights under this Article to any other Person or committee, including the Architectural Review Committee. Any such delegation shall be in writing, shall specify the delegated responsibilities, and shall be subject to (i) Declarant's right to revoke such delegation at any time and reassume its prior jurisdiction, and (ii) Declarant's right to veto any decision which it determines, in its discretion, to be inappropriate or inadvisable for any reason. So long as Declarant has any rights under this Article, the jurisdiction of other entities shall be limited to such matters as Declarant specifically delegates.

(b) Architectural Review Committee. Upon the expiration, surrender, or delegation of all or any of Declarant's authority, the Board shall appoint the Architectural Review Committee, the members of which shall thereafter serve and may be removed in the Board's discretion. The ARC shall have no

rights or authority until Declarant's authority under this Article expires, or is delegated. Any delegation of authority is subject to the conditions set forth above.

(c) Fees; Assistance. Declarant or, upon formation of the ARC, the Board, may establish and charge reasonable fees for reviewing applications and may require such fees to be paid in full prior to review. Such fees may include the reasonable costs incurred in having any application reviewed by architects, engineers, or other professionals. Declarant and the Association may employ architects, engineers, or other Persons as deemed necessary to perform the review. The Board may include the compensation of such Persons in the Association's annual operating budget as a Common Expense.

(d) Reviewer. For purposes of this Article, the entity having jurisdiction in a particular case, whether Declarant or its assigns or the ARC, shall be referred to as the "Reviewer."

4.3. Guidelines and Procedures.

(a) Architectural Guidelines. Declarant shall prepare the initial Architectural Guidelines, which may contain general provisions applicable to all of Seven Hills as well as specific provisions which vary for different areas within Seven Hills. The Architectural Guidelines are intended to provide guidance to Owners and Builders regarding matters of particular concern to the Reviewer. The Architectural Guidelines are not the exclusive basis for the Reviewer's decisions, and compliance with the Architectural Guidelines does not guarantee approval of any application.

Declarant shall have sole and full authority to amend the Architectural Guidelines until the expiration of its authority under Section 4.2, notwithstanding a delegation of reviewing authority to the ARC, unless Declarant also delegates the power to amend. Upon termination or delegation of Declarant's right to amend, the Board may amend the Architectural Guidelines.

Amendments to the Architectural Guidelines shall be prospective only. They shall not require modifications to or removal of structures previously approved once the approved construction or modification has commenced. There shall be no limitation on the scope of amendments to the Architectural Guidelines, and such amendments may remove requirements previously imposed or otherwise make the Architectural Guidelines less restrictive.

The Reviewer shall make the Architectural Guidelines available to Owners and Builders who seek to engage in development or construction within Seven Hills. In Declarant's discretion, the Architectural Guidelines may be recorded, in which event the recorded version, as it may be amended from time to time, shall control in the event of any dispute as to which version of the Architectural Guidelines was in effect at any particular time.

(b) Procedures. Unless the Architectural Guidelines otherwise specifically provide, no activity described in Section 4.1 shall commence on any portion of Seven Hills until an application for approval has been submitted to and approved by the Reviewer. An application for approval must be in writing and must include such plans and specifications as the Architectural Guidelines or the Reviewer

requires. For example, plans and specifications may be required to show site layout, structural design, exterior elevations, exterior materials and colors, landscaping, drainage, exterior lighting, irrigation, and other features of proposed construction, as applicable. The Architectural Guidelines and the Reviewer may require the Owner to submit any information reasonably necessary to consider any application.

In reviewing each submission, the Reviewer may consider any factors it deems relevant, including, without limitation, harmony of external design with surrounding structures and environment. The Reviewer may base decisions on purely aesthetic considerations. Each Owner acknowledges that aesthetic determinations are purely subjective and opinions may vary as to the desirability and/or attractiveness of particular improvements. The Reviewer shall have the sole discretion to make final, conclusive, and binding determinations on matters of aesthetic judgment and such determinations shall not be subject to the procedures in Article XIV or to judicial review so long as made in good faith and in accordance with the required procedures.

The Reviewer shall make a determination on each application within 45 days after receipt of a completed application and other information it requires. The Reviewer may permit or require that an application be submitted or considered in stages, in which case, a final decision shall not be required until after the final, required submission stage. The Reviewer may (i) approve the application, with or without conditions; (ii) approve a portion of the application and disapprove other portions; or (iii) disapprove the application.

As long as Declarant has rights under this Article (regardless of its delegation or assignment of authority), the ARC shall notify Declarant in writing within three business days of any action (*i.e.*, approval, partial approval, or disapproval) it intends to take under this Article. A copy of the application and any additional information that Declarant may require shall accompany the notice. During such time, Declarant shall have the right, in its discretion, to veto any ARC action; provided, Declarant's right to veto must be exercised within 10 business days after it receives notice of the ARC's action. The party submitting the plans for approval shall not be notified of the ARC's action until after Declarant's right to veto has been exercised or has expired.

The Reviewer shall notify the applicant in writing of a final determination on any application within five days after such determination is made or, with respect to any ARC determination subject to Declarant's veto right, within five days after the earlier of: (i) receipt of notice of Declarant's veto or waiver thereof; or (ii) expiration of the 10-day period for exercise of Declarant's veto. In the case of disapproval, the Reviewer may, but shall not be obligated to, specify the reasons for any objections and/or offer suggestions for curing any objections.

In the event that the Reviewer fails to respond to the applicant in a timely manner, approval shall be deemed to have been given, subject to Declarant's veto right pursuant to Section 4.2. However, no approval, whether expressly granted or deemed granted, shall be inconsistent with the Architectural Guidelines unless a written variance has been granted pursuant to Section 4.5.

As part of any approval, the Reviewer may require that construction commence in accordance with approved plans within a reasonable time period. If construction does not commence within the required time period, the approval shall expire and the Owner must reapply for approval before commencing any activities. Once commenced, construction must be diligently pursued to completion. All work shall be completed within one year of commencement unless otherwise specified in the notice of approval or unless the Reviewer grants an extension in writing, which it shall not be obligated to do. If approved work is not completed within the required time, it shall be in violation of this Article and shall be subject to enforcement action by the Association, Declarant, or any aggrieved Owner.

The Reviewer may, by resolution, exempt certain activities from the application and approval requirements of this Article, provided such activities are undertaken in strict compliance with the requirements of such resolution.

4.4. No Waiver of Future Approvals.

Each Owner acknowledges that the Persons reviewing applications under this Article will change from time to time and that opinions on aesthetic matters, as well as interpretation and application of the Architectural Guidelines, may vary accordingly. In addition, each Owner acknowledges that it may not always be possible to identify objectionable features until work is completed, in which case it may be unreasonable to require that objectionable features be changed. This shall not impact the Reviewer's right to disapprove similar proposals in the future. Approval of applications or plans, or in connection with any other matter requiring approval, shall not be deemed a waiver of the right to withhold approval of similar applications, plans, or other matters subsequently or additionally submitted for approval.

4.5. Variances.

The Reviewer may authorize variances from compliance with any of its guidelines and procedures when circumstances such as topography, natural obstructions, hardship, or aesthetic or environmental considerations justify such a variance; provided, the Reviewer shall under no circumstances be obligated to grant variances. No variance shall (a) be effective unless in writing; (b) be contrary to this Declaration; or (c) estop the Reviewer from denying a variance in other circumstances. For purposes of this Section, the inability to obtain any governmental agency's approval, the issuance of any permit, or the terms of any financing shall not be considered a hardship warranting a variance. During the Development and Sale Period, no variance shall be effective without the approval of Declarant.

4.6. Limitation of Liability.

The standards and procedures established pursuant to this Article are intended as a mechanism for maintaining and enhancing the overall aesthetics of Seven Hills; they do not create any duty to any Person. Review and approval of any application pursuant to this Article may be based on purely aesthetic considerations. The Reviewer is not responsible for the structural integrity or soundness of

approved construction or modifications, for compliance with building codes and other governmental requirements, or for ensuring that all dwellings are of comparable quality, value, or size, of similar design, aesthetically pleasing, or otherwise acceptable to neighboring property owners.

Declarant, Declarant's Affiliates, the Association, the Board, the ARC, any Association committee, or any officer, director, or member of any of the foregoing shall not be held liable for (a) soil conditions, drainage, or other general site work; (b) any defects in plans reviewed or approved hereunder; (c) any loss or damage arising out of the action, inaction, integrity, financial condition, or quality of work of any contractor or its subcontractors, employees, or agents, whether or not approved or featured as a Builder in Seven Hills; or (d) any injury, damages, or loss arising out of the manner or quality or other circumstances of approved construction or modifications to any Unit. In all matters, the Association shall defend and indemnify the Board, the ARC, other Association committees, and the members of each as provided in Section 7.6.

4.7. Certificate of Compliance.

Any Owner may request that the Reviewer issue a certificate of architectural compliance certifying that there are no known violations of this Article or the Architectural Guidelines. The Association shall respond to such request within 30 days after receiving a written request and may charge a reasonable administrative fee for issuing such a certificate. Issuance of such a certificate shall estop the Association from taking enforcement action with respect to any condition as to which the Association had notice as of the date of such certificate.

4.8. Enforcement.

Any construction, alteration, installation, work performed, or other action in violation of this Article or the Architectural Guidelines shall be subject to enforcement action. Upon written request from Declarant or the Board, Owners shall, at their own cost and expense and within a reasonable time frame identified in the request, cure such nonconforming condition or remove such structure or improvement and restore the property to substantially the same condition as existed prior to the nonconforming work. Should an Owner fail to cure or remove and restore as required, Declarant, the Association, or the designees of either may enter the property, remove the violation, and restore the property to substantially the same condition as previously existed. All costs, together with interest at the maximum rate then allowed by law, may be assessed against the benefited Unit and collected as a Specific Assessment.

In addition, the Association and Declarant shall have the authority and standing to pursue all available legal and equitable remedies to enforce the provisions of this Article and the Reviewer's decisions and the Association may levy other sanctions as provided in Article VII. If the Association or Declarant prevails, it may recover all costs including, without limitation, attorneys fees and court costs incurred in such enforcement action.

Article V Maintenance and Repair

5.1. Maintenance of Units.

Each Owner shall maintain his or her Unit, including the dwelling and all landscaping and other improvements comprising the Unit, in a manner consistent with the Governing Documents, the Community-Wide Standard, and all applicable covenants, unless such maintenance responsibility is assumed by or assigned to (and accepted by) the Association or a Neighborhood Association under this Declaration, any Supplemental Declaration, or by law. Owners shall not permit any structures, equipment, or other items on the exterior portions of a Unit to become rusty, dilapidated, or to otherwise fall into disrepair.

Each Owner also shall maintain and irrigate the landscaping within any adjacent Common Area which lies between the Unit boundary and any Common Area wall, fence, or curb located within 10 feet of the Unit boundary; provided, there shall be no right to remove trees, shrubs, or similar vegetation from this area without prior approval pursuant to Article IV.

5.2. Maintenance of Neighborhood Property.

If designated in a Supplemental Declaration, Owners within a Neighborhood shall be responsible for paying, through Neighborhood Assessments, the costs of operating, maintaining, and insuring certain portions of the Area of Common Responsibility within or adjacent to such Neighborhood. This may include, without limitation, the costs of maintaining any signage, entry features, right-of-way, and greenspace between the Neighborhood and adjacent public roads, private streets within the Neighborhood, and lakes or ponds within the Neighborhood, regardless of ownership and regardless of the fact that the Association otherwise is required or authorized to perform such maintenance. The Board also may, by resolution, assign such costs to Owners within a Neighborhood; provided, it shall treat all Neighborhoods which are similarly situated the same.

In addition, the Association may assume maintenance responsibility for property within any Neighborhood; in addition to that designated by any Supplemental Declaration, either by agreement with the Neighborhood Association or because, in the Board's opinion, the level and quality of service then being provided is not consistent with the Community-Wide Standard. All costs of maintenance pursuant to this paragraph shall be assessed as a Neighborhood Assessment only against the Units within the Neighborhood to which the services are provided. The provision of services in accordance with this Section shall not constitute discrimination within a class.

Any Neighborhood Association shall maintain its common property and any other property for which it has maintenance responsibility in a manner consistent with the Governing Documents, the Community-Wide Standard, and all applicable covenants. In addition, any Neighborhood Association also shall maintain and irrigate the landscaping within that portion of any adjacent Common Area lying between the boundary of its common property and any Common Area wall, fence, or curb located

within 10 feet of its boundary; provided, there shall be no right to remove trees, shrubs, or similar vegetation from this area without prior approval pursuant to Article IV.

5.3. Responsibility for Repair and Replacement.

Unless otherwise specifically provided in the Governing Documents or in other instruments creating and assigning maintenance responsibility, responsibility for maintenance shall include responsibility for repair and replacement, as necessary to maintain the property to a level consistent with the Community-Wide Standard.

In the event of damage to or destruction of a structure on a Unit, the Owner shall promptly repair or reconstruct the structure in a manner consistent with the original construction or such other plans and specifications approved in accordance with Article IV. Alternatively, the Owner shall clear the Unit and maintain it in a neat and attractive, landscaped condition consistent with the Community-Wide Standard.

This Section applies to any Neighborhood Association responsible for common property within the Neighborhood in the same manner as if the Neighborhood Association was an Owner and the common property was a Unit. Additional recorded covenants applicable to any Neighborhood may establish additional insurance requirements and more stringent standards for rebuilding or reconstructing structures on the Units within such Neighborhood and for clearing and maintaining the Units in the event the structures are not rebuilt or reconstructed.

PART THREE: COMMUNITY GOVERNANCE AND ADMINISTRATION

The Association is the mechanism by which each Owner is able to participate in Seven Hills's governance and administration. While the Board has responsibility for day-to-day management and operation, some decisions are considered of such importance that they are reserved for the Association's membership -- the Unit Owners.

Article VI The Association and its Members

6.1. Function of Association.

The Association is the entity responsible for management, maintenance, operation, and control of the Area of Common Responsibility. The Association also has primary responsibility for enforcing the Governing Documents. The Association shall perform its functions in accordance with the Governing Documents and Georgia law.

6.2. Membership.

Every Owner is a Member of the Association, provided, there is only one membership per Unit. If more than one Person owns a Unit, all co-Owners shall share the privileges of such membership,

subject to reasonable Board regulation and the restrictions on voting set forth in Section 6.3(c) and in the By-Laws, and all such co-Owners are jointly and severally obligated to perform the responsibilities of Owners. The membership rights of an Owner which is not an individual (e.g., a corporation or a partnership) may be exercised by any officer, director, partner, or trustee, or by the individual designated from time to time by the Owner in a written instrument provided to the Association's Secretary or its designee.

The Association shall have two classes of membership, Class "A" and Class "B."

(a) Class "A". Class "A" Members shall be all Owners except the Class "B" Member, if any.

(b) Class "B". The Class "B" Member shall be, collectively, Declarant and Affiliates of Declarant. The Class "B" membership shall terminate upon the earlier to occur of: (i) the conveyance of 100% of the Units permitted under the Master Plan to Class "A" Members other than Builders; or (ii) when, in its discretion, Declarant so determines and declares in a recorded instrument.

6.3. Voting.

(a) Class "A" Members. Class "A" Members shall have one equal vote for each Unit in which they hold the interest required for membership under Section 6.2, except that there shall be only one vote per Unit and no vote shall be exercised for any property which is exempt from assessment under Section 8.9. Owners of Units for which assessments have not yet commenced under Section 8.7 shall be entitled to cast a vote for such Units. All Class "A" votes shall be cast as provided in Section 6.3(c).

(b) Class "B" Member. The Class "B" Member shall not vote but may appoint a majority of the Board members during the Class "B" Control Period as specified in the By-Laws and may exercise the additional rights specified throughout the Governing Documents. Unless Declarant delegates such authority, Declarant shall act as, and on behalf of, the Class "B" Member on all matters. Upon termination of the Class "B" membership, Declarant and Affiliates of Declarant shall be Class "A" Members entitled to one Class "A" vote for each Unit they own.

(c) Exercise of Voting Rights. If a Voting Member has not been selected for a Neighborhood in the manner provided in Section 6.4(b), the Class "A" Members owning Units within such Neighborhood shall be entitled personally to cast the votes attributable to their respective Units on any issue requiring a membership vote under the Governing Documents. Where a Voting Member has not been selected for a Neighborhood pursuant to Section 6.4(b), references in the Governing Documents to a Voting Member shall be deemed to refer to a Class "A" Member having the right personally to cast his or her vote.

If a Voting Member has been selected for a Neighborhood pursuant to Section 6.4(b), unless otherwise specified in this Declaration or the By-Laws, the Voting Member shall exercise the vote for

each Unit owned by a Class "A" Member in such Neighborhood. The Voting Member may cast all such votes as it, in its discretion, deems appropriate.

In any situation in which a Member is entitled personally to exercise the vote for his or her Unit, if there is more than one Owner of a Unit, the vote for such Unit shall be exercised as the co-Owners holding a majority of the ownership interest in the Unit determine among themselves. Any co-Owner may cast the vote for the Unit and majority agreement shall be conclusively presumed unless another co-Owner of the Unit protests promptly to the President or other person presiding over the meeting or the balloting, in the case of a vote taken outside of a meeting. In the absence of majority agreement, the Unit's vote shall be suspended if two or more co-Owners seek to exercise it independently.

6.4. Neighborhoods, Voting Members, and Voting Groups.

(a) Neighborhoods. Exhibit "A" to this Declaration, and any Supplemental Declaration or recorded plat, may assign property to a specific new or existing Neighborhood (by name or other identifying designation). In any event, each Unit shall be assigned to a particular Neighborhood prior to its being conveyed to a Class "A" Member other than a Builder. During the Development and Sale Period, Declarant may unilaterally record a Supplemental Declaration, amend this Declaration or any Supplemental Declaration to create Neighborhoods, redesignate Neighborhood boundaries, or combine two or more existing Neighborhoods. Thereafter, the Board may amend this Declaration or any Supplemental Declaration to redesignate Neighborhood boundaries with the consent of the Owners of a majority of Units in the affected Neighborhoods.

The Units within a particular Neighborhood may be subject to covenants in addition to those set forth in this Declaration and the Owners within the Neighborhood may be members of a Neighborhood Association in addition to the Association. In addition, the Owners within a Neighborhood may, but are not required to, elect a Neighborhood Committee (as described in the By-Laws) to represent their interests.

The Association may provide a higher level of services than the Association generally provides or additional services to all or portions of a Neighborhood in accordance with a Supplemental Declaration or if deemed necessary or appropriate by the Board, in its discretion. In addition, a group of Owners may petition the Board to request that the Association provide a higher level of service or additional services for the benefit of Units in the Owners' Neighborhood. Upon receipt of such petition, the Board shall investigate the terms upon which the requested services might be provided and notify all Owners in the Neighborhood of such terms and the initial fees for providing the requested service, which may include a reasonable administrative charge. If Owners of at least a majority of the affected Units within the Neighborhood approve the proposal in writing, the Association shall provide the requested service(s).

Except where otherwise directed by a Supplemental Declaration, the Association, in the Board's discretion (i) may provide service(s) to all Units in the Neighborhood and assess the cost of such service(s), which may include a reasonable administrative charge in such amount as the Board

deems appropriate, against each Lot within such Neighborhood as a Neighborhood Assessment, or (ii) may provide the service(s) only to the requesting Owners and, in such case, assess the costs, including any reasonable administrative charge, as a Neighborhood Assessment against just such Owners or as a Specific Assessment in accordance with Section 8.6. Any administrative charge shall apply at a uniform rate per Unit to all Neighborhoods receiving the same service.

(b) Voting Members. **VOTING MEMBERS SELECTED PURSUANT TO THIS SUBSECTION (b) ARE SUBORDINATE TO THE BOARD, AND THEIR AUTHORITY AND RESPONSIBILITY DOES NOT EXTEND TO POLICY MAKING, SUPERVISING, OR OTHERWISE BEING INVOLVED IN ASSOCIATION GOVERNANCE BEYOND VOTING ON MATTERS PUT TO A VOTE OF THE MEMBERSHIP.**

At any time, the Board may, but shall not be obligated to, require that any or all Neighborhood(s) select a Voting Member who shall cast all Class "A" votes within the Neighborhood except where votes are specifically reserved to the individual Members. If a Voting Member is selected for a Neighborhood, the Neighborhood also shall select an alternate Voting Member who shall be responsible for casting such votes in the Voting Member's absence. Elections may be held either by written ballot cast by mail or at a meeting of the Class "A" Members within such Neighborhood, as the Board determines; provided, upon written petition signed by Class "A" Members holding at least 10% of the votes attributable to Units within any Neighborhood, the election for such Neighborhood shall be held at a meeting.

Prior to the election of a Voting Member or alternate for a Neighborhood, the Board shall prescribe the opening date and the closing date of a reasonable filing period in which each and every eligible Member in such Neighborhood who has a bona-fide interest in serving as a Voting Member for such Neighborhood may file as a candidate. The Board also shall establish such other rules and regulations as it deems appropriate to conduct the nomination of Voting Members in a fair, efficient, and cost-effective manner. Nominations also may be permitted from the floor.

Each candidate for election as a Voting Member for a Neighborhood shall be given a reasonable, uniform opportunity to communicate his or her qualifications to the Class "A" Members within such Neighborhood and to solicit votes.

Each Class "A" Member who owns a Unit within the Neighborhood shall be entitled to cast one equal vote per Unit owned for the Voting Member to represent such Neighborhood. The candidate who receives the greatest number of votes shall be elected as the Voting Member, and the candidate receiving the next greatest number of votes shall be elected as the alternate Voting Member. Any Voting Member and alternate Voting Member elected from a Neighborhood shall serve a term of two years and until their successors are elected or appointed.

The presence, in person or by proxy, or the filing of ballots by Class "A" Members representing at least 25% of the total Class "A" votes attributable to Units in the Neighborhood shall constitute a quorum at any Neighborhood meeting or election. If a quorum does not exist for any election of a

Voting Member, or if no one files as a candidate or accepts a nomination as a candidate, the Board may appoint the Voting Member, and/or the alternate, for such Neighborhood. A Voting Member elected by the Class "A" Members from within a Neighborhood shall be an Owner in good standing who resides in a Unit in such Neighborhood. A Voting Member appointed by the Board need not own or reside in a Unit in the Neighborhood he or she represents.

Any Voting Member may be removed, with or without cause, upon the vote or written petition of a majority of the Class "A" Members in the Neighborhood which the Voting Member represents.

Until such time as a Voting Member is elected for a Neighborhood, the Owners within such Neighborhood shall cast the votes attributable to their respective Units. In such case, any reference in the Governing Documents to Voting Members, as applied to such Neighborhood, shall be deemed a reference to the individual Owners.

(c) Voting Groups. Declarant may designate Voting Groups consisting of one or more Neighborhoods for the purpose of electing directors to the Board. The purpose of Voting Groups is to provide for representation on the Board throughout Seven Hills and to avoid particular Voting Members being able to elect the entire Board.

The Voting Members representing the Neighborhoods within each Voting Group shall vote on a separate slate of candidates for election to the Board. In any event, each Voting Group shall elect an equal number of directors to the Board.

Declarant shall establish Voting Groups, if at all, not later than the date of expiration of the Class "B" Control Period by filing with the Association and recording a Supplemental Declaration identifying each Voting Group by legal description or other means such that one can easily determine the Units within each Voting Group. Declarant, acting alone, may amend such designation at any time prior to the expiration of the Class "B" Control Period.

After Declarant's right to expand Seven Hills pursuant to Article IX expires, the Board may record or amend such Supplemental Declaration upon approval of Voting Members representing a majority of the total number of Neighborhoods and a majority of the total Class "A" votes in the Association.

Neither recordation nor amendment of such Supplemental Declaration shall constitute an amendment to this Declaration, and no Person's consent or approval shall be required except as required by this Section. Until such time as Voting Groups are established, all of Seven Hills shall constitute a single Voting Group. After a Supplemental Declaration establishing Voting Groups has been recorded, any and all portions of Seven Hills which are not assigned to a specific Voting Group shall be a single Voting Group.

Article VII Association Powers and Responsibilities

7.1. Acceptance and Control of Association Property.

(a) The Association may acquire, hold, mortgage or otherwise encumber, lease (as lessor or lessee), operate, and dispose of tangible and intangible personal property and real property. The Association may enter into leases, licenses, or operating agreements for portions of the Common Area, for consideration or no consideration as the Board deems appropriate, to permit use of such portions of the Common Area by others.

(b) Declarant and its designees may convey to the Association, and the Association shall accept, personal property and/or fee title, leasehold, or other property interests in any improved or unimproved real property described in Exhibit "A" or "B." Upon Declarant's written request, the Association shall reconvey to Declarant any property originally conveyed to the Association for no consideration, to the extent Declarant conveyed such property in error or to the extent necessary for Declarant to make minor adjustments in property lines.

(c) The Association shall be responsible for management, operation, and control of the Common Area, subject to any covenants and restrictions set forth in the deed or other instrument transferring such property to the Association. The Board may adopt such reasonable rules regulating use of the Common Area as it deems appropriate.

7.2. Maintenance of Area of Common Responsibility.

The Association shall maintain, in accordance with the Community-Wide Standard, the Area of Common Responsibility, which shall include, but need not be limited to:

(a) the Common Area, including, without limitation, entry features, recreational amenities, gathering parks and areas, natural areas, sidewalks, and private roadways, if any, within Seven Hills;

(b) landscaping and sidewalks within public rights-of-way within or abutting Seven Hills;

(c) such portions of any additional property which may be dictated by Declarant; this Declaration, any Supplemental Declaration, or any contract, covenant, or agreement the Association enters into (or which Declarant enters into on the Association's behalf); and

(d) any property and facilities that Declarant owns and makes available, on a temporary or permanent basis, for the primary use and enjoyment of the Association and its Members. Declarant shall identify any such property and facilities by written notice to the Association, and they shall remain part of the Area of Common Responsibility until Declarant revokes such privilege of use and enjoyment by written notice to the Association.

The Association may maintain other property which it does not own, including, without limitation, property dedicated to the public, if the Board determines that such maintenance is necessary or desirable to maintain the Community-Wide Standard. The Association shall not be liable for any damage or injury occurring on or arising out of the condition of property which it does not own except to the extent that it has been negligent in the performance of its maintenance responsibilities.

Without limiting the generality of the foregoing, upon assignment from Declarant, the Association shall assume all of Declarant's (and Declarant's Affiliates') responsibilities with respect to the maintenance and operation of the Common Area and shall indemnify and hold Declarant and its Affiliates harmless with respect to such assumed responsibilities.

The Association shall maintain the facilities within the Area of Common Responsibility (other than Limited Common Areas) in continuous operation, unless Voting Members representing at least 67% of the Class "A" votes in the Association agree in writing to discontinue such operation. If the property is Limited Common Area, any discontinuation shall require the Board's approval and the approval of Owners representing at least 67% of the Units to which such Limited Common Area is assigned (or such higher percentage a Supplemental Declaration may require).

Notwithstanding the above, during the Development and Sale Period, the Association may not discontinue operation of any facilities within the Area of Common Responsibility, and the Area of Common Responsibility shall not be reduced, except with Declarant's prior written approval. In addition, as provided for in Section 10.8, during the Development and Sale Period, Declarant may, without the approval of the Association or the Voting Members, remove facilities from the Area of Common Responsibility and convert them to private use.

The approval requirements for discontinuing operation of facilities shall not apply to restrict the Board's ability to establish reasonable operating hours, which may vary by season, or to preclude temporary closures or interruptions in operation as the Board may determine appropriate to perform maintenance or repairs.

Generally, the costs associated with maintenance, repair, and replacement of the Area of Common Responsibility shall be a Common Expense. However, the Association may seek reimbursement from the owner(s) of, or other Persons responsible for, certain portions of the Area of Common Responsibility pursuant to this Declaration, other recorded covenants, or other agreements with such owner(s). The maintenance, repair, and replacement of Limited Common Areas may be assessed as a Neighborhood Assessment or as a Specific Assessment against the benefited Units.

7.3. Insurance.

(a) Required Coverages. The Association, acting through its Board or its duly authorized agent, shall obtain and continue in effect the following insurance, if reasonably available or, if not, the most nearly equivalent coverages as are reasonably available:

(i) Blanket property insurance covering "risks of direct physical loss" on a "special form" basis (or comparable coverage by whatever name denominated) for all insurable improvements on the Common Area and within the Area of Common Responsibility to the extent the Association has assumed responsibility in the event of a casualty, regardless of ownership. If such coverage is not generally available at reasonable cost, then "broad form" coverage may be substituted. All property insurance policies obtained by the Association shall have policy limits sufficient to cover the full replacement cost of the insured improvements under current building ordinances and codes;

(ii) Commercial general liability insurance on the Area of Common Responsibility, insuring the Association and its Members for damage or injury caused by the negligence of the Association or any of its Members, employees, agents, or contractors while acting on its behalf. If generally available at reasonable cost, such coverage (including primary and any umbrella coverage) shall have a limit of at least two million dollars (\$2,000,000.00) per occurrence with respect to bodily injury, personal injury, and property damage; provided, should additional coverage and higher limits be available at reasonable cost, in the judgment of a reasonably prudent person, the Association shall obtain such additional coverages or limits;

(iii) Workers compensation insurance and employers liability insurance, if and to the extent required by law;

(iv) Directors and officers liability coverage; and

(v) Commercial crime insurance, including fidelity insurance covering all Persons responsible for handling Association funds in an amount determined in the Board's best business judgment, but not less than an amount equal to one-quarter of the annual Base Assessments on all Units plus reserves on hand. Fidelity insurance policies shall contain a waiver of all defenses based upon the exclusion of Persons serving without compensation.

The Board, in its business judgment, may obtain additional insurance coverage and higher limits.

Premiums for all insurance on the Area of Common Responsibility shall be a Common Expense, except that (i) if the Association provides for property insurance on Units within a Neighborhood pursuant to a Supplemental Declaration, such premiums shall be a Neighborhood Expense; and (ii) premiums for insurance on Limited Common Areas may be included in the Neighborhood Expenses of the Neighborhood(s) to which such Limited Common Areas are assigned unless the Board reasonably determines that other treatment of the premiums is more appropriate.

(b) Policy Requirements. The Association shall arrange for an annual review of the sufficiency of its insurance coverage by one or more qualified Persons, at least one of whom must be familiar with insurable replacement costs in the Paulding County area. The Association shall make certificates of insurance available within Seven Hills for inspection and copying by each Member.

The policies may contain a reasonable deductible, and the amount thereof shall not be subtracted from the face amount of the policy in determining whether the policy limits satisfy the requirements of Section 7.3(a). In the event of an insured loss, the deductible shall be treated as a Common Expense or a Neighborhood Expense in the same manner as the premiums for the applicable insurance coverage. However, if the Board reasonably determines, after notice and an opportunity to be heard in accordance with the By-Laws, that the loss is the result of the negligence or willful misconduct of one or more Owners, their guests, invitees, or lessees, then the Board may assess the full amount of such deductible against such Owner(s) and their Units as a Specific Assessment.

(c) Restoring Damaged Improvements. In the event of damage to or destruction of Common Area or other property which the Association is obligated to insure, the Board or its duly authorized agent shall file and adjust all insurance claims and obtain reliable and detailed estimates of the cost of repairing or restoring the property to substantially the condition in which it existed prior to the damage, allowing for changes or improvements necessitated by changes in applicable building codes.

The Association shall repair or reconstruct damaged improvements within the Area of Common Responsibility (other than Limited Common Area improvements) for which it has insurance responsibility, unless Voting Members representing at least 67% of the total votes in the Association decide within 60 days after the loss not to repair or reconstruct. If the damage is to Limited Common Area, any decision not to restore the damaged improvements shall require the approval of the Board and of Owners representing at least 67% of the Units to which the Limited Common Area is assigned. If either the insurance proceeds or estimates of the loss, or both, are not available to the Association within such 60-day period, then the period shall be extended until such funds or information is available. No Mortgagee shall have the right to participate in determining whether the damage or destruction to the Common Area shall be repaired or reconstructed.

Notwithstanding the above, during the Development and Sale Period, damaged or destroyed improvements within the Area of Common Responsibility *shall* be repaired or reconstructed unless Declarant consents to the contrary.

If a decision is made not to restore the damaged improvements, and no alternative improvements are authorized, the affected property shall be cleared of all debris and ruins and thereafter shall be maintained by the Association in a neat and attractive condition consistent with the Community-Wide Standard.

The Association shall retain for the benefit of all Members, or the Owners of Units within a particular Neighborhood, as appropriate, any insurance proceeds remaining after paying the costs of repair or reconstruction, or after such settlement as is necessary and appropriate. The Association shall place such proceeds in a capital improvements account. This is a covenant for Mortgagees' benefit that the Mortgagee of any affected Unit may enforce.

If insurance proceeds are insufficient to cover the costs of repair or reconstruction, the Board may, without a vote of the Voting Members, levy Special Assessments to cover the shortfall against those Owners responsible for the premiums for the applicable insurance coverage under Section 7.3(a).

7.4. Compliance and Enforcement.

(a) Every Owner and occupant of a Unit shall comply with the Governing Documents. The Board may impose sanctions for Governing Document violations, which sanctions include those listed below and any others described elsewhere in the Governing Documents. The Board may establish a range of penalties for different violations, with unsafe conduct and harassment or intentionally malicious conduct treated more severely than other violations. The following sanctions require prior notice and an opportunity for a hearing in accordance with the By-Laws:

(i) imposing reasonable monetary fines which shall constitute a lien upon the violator's Unit (fines may be imposed within a graduated range). (In the event that any occupant, guest, or invitee of a Unit violates the Governing Documents and a fine is imposed, the fine may first be assessed against the violator; provided, if the violator does not pay the fine within the time period the Board sets, the Owner shall pay the fine upon notice from the Board);

(ii) suspending an Owner's right to vote (except that no notice or hearing is required if the Owner is more than 60 days delinquent in paying any Base Assessment);

(iii) suspending any Person's right to use Common Area amenities (except that no notice or hearing is required if the Owner is more than 30 days delinquent in paying any assessment or other charge owed the Association); provided, the Board may not limit ingress or egress to or from a Unit;

(iv) suspending any services the Association provides (except that no notice or hearing is required if the Owner is more than 30 days delinquent in paying any assessment or other charge owed to the Association);

(v) exercising self-help or taking action to abate any violation of the Governing Documents occurring on a Unit in a non-emergency situation (including removing personal property that violates the Governing Documents);

(vi) requiring an Owner, at his or her own expense, to remove any structure or improvement on such Owner's Unit in violation of the Governing Documents and to restore the Unit to its previous condition; upon an Owner's failure to do so, the Board or its designee shall have the right to enter the property, remove the violation, and restore the property to substantially the same condition as previously existed and any such action shall not be deemed a trespass;

(vii) without liability to any Person, precluding any contractor, subcontractor, agent, employee, or other invitee of an Owner who fails to comply with the terms and provisions of Article IV and the Architectural Guidelines from continuing or performing any further activities in Seven Hills; and

(viii) levying Specific Assessments to cover costs the Association incurs in bringing a Unit into compliance with the Governing Documents.

(b) The Board may take the following actions to obtain compliance with the Governing Documents without prior notice or a hearing:

(i) exercising self-help or taking action to abate any violation on a Unit in any emergency situation. An emergency situation shall include any situation where the passage of time or the requirement of process would render enforcement ineffective (e.g., towing vehicles that are in violation of parking rules and regulations);

(ii) exercising self-help or taking action to abate a violation on the Common Area under any circumstances; or

(iii) bringing suit at law or in equity to enjoin any violation, to recover monetary damages, or both.

In addition to any other enforcement rights, if an Owner fails to perform his or her maintenance responsibility properly, the Association may, without opportunity for a hearing under the By-Laws, record a notice of violation or perform such maintenance responsibilities and assess all costs the Association incurs against the Unit and the Owner as a Specific Assessment. Except in an emergency situation, the Association shall provide the Owner reasonable notice and an opportunity to cure the problem prior to taking such enforcement action.

All remedies set forth in the Governing Documents are in addition to any remedies available at law or in equity. In any action to enforce the Governing Documents, if the Association prevails, it shall be entitled to recover all costs, including, without limitation, attorneys fees and court costs, reasonably incurred in such action.

(c) The decision to pursue enforcement action in any particular case shall be left to the Board's discretion, except that the Board shall not be arbitrary or capricious in taking enforcement action. Without limiting the generality of the foregoing sentence, the Board may determine that, under the circumstances of a particular case:

(i) the Association's position is not strong enough to justify taking any or further action;

(ii) the covenant, restriction, or rule being enforced is, or is likely to be construed as, inconsistent with applicable law;

(iii) although a technical violation may exist or may have occurred, it is not of such a material nature as to be objectionable to a reasonable person or to justify expending the Association's resources; or

(iv) it is not in the Association's best interests, based upon hardship, expense, or other reasonable criteria, to pursue enforcement action.

Any decision not to enforce shall not be construed as a waiver of the Association's right to enforce such provision at a later time under other circumstances or preclude the Association from enforcing any other covenant, restriction, or rule.

The Association, by contract or other agreement, may enforce county ordinances, if applicable, and Paulding County may enforce its ordinances within Seven Hills.

7.5. Implied Rights; Board Authority.

The Association may exercise any right or privilege given to it expressly by, or reasonably implied from, the Governing Documents or reasonably necessary to effectuate any such right or privilege. Except as otherwise specifically provided in the Governing Documents or by law, the Board may exercise all of the Association's rights and powers without a vote of the membership.

The Board may institute, defend, settle, or intervene on the Association's behalf in mediation, binding or non-binding arbitration, litigation, or administrative proceedings in matters pertaining to the Area of Common Responsibility, enforcement of the Governing Documents, or any other civil claim or action. However, the Governing Documents shall not be construed as creating any independent legal duty to institute litigation on behalf of or in the name of the Association or its Members.

In exercising the Association's rights and powers, making decisions on the Association's behalf, and conducting the Association's affairs, Board members shall be subject to, and their actions shall be judged in accordance with, the standards set forth in the By-Laws.

7.6. Indemnification of Officers, Directors, and Others.

Subject to Georgia law, the Association shall indemnify every officer, director, and committee member against all damages and expenses, including attorneys fees, reasonably incurred in connection with any action, suit, or other proceeding (including settlement of any suit or proceeding, if the then Board approves) to which he or she may be a party by reason of being or having been an officer, director, or committee member, except that such obligation to indemnify shall be limited to those actions for which liability is limited under this Section.

The Association's officers, directors, and committee members shall not be liable for any mistake of judgment, negligent or otherwise, except for their own individual willful misfeasance, malfeasance,

misconduct, or bad faith. The Association's officers and directors shall have no personal liability with respect to any contract or other commitment made or action taken in good faith on the Association's behalf (except to the extent that such officers or directors may also be Members).

The Association shall indemnify and forever hold each such officer, director, and committee member harmless from any and all liability to others on account of any such contract, commitment, or action. This right to indemnification shall not be exclusive of any other rights to which any present or former officer, director, or committee member may be entitled. The Association shall, as a Common Expense, maintain adequate general liability and officers' and directors' liability insurance to fund this obligation, if such insurance is reasonably available.

7.7. Provision of Services.

The Association may provide, or provide for, services and facilities for the Owners and their Units, and may enter into and terminate contracts or agreements with other entities, including Declarant, to provide such services and facilities. The Board may charge use or service fees for any such services and facilities provided at an Owner's option, or may include the costs thereof in the Association's budget as a Common Expense and assess it as part of the Base Assessment if provided to all Units. By way of example, such services and facilities might include landscape maintenance, pest control, cable television, monitoring, access control, caretaking, transportation, fire protection, utilities, trash collection, and similar services and facilities.

Nothing in this Section shall be construed as a representation by Declarant or the Association as to what, if any, services shall be provided, and each Owner acknowledges that services such as those described above are not typically provided to detached, single family homes. In addition, the Board may cancel services in its discretion, unless the provision of such services is otherwise required by the Governing Documents. Non-use of services provided to all Owners or Units as a Common Expense shall not exempt any Owner from the obligation to pay assessments for such services.

In any contracts or agreements with third parties for the provision of services within Seven Hills, the Association may assign to the service provider the right to bill Owners directly and to pursue all legal or equitable remedies otherwise available to the Association in the collection of such bills.

To ensure consistency in scheduling and compliance with the Community-Wide Standard, the Board, in its discretion, may designate particular service providers (e.g., trash collection, recycling, etc.) to be used by all Owners. In such case, the relationship between the service provider and the Owner may be direct and the expense of such service may be borne by the Unit Owner (i.e., it would not be assessed through the Association).

7.8. Powers Relating to Neighborhood Committees and Neighborhood Associations.

A Neighborhood Committee is an Association committee. The Board shall have all of the power and control over Neighborhood Committees that it has over other Association committees.

The Association may require that a Neighborhood Association take specific action in connection with its obligations and responsibilities, such as requiring that specific maintenance or repairs or aesthetic changes be made and requiring that a proposed budget include certain items and that expenditures be made therefore. A Neighborhood Association shall take such action within the reasonable time frame the Association sets. If the Neighborhood Association fails to comply, the Association may act on behalf of the Neighborhood Association and levy Specific Assessments to cover the costs, as well as an administrative charge and sanctions.

7.9. Relationships with Other Properties.

The Association may enter into contractual agreements or covenants to share costs with neighboring properties to provide for and to contribute funds for, among other things (a) maintenance and operation of mutually beneficial properties or facilities, and (b) provision of mutually beneficial services. In addition, and without limiting the foregoing, during the Development and Sale Period, Declarant may subject Seven Hills to a covenant to share costs with non-residential properties adjacent to Seven Hills under which the Association is obligated to contribute to the cost of maintaining and operating mutually beneficial properties or facilities and/or is obligated to maintain such facilities for the benefit of Seven Hills and such adjacent properties.

7.10. Archeological, Historical, and Cultural Sites.

Certain areas within Seven Hills (including portions of Units) may be designated by Declarant as areas of archeological, historical, or cultural significance. Such sites shall be subject to protection and restriction by the Association, and no action shall be taken in disturbance of such sites without the Association's written approval. The Association may provide, or provide for, the maintenance, preservation, and protection of such sites as a Common Expense and may contract with, or otherwise cooperate with, one or more tax-exempt entities for the maintenance, preservation, and protection of such sites. During the Development and Sale Period, disturbance of such sites also shall require Declarant's approval.

7.11. Bulk Rate Service Agreements.

The Association may enter into contracts, including bulk rate service agreements, with providers of central telecommunication receiving and distribution services and systems (e.g., cable television, high speed data/Internet/intranet services, and security monitoring), and their components ("Community Systems"), with other utilities, and with other Persons for the maintenance, management, administration, upgrading, modification, and operation of such Community Systems and utilities. The Association's expenses in connection with any such contracts shall be a Common Expense to be included in the Base Assessment or a Neighborhood Expense to be included in a Neighborhood Assessment. However, if particular or additional services or benefits are provided to particular Units, the benefited Owner(s) shall pay the service provider directly for such services, or the Association may assess the costs as a Specific Assessment.

The terms of any Association contract for Community Systems or other utilities may obligate individual Owners or occupants to execute subscription agreements or other contracts directly with the Persons providing components or services prior to gaining access to the Community System or utility; or in the alternative, the Association may execute a subscription agreement or contract on behalf of all Owners. Such subscription agreements or other contracts may contain terms and conditions relating to use and access to the Community System or utility which, if violated by the Owner or occupant of a Unit, may result in services to such Owner or occupant's Unit being terminated by the provider or by the Association. The termination of service for such a violation shall not relieve the Owner of the continuing obligation to pay that portion of assessments or other Association charges pertaining to the Community Systems or common utilities.

The Association shall have no obligation to utilize any particular provider; however, except for cause (as defined under a written agreement with the provider), the Association may not, without Declarant's consent, terminate, or refuse to renew any contract entered into during the Class "B" Control Period.

7.12. Bentwater Community – Reciprocal Use Agreement.

The Association may enter into a reciprocal use agreement with the Bentwater Homeowners Association, Inc. ("Bentwater Association"), the homeowners association charged with administering and enforcing that certain Declaration of Covenants, Conditions, and Restrictions for Bentwater, recorded in Deed Book 830, Page 586 *et seq.*, of the Office of the Clerk of the Superior Court of Paulding County, Georgia, under which the owners of homes and other residents of the Bentwater community shall have a right to access and use Common Area recreational facilities within Seven Hills and Owners and other residents of the Seven Hills community shall have the reciprocal right to access and use common area recreational facilities within Bentwater. During the Development and Sale Period, the Association *shall* enter into such a reciprocal use agreement if requested to do so by Declarant; provided, any such agreement shall be fair and reasonable.

A reciprocal use agreement with the Bentwater Association may require owners and residents of Bentwater to pay an annual or other periodic fee or a daily use fee, as determined in the Board's discretion, as a condition of such use. Alternatively, the reciprocal use agreement may obligate the Bentwater Association and the Association, respectively, to pay each other a negotiated fee in connection with such use rights. If the Association is obligated under the reciprocal use agreement to pay funds to the Bentwater Association for use rights, such amounts shall be included as a part of the Association's Common Expenses to be assessed against all Owners in the manner provided in Article VIII.

The owners and residents of homes within the Bentwater community shall not be Members of the Association (except to the extent they also are Owners of Units within Seven Hills) and shall not have voting or other rights granted to Members under the Governing Documents by virtue of having rights to use Seven Hills' Common Area recreational facilities. The rights of such persons shall be

limited to the use of the Seven Hills' Common Area recreational facilities. The Association may enact rules, regulations, and procedures governing such use by Bentwater owners and residents, including, but not limited to, issuing and requiring the presentation of identification cards as a condition to using the facilities.

Article VIII Association Finances

8.1. Budgeting and Allocating Common Expenses.

Each year, the Board shall prepare a budget of the estimated Common Expenses for the coming fiscal year, including any contributions to be made to a reserve fund pursuant to Section 8.3. The budget shall also reflect the sources and estimated amounts of funds to cover such expenses, which may include any surplus to be applied from prior years, any income expected from sources other than assessments levied against the Units, and the amount to be generated through the levy of Base Assessments and Special Assessments against the Units.

The Association is authorized to levy Base Assessments equally against all Units subject to assessment to fund the Common Expenses. In determining the Base Assessment rate per Unit, the Board may consider any assessment income it expects to generate from any additional Units reasonably anticipated to become subject to assessment during the fiscal year. . .

The Board shall send a copy of the final budget, together with notice of the amount of the Base Assessment to be levied pursuant to such budget, to each Owner at least 30 days prior to the budget's effective date. Prior to termination of the Class "B" Control Period, the budget shall not be subject to Owner approval. After termination of the Class "B" Control Period, the budget shall automatically become effective unless disapproved at a meeting by Members (voting individually and not through Voting Members, if any, selected pursuant to Section 6.4(b)) representing at least 67% of the total Class "A" votes in the Association. The Board shall be under no obligation to call a meeting for the purpose of considering the budget except on petition of the Members as provided for special meetings in the By-Laws. Any such petition must be presented to the Board within 10 days after delivery of the budget and notice of any assessment.

If any proposed budget is disapproved or the Board fails for any reason to determine the budget for any year, then the budget most recently in effect shall continue in effect until a new budget is determined.

The Board may revise the budget and adjust the Base Assessment from time to time during the year, subject to the notice requirements and the Voting Members' right to disapprove the revised budget as set forth above.

8.2. Budgeting and Allocating Neighborhood Expenses.

In addition to the Common Expense budget, each year the Board shall prepare a separate budget covering the estimated Neighborhood Expenses for each Neighborhood on whose behalf it expects to incur Neighborhood Expenses during the coming fiscal year. Each such budget shall include any costs for additional services or a higher level of services which the Owners in such Neighborhood have approved pursuant to Section 6.4(a) and any contribution to be made to a reserve fund pursuant to Section 8.3. The budget shall also reflect the sources and estimated amounts of funds to cover such expenses, which may include any surplus to be applied from prior years, any income expected from sources other than assessments levied against the Units, and the amount required to be generated through the levy of Neighborhood and Special Assessments against the Units in such Neighborhood.

The Association is hereby authorized to levy Neighborhood Assessments against all Units in the Neighborhood which are subject to assessment to fund Neighborhood Expenses. Neighborhood Assessments may be levied equally against Owners within the Neighborhood or in accordance with such other allocation schedule as may be provided for in a Supplemental Declaration.

The Board shall deliver a copy of the Neighborhood budget and notice of the amount of the Neighborhood Assessment for the coming year to each Owner in the Neighborhood at least 30 days prior to the budget's effective date. Prior to termination of the Class "B" Control Period, the Neighborhood budget shall not be subject to Owner approval. After termination of the Class "B" Control Period, such budget and assessment shall become effective unless disapproved at a meeting of the Neighborhood by Owners of a majority of the Units in the Neighborhood to which the Neighborhood Assessment applies. However, there shall be no obligation to call a meeting for the purpose of considering the budget except on petition of Owners of at least 10% of the Units in such Neighborhood. This right to disapprove shall only apply to those line items in the Neighborhood budget which are attributable to services requested by the Neighborhood and shall not apply to any item which the Governing Documents require to be assessed as a Neighborhood Assessment.

If the proposed budget for any Neighborhood is disapproved or if the Board fails for any reason to determine the budget for any year, then until such time as a budget is determined, the budget in effect for the immediately preceding year shall continue for the current year. In such event, the Board may eliminate or downgrade services provided to the Neighborhood in order to operate within the constraints of the effective budget.

The Board may revise the budget for any Neighborhood and the amount of any Neighborhood Assessment from time to time during the year, subject to the notice requirements and the right of the Owners of Units in the affected Neighborhood to disapprove the revised budget as set forth above.

All amounts the Association collects as Neighborhood Assessments shall be held in trust for and expended solely for the benefit of the Neighborhood for which they were collected and shall be accounted for separately from the Association's general funds.

8.8. Obligation for Assessments.

(a) Personal Obligation. Each Owner, by accepting a deed or entering into a recorded contract of sale for any portion of Seven Hills, covenants and agrees to pay all assessments authorized in the Governing Documents. All assessments, together with interest (computed from its due date at a rate of 12% per annum or such higher rate as the Board may establish, subject to the limitations of Georgia law), late charges as determined by Board resolution, costs, and reasonable attorneys fees, shall be each Owner's personal obligation and a lien upon each Unit until paid in full. Upon a transfer of title to a Unit, the grantee shall be jointly and severally liable for any assessments and other charges due at the time of conveyance.

The Board's failure to fix assessment amounts or rates or to deliver or mail each Owner an assessment notice shall not be deemed a waiver, modification, or a release of any Owner from the obligation to pay assessments. In such event, each Owner shall continue to pay Base Assessments and Neighborhood Assessments on the same basis as during the last year for which an assessment was made, if any, until a new assessment is levied, at which time the Association may retroactively assess any shortfalls in collections.

No Owner may exempt himself from liability for assessments by non-use of Common Area, abandonment of his or her Unit, or any other means. The obligation to pay assessments is a separate and independent covenant on the part of each Owner. No diminution or abatement of assessments or set-off shall be claimed or allowed for any alleged failure of the Association or Board to take some action or perform some function required of it, or for inconvenience or discomfort arising from the making of repairs or improvements, or from any other action it takes.

Upon written request, the Association shall furnish to any Owner liable for any type of assessment a certificate in writing signed by an Association officer setting forth whether such assessment has been paid. Such certificate shall be conclusive evidence of payment. The Association may require the advance payment of a reasonable processing fee for the issuance of such certificate.

(b) Lien for Assessments. The Association shall have a lien against each Unit to secure payment of delinquent assessments, as well as all interest, late charges, and costs of collection (including attorneys fees). Such lien shall be superior to all other liens, except (i) the liens of all taxes, bonds, assessments, and other levies which by law would be superior, and (ii) the lien or charge of any recorded first Mortgage (meaning any recorded Mortgage with first priority over other Mortgages) made in good faith and for value. Such lien may be recorded and enforced by suit, judgment, and judicial or nonjudicial foreclosure.

The Association may bid for the Unit at the foreclosure sale and acquire, hold, lease, mortgage, and convey the Unit. While the Association owns a Unit following foreclosure (i) the Association shall not exercise a vote on its behalf; (ii) the Association shall not levy an assessment on it; and (iii) the Association shall charge each other Unit, in addition to its usual assessment, its pro rata share of the assessment that would have been charged such acquired Unit had the Association not foreclosed on it.

The Association may sue for unpaid assessments and other charges authorized hereunder without foreclosing or waiving the lien securing the same.

Sale or transfer of any Unit shall not affect the assessment lien or relieve such Unit from the lien for any subsequent assessments. However, the sale or transfer of any Unit pursuant to foreclosure of the first Mortgage shall extinguish the lien as to any installments of such assessments due prior to the Mortgagee's foreclosure. The purchaser of a foreclosed Unit shall not personally be liable for assessments on such Unit due prior to the date title is transferred pursuant to such foreclosure. Such unpaid assessments shall be deemed to be Common Expenses collectible from Owners of all Units subject to assessment, including such acquirer, its successors and assigns.

8.9. Exempt Property.

In addition to those Units for which assessments have not commenced pursuant to Section 8.7, the following real property shall be exempt from payment of Base Assessments, Neighborhood Assessments, and Special Assessments: (a) all Common Area; (b) property owned by a Neighborhood Association for the common use and enjoyment of its members or owned by all members of the Neighborhood Association as tenants-in-common; and (c) any real property dedicated to and accepted by any governmental authority or public utility.

In addition, Declarant and/or the Association shall have the right, but not the obligation, to grant permanent or temporary exemptions to schools, houses of worship, hospitals, police or fire stations (or other similar public service uses), or property owned by Persons qualifying for tax exempt status under Section 501(c) of the Internal Revenue Code so long as such Persons own such property for purposes listed in Section 501(c).

8.10. Use and Consumption Fees.

The Association may offer services or facilities for which it does not recover its costs through assessments under this Article. The Board may charge use and consumption fees to any Person who chooses to use or participate in such services or facilities and may determine the amount and method of determining such fees. Different fees may be charged to different classes of users (e.g., Owners and non-Owners).

8.11. Transfer Fee.

(a) Authority. The Board shall have the authority, on behalf of the Association, to establish and collect a "Transfer Fee" in an amount not to exceed one-half of the annual Base Assessment per Unit upon each transfer of title to a Unit. Subject to such limitation, the Board shall have the sole authority to establish and change the amount of the Transfer Fee. The Transfer Fee shall be payable to the Association by the purchaser at the closing of the transfer and shall be secured by the Association's lien for assessments under Section 8.8. An Owner shall notify the Association's Secretary of a pending

title transfer at least seven days prior to the transfer. Such notice shall include the name of the purchaser, the date of title transfer, and other information the Board may require.

(b) Purpose. All Transfer Fees which the Association collects shall be deposited into a segregated account and used for such purposes as the Board deems beneficial to Seven Hills community (which may include purposes also benefiting or relating to the surrounding community). By way of example and not limitation, such Transfer Fees might be used for general operating purposes, reserves, or to assist the Association or one or more tax-exempt entities in funding:

(i) programs and activities which serve to promote a sense of community within and surrounding Seven Hills, such as local public or private educational systems or programs, recreational leagues, cultural programs, festivals and holiday celebrations and activities, a community computer network, and recycling programs;

(ii) preservation and maintenance of natural areas, wildlife preserves, or similar conservation areas, and sponsorship of educational programs and activities which contribute to the overall understanding, appreciation and preservation of the natural environment at Seven Hills; and

(iii) social services, community outreach programs, and other charitable causes.

(c) Exempt Transfers. Notwithstanding the above, no Transfer Fee shall be levied upon transfer of title to a Unit:

(i) to Declarant or any Affiliate of Declarant;

(ii) to a Builder solely for purposes of development and resale;

(iii) by a co-owner to any Person who was a co-owner immediately prior to such transfer;

(iv) to the Owner's estate, surviving spouse, or child upon the death of the Owner;

(v) to an entity wholly owned by the grantor or to a family trust created by the grantor for the benefit of grantor, his or her spouse and/or heirs at law; provided, upon any subsequent transfer of an ownership interest in such entity, the Transfer Fee shall become due; or

(vi) to an institutional lender pursuant to a Mortgage or upon foreclosure of a Mortgage.

PART FOUR: COMMUNITY DEVELOPMENT

The Declaration reserves various rights to the developer in order to facilitate the smooth and orderly development of Seven Hills and to accommodate changes in the master plan which inevitably occur as a community the size of Seven Hills grows and matures.

Article IX **Expansion of the Community**

9.1. Annexation by Declarant.

Declarant may from time to time subject to the provisions of this Declaration all or any portion of the property described in Exhibit "B" by recording a plat or a Supplemental Declaration describing the additional property being annexed and specifying that such property is being made subject to the Declaration. Annexation pursuant to this Section shall not require the consent of any Person except the owner of such property, if other than Declarant.

Declarant's right to annex property pursuant to this Section shall expire when all property described in Exhibit "B" has been subjected to this Declaration or 30 years after this Declaration is recorded, whichever is earlier. Until then, Declarant may transfer or assign this right to an Affiliate or any Person who is the developer of at least a portion of the real property described in Exhibit "A" or "B." Any such transfer shall be memorialized in a recorded instrument executed by Declarant.

Nothing in this Declaration shall be construed to require Declarant or any successor to subject additional property to this Declaration or to develop any of the property described in Exhibit "B" in any manner whatsoever.

9.2. Annexation by the Association.

The Association may also subject additional property to the provisions of this Declaration by recording a Supplemental Declaration describing the additional property. Any such Supplemental Declaration shall require the affirmative vote of Voting Members representing more than 50% of the Class "A" votes of the Association represented at a meeting duly called for such purpose and the consent of the owner of the property. In addition, during the Development and Sale Period, Declarant's consent also is required. The Supplemental Declaration shall be signed by the President and Secretary of the Association, by the owner of the property, and by Declarant, if Declarant's consent is necessary.

9.3. Additional Covenants and Easements.

By Supplemental Declaration, Declarant may subject any portion of Seven Hills to additional covenants and easements, including covenants obligating the Association to maintain and insure such property and authorizing the Association to recover its costs through Neighborhood Assessments. If someone other than Declarant owns the property, then such owner(s)' consent shall be necessary and shall be evidenced by their execution of the Supplemental Declaration. Any such Supplemental

Declaration may supplement, create exceptions to, or otherwise modify the terms of this Declaration as it applies to the subject property in order to reflect the different character and intended use of such property.

9.4. Effect of Supplemental Declaration or Recorded Plat.

A Supplemental Declaration or plat shall be effective upon recording unless otherwise specified in such instrument. The Units subjected to this Declaration shall be assigned equal voting rights in the Association and equal *pro rata* liability for Base Assessments as all other Units.

Article X Additional Rights Reserved to Declarant

10.1. Withdrawal of Property.

Declarant reserves the right to amend this Declaration during the Development and Sale Period to withdraw any portion of Seven Hills which has not yet been improved with structures, provided such withdrawal does not reduce the total number of Units then subject to the Declaration by more than 10 percent. Such amendment shall not require the consent of any Person other than the Owner(s) of the property to be withdrawn, if not Declarant. If the property is Common Area, the Association shall consent to such withdrawal.

10.2. Marketing and Sales Activities.

Declarant and its designees, and Builders authorized by Declarant, may construct and maintain upon portions of the Common Area and other property they own, such facilities, activities, and things as, in Declarant's opinion, may be reasonably required, convenient, or incidental to the construction or sale of Units. Such permitted facilities, activities, and things shall include business offices, signs, flags (whether hung from flag poles or attached to a structure), model homes, sales offices, holding or sponsoring special events, and exterior lighting features or displays. In addition, if reasonably required, convenient, or incidental to construction or sales activities, Declarant, its designees, and Builders may park vehicles in areas other than garages or driveways, including on streets. Builders' rights under this Section are subject to Declarant's approval.

Declarant, and its designees or assignees (which may include Builders), shall have easements for access to and use of Association facilities under this section at no charge.

10.3. Right to Develop.

During the Development and Sale Period, Declarant and its employees, agents, designees, successors, and assigns shall have a right of access and use and an easement over and upon all of the Common Area for the purpose of making, constructing, and installing such improvements to the Exhibit "B" property, the Common Area, and the Units as Declarant deems appropriate in its discretion.

10.4. Right to Approve Changes in Standards.

No amendment to or modification of any Use Restrictions or Architectural Guidelines shall be effective without prior notice to and the written approval of Declarant during the Development and Sale Period.

10.5. Right to Transfer or Assign Declarant Rights.

Any or all of Declarant's special rights and obligations set forth in this Declaration or the By-Laws may be transferred in whole or in part to other Persons; provided, the transfer shall not reduce an obligation or enlarge a right beyond that which Declarant has under this Declaration or the By-Laws. No such transfer or assignment shall be effective unless it is in a recorded instrument Declarant signs. The foregoing sentence shall not preclude Declarant from permitting other Persons to exercise, on a one time or limited basis, any right reserved to Declarant in this Declaration where Declarant does not intend to transfer such right in its entirety; in such case it shall not be necessary to record any written assignment unless necessary to evidence Declarant's consent to such exercise.

10.6. Exclusive Rights to Use Name of Development.

No Person shall use the name "Seven Hills" or any derivative of such name in a logo or depiction in any printed or promotional material without Declarant's prior written consent. However, Owners may use the name "Seven Hills" in printed or promotional matter where such term is used solely to specify that particular property is located within Seven Hills, and the Association shall be entitled to use the words "Seven Hills" in its name.

10.7. Right to Use Common Area for Special Events.

During the Development and Sale Period, Declarant and its Affiliates may use the Common Area to sponsor special events for charitable, philanthropic, political, or marketing purposes, subject to the following conditions:

- (a) the availability of the facilities at the time requested;
- (b) Declarant shall pay all costs and expenses incurred and shall indemnify the Association against any loss or damage resulting from the special event; and
- (c) Declarant shall return the facilities and personal property used in conjunction with the special event to the Association in the same condition as existed prior to the special events.

Declarant shall have the right to assign its rights to charitable organizations or foundations selected by Declarant. Declarant's right to use the Common Area for special events shall be enforceable by injunction, by any other remedy in law or equity, and by the terms of this Declaration.

10.8. Right to Convert Facilities to Private Club.

Declarant may make recreational facilities temporarily available for use by Owners as a part of the Area of Common Responsibility, in which case the Association shall operate and maintain such facilities as a Common Expense during such use period, notwithstanding the fact that such facilities are not made subject to this Declaration and that Declarant or an Affiliate of Declarant retains ownership of such facilities. During the Development and Sale Period, Declarant reserves the right, without Association or Voting Member approval, to convey such facilities to the Association as Common Area or to remove such facilities from the Area of Common Responsibility and terminate use by Owners. Facilities removed from the Area of Common Responsibility may, without limitation, be conveyed to third parties and/or converted into private club facilities available for use only on a membership or other basis, as determined by the owner of such facilities. Neither the Association nor the Members shall have any vested interest in such facilities, nor any right to any proceeds received by Declarant or any other party from the conveyance of any facilities removed from the Area of Common Responsibility in accordance with this Section. The specific facilities for which Declarant reserves the rights set forth in this Section shall be more specifically identified by Declarant in an instrument granting the Association and the Owners a revocable license to use such facilities.

10.9. Termination of Rights.

Except for the protection afforded under Section 10.6, which shall be perpetual unless terminated by Declarant, the rights contained in this Article shall terminate upon the earlier of (a) the termination of the Development and Sale Period, or (b) Declarant's recording of a statement that all sales activity has ceased. This Article shall not be amended without Declarant's written consent.

PART FIVE: PROPERTY RIGHTS WITHIN THE COMMUNITY

The nature of living in a planned community, with its wide array of properties and development types and its ongoing development activity, requires the creation of special property rights and provisions to address the needs and responsibilities of the Owners, Declarant, the Association, and others within or adjacent to the community.

Article XI Easements

11.1. Easements in Common Area.

Declarant grants to each Owner a nonexclusive right and easement of use, access, and enjoyment in and to the Common Area, subject to:

- (a) the Governing Documents and any other applicable covenants;
- (b) any restrictions or limitations contained in any deed conveying such property to the Association or in any lease granting the Association use rights in such property;

- (c) the Board's right to:
- (i) adopt rules regulating use and enjoyment of the Common Area, including rules prohibiting use of certain portions of the Common Area (e.g., open space preserves, maintenance facilities, etc.) or limiting the number of guests who may use the Common Area;
 - (ii) suspend an Owner's right to use recreational facilities within the Common Area (A) for any period during which any charge against such Owner's Unit remains more than 30 days delinquent without the necessity of notice and a hearing, and (B) for a period not to exceed 30 days for a single violation, or for a longer period in the case of any continuing violation, of the Governing Documents after notice and a hearing pursuant to the By-Laws;
 - (iii) dedicate or transfer all or any part of the Common Area, subject to such approval requirements as may be set forth in this Declaration;
 - (iv) permit use of any recreational facilities situated on the Common Area by persons other than Owners, their families, lessees, and guests, which use may be conditioned upon payment of use or membership fees established by the Board, and to designate other areas and facilities within the Area of Common Responsibility as open for the public's use and enjoyment; and
 - (v) mortgage, pledge, or hypothecate any or all of its real or personal property as security for money borrowed or debts incurred;
- (d) The rights of certain Owners to the exclusive use of those portions of the Common Area designated "Limited Common Areas," as described in Article XII; and
- (e) The rights of owners and other residents of homes in the Bentwater community to access and use Common Area recreational facilities in accordance with the terms of a reciprocal use agreement between the Association and the Bentwater Association, as provided for in Section 7.12.

Any Owner may extend his or her right of use and enjoyment to the members of his or her family, lessees, and social invitees, as applicable, subject to reasonable regulation by the Board. An Owner who leases his or her Unit in its entirety shall be deemed to have assigned all such rights to the lessee of such Unit for the period of the lease.

11.2. Easements of Encroachment.

Declarant grants reciprocal appurtenant easements of encroachment, and for maintenance and use of any permitted encroachment, between each Unit and any adjacent Common Area due to the unintentional placement or settling or shifting of the improvements constructed, reconstructed, or altered thereon (in accordance with the terms of these restrictions) to a distance of not more than three feet, as measured from any point on the common boundary along a line perpendicular to such boundary.

However, in no event shall an easement for encroachment exist if such encroachment occurred due to willful and knowing conduct on the part of, or with the knowledge and consent of, the Person claiming the benefit of such easement.

11.3. Easements for Utilities and Other Infrastructure.

(a) Installation and Maintenance. Declarant reserves for itself, during the Development and Sale Period, and grants to the Association and all utility providers, easements (which shall be perpetual unless specifically limited, and non-exclusive unless made exclusive) throughout Seven Hills (but not through a structure) to the extent reasonably necessary for the purpose of:

(i) installing utilities and infrastructure, including cable and other systems for sending and receiving data and/or other electronic signals, other Community Systems, security and similar systems, and drainage systems to serve Seven Hills;

(ii) installing walkways, pathways and trails, street lights, and signage on property which Declarant or the Association owns or within public rights-of-way or easements reserved for such purpose on a Plat;

(iii) inspecting, maintaining, repairing, and replacing the utilities, infrastructure, and other improvements described in Sections 11.3(a)(i) and (ii); and

(iv) access to read utility meters.

Notwithstanding the above, Declarant reserves the right to deny access to any utility or service provider, to the extent permitted by law, or to condition such access on the payment of reasonable consideration.

(b) Specific Easements. Declarant also reserves for itself the non-exclusive right and power to grant and record such specific easements as may be necessary, in its sole discretion, in connection with the orderly development of any property described in Exhibits "A" and "B." Declarant shall give advance written notice to the Owner of any property to be burdened by any easement granted pursuant to this subsection (b). The location of the easement shall be subject to the written approval of the burdened property's Owner, which approval shall not unreasonably be withheld, delayed, or conditioned.

(c) Minimal Interference. All work associated with the exercise of the easements described in subsections (a) and (b) of this Section shall be performed in such a manner as to minimize interference with the use and enjoyment of the property burdened by the easement. Upon completion of the work, the Person exercising the easement shall restore the property, to the extent reasonably possible, to its condition prior to the commencement of the work. The exercise of these easements shall not extend to permitting entry into the structures on any Unit, nor shall it unreasonably interfere with the use of any

Unit and, except in an emergency, entry onto any Unit shall be made only after reasonable notice to the Owner or occupant.

11.4. Easements to Serve Additional Property.

Declarant hereby reserves for itself and its duly authorized agents, successors, and assigns, an easement over the Common Area for the purposes of enjoyment, use, access, and development of the property described in Exhibit "B," regardless of whether such property is made subject to this Declaration. This easement includes, but is not limited to, a right of ingress and egress over the Common Area for construction of roads and for connecting and installing utilities on such property.

Declarant agrees that it and its successors or assigns shall be responsible for any damage caused to the Common Area as a result of their respective actions in connection with development of such property. Declarant further agrees that if the easement is exercised for permanent access to such property and such property or any portion thereof benefiting from such easement is not made subject to this Declaration, Declarant or its successor or assign shall enter into a reasonable agreement with the Association to share the cost of any maintenance which the Association provides to or along any roadway providing access to such property.

11.5. Easements for Maintenance, Emergency, and Enforcement.

Declarant grants to the Association easements over Seven Hills as necessary to enable the Association to fulfill its maintenance responsibilities under this Declaration. The Association shall also have the right, but not the obligation, to enter upon any Unit for emergency, security, and safety reasons, to perform maintenance and to inspect for the purpose of ensuring compliance with and enforcing the Governing Documents. Such right may be exercised by any member of the Board, by the Board's duly authorized agents and assignees, and by emergency personnel in the performance of their duties. Except in an emergency situation, entry shall only be during reasonable hours and after notice to the Owner.

11.6. Easements for Lake and Pond Maintenance and Flood Water.

Declarant reserves for itself, the Association, and their successors, assigns, and designees, the nonexclusive right and easement, but not the obligation, to enter upon bodies of water and wetlands located within Seven Hills to (a) install, operate, maintain, and replace pumps to supply irrigation water to the Area of Common Responsibility; (b) construct, maintain, and repair structures and equipment used for retaining water; and (c) maintain such areas in a manner consistent with the Community-Wide Standard. Declarant, the Association, and their successors, assigns, and designees shall have an access easement over and across any of Seven Hills abutting or containing bodies of water or wetlands to the extent reasonably necessary to exercise their rights under this Section.

Declarant further reserves for itself, the Association, and their successors, assigns, and designees, a perpetual, nonexclusive right and easement of access and encroachment over the Common

Area and Units (but not the dwellings thereon) adjacent to or within 100 feet of bodies of water and wetlands within Seven Hills, in order to (a) temporarily flood and back water upon and maintain water over such portions of Seven Hills; (b) alter in any manner and generally maintain the bodies of water and wetlands within the Area of Common Responsibility; and (c) maintain and landscape the slopes and banks pertaining to such areas. All Persons entitled to exercise these easements shall use reasonable care in and repair any damage resulting from the intentional exercise of such easements. Nothing herein shall be construed to make Declarant or any other Person liable for damage resulting from flooding due to heavy rainfall or other natural occurrences.

This Section shall *not* create an obligation of Declarant or the Association to maintain any portion of a Unit.

11.7. Trail Easement.

A system of pedestrian paths and trails crossing both Common Area and Units has been or shall be constructed within Seven Hills. Each portion of any Unit upon which a portion of the trail system is located, as shown on a recorded plat, is subject to a perpetual, non-exclusive easement of access and enjoyment in favor of Owners and other permitted users of the trail system, and an easement of access and maintenance in favor of the Association and its designees. The Owner of a Unit burdened by this easement shall not erect any fence, landscaping, or other obstruction which would interfere with the exercise of this easement.

11.8. Sign and Landscape Easements.

Certain Units within Seven Hills may contain a "Sign and Landscape Easement" or similarly denominated easement area within which community signage, landscaping, or other entry features are permitted ("Easement Area(s)"). Each Easement Area shall be shown on a recorded plat. Declarant grants to the Association a perpetual, non-exclusive easement on, over, under, through, and across such Easement Areas for the maintenance, repair, and replacement of any community landscaping, signage, and entry features installed thereon by Declarant or the Association. The Association shall maintain the Easement Area as a Common Expense or as a Neighborhood Expense, if applicable, in accordance with the Community-Wide Standard.

All work associated with the exercise of the easement rights described above shall be performed in such manner as to minimize interference with the use and enjoyment of those portions of a Unit lying outside of the Easement Area. The Association shall use reasonable efforts to confine all work associated with such easement rights to the Easement Areas; provided, to the extent reasonably necessary to perform such work, access over other portions of a Unit shall be permitted. Upon completion of any work, the Association shall restore any disturbed portion of the Unit, to the extent reasonably possible, to its condition prior to the commencement of the work.

No Person shall place or construct any improvement or thing within the Easement Areas without the Association's prior written consent, which consent may be withheld in the Association's discretion,

nor shall any Person take any action which otherwise interferes with the Association's exercise of its easement rights under this Section.

Article XII Limited Common Areas

12.1. Purpose.

Certain portions of the Common Area may be designated as Limited Common Area and reserved for the exclusive use or primary benefit of particular Owners and occupants of Units or all Owners and occupants of Units within a particular Neighborhood or Neighborhoods. By way of illustration and not limitation, Limited Common Areas may include entry features, recreational facilities, landscaped medians, cul-de-sacs, lakes, and other portions of the Common Area within a particular Neighborhood or Neighborhoods. All costs associated with maintenance, repair, replacement, and insurance of a Limited Common Area shall be allocated among the Owners to which the Limited Common Areas are assigned as a Neighborhood Assessment or a Specific Assessment, as applicable.

12.2. Designation.

Initially, Limited Common Area shall be designated as such in the deed conveying such area to the Association, on the subdivision plat encompassing such Common Area, or in a Supplemental Declaration. During the Development and Sale Period, Declarant may assign the same Limited Common Area to additional Units and/or Neighborhoods.

In addition, the Board may assign or reassign Limited Common Area upon the vote of Voting Members representing a majority of the total Class "A" votes in the Association, including a majority of the Class "A" votes within the Neighborhood(s) affected by the proposed assignment or reassignment. During the Development and Sale Period, any such assignment or reassignment shall also require Declarant's written consent.

12.3. Use by Others.

Upon approval of a majority of Owners of Units within the Neighborhood to which any Limited Common Area is assigned, the Association may permit Owners of Units in other Neighborhoods to use all or a portion of such Limited Common Area upon payment of reasonable user fees, which fees shall be used to offset the Neighborhood Expenses attributable to such Limited Common Area.

Article XIII Party Walls and Other Shared Structures

13.1. General Rules of Law to Apply.

Each wall, fence, driveway, or similar structure built as a part of the original construction on the Units which serves and/or separates any two adjoining Units shall constitute a party structure. To the extent not inconsistent with the provisions of this Section, the general rules of law regarding party walls

and liability for property damage due to negligence or willful acts or omissions shall apply thereto. Any dispute concerning a party structure shall be handled in accordance with the provisions of Article XIV.

13.2. Maintenance; Damage and Destruction.

Unless otherwise specifically provided in additional covenants relating to such Units, the cost of necessary or appropriate party structure repairs and maintenance shall be shared equally by the Owners sharing the party structure.

If fire or other casualty damages or destroys a party structure, then to the extent that such damage is not covered by insurance and repaired out of the proceeds of insurance, any Owner whose Unit borders the structure may restore it and seek contribution in equal proportions from the other Owners sharing the structure. However, such contribution will not prejudice the right to call for a larger contribution from the other users under any rule of law regarding liability for negligent or willful acts or omissions.

Any Owner's right to contribution from any other Owner under this Section shall be appurtenant to the land and shall pass to such Owner's successors-in-title.

PART SIX: RELATIONSHIPS WITHIN AND OUTSIDE THE COMMUNITY

The growth and success of Seven Hills as a community in which people enjoy living, working, and playing requires good faith efforts to resolve disputes amicably, attention to and understanding of relationships within the community and its neighbors, and protection of the rights of others who have an interest in the community.

Article XIV Dispute Resolution and Limitation on Litigation

14.1. Agreement to Encourage Resolution of Disputes Without Litigation.

(a) Declarant, the Association and its officers, directors, and committee members, all Persons subject to this Declaration, and any Person not otherwise subject to this Declaration who agrees to submit to this Article (collectively, "Bound Parties"), agree that it is in the best interest of all concerned to encourage the amicable resolution of disputes within Seven Hills without the emotional and financial costs of litigation. Accordingly, each Bound Party agrees not to file suit in any court with respect to a Claim described in subsection (b), unless and until it has first submitted such Claim to the alternative dispute resolution procedures set forth in Section 14.2 in a good faith effort to resolve such Claim.

(b) As used in this Article, the term "Claim" shall refer to any claim, grievance, or dispute arising out of or relating to:

- (i) the interpretation, application, or enforcement of the Governing Documents;

(ii) the rights, obligations, and duties of any Bound Party under the Governing Documents; or

(iii) the design or construction of improvements within Seven Hills, other than matters of aesthetic judgment under Article IV, which shall not be subject to review;

(c) Notwithstanding subsection (b), the following shall not be considered "Claims" unless all parties to the matter otherwise agree to submit the matter to the procedures set forth in Section 14.2:

(i) any suit by the Association to collect assessments or other amounts due from any Owner;

(ii) any suit by the Association to obtain a temporary restraining order (or emergency equitable relief) and such ancillary relief as the court may deem necessary in order to maintain the status quo and preserve the Association's ability to enforce the provisions of Part Two of this Declaration (relating to creation and maintenance of community standards);

(iii) any suit between Owners, which does not include Declarant or the Association as a party, if such suit asserts a Claim which would constitute a cause of action independent of the Governing Documents;

(iv) any dispute that affects the material rights or obligations of a party who is not a Bound Party and has not agreed to submit to the procedures set forth in Section 14.2; and

(v) any suit as to which any applicable statute of limitations would expire within 180 days of giving the Notice required by Section 14.2(a), unless the party or parties against whom the Claim is made agree to toll the statute of limitations as to such Claim for such period as may reasonably be necessary to comply with this Article.

14.2. Dispute Resolution Procedures.

(a) Notice. The Bound Party asserting a Claim ("Claimant") against another Bound Party ("Respondent") shall give written notice to each Respondent stating plainly and concisely:

(i) the nature of the Claim, including the Persons involved and the Respondent's role in the Claim;

(ii) the legal basis of the Claim (*i.e.*, the specific authority out of which the Claim arises);

(iii) the Claimant's proposed resolution or remedy; and

(iv) the Claimant's desire to meet with the Respondent to discuss in good faith ways to resolve the Claim.

(b) Negotiation. The Claimant and Respondent shall make every reasonable effort to meet in person and confer for the purpose of resolving the Claim by good faith negotiation. The Board may appoint a representative to assist the parties in negotiating a resolution of the Claim if a Claimant requests the Board to do so in writing and includes a copy of the Notice.

(c) Mediation. If the parties have not resolved the Claim through negotiation within 30 days of the date of the notice described in Section 14.2(a) (or within such other period as the parties may agree upon), the Claimant shall have 30 additional days to submit the Claim to mediation with an entity the Board designates (if the Association is not a party to the Claim) or to an independent agency providing dispute resolution services in the Atlanta area.

If the Claimant does not submit the Claim to mediation within such time, or does not appear for the mediation when scheduled, the Claimant shall be deemed to have waived the Claim, and the Respondent shall be relieved of any and all liability to the Claimant (but not third parties) on account of such Claim.

If the Parties do not settle the Claim within 30 days after submission of the matter to mediation, or within such time as determined reasonable by the mediator, the mediator shall issue a notice of termination of the mediation proceedings indicating that the parties are at an impasse and the date that mediation was terminated. The Claimant shall thereafter be entitled to file suit or to initiate administrative proceedings on the Claim, as appropriate.

Each Party shall bear its own costs of the mediation, including attorneys fees, and each Party shall share equally all fees charged by the mediator.

(d) Settlement. Any settlement of the Claim through negotiation or mediation shall be documented in writing and signed by the parties. If any party thereafter fails to abide by the terms of such agreement, then any other party may file suit or initiate administrative proceedings to enforce such agreement without the need to again comply with the procedures set forth in this Section. In such event, the party taking action to enforce the agreement or award shall, upon prevailing, be entitled to recover from the non-complying party (or if more than one non-complying party, from all such parties in equal proportions) all costs incurred in enforcing such agreement or award, including, without limitation, attorneys fees and court costs.

14.3. Initiation of Litigation by Association.

In addition to compliance with the foregoing alternative dispute resolution procedures, if applicable, the Association shall not initiate any judicial or administrative proceeding unless Voting Members entitled to cast 75% of the total Class "A" votes in the Association first approve, except that no such approval shall be required for actions or proceedings:

- (a) initiated during the Class "B" Control Period;
- (b) initiated to enforce the provisions of this Declaration, including collection of assessments and foreclosure of liens;
- (c) initiated to challenge *ad valorem* taxation or condemnation proceedings;
- (d) initiated against any contractor, vendor, or supplier of goods or services arising out of a contract for services or supplies; or
- (e) to defend claims filed against the Association or to assert counterclaims in proceedings instituted against it.

This Section shall not be amended unless such amendment is approved by the same percentage of votes necessary to institute proceedings.

Article XV Disclosures and Disclaimers

15.1. Builder Performance.

Neither Declarant nor any Affiliate of Declarant is a co-venturer, partner, agent, employer, stockholder, or affiliate of any kind of or with any Builder, nor is any Builder an agent of Declarant or an Affiliate of Declarant. Therefore, Declarant and Affiliate of Declarant shall not be responsible for, or guarantors of, performance by any Builder of all or any of its obligations to any Owner pursuant to any contracts for the sale of a Unit or the construction of a structure on a Unit or otherwise. Neither Declarant nor any Affiliate of Declarant has made, or have made, any warranty or representation with respect to performance by any Builder under any contract or otherwise.

Each Owner acknowledges and agrees that neither Declarant nor any Affiliate of Declarant share any liability or obligation to Owner, related to or arising out of any contract with a Builder or otherwise, by reason of any failure by a Builder fully and adequately to perform its obligations to Owner. Each Owner further acknowledges and agrees that he or she has not, in entering into any contract with a Builder, relied upon any representations, oral or written, of Declarant or any Affiliate, agent, or employee of Declarant.

15.2. Excavation and Other Construction Activities.

All Owners are hereby placed on notice that Declarant, any Affiliate of Declarant, and/or its agents, contractors, subcontractors, licensees and other designees, successors, or assignees, may be, from time to time, conducting excavation, construction, and other activities within or in proximity to Seven Hills. By the acceptance of a deed or other conveyance or Mortgage, leasehold, license, easement, or other interest, and by using any portion of Seven

Hills, each Owner automatically acknowledges, stipulates, and agrees (a) that none of the aforesaid activities shall be deemed nuisances or noxious or offensive activities, under any applicable covenants or at law generally; (b) not to enter upon, or allow their children or other Persons under their control or direction to enter upon (regardless of whether such entry is trespass or otherwise) any property within or in proximity to any portion of Seven Hills where such activities are being conducted (even if not being actively conducted at the time of entry, such as at night or otherwise during non-working hours); (c) that Declarant, any Affiliate of Declarant, and all of their agents, contractors, subcontractors, licensees, and other designees, successors, and assignees, shall not be liable but, rather, shall be held harmless, for any and all losses, damages (compensatory, consequential, punitive, or otherwise), injuries, or deaths arising from or relating to the aforesaid activities; and (d) that any purchase or use of any portion of Seven Hills has been and will be made with full knowledge of the foregoing.

15.3. Health, Safety, and Welfare.

No provision of the Declaration, the By-Laws, or the Articles of Incorporation shall be interpreted as a representation or duty of Declarant, any Affiliate of Declarant, or the Association to provide for, protect, or further the Owner's health, safety, and welfare.

15.4. Safety and Security.

Each Owner and occupant of a Unit, and their respective guests and invitees, shall be responsible for their own personal safety and the security of their property in Seven Hills. The Association may, but shall not be obligated to, maintain or support certain activities within Seven Hills designed to enhance the level of safety or security which each Person provides for himself and his property. The Association, Declarant, or any Affiliate of Declarant shall not in any way be considered insurers or guarantors of safety or security within Seven Hills, and such entities shall not be held liable for any loss or damage by reason of failure to provide adequate security or ineffectiveness of security measures undertaken.

No representation or warranty is made that any systems or measures, including any mechanism or system for limiting access to any portion of Seven Hills, cannot be compromised or circumvented, or that any such systems or security measures undertaken will in all cases prevent loss or provide the detection or protection for which the system is designed or intended. Each Owner acknowledges, understands, and shall be responsible for informing its tenants and all occupants of its Unit that the Association, its Board and committees, and Declarant and Affiliates of Declarant are not insurers or guarantors of security or safety and that each Person within Seven Hills assumes all risks of personal injury and loss or damage to property, including Units and the contents of Units, resulting from acts of third parties.

15.5. Limitation of Liability - Use of Recreational Facilities.

The use and enjoyment of any recreational facility involves risk of personal injury or damage to property. Each Owner acknowledges and understands, and covenants to inform its tenants and all occupants of its Unit, that the Association, its Board and committees, and Declarant are not insurers of personal safety and that all such Persons assume all risks of personal injury and loss or damage to property resulting from the use and enjoyment of any recreational facility the Association operates or maintains. Each Owner agrees that the Association, the Board and any committees, and Declarant or any Affiliate of Declarant shall not be liable to any Person claiming any loss or damage, including, without limitation, indirect, special, or consequential loss or damage arising from personal injury, destruction of property, trespass, loss of enjoyment, or any other wrong or entitlement to remedy based upon, due to, arising from, or otherwise relating to the use of any recreational facility, including, without limitation, any claim arising in whole or in part from the negligence of the Association, Declarant, or any Affiliate of Declarant.

Declarant or the Association may, but shall not be obligated to, implement or maintain certain safety measures designed to decrease the chance of injury resulting from use of any recreational facility; provided, neither the Association nor Declarant shall in any way be considered insurers or guarantors of the safety of any Person using such facilities. In addition, the Association, the Declarant, or any Affiliate of Declarant shall not be held liable for any loss or damage by reason of failure to provide adequate safety measures or ineffectiveness of safety measures undertaken. No representation or warranty is made that any safety measures undertaken will be undertaken, or if undertaken, will be effective, or that any such measures will in all cases prevent any personal injury or loss or damage to property that the measure is designed or intended to prevent.

15.6. Wetlands, Creeks, and Streams – Use and Maintenance.

A number of natural creeks and streams run over and through Units and Common Areas within Seven Hills. Such creeks and streams are not intended or provided for recreational use. Owners acknowledge that the existence of a creek or stream on a Unit may constitute an attractive nuisance. Each Owner and occupant of a Unit, and each user of the Common Area, is responsible for their own personal safety with respect to the use and enjoyment of such creeks and streams and all such Persons assume the risk of personal injury relating to such use. The Association, Declarant, or any Affiliate of Declarant shall not in any way be a guardian or insurer of safety with respect to the presence or use of such creeks and streams, and the Association, Declarant, or any Affiliate of Declarant shall not be held liable for personal injury, loss, or other damage to any Person relating to the presence of or use of such creeks and streams.

Certain Units may be affected by wetlands, lakes, streams, and associated buffers, as shown on the recorded plat applicable to a Unit, which wetlands and stream buffers are governed by applicable

regulations. Owners of such Units shall be solely responsible for the maintenance of the shoreline of any creek within the boundaries of his or her Unit, which, to the extent required, shall be performed in accordance with all applicable environmental regulations and permits, together with any other regulations pertaining to the creek, including but not limited to regulations and permits relating to endangered species.

15.7. Changes in the Master Plan.

Each Owner acknowledges that Seven Hills is a master planned community, the development of which is likely to extend over many years, and agrees that the Association shall not engage in, or use Association funds to support, any protest, challenge, or other form of objection to (a) changes in uses or density of property within Seven Hills; or (b) changes in the Master Plan as it relates to property outside Seven Hills, without Declarant's prior written consent.

Each Owner acknowledges and agrees that the present plans and themes for Seven Hills' development may change and that he or she has not relied upon any representation, warranty, or assurance made by any Person (a) that any Units, or other property or facilities will be added, modified, or eliminated within Seven Hills; or (b) as to the financial or other impact of such action on any Owner. Each Owner acknowledges and agrees that he or she is not entitled to rely upon and has not received or relied upon any representations, warranties, or guarantees whatsoever as to the number, types, sizes, prices, or designs of any residential or non-residential structures or improvements built or to be built within or adjacent to Seven Hills.

15.8. Notice and Disclaimer as to Community Systems.

Each Owner acknowledges that interruptions in cable television and other Community Systems and services may occur from time to time. Declarant, Declarant's Affiliates, or any of their respective successors or assigns shall not be liable for, and no Community System or service user shall be entitled to refund, rebate, discount, or offset in applicable fees for, any interruption in Community Systems and services, regardless of whether or not such interruption is caused by reasons within the service provider's control.

15.9. Trails and Other Areas Open to the Public.

Pedestrian trails and paths and other areas within Seven Hills may be open for public use and enjoyment, either by designation by Declarant or the Association or in accordance with applicable permits or approvals. Such areas may include, without limitation: greenbelts, parks, other areas conducive to gathering and interaction, roads, sidewalks, and medians. During the Development and Sale Period, Declarant may designate such areas as open to the public. Thereafter, the Board is authorized to make such designations.

15.10. View Impairment.

Neither Declarant nor the Association guarantee or represent that any view over and across the Units or any open space or other area within or adjacent to Seven Hills will be preserved without impairment. Declarant, Declarant's Affiliates, and the Association shall (a) have no obligation to relocate, prune, or thin trees or other landscaping except to maintain the Community-Wide Standard or as otherwise required under a separate covenant or agreement; and (b) have the right to add trees and other landscaping from time to time, subject to applicable law. There shall be no express or implied easements for view purposes or for the passage of light and air.

15.11. Irrigation Using Treated Effluent.

Each Owner and occupant of a Unit, and their respective guests and invitees, are hereby advised that the water used to irrigate property within or adjacent to Seven Hills, including the Area of Common Responsibility and other landscaped areas adjacent or in close proximity to Units, may be treated effluent. Treated effluent is considered safe for irrigation, and although it may be suitable for human or animal consumption, it should not be used for drinking, bathing, swimming, or any purpose other than irrigation.

15.12. Adjacent Landfill.

Certain Units and portions of the Common Area are adjacent to or near an inactive landfill which is located outside of Seven Hills and which formerly was used for the storage of trash or other waste materials. Each Owner agrees that Declarant, any Builder, or the Association has no control over the property which contained the landfill and shall not be liable to any Owner claiming any loss or damage based upon, due to, or arising from the proximity of his or her Unit to the landfill site.

15.13. Adjacent Commercial Properties.

Units within Seven Hills may be in the vicinity of property reserved for commercial or other non-residential uses and which is open to the general public, including, without limitation, retail uses. Each Owner expressly assumes the risk of noise, lighting, traffic (including non-residents of Seven Hills), reduction in privacy, and other foreseeable impacts resulting from such permitted commercial and other non-residential uses.

Article XVI Mortgage Provisions

The following provisions are for the benefit of holders, insurers, and guarantors of first Mortgages on Units in Seven Hills. The provisions of this Article apply to both this Declaration and to the By-Laws, notwithstanding any other provisions contained therein.

16.1. Notices of Action.

An institutional holder, insurer, or guarantor of a first Mortgage which provides a written request to the Association (such request to state the name and address of such holder, insurer, or guarantor and the street address of the Unit to which its Mortgage relates, thereby becoming an "Eligible Holder") will be entitled to timely written notice of:

(a) any condemnation loss or any casualty loss which affects a material portion of Seven Hills or which affects any Unit on which there is a first Mortgage held, insured, or guaranteed by such Eligible Holder;

(b) any delinquency in the payment of assessments or charges owed by a Unit subject to the Mortgage of such Eligible Holder, where such delinquency has continued for a period of 60 days, or any other violation of the Governing Documents relating to such Unit or the Owner or occupant of the Unit which is not cured within 60 days;

(c) any lapse, cancellation, or material modification of any insurance policy the Association maintains; or

(d) any proposed action which would require the consent of a specified percentage of Eligible Holders.

16.2. No Priority.

No provision of this Declaration or the By-Laws gives or shall be construed as giving any Owner or other party priority over any rights of the first Mortgagee of any Unit in the case of distribution to such Owner of insurance proceeds or condemnation awards for losses to or a taking of the Common Area.

16.3. Notice to Association.

Upon request, each Owner shall be obligated to furnish to the Association the name and address of the holder of any Mortgage encumbering such Owner's Unit.

16.4. Failure of Mortgagee to Respond.

Any Mortgagee who receives a written request from the Board to respond to or consent to any action shall be deemed to have approved such action if the Association does not receive a written response from the Mortgagee within 30 days of the date of the Association's request, provided such request is delivered to the Mortgagee by certified or registered mail, return receipt requested.

PART SEVEN: CHANGES IN THE COMMUNITY

Communities such as Seven Hills are dynamic and constantly evolving as circumstances, technology, needs and desires, and laws change; as the residents age and change over time; and as the surrounding community changes. Seven Hills and its Governing Documents must be able to adapt to these changes while protecting the things that make Seven Hills unique.

Article XVII Changes in Ownership of Units

Any Owner desiring to sell or otherwise transfer title to his or her Unit shall give the Board at least seven days' prior written notice of the name and address of the purchaser or transferee, the date of such transfer of title, and such other information as the Board may reasonably require. The transferor shall continue to be jointly and severally responsible with the transferee for all obligations of the Owner of the Unit, including assessment obligations, until the date upon which such notice is received by the Board, notwithstanding the transfer of title.

Article XVIII Changes in Common Area

18.1. Condemnation.

If any part of the Common Area shall be taken (or conveyed in lieu of and under threat of condemnation by the Board acting on the written direction of Voting Members representing at least 67% of the total Class "A" votes in the Association and of Declarant, during the Development and Sale Period, by any authority having the power of condemnation or eminent domain, each Owner shall be entitled to written notice of such taking or conveyance prior to disbursement of any condemnation award or proceeds from such conveyance. Such award or proceeds shall be payable to the Association to be disbursed as follows:

(a) If the taking or conveyance involves a portion of the Common Area on which improvements have been constructed, the Association shall restore or replace such improvements on the remaining land included in the Common Area to the extent available, unless within 60 days after such taking Declarant, during the Development and Sale Period, and Voting Members representing at least 67% of the total Class "A" vote of the Association shall otherwise agree. Any such construction shall be in accordance with plans approved by the Board. The provisions of Section 7.3(c) regarding funds for restoring improvements shall apply.

(b) If the taking or conveyance does not involve any improvements on the Common Area, or if a decision is made not to repair or restore, or if net funds remain after any such restoration or replacement is complete, then such award or net funds shall be disbursed to the Association and used for such purposes as the Board shall determine.

18.2. Partition.

Except as permitted in this Declaration, the Common Area shall remain undivided, and no Person shall bring any action for partition of any portion of the Common Area without the written consent of all Owners and Mortgagees. This Section shall not prohibit the Board from acquiring and disposing of tangible personal property or from acquiring and disposing of real property which may or may not be subject to this Declaration.

18.3. Transfer or Dedication of Common Area.

During the Development and Sale Period, (a) Declarant may dedicate roadways within Seven Hills to Paulding County or the State of Georgia, as applicable, and (b) the Association, upon Declarant's request and without a vote of the membership, shall dedicate roadways within Seven Hills to Paulding County or the State of Georgia, as applicable. In addition, the Association may dedicate portions of the Common Area to Paulding, the State of Georgia, or to any other local, state, or federal governmental or quasi-governmental entity; may subject Common Area to a security interest; or may transfer or convey Common Area as follows:

(a) if Common Area other than Limited Common Area, upon the approval of Voting Members representing at least a majority of the total votes in the Association, and the approval of Declarant during the Development and Sale Period; or

(b) if Limited Common Area, upon written approval of Owners of at least 75% of the Units to which such Limited Common Area is assigned.

The proceeds from the sale or mortgaging of Common Area other than Limited Common Area shall be an asset of the Association to be used as the Board determines. The proceeds from the sale or mortgaging of Limited Common Area shall be disbursed in the manner approved by the Owners of Units to which the Limited Common Area is assigned at the time such sale or mortgage is authorized.

Article XIX Amendment of Declaration

19.1. By Declarant.

In addition to specific amendment rights granted elsewhere in this Declaration, until termination of the Class "B" Control Period, Declarant unilaterally may amend this Declaration for any purpose.

Thereafter, Declarant may unilaterally amend this Declaration if such amendment is necessary (a) to bring any provision into compliance with any applicable governmental statute, rule, regulation, or judicial determination; (b) to enable any reputable title insurance company to issue title insurance coverage on the Units; (c) to enable any institutional or governmental lender, purchaser, insurer, or guarantor of mortgage loans, including, for example, the Federal National Mortgage Association or Federal Home Loan Mortgage Corporation, to make, purchase, insure, or guarantee mortgage loans on

the Units; or (d) to satisfy the requirements of any local, state, or federal governmental agency. However, any such amendment under this paragraph shall not adversely affect the title to any Unit unless the Owner shall consent in writing.

In addition, after termination of the Class "B" Control Period, and until the Development and Sale Period expires, Declarant may unilaterally amend this Declaration for any other purpose, provided the amendment has no materially adverse effect upon the rights of more than 5% of the Owners.

19.2. By Members.

Except as otherwise specifically provided above and elsewhere in this Declaration, this Declaration may be amended only by the affirmative vote or written consent, or any combination thereof, of Voting Members representing at least 67% of the total Class "A" votes in the Association. In addition, Declarant's consent is required for any amendment during the Development and Sale Period.

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.

19.3. Validity and Effective Date.

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

If an Owner consents to any amendment to this Declaration or the By-Laws, it will be conclusively presumed that such Owner has the authority to consent, and no contrary provision in any Mortgage or contract between the Owner and a third party will affect the validity of such amendment.

Any amendment shall become effective upon recording, unless a later effective date is specified in the amendment. 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 this Declaration.

19.4. Exhibits:

Exhibits "A" and "B" attached to this Declaration are incorporated by this reference, and amendment of such exhibits shall be governed by this Article. Exhibit "C" is incorporated by reference and may be amended pursuant to Section 19.1 and 19.2 or as provided in Article III. Exhibit "D" is attached for informational purposes and may be amended as provided therein.

[SIGNATURES SET FORTH ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the undersigned Declarant has executed this Declaration the date and year first written above.

DECLARANT:

TEMCO ASSOCIATES, a joint venture comprised of Cousins Real Estate Corporation and Temple-Inland Realty, Inc.

By: Cousins Real Estate Corporation, a Georgia corporation

By: _____

Name: Bruce E. Smith

Its: President, Residential Division

Attest: _____

Name: _____

Its: _____

Signed, sealed and delivered this _____ day
of _____, 20____,
in the presence of:

WITNESS

NOTARY PUBLIC

4916/CADocs/CCRS/Seven Hills

EXHIBIT "A"

Land Initially Submitted

Unit 1-A:

ALL OF THOSE CERTAIN TRACTS OR PARCELS OF LAND lying and being in Land Lots 549, 550, 603, and 604, 3rd District, 3rd Section, Paulding County, Georgia, containing 21.13 acres, collectively, and including, without limitation, Lots 1-15 (inclusive) and Lots 182-192 (inclusive), as more particularly described in that certain Final Plat for Seven Hills Unit 1-A, prepared by Gaskins Surveying & Engineering Company, dated December 4, 2003, and recorded December 11, 2003 in Plat Book 41, Page 97 in the Office of the Clerk of Superior Court of Paulding County, Georgia, as may be amended.

EXHIBIT "B"

Land Subject to Annexation

Any and all real property lying and being within a five-mile radius of any boundary of any of the land described in Exhibit "A."

EXHIBIT "C"

Initial Use Restrictions

The purpose of Architectural Guidelines and Use Restrictions is not to anticipate all acceptable or unacceptable behavior in advance and eliminate all improvements or activities which fall outside of "the norm." In fact, it is expressly intended that the Reviewer under Article IV, and the Board, as appropriate, have discretion to approve or disapprove items, or to enforce or not enforce technical violations of the Governing Documents, based upon aesthetic or other considerations consistent with the established guidelines. As such, while something may be approved or permitted for one Unit under one set of circumstances, the same thing may be disapproved for another Unit under a different set of circumstances. The exercise of discretion in approving or enforcement shall not be construed as a waiver of approval or enforcement rights, nor shall it estop the Board from taking enforcement action in any appropriate circumstances.

Subject to the above, the following restrictions shall apply to all of Seven Hills until such time as they are amended, modified, repealed, or limited pursuant to Article III or Section 19.1 of the Declaration.

1. General. Seven Hills shall be used only for residential, recreational, and related purposes (which may include, without limitation, an information center and/or a sales office for any real estate broker Declarant, its Affiliates, or their designees retain to assist in the sale of property within Seven Hills; offices for any property manager the Association retains or business offices for Declarant, its Affiliates, and their designees; or the Association) consistent with this Declaration and any Supplemental Declaration.

2. Restricted Activities. The following activities are prohibited within Seven Hills unless the Board expressly authorizes them, and, if authorized, shall be subject to such conditions as the Board may impose:

(a) parking any vehicles on public or private streets or thoroughfares or parking commercial vehicles (i.e., vehicles used for commercial purposes, including vehicles with commercial lettering or logos) or equipment, mobile homes, recreational vehicles, golf carts, boats and other watercraft, trailers, and stored or inoperable vehicles in places other than enclosed garages; provided, construction, service, and delivery vehicles shall be exempt from this provision during daylight hours for such period of time as is reasonably necessary to provide service or to make a delivery to a Unit or other portions of Seven Hills;

(b) raising, breeding, or keeping animals, livestock, or poultry of any kind, except that the Board shall permit a reasonable number of dogs, cats, or other usual and common household pets in a Unit. Pets shall be kept on a leash or otherwise confined in a manner the Board requires whenever outside the dwelling. Pets shall be registered, licensed, and inoculated as required by law. The keeping of pets within Seven Hills is subject to applicable Paulding County ordinances;

(c) activities which emit foul or obnoxious odors outside the Unit or create noise or other conditions which tend to disturb the peace or threaten the safety of the occupants of other Units;

(d) activities which violate local, state, or federal laws or regulations; provided, the Board shall be under no obligation to take enforcement action in the event of a violation;

(e) pursuit of hobbies or other activities which tend to cause an unclean, unhealthy, or untidy condition outside of enclosed structures on the Unit;

(f) noxious or offensive activities which in the Board's judgment tend to cause embarrassment, discomfort, annoyance, or nuisance to others;

(g) outside burning of trash, leaves, debris, or other materials, except during the normal course of constructing a dwelling on a Unit;

(h) use or discharge of any radio, loudspeaker, horn, whistle, bell, or other sound device so as to be an unreasonable annoyance to others, as determined in the Board's discretion, except alarm devices used exclusively for security purposes;

(i) use and discharge of firecrackers and other fireworks;

(j) dumping grass clippings, leaves or other debris, petroleum products, fertilizers, or other potentially hazardous or toxic substances in any drainage ditch, stream, pond, or lake, or elsewhere within Seven Hills, except that fertilizers may be applied to landscaping on Units, provided care is taken to minimize runoff, and Declarant and Builders may dump and bury rocks removed from a building site on such building site;

(k) accumulation of rubbish, trash, or garbage except between regular garbage pick-ups, and then only in approved containers; such containers shall be screened from view from outside the Unit except during regular pick-up periods;

(l) obstruction or rechanneling drainage flows after location and installation of drainage swales, storm sewers, or storm drains, except that Declarant and the Association shall have such right; provided, the exercise of such right shall not materially diminish the value of or unreasonably interfere with the use of any Unit without the Owner's consent;

(m) subdivision of a Unit into two or more Units or changing the boundary lines of any Unit after a subdivision plat including such Unit has been approved and recorded except that, during the Development and Sale Period, Declarant may subdivide or replat Units it owns, or it may permit the subdivision or replating of Units owned by its Affiliates, Builders, or any other Person, in its discretion;

(n) swimming, boating, use of personal watercraft or flotation devices, fishing, or other active use of lakes, ponds, streams, or other bodies of water within Seven Hills. Declarant, its successors and assigns, shall be permitted and shall have the exclusive right and easement to draw water from lakes, ponds, and streams within Seven Hills for purposes of irrigation and such other purposes as Declarant shall deem desirable. The Association shall not be responsible for any loss, damage, or injury to any person or property arising out of the authorized or unauthorized use of rivers, lakes, ponds, streams, or other bodies of water within or adjacent to Seven Hills;

(o) use of any Unit for operation of a timesharing, fraction-sharing, or similar program whereby the right to exclusive use of the Unit rotates among participants in the program on a fixed or floating time schedule over a period of years except that Declarant and its assigns may operate such a program;

(p) discharge of firearms; provided, the Board shall be under no obligation to take action to prevent or stop such discharge;

(q) on-site storage of gasoline, heating, or other fuels, except that a reasonable amount of fuel may be stored on each Unit for emergency purposes and operation of lawn mowers and similar tools or equipment, and the Association shall be permitted to store fuel for operation of maintenance vehicles, generators, and similar equipment. This provision shall not apply to any underground fuel tank authorized pursuant to Article IV;

(r) any business, trade, or similar activity, except that an Owner or occupant residing in a Unit may conduct business activities within the Unit so long as: (i) the existence or operation of the business activity is not apparent or detectable by sight, sound, or smell from outside the Unit; (ii) the business activity conforms to all zoning requirements for Seven Hills; (iii) the business activity does not involve door-to-door solicitation of residents of Seven Hills; (iv) the business activity does not, in the Board's judgment, generate a level of vehicular or pedestrian traffic or a number of vehicles being parked in Seven Hills which is noticeably greater than that which is typical of Units in which no business activity is being conducted; and (v) the business activity is consistent with the residential character of Seven Hills and does not constitute a nuisance, a hazardous or offensive use, or a threat to the security or safety of others, as the Board determines in its discretion.

The foregoing limitations shall not preclude occasional garage sales, moving sales, rummage sales, or similar activities, provided that such activities may not be held on any one Unit more than once in any three-month period and, when held, may not exceed three consecutive days in duration.

The terms "business" and "trade," as used in this provision, shall be construed to have their ordinary, generally accepted meanings and shall include, without limitation, any occupation, work, or activity undertaken on an ongoing basis which involves the provision of goods or services to persons other than the provider's family and for which the provider receives a fee, compensation, or other form of consideration, regardless of whether: (i) such activity is engaged in full or part-time, (ii) such activity is intended to or does generate a profit, or (iii) a license is required.

Leasing of up to two Units at the same time by the same Owner shall not be considered a business or trade within the meaning of this subsection; provided, the leasing of more than two Units at the same time (i) by a single Owner; (ii) by a group of Owners acting in concert or with a common ownership interest; or (iii) by a group of Owners who are affiliated with or otherwise under the control or direction of a single Person, shall be a prohibited business activity. This paragraph shall not apply to prohibit any activity that Declarant or a Builder approved by Declarant conducts with respect to the development and sale of Seven Hills or its use of any Units they own within Seven Hills or to the leasing of Units by an institutional lender following foreclosure on any Unit(s);

(s) capturing, trapping, or killing wildlife within Seven Hills, except in circumstances posing an imminent threat to the safety of persons using Seven Hills;

(t) activities which materially disturb or destroy the vegetation, wildlife, wetlands, or air quality within Seven Hills or which use excessive amounts of water or which result in unreasonable levels of sound or light pollution;

(u) conversion of any carport or garage to finished space for use as an apartment, an integral part of the Unit's living area, or for purposes other than parking vehicles and ancillary storage, without prior approval pursuant to Article IV. Garage doors shall be kept closed at all times except when entering, exiting, or otherwise actively using the garage;

(v) operation of motorized vehicles on pathways or trails the Association maintains, except that golf carts may be operated on cart paths intended for such purposes; and

(w) any construction, erection, placement, or modification of any thing, permanently or temporarily, on the outside portions of the Unit, whether such portion is improved or unimproved, except in strict compliance with the Architectural Guidelines and with approval pursuant to Article IV of the Declaration. This shall include, without limitation, signs, basketball hoops, swing sets, and similar sports and play equipment; garbage cans; woodpiles; and hedges, walls, animal pens, or fences of any kind.

3. Prohibited Conditions. The following shall be prohibited at Seven Hills:

(a) plants, animals, devices, or other things of any sort whose activities or existence in any way is noxious, dangerous, unsightly, unpleasant, or of a nature as may materially diminish or destroy the enjoyment of Seven Hills;

(b) structures, equipment, or other items on the exterior portions of a Unit which have become rusty, dilapidated, or otherwise fallen into disrepair;

(c) sprinkler or irrigation systems or wells of any type which draw upon water from lakes, creeks, streams, rivers, ponds, wetlands, canals, or other ground or surface waters within Seven Hills, except that Declarant and the Association shall have the right to draw water from such sources; and

(d) satellite dishes, antennas, and similar devices for the transmission of television, radio, satellite, or other signals of any kind, except that Declarant and the Association shall have the right, without obligation, to erect or install and maintain any such apparatus for the benefit of all or a portion of Seven Hills; and (i) antennas or satellite dishes designed to receive direct broadcast satellite service which are one meter or less in diameter; (ii) antennas or satellite dishes designed to receive video programming services via multi-point distribution services which are one meter or less in diameter or diagonal measurement; or (iii) antennas or satellite dishes designed to receive television broadcast signals ((i), (ii), and (iii), collectively, "Permitted Devices") shall be permitted, *provided that* any such Permitted Device is placed in the least conspicuous location on the Unit at which an acceptable quality signal can be received and is screened from view in a manner consistent with the Community-Wide Standard and the Architectural Guidelines.

4. Leasing of Units. "Leasing," for purposes of this Paragraph, is defined as regular, exclusive occupancy of a Unit by any person other than the Owner for which the Owner receives any consideration or benefit, including, but not limited to, a fee, service, gratuity, or emolument. All leases shall be in writing. The Board may require a minimum lease term, which requirements may vary from Neighborhood to Neighborhood. The Owner shall give the Board notice of any lease, together with such additional information as may the Board may require, within 10 days of execution of the lease. The Owner must make available to the lessee copies of the Governing Documents.

EXHIBIT "D"

By-Laws of Seven Hills Homeowners Association, Inc.

Prepared by and, upon recording, please return to:

David A. Herrigel, Esq.

HYATT & STUBBLEFIELD, P.C.

225 Peachtree Street, N.E.

1200 Peachtree Center South Tower

Atlanta, Georgia 30303

**DECLARATION OF COVENANTS, CONDITIONS, AND
RESTRICTIONS**

FOR

SEVEN HILLS

HYATT & STUBBLEFIELD, P.C.
Attorneys and Counselors
225 Peachtree Street, N.E.
1200 Peachtree Center South Tower
Atlanta, Georgia 30303

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BY-LAWS

OF

SEVEN HILLS HOMEOWNERS ASSOCIATION, INC.

Article I Name, Principal Office, and Definitions

1.1. Name.

The name of the corporation is Seven Hills Homeowners Association, Inc. (the "Association").

1.2. Principal Office.

The Association's principal office shall be located in Cobb or Paulding County, Georgia. The Association may have such other offices as the Board may determine or as the Association's affairs require.

1.3. Definitions.

The words used in these By-Laws shall be given their normal, commonly understood definitions. Capitalized terms shall have the same meaning as set forth in that certain recorded Declaration of Covenants, Conditions, and Restrictions for Seven Hills, as it may be amended and supplemented from time to time (the "Declaration"), unless the context indicates otherwise.

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.

2.2. Place of Meetings.

The Association shall hold meetings at the Association's principal office or at such other suitable place the Board may designate.

2.3. Association Meetings.

The Association shall hold its first meeting, whether a regular or special meeting, within one year after the Association's incorporation. Thereafter, the Association shall hold regular annual meetings, and the Board shall set annual meetings so as to occur within 90 days before or after the close of the Association's fiscal year. Meetings shall be of the Voting Members unless Georgia law requires otherwise or the Board specifies otherwise.

2.4. Special Meetings.

The President may call special meetings. In addition, it shall be the duty of the President or the Secretary to call a special meeting if so directed by Board resolution or upon a petition signed by Voting Members representing at least 20% of the total Class "A" votes of the Association.

2.5. Notice of Meetings.

The Association's Secretary shall cause written notice stating the place, day, and hour of any Association meeting to be given in any manner permitted by Georgia law. Notice may be mailed, or sent by personal delivery, or, if permitted, notice may be posted in a conspicuous, prominent place within Seven Hills, sent by facsimile, electronic mail, or other electronic communication device, or provided in such other manner which is reasonably calculated, as determined in the Board's discretion, to provide personal notice to the Voting Members. Notice shall be given at least 10 but less than 60 days before the date of the 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 a statute or these By-Laws require otherwise, the notice shall state the purpose or purposes for which the meeting is called. No business shall be transacted at a special meeting except as stated in the notice.

If posted, notice shall be deemed delivered when posted. If mailed, the notice of a meeting shall be deemed 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. If sent by facsimile, electronic mail, or such other electronic communication device, notice shall be deemed to be delivered when transmitted to the Voting Member at his or her address or number as it appears on the Association's records. Failure to receive actual notice of an Association meeting shall not affect the validity of any action taken at such meeting.

2.6. Waiver of Notice.

Waiver of notice of a meeting of the Voting Members shall be deemed the equivalent of proper notice. Any Voting Member may waive, in writing, notice of any meeting of the Voting Members, either before or after such meeting. A Voting Member's attendance at such meeting shall be deemed waiver by such Voting Member of notice of the time, date, and place thereof, unless such Voting Member

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 a Voting Member raises an objection on the basis of lack of proper notice before the business is put to a vote.

2.7. Adjournment of Meetings.

If the Association cannot hold a meeting because a quorum is not present, a majority of the Voting Members who are present at such meeting may adjourn the meeting to a time not less than five or more than 30 days from the time the original meeting was called. At the reconvened meeting, the Association may transact any business which it might have transacted at the original meeting. If a time and place for reconvening the meeting is not fixed by those in attendance at the original meeting, or if the date for the reconvened meeting is changed, notice of the time and place of the reconvened meeting shall be given to Voting Members in the manner described in Section 2.5.

Voting 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 Voting Members to leave less than a quorum, provided that at least a majority of the votes required to constitute a quorum approve any action taken.

2.8. Voting.

Members shall have such voting rights as are set forth in the Declaration, which provisions are incorporated herein by this reference. Voting Members may vote at a meeting by voice vote or ballot or may vote by mail without the necessity of a meeting, as determined by the Board; provided, the Board shall hold meetings when required by the Declaration, these By-Laws, or Georgia law.

Unless a Voting Member has been selected for a Neighborhood pursuant to the Declaration, the Owners within such Neighborhood shall be entitled personally to cast the votes attributable to their respective Units on any issue requiring a membership vote under the Governing Documents. Under circumstances where a Voting Member has *not* been selected for a Neighborhood pursuant to the Declaration, references in these By-Laws to a Voting Member shall be deemed to refer to a Member having the right personally to cast his or her vote.

Votes for the election of directors shall be cast by written ballot. All Member votes cast at meetings are subject to the quorum requirements of Section 2.11. The Board may permit votes to be cast electronically (*i.e.*, via the Internet, intranet, or electronic mail) with sufficient verification of authenticity and if permitted by law.

2.9. Proxies.

A Voting Member selected by the Members within a Neighborhood to vote on their behalf in a representative capacity pursuant to the Declaration may not vote by proxy but only in person or through

his or her designated alternate. On any matter as to which a Member is entitled personally to cast the vote for his Unit, such vote may be cast in person or by proxy, subject to the limitations of Georgia law relating to use of general 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 Unit for which it is given, signed by the Member or his or her duly authorized attorney-in-fact, dated, and filed with the Association's Secretary prior to the meeting for which it is to be effective. Unless the proxy specifically provides otherwise, 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 Unit 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, or (c) 11 months from the date of the proxy, unless a shorter period is specified in the proxy.

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.

2.11. Quorum.

Except as these By-Laws or the Declaration otherwise provide, the presence of Voting Members representing at least 25% of the Association's total Class "A" votes shall constitute a quorum at all Association meetings.

2.12. Conduct of Meetings.

The President or any designee the Board approves shall preside over all Association meetings. The Secretary shall ensure that minutes of the meetings are kept and that all resolutions adopted and all other transactions occurring at such meetings are recorded with the Association's records.

2.13. Action Without a Meeting.

Any action required or permitted by law to be taken at a meeting of the Voting Members may be taken without a meeting, without prior notice, and without a vote if all Voting Members entitled to vote on such matter sign a written consent specifically authorizing such action. The Secretary shall file such consents with the minutes of the Association along with the Secretary's certification that the subscribers to the consent constitute all of the Voting Members entitled to vote. Such consent shall have the same force and effect as a vote of the Voting Members at a meeting.

Article III Board of Directors: Selection, Meetings, Powers

A. Composition and Selection.

3.1. Governing Body; Composition.

The Board shall govern the Association's affairs. Each director shall have one equal vote. Except with respect to directors the Class "B" Member appoints, directors shall be Members or residents; provided, no Owner and resident representing the same Unit may serve on the Board at the same time. A "resident" shall be any natural person 18 years of age or older whose principal residence is a Unit within Seven Hills. If a Member is not an individual, any officer, director, partner, or trust officer of such Member shall be eligible to serve as a director unless a written notice to the Association signed by such Member specifies otherwise; provided, no Member may have more than one such representative on the Board at a time, except in the case of directors the Class "B" Member appoints.

3.2. Number of Directors.

The Board shall consist of three to five directors, as provided in Sections 3.3 and 3.5. The initial Board shall consist of the three directors identified in the Articles of Incorporation.

3.3. Directors During Class "B" Control Period.

Directors appointed by the Class "B" Member pursuant to Section 3.5 shall be appointed by the Class "B" Member acting in its sole discretion and shall serve at the pleasure of the Class "B" Member.

3.4. Nomination and Election Procedures.

(a) Nomination of Directors. Except with respect to directors the Class "B" Member appoints, nominations for election to the Board shall be made in accordance with policies and procedures the Board establishes. Such policies and procedures may include, but are not limited to, permitting or requiring that nominations be made through a nominating committee, permitting "write-in" candidates, and permitting nominations from the floor.

If appointed, the Nominating Committee shall consist of a Chairman, who shall be a Board member, and three or more Members or representatives of Members. The Nominating Committee shall make as many nominations for election to the Board as it deems appropriate in its discretion, but in no event less than the number of positions to be filled as provided in Section 3.5. The Nominating Committee shall nominate separate slates for the directors, if any, to be elected at large by all Class "A" votes and for the director(s) to be elected by the votes within each Voting Group.

All candidates shall have a reasonable opportunity to communicate their qualifications to the Members and to solicit votes.

(b) Election Procedures. Each Voting Member may cast all votes assigned to the Units which it represents for each position to be filled from the slate of candidates on which such Voting Member is entitled to vote. There shall be no cumulative voting. That number of candidates equal to the number of positions to be filled receiving the greatest number of votes shall be elected. Directors may be elected to serve any number of consecutive terms.

3.5. Election and Term of Office.

Except as these By-Laws may otherwise specifically provide, election of directors shall take place at the Association's annual meeting. Notwithstanding any other provision of these By-Laws:

(a) Within 30 days after the time that Class "A" Members other than Builders own 75% of the Units permitted under the Master Plan, or whenever the Class "B" Member earlier determines, the President shall call for an election by which the Class "A" Members (either through Voting Members, if elected, or individually) shall elect one of the three directors. (A director the Class "A" Members elect is referred to as a "Class "A" Director.") The remaining two directors shall be the Class "B" Member's appointees. The Class "A" Director shall not be subject to removal by the Class "B" Member and shall be elected for a term which expires on the date of the second annual meeting following his or her election. Upon expiration of such director's term, and thereafter upon the expiration of each successor's term, a successor shall be elected for a two-year term.

(b) Within 90 days after termination of the Class "B" Control Period, or whenever the Class "B" Member earlier determines, the Class "B" Member-appointed directors shall resign, the Board shall increase to five directors, and the President shall call for an election by which the Class "A" Members shall elect four directors to fill the vacancies and the newly created director positions. The director elected by the Class "A" Members under paragraph (a) above shall continue to serve. Directors elected by the Class "A" Members pursuant to this paragraph shall not be subject to removal by the Class "B" Member and shall serve until the second annual meeting following their election. Upon expiration of such directors' terms, and thereafter upon the expiration of each successor's term, a successor shall be elected for a two-year term.

Thereafter, upon expiration of the term of office of each Class "A" Director, Voting Members entitled to elect such director shall elect a successor to serve a term of two years; provided, if necessary to establish staggered terms for the directors, the Board may, for one time only, provide that two directors be elected to each serve one term of three years. Directors the Class "A" Members elect shall hold office until their respective successors have been elected.

In the event that any director position remains unfilled due to a lack of interested candidates or for any other reason, the Board may continue to conduct business despite such vacancy; provided, the remaining directors shall use reasonable efforts to fill any such vacancies (e.g., attempting to fill vacancies by appointment, holding regular elections, etc.).

For any Neighborhood for which a Voting Member has been elected, votes for Class "A" Directors shall be cast by the Voting Members. Prior to the election of a Voting Member for a Neighborhood, the Class "A" votes for directors from within such Neighborhood shall be cast by the individual Class "A" Members.

3.6. Removal of Directors and Vacancies.

Any Class "A" Director may be removed, with or without cause, by the vote of Voting Members representing 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, the Voting Members entitled to elect the director so removed shall elect a successor to fill the vacancy for the remainder of the term of such director.

A majority of the directors at a regular or special meeting at which a quorum is present may remove any Class "A" Director who (a) has three consecutive unexcused absences from Board meetings, (b) is more than 30 days delinquent (or resides in a Unit owned by a Member who is so delinquent) in the payment of any assessment or other charge due the Association, or (c) fails to cure a Governing Document violation pertaining to his or her Unit after being given notice from the Board or its designee and a reasonable opportunity to cure such violation. The Board may appoint a successor to fill the vacancy for the remainder of the term.

In the event of the death, disability, or resignation of a director, the Board may declare a vacancy and appoint a successor to fill the vacancy until the next annual meeting, at which time the Voting Members entitled to fill such directorship may elect a successor for the remainder of the term.

The Board shall appoint directors from within the Voting Group represented by the director who vacated the position.

This Section shall not apply to directors the Class "B" Member appoints or to any director serving as Declarant's representative. The Class "B" Member or Declarant shall 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.

B. Meetings.

3.7. Organizational Meetings.

The Board shall hold an organizational meeting within 10 days following each annual membership meeting at such time and place as the Board shall fix.

3.8. Regular Meetings.

The Board shall hold regular meetings at such time and place as a majority of the directors shall determine, but the Board shall hold at least four such meetings during each fiscal year with at least one per quarter.

3.9. Special Meetings.

The Board shall hold special meetings when called by written notice the President, Vice President, or any two directors sign.

3.10. 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 Board shall give notice to each director by (i) personal delivery; (ii) first class mail, postage prepaid; (iii) telephone 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, electronic mail, or other electronic communication device, with confirmation of transmission. All such notices shall be given at the director's telephone number, fax number, electronic mail address, or sent to the director's address as shown on the Association's records. The Board shall deposit notices sent by first class mail into a United States mailbox at least five business days before the time set for the meeting. The Board shall give notices at least four days before the time set for a regular meeting and at least 72 hours before the time set for a special 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.

3.11. Telephonic Participation in Meetings.

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

3.12. 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 Board's decision, unless these By-Laws or the Declaration specifically provide otherwise. A meeting at which a quorum is initially present may continue to transact business, notwithstanding the withdrawal of directors, if at least a majority of the required quorum for that meeting approves any action taken. If the Board cannot hold a meeting because a quorum is not present, a majority of the directors present at such meeting may adjourn the meeting to a time not less than five or more than 30 days from the date of the original meeting. At the reconvened meeting, if a quorum is present, the Board may transact without further notice any business which it might have transacted at the original meeting.

3.13. Conduct of Meetings.

The President shall preside over all Board meetings; provided, in the President's absence, the Vice President or another Board designee shall preside. The Secretary shall cause to be kept a minute book of Board meetings, recording all Board resolutions and all transactions and proceedings occurring at such meetings.

3.14. Open Meetings; Executive Session.

(a) Except in an emergency, the Board shall post notice of meetings at least 48 hours in advance of the meeting at a conspicuous place within Seven Hills which the Board establishes for the posting of Association notices. Notice of any meeting at which assessments are to be established shall state that fact and the nature of the assessment. Subject to Section 3.15, all Board meetings shall be open to all Voting Members and, if required by law, all Owners; 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, the President may adjourn any Board meeting and reconvene in executive session, and may exclude persons other than directors, to discuss matters of a sensitive nature, such as pending or threatened litigation, personnel matters, etc.

3.15. Action Without a Formal Meeting.

Any action to be taken or which may be taken at a Board meeting may be taken without a meeting if all of the directors sign a written consent, setting forth the action so taken. Such consent shall have the same force and effect as a unanimous vote. The Secretary shall file written consents with the minutes of the Board's proceedings. The Board shall post a notice of the Board's action in a prominent place within Seven Hills within three business days after obtaining all written consents to an action. Failure to give notice shall not render the action taken invalid.

C. Powers and Duties.

3.16. Powers.

The Board shall have all of the powers and duties necessary for administering the Association's affairs and for performing all Association responsibilities and exercising all Association rights set forth in the Governing Documents and as provided by law. The Board may do or cause to be done on the Association's behalf all acts and things except those which the Governing Documents or Georgia law require to be done or exercised exclusively by the Voting Members or the membership generally.

3.17. Duties.

The Board's duties shall include, without limitation:

- (a) preparing and adopting, in accordance with the Declaration, an annual budget establishing each Owner's share of the Common Expenses and any Neighborhood Expenses;
- (b) levying and collecting such assessments from the Owners;
- (c) providing for the operation, care, upkeep, and maintenance of the Area of Common Responsibility consistent with the Community-Wide Standard;
- (d) 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;
- (e) depositing all funds received on the Association's behalf 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 business judgment, in depositories other than banks;
- (f) opening bank accounts on the Association's behalf and designating the signatories required;
- (g) making or contracting for the making of repairs, additions, and improvements to or alterations of the Common Area in accordance with the Governing Documents;
- (h) 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; provided, the Association's obligation in this regard shall be conditioned in the manner provided in the Declaration;

- (i) 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;
- (j) paying the cost of all services rendered to the Association;
- (k) keeping books with detailed accounts of the Association's receipts and expenditures;
- (l) making available to any prospective purchaser of a Unit, any Owner, and the holders, insurers, and guarantors of any Mortgage on any Unit, current copies of the Governing Documents and all other books, records, and financial statements of the Association as provided in Section 6.4;
- (m) permitting utility suppliers to use portions of the Common Area reasonably necessary to the ongoing development or operation of Seven Hills; and
- (n) indemnifying an Association director, officer, or committee member or former Association director, officer, or committee member to the extent Georgia law, the Articles of Incorporation, or the Declaration requires such indemnity.

3.18. Compensation.

Directors shall not receive any compensation from the Association for acting as such unless Voting Members representing a majority of the total Class "A" votes in the Association approve of compensation at a regular or special Association meeting. The Association may reimburse any director for expenses he or she incurs on the Association's behalf upon approval of a majority of the other directors. Nothing herein shall prohibit the Association from compensating a director, or any entity with which a director is affiliated, for services or supplies he or she furnishes to the Association in a capacity other than as a director pursuant to a contract or agreement with the Association, provided that such director made his or her interest known to the Board prior to entering into such contract and a majority of the Board, excluding the interested director, approved such contract.

3.19. 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 Class "B" Member's sole judgment, would tend to impair rights of Declarant or Builders under the Declaration or these By-Laws, interfere with development or construction of any portion of Seven Hills, or diminish the level of services the Association provides.

- (a) Notice. The Association shall give the Class "B" Member written notice of all meetings and proposed actions approved at Association, Board, or committee meetings (or by written consent in lieu of a meeting). The Association shall give such notice by regular, first class mail, electronic mail, or by personal delivery at the address the Class "B" Member has registered with the Association, which notice complies with the requirements for notice of Board meetings with Section 3.10, and which notice

shall, except in the case of the regular meetings the Board holds pursuant to these By-Laws, set forth with reasonable particularity the agenda to be followed at such meeting; and

(b) Opportunity to be Heard. The Association shall give the Class "B" Member 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.

The Board shall not implement any action, policy, or program subject to the right of disapproval set forth herein until and unless the requirements of this Section have been met.

The Class "B" Member, its representatives or agents, shall make its concerns, thoughts, and suggestions known to the Board and/or the members of the subject committee. 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. The Class "B" Member may use this right to disapprove to block proposed actions, but shall not use it to require any action or counteraction of any committee, the Board, or the Association. The Class "B" Member shall also not use its right to disapprove to reduce the level of services which the Association is obligated to provide or to prevent capital repairs or any expenditure required to comply with applicable laws and regulations.

3.20. Management.

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 authority or those duties set forth in Sections 3.17(a), 3.17(b), 3.17(c), 3.17(g), and 3.17(i). The Board may employ Declarant, any of Declarant's joint venturers, affiliates, or agents, or their affiliates, 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.

The Association shall not be bound, either directly or indirectly, by any management contract executed during the Class "B" Control Period unless such contract contains a right of termination the Association may exercise with or without cause and without penalty, at any time after termination of the Class "B" Control Period upon not more than 90 days' written notice.

3.21. Accounts and Reports.

The following management standards of performance shall be followed unless the Board by resolution specifically determines otherwise:

- (a) accounting and controls should conform to generally accepted accounting principles;
- (b) the Association's cash accounts shall not be commingled with any other accounts;
- (c) the managing agent shall accept no remuneration 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;
- (d) the managing agent promptly shall disclose to the Board any financial or other interest which he or she may have in any firm providing goods or services to the Association;
- (e) commencing at the end of the quarter in which the first Unit is sold and closed, the Board shall prepare financial reports for the Association at least quarterly containing:
 - (i) an income statement reflecting all income and expense activity for the preceding period on a cash or 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 (any assessment or installment thereof shall be considered to be delinquent on the 15th day following the due date unless the Board specifies otherwise by resolution);
- (f) an annual report consisting of at least the following shall be available for Members' review within 180 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. An independent public accountant shall prepare such annual report on an audited, reviewed, or compiled basis, as the Board determines.

3.22. Borrowing.

The Association shall have the power to borrow money for any legal purpose; provided, the Board shall obtain Voting Member approval in the same manner provided in 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 5% of the Association's budgeted gross expenses for that fiscal year.

3.23. 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 Neighborhood and other owners or residents associations, within or outside of Seven Hills. Any common management agreement shall require the Board's consent.

3.24. Enforcement.

The Association shall have the power to enforce the Governing Documents and to impose sanctions for violations of the Governing Documents. To the extent the Declaration specifically requires, 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; and (iv) a statement that the Board shall impose the proposed sanction as contained in the notice unless the alleged violator challenges the charges within the time required to request a hearing. If a timely request for a hearing is not made, the Board shall impose the sanction stated in the notice; provided, the Board may, but shall not be obligated to, suspend any proposed sanction if the alleged violator cures the violation within the required period. Such suspension shall not constitute a waiver of the Board's right to sanction any Person's future violation of the same or other provisions and rules.

(b) Hearing. If the alleged violator requests a hearing within the required period, the Board shall hold the hearing in executive session. The Board shall afford the alleged violator a reasonable opportunity to be heard. Prior to the effectiveness of any sanction hereunder, the Board shall cause proof of proper notice to be placed in the minutes of the meeting. Such proof shall be deemed adequate if the officer, director, or agent who delivered such notice enters into the minutes of the meeting a copy of the notice, together with a statement of the date and manner of delivery. The notice requirement shall be deemed satisfied if the alleged violator or its representative appears at the meeting. The minutes of the meeting shall contain a written statement of the results of the hearing and the sanction, if any, imposed.

(c) Additional Enforcement Rights. Notwithstanding anything to the contrary in this Article, if the Declaration permits, the Board may elect to enforce any provision of the Governing Documents by self-help (specifically including, but not limited to, towing vehicles that violate parking rules and requiring persons violating rules relating to Common Area use to cease such violating use immediately) or, following compliance with the dispute resolution procedures set forth in the Declaration, if applicable, by suit at law or in equity to enjoin any violation or to recover monetary damages or both, without the necessity of compliance with the procedure set forth above. In any such action, to the maximum extent permissible, the Owner or occupant responsible for the violation of which abatement is sought shall pay all costs, including reasonable attorneys fees actually incurred. Any entry onto a Unit for purposes of exercising this power of self-help shall not be deemed as trespass.

3.25. Board Standards.

In the performance of their duties, Association directors and officers shall be insulated from personal liability as provided by Georgia law for directors and officers of nonprofit corporations, and as otherwise provided in the Governing Documents. Directors are required to exercise the ordinary and reasonable care of directors of a corporation, subject to the business judgment rule.

As defined herein, a director shall be acting in accordance with the business judgment rule so long as the director (a) acts within the express or implied terms of the Governing Documents and his or her actions are not *ultra vires* (i.e., outside the scope of the director's authority); (b) affirmatively undertakes to make decisions which he or she reasonably believes are necessary for the Association's continued and successful operation and, when decisions are made, they are made on an informed basis; (c) acts on a disinterested basis, promptly discloses any real or potential conflict of interests (pecuniary or other) and avoids participation in decisions and actions when a conflict exists; and (d) acts in a non-fraudulent manner and without reckless indifference to the Association's affairs. A director acting in accordance with the business judgment rule shall be protected from personal liability.

Board determinations of the meaning, scope, and application of Governing Documents provisions shall be upheld and enforced so long as such determinations are reasonable. The Board shall exercise its power in a fair and nondiscriminatory manner and shall adhere to the procedures established in the Governing Documents.

3.26. Board Training Seminar.

The Board may require that each Class "A" Director complete a board training seminar within such director's first six months of directorship which is intended to educate the director with respect to his or her responsibilities and duties. The seminar may be presented live, on video or audio tape, or in other format, as the Board determines in its discretion.

Article IV Officers

4.1. Officers.

The Association's officers 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. The same person may hold any two or more offices, 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 Voting Members, to serve until their successors are elected.

4.3. Removal and Vacancies.

The Board may remove any officer whenever in its judgment the Association's best interests 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. Powers and Duties.

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. The President shall be the Association's chief executive officer. The Treasurer shall have primary responsibility for preparing 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.

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

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

At least two officers, or such other person or persons as the Board may designate by resolution, shall execute all Association agreements, contracts, deeds, leases, checks, and other instruments.

4.7. Compensation.

Officers' compensation shall be subject to the same limitations as directors' compensation under Section 3.18.

Article V Committees

5.1. General.

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.

5.2. Neighborhood Committees.

In addition to any other committees appointed as provided above, each Neighborhood which has no formal organizational structure or association may elect a Neighborhood Committee to assist the Board in determining the nature and extent of services to be provided to the Neighborhood by the Association in addition to services the Association is required to provide in accordance with a Supplemental Declaration or which it otherwise provides to all Members. On all such matters, the Neighborhood Committee may advise the Board but shall not have the authority to bind the Board. A Neighborhood Committee, if elected, shall consist of three to five Members, as determined by the vote of the Owners of Units within the Neighborhood.

Neighborhood Committee members shall be elected for a term of one year or until their successors are elected. Any director elected to the Board from a Neighborhood shall be an *ex officio* member of the Neighborhood Committee. The Voting Member representing such Neighborhood shall be the chairperson of the Neighborhood Committee, 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 Neighborhood Committee shall abide by the notice and quorum requirements applicable to Board meetings. Meetings of a Neighborhood Committee shall be open to all Owners of Units in the Neighborhood and their representatives. Members of a Neighborhood Committee may act by unanimous written consent in lieu of a meeting.

Article VI Miscellaneous

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. Parliamentary Rules.

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

6.3. 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 these By-Laws (in that order) shall prevail.

6.4. Books and Records.

(a) Inspection by Members and Mortgagees. The Board shall make available for inspection and copying by any holder, insurer, or guarantor of a first Mortgage on a Unit; any Member; or the duly appointed representative of any of the foregoing at any reasonable time and for a purpose reasonably related to his or her interest in a Unit: the Governing Documents, the membership register, books of account, and the minutes of meetings of the Members, the Board, and committees. The Board shall provide for such inspection to take place at the Association's office or at such other place within Seven Hills as the Board shall designate.

(b) Rules for Inspection. The Board shall establish rules with respect to:

- (i) notice to be given to the custodian of the records;
- (ii) hours and days of the week when such an inspection may be made; and
- (iii) payment of the cost of reproducing documents requested.

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

6.5. Notices.

Except as the Declaration or these By-Laws otherwise provide, 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 by private carrier; if sent by United States mail; or, if the intended recipient has given its prior written authorization to use such method of delivery, by facsimile, or electronic mail. Notices shall be delivered or sent to the intended recipient as follows:

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

(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.

Notice sent in accordance with this Section shall be deemed to have been duly given and effective:

(a) if sent by United States Mail, when deposited with the U.S. Postal Service, correctly addressed, with first class postage prepaid;

(b) if delivered personally or by private carrier, when actually delivered to the address of the intended recipient, as evidenced by the signature of the person at such address who accepts such delivery; or

(c) if sent by facsimile or electronic mail, upon transmission, as evidenced by a printed confirmation.

6.6. Amendment.

(a) By Class "B" Member. Prior to Declarant's conveyance of the first Unit to a Person other than a Builder, Declarant unilaterally may amend these By-Laws. Thereafter, the Class "B" Member or the Board unilaterally may 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, or regulation, or judicial determination; (ii) to enable any reputable title insurance company to issue title insurance coverage on the Units; or (iii) to enable any institutional or governmental lender, purchaser, insurer, or guarantor of mortgage loans, including, for example, the Federal National Mortgage Association or Federal Home Loan Mortgage Corporation, to make, purchase, insure, or guarantee mortgage loans on the Units; provided, any such amendment shall not adversely affect the title to any Unit unless the Owner shall consent thereto in writing.

In addition, so long as the Class "B" membership exists, the Class "B" Member unilaterally may amend these By-Laws for any other purpose, provided the amendment has no material adverse effect upon the rights of more than 5% of the Members.

(b) By Members Generally. Except as provided above, these By-Laws may be amended only by the affirmative vote or written consent, or any combination thereof, of Voting Members

representing 67% of the Association's total Class "A" votes, 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.

(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.

CERTIFICATION

I, the undersigned, do hereby certify:

That I am the duly elected and acting Secretary of Seven Hills Homeowners Association, Inc., a Georgia corporation;

That the foregoing By-Laws constitute the original By-Laws of said Association, as duly adopted at a meeting of the board of directors thereof held on the ____ day of _____, 20____.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed the seal of said Association this ____ day of _____, 20____.

Secretary

[SEAL]

BY-LAWS

OF

SEVEN HILLS HOMEOWNERS ASSOCIATION, INC.

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