

Adopted: _____

BYLAWS OF
FLAGSTONE COMMUNITY ASSOCIATION, INC.

(A Tennessee Nonprofit Corporation)

ARTICLE 1

NAME AND PURPOSES

1.1 Name. The name of the corporation is Flagstone Community Association, Inc. (hereafter referred to as FCA).

1.2 Purposes. The purposes of this corporation shall *be* as provided in its Charter. This corporation shall engage in lawful activities consistent with the provisions of nonprofit corporations to further the purposes of FCA; provided however, that FCA shall take no action which would cause it to lose any tax exempt status. Other lawful activities not specifically stated in the Charter but incidental to the stated aims and purposes of FCA may be carried out. The purposes of FCA shall include the provision of a uniform and consistent organization through governing By-Laws, the maintenance of common grounds such as entrance and recreation areas, the distribution of information to members, welcoming new property owners, to maintain equal and unbiased representation of all property owners, and the development of a safe, friendly and growing community for all families in the Flagstone Subdivision.

1.3 Statement of Intent. FCA is not intended to be a property owners dispute mediator, complaint department, law enforcement agency, small claims court, or "watch dog" committee.

ARTICLE 2

MEMBERSHIP

2.1 Statement of Intent. It is the intent of FCA to encourage all owners of property in the Flagstone subdivision to become active members in FCA and to promote the purposes listed in the Charter and By-Laws.

2.2 Membership Type. The corporation is to have only one type of active membership. The active members shall consist of those property owners who voluntarily join the corporation and pay the appropriate annual fees.

2.3 Eligibility. Each individual or joint owner of property in the Flagstone Subdivision shall be eligible to become an active member of the corporation. Each such individual who is an active member of the corporation shall be entitled to vote in accordance with the following restrictions:

a. Any individual is limited to one vote regardless of the number of lots, or other property, owned individually or jointly.

b. Any lot or undivided property can only support the vote of two individuals, both of whom must reside on the lot or undivided property.

c. Any property owner who leases his or her property relinquishes voting rights for that property to the lessee.

2.4 Fees. Annual membership fees shall be established to provide for indemnification and liability insurance, common area maintenance, lighting, community activities, newsletters, general operating expenses, and other purposes of the corporation. An additional pool fee shall be established for pool use, with a one-time pump area equipment escrow fee charged for new pool members. All membership fees are non-refundable. Membership is transferable with the sale of property, except for the pump area equipment escrow fee which must be paid by the recipient of a transferred membership before a transferred pool membership becomes active.

2.5 Payment of Fees. Membership fees are due January 1 of each year and shall be deemed past due on May 1. If membership fees are not received by May 1 of each year, membership will become inactive until the fees are paid.

2.6 Review of Fee Schedule. Membership fees will be reviewed on an annual basis by the Board of Directors. Any changes in fees shall be presented by the Board of Directors at the fourth-quarter general meeting for approval by the active membership.

ARTICLE 3 MEMBERSHIP

MEETINGS

3.1 General Meetings. The FCA will hold general meetings quarterly, which will be scheduled for the third Thursday of January, April, July, and October. The October meeting shall constitute the annual meeting of the corporation and shall include the results of the election of officers for the following calendar year.

3.2 Changes in General Meetings. General meetings are subject to change as the need arises.

3.3 Special Meetings. Special meetings of the members may be called by the president, secretary, or the Board of Directors. A special meeting of the active members may also be called by at least ten percent (10%) of all active members entitled to vote on any issue proposed to be considered at the proposed special meeting.

3.4 Notice of Meetings. Written or printed notice stating the place, day and hour of the meeting and, in the case of special meetings, the purpose or purposes for which the meeting is called, shall be delivered by or at the direction of the president, secretary, or the person or persons calling the meeting to each member entitled to vote at the meeting. Notice in the newsletter will be deemed sufficient notice. Notice shall be mailed or delivered at least five days before the date of the meeting.

3.5 Waiver of Notice. Whenever members are authorized to take any action after notice or after the lapse of a prescribed period of time, such action may be taken without the required notice and without the required lapse of time if each person entitled to notice or entitled to participate in the action to be taken, or his or her attorney-in-fact or proxy holder, submits a signed waiver of the requirement.

3.6 Quorum. One tenth of the active members of the corporation entitled to vote at a meeting and three of five directors, either in person or represented by proxy, shall constitute a quorum at all meetings of the members. The vote of any interested member may be counted in determining whether a quorum of members is present at a meeting which ratifies or approves a transaction of the corporation. When a quorum is once present to organize a meeting, it is not broken by the subsequent withdrawal of any if those present. A meeting may be adjourned despite the absence of a quorum.

3.7 Voting. Every active member of record eligible to vote shall be entitled at each meeting of members, and upon each proposal presented at the meeting, to one vote in person or by proxy. Whenever any corporate action, other than the election of directors and except as otherwise provided by law or charter, is to be taken by vote of the members, it shall be taken if a quorum is present and if the votes cast in favor of the action exceed the votes cast opposing the action. . ,

3.8 Action by Consent. Whenever members are required or permitted to take any action by vote, such action may be taken without a meeting if all members entitled to vote on the action consent to taking such action without a meeting. If such consent is obtained, the affirmative vote of the number of members necessary to authorize or take such action at a meeting shall be the act of the members. Action taken without a meeting must be evidenced by one or more written consents setting forth the action so taken, signed by all of the persons entitled to vote or objection on the action.

ARTICLE 4

DIRECTOR MEETINGS

4.1 Annual Meetings. An annual meeting of the Board of Directors shall be held on the third Thursday in October of each year or at any date within the last quarter of the fiscal year as set by the directors. The Board of Directors shall also meet before each general meeting and upon call of the President.

4.2 Special Meetings. Special meetings of the board may be called by the Chairman of the Board, the president, the secretary, or by any two directors.

4.3 Place of Meetings. Board meetings shall be held at any place with or without the State of Tennessee, as the directors may from time to time select or at any place designated in the notice of a meeting.

4.4 Notice Requirements. Written or printed notice stating the place, day and hour of the meeting and, in the case of a special meeting, the purpose or purposes for which

the meeting is called and the person or persons calling the meeting, shall be delivered either personally or by mail by or at the direction of the president, the secretary or the person or persons calling the meeting, to each director. Such notice shall be delivered not less than two, nor more than thirty days before the date of the meeting and shall be deemed to be delivered if mailed when deposited in the United States mail addressed to the director at his last known address, with postage thereon prepaid, and if delivered, when actually received by the director. Notice placed in the newsletter shall be deemed sufficient.

4.5 Waiver of Notice. Attendance of a director at a meeting shall constitute a waiver of notice of the meeting, except where a director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. Whenever the board or any committee of the board is authorized to take any action after notice to any person or persons, or the lapse of a prescribed period of time, the action may be taken without such requirements if at any time before or after the action is completed the person or persons entitled to such notice or entitled to participate in the action to be taken submit a signed waiver of notice or of such requirement.

4.6 Quorum. At all meetings of the Board, three (3) of five (5) directors then in office shall constitute a quorum for the transaction of business. Except with respect to indemnification proceedings, interested directors may always be counted in determining the presence of a quorum at a meeting of the board which authorizes, approves or ratifies a transaction of the corporation. When a quorum is once present to organize a meeting, it is not broken by the subsequent withdrawal of any of those present. A meeting may be adjourned despite the absence of a quorum.

4.7 Voting. The affirmative vote of a majority of the directors present at a meeting at which a quorum is present shall be the act of the board or any committee.

4.8 Presumption of Assent. A director who is present at a meeting of the board, or any committee thereof, shall be presumed to have concurred in any action taken at the meeting, unless his dissent shall be entered in the minutes of the meeting or unless he shall submit his written dissent to the person acting as the secretary of the meeting before the adjournment thereof, or shall deliver or send such dissent by mail to the secretary of the corporation promptly after the adjournment of the meeting. Such rights to dissent shall not apply to a director who voted in favor of such action. A director who is absent from a meeting of the board, or any committee thereof, at which such action is taken shall be presumed to have concurred in the action unless he shall deliver or send by mail his dissent thereto to the secretary of the corporation or shall cause such dissent to be filed in the minutes of the proceedings of the board or committee within a reasonable time after learning of such action.

4.9 Action by Consent. Directors and members of any committee designated by the board may take any action which the board or committee is required or permitted to take without a meeting on written consent, setting forth the action so taken, signed by all of the directors or committee members, as the case may be, and indicating each signing director's or committee members, as the case may be, and indicating each signing director's vote or abstention on the action. The affirmative vote of the number of directors that would be necessary to authorize or take such action at a meeting is the act of the Board.

4.10 Telephone Meeting Allowed. Participation by members of the board or any committee designated by the board in any telephone meeting of the board or committee by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other shall be permitted. Participation in such a meeting pursuant to this Paragraph 4.10 shall constitute presence in person at such meeting. The directors shall be promptly furnished a copy of the minutes of any meeting held under this paragraph.

ARTICLE 5

DIRECTORS

5.1 Qualifications._____The affairs of the corporation shall be managed by a Board of Directors. Members of the Board of Directors must, at the time of election, have been members in good standing of FCA for a minimum of eight (8) months immediately prior to the election. An active member in good standing shall mean:

- a. Minimum Annual fees to date have been paid;
- b. Attendance at three-quarters of current fiscal year FCA general meetings;
- c. Maintenance of a permanent residence in Flagstone Subdivision;
and
- d. For the Director/Vice -President Pool only, an active member of the pool.

Directors are required by law to be of legal age.

5.2 Number._____There shall be no fewer than five (5) directors, the exact number to be determined from time to time by the Board of Directors. All directors shall have equal and full voting responsibilities as members of the Board of Directors.

5.3 Election.

5.3.1 Process._____A nominating sheet will be made available in September so that active members of FCA may nominate themselves or another to run for an office. Nominations shall close by the third Thursday in September. The current officers will review the nominating sheet to make certain all nominees have met the eligibility requirements. All nominees shall be contacted to accept the nomination for only one position. When a nomination is not accepted by any nominated member for a position on the Board of Directors then the Nominating Committee shall have the duty to seek a qualified candidate for the position. The complete list of nominees will appear in the election newsletter prior to the October election. The election will begin on the first Thursday of October and end on the second Thursday of the same month. Election shall be by written ballot and members will receive a numbered ballot by mail or hand delivery, to be returned to the chairperson of the nominating committee. The person receiving the most number of votes for each position shall be elected. No person shall be eligible to vote at the annual election of officers if their fees are not paid for the current year. The secretary will maintain a nomination and election ballot record of all nominations and votes, detailing the nominations and votes of all qualified members.

5.3.2 Term. Directors shall take office on January 1 of the following year, and may attend prior meetings as an advisory member, without voting power. Each director shall hold office until the expiration of the term for which he or she is elected, and thereafter until a successor has been elected and qualified, or until removed as provided in this Article. Directors shall be elected for a period of one year and may be re-elected to the same office, limited to three consecutive terms. .

5.4 Positions on the Board. Members of the Board of Directors will be elected to specific positions and will serve concurrently as the officer of the corporation for that position. The following are the permanent positions of the Board:

- a. Chairperson/President;
- b. Director/Vice President, Membership;
- c. Director/Vice President, Pool;
- d. Director/Recording and Corresponding Secretary; and
- e. Director/Treasurer

5.5 Duties. The duties of the Board of Directors shall include the management of the business operations of FCA, the making of recommendations for referendums, and the transaction of such business as deemed necessary in the best interest of FCA.

5.6 Vacancies in Board. The President shall appoint, with the approval of the Board of Directors, replacements for any of the other Director/Officers who vacate their office prior to the expiration of their term. In the event it is necessary to replace the President, the Vice President, Membership shall become President and a replacement for the Vice President, Membership shall be determined by special election if more than four months of the term remain.

5.7 Good Standing. All elected Directors/Officers must attend one-half of general meetings to maintain good standing. The Board of Directors shall have the option to replace officers and/or committee chairpersons that do not maintain good standing.

5.8 Committees.

5.8.1 Creation. All committees shall serve under the direct advisement of the Board of Directors with the number and types of committees subject to change as deemed necessary. Volunteer committees can be formed and a chairperson will be appointed by the President as the need arises.

5.8.2 Standing Committees.

a. The pool committee shall operate and maintain their area under the supervision of the Vice President, Pool. The pool operating and maintenance budget shall be managed as a separate ledger account and shall be approved by the Board of Directors.

b. A nominating committee shall organize the election of directors/officers, including distributing and collecting all nominations and ballots, counting the ballots, and presenting the election results.

c. A newsletter committee shall be responsible for the Quarterly and

Special newsletter publications. Copies of all newsletters will be made available to all members. The President shall appoint a chairperson to be responsible and supervise

development and distribution of the newsletter. He/she may elect to delegate these functions to newsletter committee members as required.

d. An internal audit committee shall be established to conduct internal audits when deemed necessary by the Board of Directors or majority vote of the active members. A minimum of one internal audit shall be conducted annually.

e. A Block Captain Committee shall be responsible for welcoming new property owners and distributing information to and from the list of members. This committee shall be chaired by the Vice-President, Membership, who shall appoint block captains on a voluntary basis. The number of block captains and their areas of responsibility shall be determined annually by the Vice-President, Membership.

5.9 Compensation. _____ Directors as such shall not receive any compensation for their services as directors/officers, but the board may authorize reimbursement of expenses incurred in the performance of their duties. Such authorization may prescribe the procedure for approval and payment of such expenses by designated officers of the corporation. Nothing herein shall preclude a director from serving the corporation in any other capacity and receiving compensation for such services. The waiver of the pool membership dues for the Director/Vice President Pool shall not be construed as compensation but rather a requirement to complete the duties detailed as an officer.

ARTICLE 6

OFFICERS

6.1 Removal. _____ Any officer may be removed by the vote of a majority of the entire board whenever in its judgment the best interests of the corporation will be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed. Election or appointment of an officer shall not of itself create contract rights.

6.2 Chairperson/President. _____ The chairperson/president shall be the chief executive officer of the corporation. He/she shall preside and preserve order at all meetings, establish committees and appoint all committee chairpersons, be a member ex-officio of all committees, and approve all disbursements of funds. He/she shall see that a meeting place is obtained for each board or general meeting.

6.3 Director/Vice President. Membership. The Director/Vice President, Membership shall assist the President in the performance of his/her duties, act for the President when the President requests it, and succeed to the office of the President in the event of vacancy, for the unexpired term. He/she shall also be in charge of membership, with the responsibility of maintaining an up-to-date list of members, their addresses and telephone numbers. He/she shall notify the President and the newsletter chairperson when new members join FCA. He/she shall coordinate and supervise any fundraising activities • for FCA. He/she shall serve as the Chairperson of the Block Captain Committee and shall appoint block captains.

6.4 Director/Vice President. Pool. _____ The Director/Vice President,

Pool shall be the chairperson of the pool committee and responsible for maintenance and operation of the pool and pool area. Duties shall include obtaining and maintaining health permits, seasonal opening and closing of the pool, testing and purchase of all pool chemicals and supplies, etc. He/she may elect to delegate these functions to pool committee members as

required. The pool membership dues, exclusive of general membership dues, shall be waived for the Director/Vice President, Pool.

6.5 Director/Recording and Corresponding Secretary._____The Recording and Corresponding Secretary shall record the minutes of FCA meetings, and distribute copies of the minutes to the Board of Directors before the next meeting. He/she shall keep these minutes on file for future reference, attend to all correspondence of FCA, prepare an attendance record of all board and General Meetings, maintain a nomination and election ballot record of all nominations and elections for 90 days, and maintain the FCA safety deposit box inventory.

6.6 Director/Treasurer. The Director/Treasurer shall receive all money belonging to FCA, keep accurate records of all receipts and expenditures, coordinate and supervise the preparation of the annual budget, and submit an itemized report at each Board and General meeting of FCA. He/she shall prepare a financial statement for each meeting. The bank account shall be in the name of FCA, requiring the signature of the Treasurer and the President for all disbursements of funds. He/she shall, on demand, surrender FCA books for examination and audit.

6.7 Compensation._____The officers of the corporation shall serve without compensation, but shall be entitled to expenses as provided for directors.

ARTICLE 7 LIMITED LIABILITY OF

DIRECTORS

The personal liability of each director of the corporation for monetary damages for breach of fiduciary duty as a director shall be eliminated to the full extent permitted by Tennessee law.

ARTICLE 8

INDEMNIFICATION

The corporation shall indemnify an individual who is a party to a proceeding because such individual is or was a member of the Board of Directors, or an officer of the corporation or an employee or agent of the corporation against any liability incurred in the proceeding and, prior to the disposition thereof, advance the reasonable expenses incurred by such individual to the extent permitted under Tennessee law. The determination of entitlement to indemnification and advancement of expenses shall be made in accordance with Section 48-58-506 of the Tennessee Code Annotated. Every reference herein to a member of the Board of Directors, officer, employee or agent of the corporation shall include every director, officer, employee and agent thereof. The right of indemnification herein provided shall be in addition to any and all rights to which any director, officer, employee or agent of the corporation might otherwise be entitled and provisions hereof shall neither impair nor adversely affect such rights.

ARTICLE 9

MISCELLANEOUS

9.1 Member Contact._____ If the need should arise between general meetings that each member should be contacted, the President shall be called first. The President shall then contact each block captain who in turn contacts each member on their list with whatever information needs to be passed on.

9.2 Budget and Expenses._____ The Board of Directors shall be responsible for establishing annual budgets and future escrow accounts for the following year. Any capital additions and/or improvements shall be presented in writing to the Board of Directors, published in the newsletter, proposed at the next general meeting and approved by general referendum vote of the active membership. Emergency operating emergency expenses must be approved by a majority of directors.

9.3 Books and Records._____ The books, records and papers of FCA shall at all times during a reasonable hour be subject to inspection by any active member. The declaration, the charter, and the By-Laws of FCA, as well as any rules or regulation governing use and enjoyment of common properties, shall be available for inspection. FCA may make a reasonable charge for copies of such documents.

9.4 Order of Business. Meetings shall be conducted orderly and will include the reading of the minutes, Treasurer's report, old business, new business and adjournment. The order of business is subject to change if the President deems it necessary.

ARTICLE 10

AMENDMENT

The By-Laws of FCA may be amended at any general meeting and shall be reviewed at least once per year. The amendment (s) must first be presented in writing to the Board of Directors, upon approval of the Board of Directors, it will be published in the newsletter, and then proposed and voted on in a general referendum prior to the next general or special meeting. Amendments shall be effective after affirmative vote unless stated otherwise. If the proposed amendment is not approved by the Board of Directors, it may be presented by its proponents at the next general or special meeting. Active members present at that meeting shall vote to determine whether the amendment should be submitted and voted on by general referendum.

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DRAFTED JUNE 17, 1991

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Advisory Committee Members: Bill Camp, Nancy Charlesworth, Denise Ehrhardt, Gina Hawk, Cindi Junge, Jerry Katz, Kathy Russell, Craig Schand, Marty Smith, and Lori Weller

FINAL DRAFT DECEMBER 10, 1991

By: Sylvia Bennett, Art Brock, Bill Camp, Gina Hawk, Jerry Katz, Kelly Rimer, and Craig Schand