

BY-LAWS
OF
LONGLEAF COMMUNITY ASSOCIATION, INC.

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BY-LAWS
OF
LONGLEAF COMMUNITY ASSOCIATION, INC.

Article 1
General

1.1. Name.

The name of the corporation is Longleaf Community Association, Inc. ("**Longleaf Association**").

1.2. Applicability.

These By-Laws provide for the governance of the Longleaf Association in accordance with the Georgia Nonprofit Corporation Code, O.C.G.A. Section 14-3-101, *et seq.* (the "**Corporate Code**"), the Georgia Property Owners' Association Act, O.C.G.A. Section 44-3-220, *et seq.* (the "**Act**"), the Articles of Incorporation for Longleaf Community Association, Inc. (the "**Articles**"), and the Declaration of Covenants, Conditions and Restrictions for Longleaf at Callaway recorded in the Harris County, Georgia land records (as it may be amended, the "**Declaration**").

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 Longleaf at Callaway (as it may be amended, the "**Declaration**"). The term "**majority**," as used in these By-Laws, means those votes, Members, or other group, as the context may indicate, totaling more than 50% of the total eligible number.

Article 2
Membership and Voting Rights

2.1. Membership

At such time as the Declaration is recorded in the Office of the Clerk of the Superior Court of Harris County, Georgia, the Owner of each Longleaf Unit in Longleaf shall automatically become a member ("**Member**") of the Longleaf Association upon taking record title to such Longleaf Unit and shall remain a Member for the entire period of such ownership. If more than one Person holds record title to a Longleaf Unit, the membership shall be shared in the same manner as title, but there shall be only one membership and one vote per Longleaf Unit, as further provided in the Declaration. Provisions of the Declaration pertaining to membership are incorporated by this reference.

Longleaf Association membership does not include Persons who hold an interest in a Longleaf Unit merely as security for the performance of an obligation, and the giving of a security interest shall not terminate an Owner's membership. Membership shall be appurtenant to the Longleaf Unit, shall be transferred

automatically by transfer of record title to the Longleaf Unit, and may be transferred only in connection with the transfer of record title.

2.2. Voting

Members shall have such voting rights as are set forth in the Declaration, which provisions are specifically incorporated by this reference. If the vote attributable to any Longleaf Unit has been suspended, neither the vote, the Longleaf Unit to which it is attributable, or the Owner thereof shall be counted for purposes of determining the number of eligible votes, Members, or Longleaf Units with respect to any matter requiring approval under the Longleaf Documents.

Except as otherwise specifically provided in the Longleaf Documents, any decision requiring a vote or approval of the Members shall be determined by a majority of the votes cast.

2.3. Proxies

Any Member entitled to vote may do so in person or by written proxy duly executed by the Member, setting forth the meeting at which the proxy is to be valid, subject to the limitations of Georgia law and subject to any specific provision to the contrary in the Declaration or these By-Laws.

To be valid, a proxy must identify the Longleaf Unit for which it is given and be signed by the Member or his or her duly authorized attorney-in-fact, dated, and filed with the Longleaf Association's Secretary prior to the meeting for which it is to be effective. Proxies may be filed by personal delivery, U.S. Mail, facsimile transmission to the Longleaf Association's office or electronic transmission to the Longleaf Association's designated recipient with confirmation of receipt. Unless the proxy specifically provides otherwise, a proxy shall be presumed to cover all votes to 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.

A proxy may be revoked only by written notice delivered to a Longleaf Association officer prior to exercise of such proxy, except that attendance at the meeting by the Member who has given a proxy shall automatically invalidate the proxy for that meeting unless the Member expressly provides otherwise. Every proxy shall automatically cease upon the Secretary's receipt of written notice of revocation of the proxy or of the death or judicially declared incompetence of a Member who is a natural person. A proxy holder may not appoint a substitute proxy holder unless expressly authorized to do so in the proxy.

2.4. Action Without a Meeting

Unless the Corporate Code or the Longleaf Documents require(s) action to be taken at a meeting of the Members, any action requiring consent or approval of Members may be obtained by obtaining the requisite vote or approval at a meeting, by written consent without a meeting pursuant to O.C.G.A. Section 14-3-704, or by written ballot without a meeting pursuant to O.C.G.A. Section 14-3-708. The Longleaf Association shall maintain any ballots or written consents approving any action in its files for a period of at least four years.

(a) *Approval by Written Consent.* Except in the case where a meeting is required, the approval of Members may be obtained without a membership meeting and without prior notice if the action is approved by the written consent of Members representing at least a majority of the total eligible votes in the Longleaf

Association, unless the Longleaf Documents or Georgia law require(s) a greater number of votes for a specific action. Member approval must be evidenced by one or more consents in writing or by electronic transmission describing the action taken, signed by the requisite number of Members, and delivered to the Secretary for filing with the Longleaf Association's records.

Written notice of approval by written consent shall be given to all Members who did not sign a consent, and Member approval pursuant to this subsection (a) shall be effective 10 days after such written notice is given; provided, if all Members sign a consent, Member approval shall be effective immediately upon receipt by the Longleaf Association of all consents.

(b) Approval by Ballot. Except in the case where a meeting is required, the approval of Members may be obtained by ballot without a meeting if the Longleaf Association delivers a ballot in writing or by electronic transmission to every Member entitled to vote on the matter. The ballot form for obtaining any such Member approval shall:

- (i) indicate the number of responses needed to meet the quorum requirements;
- (ii) state the date by which the ballot must be received by the Longleaf Association in order to be counted. Such date shall not be less seven nor more than 120 days from the date the ballots are sent or delivered;
- (iii) identify by whose authority it was prepared and delivered and the name and location of the Person authorized to receive it on behalf of the Longleaf Association;
- (iv) specify the number of votes or percentage of approvals necessary to approve each action other than election of directors;
- (v) describe in detail the nature of the amendment or matter requiring action;
- (vi) afford a choice between disapproval and approval of each matter; and
- (vii) be signed and dated by the voting Member and identify the Longleaf Unit for which such Member is voting.

Approval by ballot pursuant to this subsection (b) shall be valid only when: (A) the number of votes cast by ballot equals or exceeds the quorum required to be present at a meeting of the Members; and (B) the number of approvals equals or exceeds the number of votes that would be required to approve the matter at a meeting at which the total number of votes cast was the same as the number of votes cast by ballot. Once submitted to the Longleaf Association, ballots may not be revoked.

Any action required or permitted by the Longleaf Documents or by law to be taken at a meeting of the Members may be taken without a meeting, without prior notice, and without a vote. In order for such action to be approved, the minimum number of votes necessary to authorize such action at a meeting as if all Members entitled to vote thereon were present at such meeting must sign a written consent specifically authorizing the proposed action. Such consents shall be signed within 60 days after receipt of the earliest dated consent, dated, and delivered to the Longleaf Association. Such consents shall be filed with the Longleaf Association's minutes and shall have the same force and effect as a vote of the Members at a meeting.

Article 3

Meetings of Members

3.1. Place of Meetings

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

3.2. Longleaf Association Meetings

(a) *General.* The first Longleaf Association meeting, whether an annual or special meeting, shall be held prior to the end of the first full fiscal year following the calendar year within which the Longleaf Association was incorporated.

(b) *Annual Meetings.* The Longleaf Board shall schedule regular annual meetings to occur within 90 days before or after the close of the Longleaf Association's fiscal year, on such date and at such time and place as the Longleaf Board shall determine.

(c) *Special Meetings.* The President may call special meetings. In addition, the President or the Secretary shall call a special meeting if so directed by Longleaf Board resolution or upon a written petition signed by Members entitled to cast at least 25% of the total Longleaf Association votes. Any such petition shall state the purpose or purposes for which the meeting is requested and the issue or issues to be considered by the membership, which issues shall be limited to matters upon which the Members are entitled to vote under the Corporate Code or the Longleaf Documents.

3.3. Notice of Meetings

The President, the Secretary, or the officers or other persons calling a meeting of the Members shall deliver or cause to be delivered to each Member entitled to vote a written notice stating the place, day, and hour of the meeting. In the case of a special meeting or when otherwise required by the Corporate Code or the Longleaf Documents, the purpose or purposes for which the meeting is called shall also be stated in the notice. No business shall be transacted at a special meeting except as stated in the notice.

Such notice shall be delivered by such means as permitted under Section 10.4, at least 21 days prior to the annual meeting and at least 7 days prior to any special meeting.

3.4. Waiver of Notice

Waiver of notice of a Longleaf Association meeting shall be deemed the equivalent of proper notice. Any Member may waive, in writing, notice of any Longleaf Association meeting, either before or after such meeting. A Member's attendance at a meeting shall be deemed a waiver by such Member of notice of the time, date, and place thereof unless the 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 a waiver of notice of all business transacted at such meeting unless an objection on the basis of lack of proper notice is raised before the business is put to a vote.

3.5. Quorum

Except as these By-Laws or the Declaration otherwise provide(s), the presence, in person or by proxy, of Members entitled to cast at least 10% of the total votes in the Longleaf Association shall constitute a quorum for the transaction of business.

3.6. Adjournment of Meetings

If any Longleaf Association meeting cannot be held because a quorum is not present, the Members representing a majority of the votes present at such meeting may adjourn the meeting to a time at least five but not more than 30 days from the scheduled date of the original meeting. At the reconvened meeting, if a quorum is present, any business may be transacted which might have been transacted at the meeting originally called. If those in attendance at the original meeting do not fix a time and place for reconvening the meeting, or if for any reason a new date is fixed for reconvening the meeting after adjournment, the Longleaf Board shall provide notice to the Members of the time and place for reconvening the meeting in the manner prescribed for regular meetings.

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

3.7. Conduct of Meetings

The President or a Longleaf Board-approved designee shall preside over all Longleaf 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 kept with the Longleaf Association's books. *Roberts Rules of Order* (the latest edition) shall govern conduct of any membership meeting when not in conflict with the Longleaf Documents, unless the Longleaf Board votes to dispense with or modify such rules by resolution.

Article 4

Longleaf Board of Directors: Selection, Meetings, Powers

A. Composition and Selection

4.1. Governing Body; Qualifications

The Longleaf Board shall govern the Longleaf Association's affairs. The Board of Directors shall be composed of at least four but no more than six persons, as may be determined from time to time by resolution of the Longleaf Board. Except as otherwise provided in Section 4.2 below, each director shall have one vote. Directors shall be Owners or residents. Multiple Owners or residents representing the same Longleaf Unit may not serve on the Longleaf Board at the same time. A "**resident**" shall be any natural person 18 years of age or older whose principal residence is a Longleaf Unit within Longleaf; however, Persons renting or leasing a Longleaf Unit shall not be classified as residents for the purposes of determining eligibility to serve on the Longleaf Board.

No person shall be elected to the Longleaf Board if the Longleaf Unit represented by such person is shown on the Longleaf Association's books or management accounts to be more than 60 days delinquent in

any payment due to the Longleaf Association or is under suspension of any provision of the Longleaf Documents.

If an Owner is not an individual, any officer, director, partner, or any trust officer of such Owner shall be eligible to serve as a director unless a written notice to the Longleaf Association signed by the Owner specifies otherwise; provided, any such individual serving as a director shall be deemed to have resigned as a director upon the Longleaf Association's receipt of notice from the designating Owner of termination of such individual's relationship with such Owner. No more than one person at a time may serve as a director for any one Longleaf Unit.

4.2. Selection of Directors; Term of Office

The initial Longleaf Board shall consist of the five directors identified in the Articles, who shall serve until their successors are appointed or elected as provided in this section. One of the initial directors is a Founder-appointee, and is subject to removal and replacement, by the Ida Cason Callaway Foundation (the "**Foundation**"), acting in its discretion, as provided below.

Successor directors to the initial Longleaf Board shall be elected as provided herein. Prior to the end of the calendar year within which the Longleaf Association was incorporated, the initial Longleaf Board shall call a meeting of the Members at which an election shall be held to elect a minimum of three and a maximum of five directors. The terms of the directors elected by the membership shall be staggered as follows: If three directors are to be elected, then the two nominees receiving the highest number of votes shall be elected to serve until the second annual meeting following the election, and the nominee receiving the next highest number of votes shall be elected to serve until the first annual meeting following the election. If four directors are to be elected, then the two nominees receiving the highest number of votes shall be elected to serve until the second annual meeting following the election, and the two nominees receiving the next highest number of votes shall be elected to serve until the first annual meeting following the election. If five directors are to be elected, then the three nominees receiving the highest number of votes shall be elected to serve until the second annual meeting following the election, and the two nominees receiving the next highest number of votes shall be elected to serve until the first annual meeting following the election. Notwithstanding the above, in the event that two or more candidates receive the same number of votes such that a determination of terms of office as provided above is not possible, the directors shall decide among themselves who shall serve which terms. Upon expiration of the initial term of each director so elected and thereafter, successors shall be elected to serve for two-year terms or until their successors are elected or appointed, whichever is longer. Directors may serve no more than three consecutive two-year terms.

In addition, for so long as the Foundation owns a Longleaf Unit, the Foundation shall be entitled to appoint one director to serve on the Longleaf Board, which director shall replace the initial Founder appointee and thereafter shall be subject to removal and replacement by the Foundation. Thereafter, the Master Association, acting through its board of directors, shall be entitled to appoint one director to serve on the Longleaf Board, which director shall serve in a non-voting, *ex officio* capacity.

4.3. Nomination and Election Procedures

(a) *Nomination of Candidates.* The Longleaf Board may appoint a Nominating Committee to make nominations for any election of directors. If established, the Nominating Committee shall consist of a chairman, who shall be a Longleaf Board member, and three or more Members or representatives of Mem-

bers. The Nominating Committee shall serve a term of one year or until its successors are appointed. The names of the Nominating Committee members shall be announced in the notice of each election.

In preparation for the election, the Nominating Committee shall meet and make as many nominations for election to the Longleaf Board as it shall in its discretion determine but in no event less than the number of positions to be filled by the Members at such election. In making its nominations, the Nominating Committee shall use reasonable efforts to nominate candidates representing the diversity that exists within the pool of potential candidates.

Nominations shall also be permitted from the floor at the meeting at which any election is held. All candidates shall have a reasonable opportunity to communicate their qualifications to the Members and to solicit votes.

(b) Election Procedures. At each election, voting shall be by written ballot unless dispensed with by unanimous consent at the meeting at which the election is conducted. Each Member shall be entitled to cast one vote for each directorship to be filled. There shall be no cumulative voting. That number of candidates equal to the number of positions to be filled who receive the most votes shall be elected.

4.4. Removal of Directors and Vacancies

At any regular or special meeting of the Longleaf Association duly called, any director elected by the Members may be removed, with or without cause, by a majority of the total votes represented in person or by proxy at such meeting, and a successor may then and there be elected to fill the vacancy thus created. Any director whose removal is sought shall be given at least 10 days' notice of the calling of the meeting and the purpose thereof and shall be given an opportunity to be heard at the meeting prior to a vote being taken on the issue of his removal.

Additionally, at any meeting at which a quorum is present, a majority of the directors may remove any Member-elected director who has three consecutive unexcused absences from Longleaf Board meetings or who is more than 60 days delinquent (or resides in a Longleaf Unit owned by an Owner who is so delinquent) in the payment of any assessment or other charge due the Longleaf Association. The Longleaf 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 Member-elected director, a majority of the remaining directors, even though less than a quorum, may declare a vacancy and appoint a successor to fill the vacancy until the next annual meeting, at which time the Members shall be entitled to elect a successor for the remainder of the term.

Any director whom the Longleaf Board appoints shall be selected from among eligible Members or residents of Longleaf Units.

This section shall not apply to the initial directors identified in the Articles of Incorporation. In addition, directors appointed by the Founder or the Master Association shall not be subject to removal by the Members or the other directors. In the event of a vacancy in the director position appointed by the Founder or the Master Association, whether by removal, resignation, or otherwise, the Founder or the Master Association, as applicable, shall be entitled to appoint a successor to fill such vacancy.

B. Meetings

4.5. Organizational Meetings

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

4.6. Regular Meetings

The Longleaf Board shall hold regular meetings at such time and place as a majority of the directors shall determine, but the Longleaf Board shall meet at least four times during each fiscal year with at least one meeting per quarter. No notice shall be required for Longleaf Board meetings held in accordance with a regular schedule which the Longleaf Board has adopted by resolution of which notice has been given in accordance with Section 4.8.

4.7. Special Meetings

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

4.8. Notice; Waiver of Notice

(a) Notices of Longleaf 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 Longleaf Board shall notify each director of meetings 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 or other electronic communication device, with confirmation of transmission. All such notices shall be given at or sent to the director's telephone number, fax number, or sent to the director's address as shown on the Longleaf Association's records. The Longleaf Board shall deposit notices sent by first class mail into a Longleaf United States mailbox at least five business days before the day of the meeting. The Longleaf Board shall give notices by personal delivery, telephone, or other device at least 72 hours before the time set for the meeting.

(b) The Longleaf Board shall notify the Members of each Longleaf Board meeting by: (i) posting notice of the meeting in a conspicuous place in Longleaf at least 48 hours in advance of the meeting; (ii) publication of a schedule of the Longleaf Board meetings in a newspaper, newsletter, on a community intranet or website, or by similar means at least seven days prior to the meeting; or (iii) mailing notice of the meeting to each Member.

(c) Transactions of any Longleaf 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.

4.9. Telephonic Participation in Meetings

Members of the Longleaf Board or any committee the Longleaf Board designates may participate in a Longleaf Board or committee meeting by 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 section shall constitute presence at such meeting.

4.10. Quorum of Longleaf Board

At all Longleaf 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 Longleaf Board's decision, unless the Corporate Code, 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 departure of directors, if at least a majority of the required quorum for that meeting approves any action taken. If the Longleaf Board cannot hold a meeting because a quorum is not present, a majority of the directors present 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 Longleaf Board may transact, without further notice, any business it might have transacted at the original meeting.

4.11. Conduct of Meetings

The President or any designee the Longleaf Board approves by resolution shall preside over all Longleaf Board meetings. The Secretary shall ensure that minutes of the meetings are kept and that all resolutions and all transactions occurring at such meetings are included in the Longleaf Association's records.

4.12. Open Meetings; Executive Session

(a) Subject to the provisions of Subsection 4.12(b) and Section 4.13, all Longleaf Board meetings shall be open to all Members, but only directors may participate in any discussion or deliberation unless a director requests that attendees 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 Longleaf Board meeting and reconvene in executive session, and may exclude persons other than directors, to discuss and vote upon matters of a sensitive nature, such as pending or threatened litigation, personnel matters, etc. The general nature of any and all business to be conducted in executive session shall first be announced in open session.

4.13. Action Without a Formal Meeting

Any action to be taken or which may be taken at a Longleaf Board meeting may be taken without a meeting if all 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 Longleaf Board shall post a notice of the Longleaf Board's action in a prominent place within Longleaf 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

4.14. Powers

The Longleaf Board shall have the power to administer the Longleaf Association's affairs, perform the Longleaf Association's responsibilities, and exercise the Longleaf Association's rights as set forth in the Longleaf Documents and as provided by law. The Longleaf Board may do or cause to be done on the Longleaf Association's behalf all acts and things except those which the Longleaf Documents or Georgia law require to be done and exercised exclusively by the Members. The Longleaf Board may enter into contracts on behalf of the Longleaf Association with any Person for the performance of various duties and functions as it deems appropriate in the exercise of its business judgment. Except to the extent restricted by law, the Longleaf Board may transfer any and all functions of the Longleaf Association, in whole or in part, to any other entity.

4.15. Duties

The Longleaf Board's duties shall include, without limitation:

- (a) preparing and adopting, in accordance with the Declaration, an annual budget establishing each Member's share of the Common Expenses;
- (b) making assessments to defray the Common Expenses, establishing the means and methods of collecting such assessments, and establishing any period of installment payments of the Annual Assessment;
- (c) providing for the operation, care, upkeep, and maintenance of the Longleaf Maintenance Property consistent with the Longleaf Standard;
- (d) designating, hiring, and dismissing personnel necessary to carry out the Longleaf 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 Longleaf Association's behalf in a bank depository which it shall approve and using such funds to operate the Longleaf Association; however, in the Longleaf Board's business judgment any reserve funds may be deposited in depositories other than banks;
- (f) making and amending Longleaf Rules in accordance with the Declaration;
- (g) opening bank accounts on the Longleaf Association's behalf and designating the signatories required;
- (h) making or contracting for the making of repairs, additions, and improvements to or alterations of the Longleaf Common Area in accordance with the Longleaf Documents;
- (i) instituting, defending, and settling any action and enforcing by legal means the provisions of the Longleaf Documents and bringing any proceedings which may be instituted on behalf of or against the Members concerning the Longleaf Association; however, the Longleaf Association's obligation in this regard shall be conditioned in the manner provided in the Declaration;

- (j) 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;
- (k) paying the cost of all services rendered to the Longleaf Association;
- (l) keeping a detailed accounting of the Longleaf Association's receipts and expenditures;
- (m) making available to any prospective purchaser of a Longleaf Unit, any Member, and the holders, insurers and guarantors of any Mortgage on any Longleaf Unit, current copies of the Longleaf Documents and all other books, records, and financial statements of the Longleaf Association as provided in Section 10.3;
- (n) permitting utility suppliers to use portions of the Longleaf Common Area reasonably necessary to the ongoing development or operation of Longleaf;
- (o) indemnifying a director, officer, or committee member or former director, officer, or committee member of the Longleaf Association to the extent such indemnity is required by the Corporate Code, the Articles, and these By-Laws;
- (p) cooperating with the Callaway Residential Owners Association, Inc. ("**Master Association**") in carrying out its purposes and responsibilities under the Community Charter for Callaway Resort Residential Properties ("**Charter**"); and
- (q) cooperating with the Callaway Community Council, Inc. ("**Community Council**") in carrying out its purposes and responsibilities under the Community Covenant for Callaway Resort ("**Community Covenant**").

Article 5

Officers

5.1. Officers

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

5.2. Election and Term of Office

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

5.3. Removal and Vacancies

The Longleaf Board may remove any officer whenever in its judgment the Longleaf 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.

5.4. Powers and Duties

The Longleaf Association's officers shall have such powers and duties as generally pertain to their respective offices, as well as such powers and duties as the Longleaf Board may specifically confer or impose.

The President shall be the Longleaf Association's chief executive officer and shall preside at all meetings of the Longleaf Association and the Longleaf Board. The President shall have the general powers and duties which are incident to the office of the president of a corporation under the Corporate Code. The Vice President, if any, shall act in the President's absence and shall have all powers, duties and responsibilities provided for the President when so acting.

The Secretary shall keep the minutes of all meetings of the Longleaf Association and the Longleaf Board and shall have charge of such books and papers as the Longleaf Board may direct. The Secretary shall, in general, perform all duties incident to the office of the secretary of a corporation under the Corporate Code. If no Vice President is appointed, the Secretary shall act in the President's absence and shall have all the powers, duties and responsibilities of the President when so acting.

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.

5.5. Resignation

Any officer may resign at any time by giving written notice to the Longleaf Board, the President, or the Secretary. Such resignation shall take effect on the date of the receipt of such notice or at a later time specified therein. Unless the resignation specifies, acceptance of such resignation shall not be necessary to make it effective.

Article 6 **Committees**

The Longleaf Board may appoint such committees as it deems appropriate to perform such tasks and to serve for such periods as the Longleaf Board may designate by resolution. Each committee shall operate in accordance with the terms of such resolution. Members of a committee may act by unanimous written consent in lieu of a meeting. In the conduct of its duties and responsibilities, each committee shall abide by the notice and quorum requirements applicable to the Longleaf Board under these By-Laws. Except as otherwise provided by Longleaf Board resolution or the Longleaf Documents, members of a committee may act by unanimous written consent in lieu of a meeting.

Article 7
Standards of Conduct, Liability and Indemnification

7.1. Standards for Directors and Officers

The Longleaf Board shall exercise its powers in a reasonable, fair, nondiscriminatory manner and shall adhere to the procedures established in the Longleaf Documents.

In performing their duties, directors and officers shall be insulated from liability as provided for directors of corporations under the Corporate Code and as otherwise provided by the Longleaf Documents. Directors and officers shall discharge their duties as directors or officers, and as members of any committee to which they are appointed, in a manner that the director or officer believes in good faith to be in the best interest of the corporation and with the care that an ordinarily prudent person in a like position would exercise under similar circumstances. A director is entitled to rely on information, opinions, reports, or statements, including financial statements and other financial data, prepared or presented by others to the extent authorized under Georgia law.

7.2. Liability

(a) A director or officer shall not be personally liable to the Longleaf Association, any Member, the Founder, or any other Person for any action taken or not taken as a director if the director has acted in accordance with Section 7.1.

(b) Pursuant to the business judgment rule, a director also shall not be personally liable for any action taken or not taken as a director if the director:

(i) acts within the expressed or implied scope of the Longleaf Documents and his or her actions are not *ultra vires*;

(ii) affirmatively undertakes to make decisions which the director believes in good faith are necessary for the Longleaf Association's continued and successful operation and, when decisions are made, makes them on an informed basis;

(iii) acts on a disinterested basis, promptly disclosing any real or potential conflict of interests (pecuniary or other), and avoiding participation in decisions and actions on matters as to which he has a conflict of interest (beyond that which all directors have by virtue of their ownership or occupancy of a Longleaf Unit); and

(iv) acts in a non-fraudulent manner and without reckless indifference to the Longleaf Association's affairs.

(c) The Longleaf 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 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 Longleaf Association's behalf (except to the extent that such officers or directors may also be a Member).

7.3. Indemnification

Subject to the limitations of Georgia law, the Longleaf Association shall indemnify every officer, director, and committee member against all damages and expenses, including counsel fees and expenses, reasonably incurred in connection with any action, suit, or other proceeding (including settlement of any suit or proceeding, if approved by the then Longleaf Board) to which he or she may be a party by reason of being or having been an officer, director, or committee member, except that the Longleaf Association shall have no obligation to indemnify any individual against liability or expenses incurred in connection with a proceeding:

- (a) brought by or in the right of the Longleaf Association, although it may reimburse the individual for reasonable expenses incurred in connection with the proceeding if it is determined, by the court or in the manner provided above, that the individual met the relevant standard of conduct under Georgia law; or
- (b) to the extent that the individual is adjudged liable for conduct that constitutes:
 - (i) appropriation, in violation of his or her duties, of any business opportunity of the Longleaf Association;
 - (ii) intentional misconduct or knowing violation of the law;
 - (iii) an unlawful distribution to members, directors or officers; or
 - (iv) receipt of an improper personal benefit.

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 Longleaf 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.

7.4. Advancement of Expenses

In accordance with the procedures and subject to the conditions and limitations set forth in the Corporate Code, the Longleaf Board may authorize the Longleaf Association to advance funds to pay for or reimburse the reasonable expenses incurred by a present or former officer, director, or committee member in any proceeding to which he or she may be a party by reason of being or having been an officer, director, or committee member of the Longleaf Association.

7.5. Longleaf Board and Officer Training

The Longleaf Board may, as a Common Expense, conduct or provide for seminars and continuing educational opportunities designed to educate and inform its officers and directors of their responsibilities as officers and directors. Such programs may include instruction on applicable Georgia corporate law principles, other issues relating to administering community affairs, and upholding and enforcing the Longleaf Documents. The Longleaf Board may retain industry professionals, which may include property managers, attorneys, and accountants, as appropriate or necessary for such purpose. Each newly elected officer and director may be required to complete a training seminar within the first six months of assuming such position. The seminar may be live, video or audiotape, or in other format.

Article 8

Management and Accounting

8.1. Compensation of Directors and Officers

The Longleaf Association shall not compensate directors and officers for acting as such unless Members representing a majority of the total votes in the Longleaf Association approve such compensation at a Longleaf Association meeting. The Longleaf Association may reimburse any director or officer for expenses he or she incurs on the Longleaf Association's behalf upon approval of a majority of the other directors. Nothing herein shall prohibit the Longleaf Association from compensating a director or officer, or any entity with which a director or officer is affiliated, for services or supplies he or she furnishes to the Longleaf Association in a capacity other than as a director or officer pursuant to a contract or agreement with the Longleaf Association. However, such director must make known his or her interest to the Longleaf Board prior to entering into such contract, and a majority of the Longleaf Board, excluding any interested director, must approve such contract.

8.2. Managing Agent

The Longleaf Board may employ for the Longleaf Association professional management agents, at such compensation as the Longleaf Board may establish, to perform such duties and services as the Longleaf Board shall authorize. The Longleaf Board may delegate such powers as are necessary to perform the manager's assigned duties but shall not delegate policy-making authority or ultimate responsibility for those duties set forth in Section 4.16. The Longleaf Board may employ the Founder or a Founder Affiliate as managing agent or manager.

The Longleaf Board may delegate to one of its members the authority to act on its behalf on all matters relating to the duties of the managing agent or manager that might arise between Longleaf Board meetings.

The managing agent shall not accept remuneration from vendors, independent contractors, or others providing goods or services to the Longleaf Association, whether in the form of commissions, finder's fees, service fees, prizes, gifts, or otherwise; any thing of value received shall benefit the Longleaf Association. The managing agent shall promptly disclose to the Longleaf Board any financial or other interest it may have in any firm providing goods or services to the Longleaf Association.

8.3. Accounts and Reports

(a) The Longleaf Board shall employ the following accounting standards unless the Longleaf Board by resolution specifically determines otherwise:

- (i) accounting and controls should conform to generally accepted accounting principles; and
- (ii) the Longleaf Association's cash accounts shall not be commingled with any other accounts.

(b) Financial reports shall be prepared for the Longleaf Association at least quarterly containing:

- (i) an income statement reflecting all income and expense activity for the preceding period;
- (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 Members 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 Longleaf Board specifies otherwise by resolution).

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

8.4. Borrowing

The Longleaf Association shall have the power to borrow money for any legal purpose. However, the Longleaf Board shall obtain 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 20% of the Longleaf Association's budgeted gross expenses for that fiscal year.

8.5. Right to Contract

The Longleaf Association, through its Longleaf Board, 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 the Master Association, the Community Council, and other trusts, condominiums, cooperatives, or other owners or residents associations, within and outside the Residential Community.

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

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

Article 9

Enforcement Procedures

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

9.1. Notice and Response

The Longleaf Board or its delegate shall serve the alleged violator with written notice specifying:

- (a) the nature of the alleged violation and the proposed sanction to be imposed;
- (b) that the alleged violator may, within 10 days from the date of the notice, submit a written request to the Longleaf Association or its managing agent, if any, for a hearing to challenge the allegations, the proposed sanction, or both;
- (c) the name and address to whom any such hearing request is to be addressed;
- (d) that the alleged violator shall be entitled to make a statement and present evidence a witnesses on his or her behalf at the hearing; and
- (e) that all rights to have the sanction reconsidered are waived if a hearing is not requested within 10 days of the date of the notice.

If the alleged violator cures the alleged violation and notifies the Longleaf Board in writing within such 10-day period, the Longleaf Board may, but shall not be obligated to, waive the sanction. Such waiver shall not constitute a waiver of the right to sanction future violations of the same or other provisions and rules by any Person. If a timely request for a hearing is not made, the sanction stated in the notice shall be imposed; provided the Longleaf Board may, but shall not be obligated to, suspend any proposed sanction if the violation is cured within the 10-day period.

Prior to the effectiveness of sanctions imposed pursuant to the Declaration, proof of proper notice shall be placed in the Longleaf Board minutes. Such proof shall be deemed adequate if a copy of the notice, together with a statement of the date and manner of delivery, is entered by the officer, director, or agent who delivered such notice. The notice requirement shall be deemed satisfied if the alleged violator or its representative requests and appears at the hearing.

9.2. Hearing

If a hearing is requested within the allotted 10-day period, the hearing shall be held before the Longleaf Board in executive session. The alleged violator shall be afforded a reasonable opportunity to be heard. The Longleaf Board shall give the alleged violator at least 10 days' prior written notice of the date, time and place of the hearing. This section shall be deemed complied with if a hearing is held and the alleged violator attends and is provided with an opportunity to be heard, notwithstanding the fact that the notice requirements contained herein are not technically followed. The minutes of the Longleaf Board meeting shall contain a written statement of the results of the hearing and the sanction, if any, to be imposed.

Article 10 **Miscellaneous**

10.1. Fiscal Year

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

10.2. Maintenance of Books and Records

(a) *Category 1 Documents.* The Longleaf Association shall maintain at its principal office copies of the following books and records, either in written form or in a format capable of conversion into written form within a reasonable time:

- (i) its Articles of Incorporation and By-Laws and all amendments thereto currently in effect;
- (ii) Longleaf Board resolutions relating to the rights, limitations, and obligations of Members;
- (iii) the minutes of all Member meetings and records of actions approved by the Members for the last three years;
- (iv) waivers of notice of Longleaf Board or Longleaf Association meetings;
- (v) all written communications directed to the Members generally within the last three years;
- (vi) copies of the financial statements for past three years;
- (vii) a list of the names and business or home address of its current directors and officers; and
- (viii) the Longleaf Association's most recent annual report filed with the Secretary of State.

(b) *Category 2 Documents.* The Longleaf Association shall maintain at its principal office copies of the following books and records, either in written form or in a format capable of conversion into written form within a reasonable time:

- (i) minutes of Longleaf Board meetings and records of all actions approved by the Longleaf Board without a meeting;
- (ii) records of any action of a committee of the Longleaf Board while acting in the place of the Longleaf Board on behalf of the Longleaf Association;
- (iii) appropriate accounting records; and
- (iv) a membership list reflecting the name and mailing address of each Member, in alphabetical order, along with the address of each Longleaf Unit owned by the Member and the number of votes allocated to such Member's Longleaf Unit(s).

10.3. Inspection of Books and Records

(a) *Inspection by Members.* Within five days after receipt of a written request to inspect the Longleaf Association's books and records, the Longleaf Board shall make available for inspection and copying by any Member or a Member's duly appointed representative, at any reasonable time and location as the Longleaf Board may specify, any of the books and records listed in Section 10.2(a) and specified in such written request.

In addition, within five days after receipt of a written request to inspect any of the records specified in Section 10.2(b), the Longleaf Board shall make available such records as may be specified in the request for

inspection and copying by any Member at any reasonable time and location as the Longleaf Board may specify, provided: (i) the Member's demand for inspection is made in good faith and for a proper purpose that is reasonably related to the Member's legitimate interest as a Member of the Longleaf Association; (ii) the Member describes with reasonable particularity the purpose and the records the Member desires to inspect; (iii) the records are directly connected with this purpose; and (iv) the records are to be used only for the stated purpose.

(b) Rules for Inspection. The right to inspect and copy records under subsection (a) above includes, if reasonable, the right to receive copies of such records. The Longleaf Association may impose a reasonable charge to cover the costs of labor and materials for copies of any documents provided to the Member or the Member's agent. The charge shall not exceed the estimated cost of production or reproduction of the records. The Longleaf Association can limit the length of time of each inspection, but such time limit shall not be less than two hours per inspection. To prevent abuse of an Owner's inspection rights, records previously inspected by an Owner are not subject to inspection again by the same Owner more than once per quarter.

Notwithstanding anything to the contrary, the Longleaf Board may limit or preclude the inspection of confidential or privileged documents, including but not limited to, attorney/client privileged communication, executive session meeting minutes, and financial records or accounts of other Owners. Minutes of all meetings of the membership and the Longleaf Board become official Longleaf Association records when approved by the membership or the Board, as applicable.

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

10.4. Notices

(a) Form of Notice. Except as otherwise provided in the Longleaf Documents or Georgia law, all notices, demands, bills, statements, and other communications under the Longleaf Documents shall be in writing and may be delivered in person, by United States mail, by private carrier, or if the intended recipient has given its prior written authorization to use such method of delivery, by fax, electronic mail, or other electronic transmission with written confirmation of transmission.

(b) Delivery Address. Notices shall be delivered or sent to the intended recipient as follows:

(i) if to a Member, at the address, fax number or electronic mail address or other address for electronic transmission that the Member has designated in writing and filed with the Longleaf Association or, if no such address has been designated, at the address of the Member's Longleaf Unit; or

(ii) if to the Longleaf Association, the Longleaf Board, or the managing agent, at the address, fax number, or electronic mail address of the principal office of the Longleaf 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.

(c) Effective Date. Notice sent in accordance with subsections (a) and (b) shall be deemed to have been duly given and effective:

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

(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 as indicated in a record by the delivery person; or

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

(d) **Electronic Notices.** Pursuant to the Corporate Code and the Georgia Electronic Records and Signatures Act, O.C.G.A. Section 10-12-1, *et seq.*, each as it may be amended or renumbered from time to time, notices may be transmitted electronically to any Member if the Member consents in writing to receipt of electronically transmitted notices and designates in the consent the message format accessible to the Member and the address, location, or system to which notices may be electronically transmitted. The electronic notice must contain any information or material required by the Corporate Code or the Longleaf Documents. A Member who has consented to receipt of electronically transmitted notices may revoke the consent by delivering a written notice of revocation to the Longleaf Association. The consent of any Member is also automatically revoked if the Longleaf Association is unable to transmit electronically two consecutive notices given by the Longleaf Association in accordance with the consent and this inability becomes known to the Secretary or other person responsible for giving the notice.

10.5. Amendment

Except as provided in Section 12.2(b) of the Declaration, these By-Laws may be amended only by the affirmative vote or written consent, or any combination thereof, of Members representing 67% of the total eligible votes in the Longleaf Association. 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.

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 to these By-Laws may remove, revoke, modify, increase, or decrease any right or privilege of the Founder, Founder Affiliates, the Resort, the Foundation, the Master Association, or the Community Council without the written consent of the Founder, Founder Affiliates, the Resort, the Foundation, the Master Association, or the Community Council, respectively and as applicable (or the assignee of such right or privilege).