

**AMENDED AND RESTATED
BYLAWS OF
FRENCH BROAD PLACE CONDOMINIUM OWNERS ASSOCIATION**

**ARTICLE I.
BUSINESS ADDRESS**

The business address of French Broad Place Condominium Owners Association (the "Association") shall be 29 West French Broad Street, Suite 103, Brevard, North Carolina 28712, or such other address as the Association may hereafter designate. The business address may be changed by the Board of Directors of the Association.

**ARTICLE II.
MEMBERSHIP IN THE ASSOCIATION**

Every person or entity who is a record owner of a fee or undivided fee interest in any of the units in French Broad Place Condominium ("the Condominium"), located in Transylvania County, North Carolina, shall be a member of the Association. Ownership of such interest shall be the sole qualification for membership, and membership shall be appurtenant to and may not be separated from such ownership.

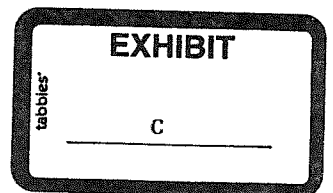
**ARTICLE III.
PURPOSES OF THE ASSOCIATION, APPLICABILITY OF BYLAWS, DEFINITIONS**

Section 1. Purpose and Duties of Association.

The purposes and duties of the Association shall be:

- A. To manage the Condominium pursuant to the provisions of Article 3 of Chapter 47C of the North Carolina General Statutes, these Bylaws, any Rules and Regulations promulgated by the Association or its Board of Directors and the Declaration of Condominium of record at Document Book 502, Page 593 Transylvania County Registry, as the same may be amended ("the Declaration");
- B. To enforce the provisions of these Bylaws, the Declaration, and any Rules and Regulations promulgated by the Association or its Board of Directors;
- C. To promote and protect the enjoyment and beneficial use and ownership of all of the units of the Condominium ("the Units").

No part of the net earnings of the Association shall inure to the benefit of its members, the members of its Board of Directors or its officers, or to any other person, except that the Association is authorized to pay reasonable compensation for services rendered and to make payments in furtherance of the above stated purposes.



Section 2. Applicability of Bylaws. The provisions of these Bylaws are applicable to all affairs of the Association and to the Property and the Condominium, and to the use and occupancy thereof. All present and future unit owners, mortgagees, lessees and occupants of all units in the Condominium and their officers, agents, employees, guests and invitees, and any other persons who may use the facilities of the Property in any manner, are subject to the Declaration, the Articles of Incorporation of the Association, these Bylaws and any Rules and Regulations made pursuant hereto and any amendment to any of said documents. The acceptance of a deed of conveyance or the entering into of a lease or the act of occupancy of a unit shall constitute an agreement that these Bylaws (and any Rules and Regulations made pursuant hereto) and the provisions of the Declaration and said Articles of Incorporation, as they may be amended from time to time, are accepted, ratified, and will be complied with. The provisions of the Declaration regarding the governing and administration of the Condominium by the Association are incorporated herein by reference.

Section 3. Definitions. Except as otherwise defined herein, the definitions of words set forth in Section 1 of the Declaration and set forth in North Carolina General Statutes Chapter 47C known as the North Carolina Condominium Act (the "Act") shall apply to the words and terms used in these Bylaws.

ARTICLE IV. ASSESSMENTS

The Association shall collect assessments against the Units as stated in the Declaration and as provided in Chapter 47C of the North Carolina General Statutes.

ARTICLE V. MEETINGS OF MEMBERS

Section 1. Place of Meetings. All meetings of members shall be held at such place in Transylvania County, North Carolina, as shall be designated on the notice of the meeting or agreed upon by a majority of the members entitled to vote.

Section 2. Annual Meetings. The annual meeting of the members shall be held at any time between 9:00 AM and 9:00 PM on any business day during the month of September of each year as determined by the Board of Directors, for the following purposes:

1. to ratify or reject the summary of the proposed budget submitted by the Board of Directors pursuant to Article VI below;
2. to elect the Board of Directors of the Association (subject to the provisions of Section 8 of the Declaration) for the coming fiscal year; and
3. to transact any other business that may come before the membership, including but not limited to the adoption, modification and/or repeal of any Rules and Regulations governing the Condominium.

Business days are defined as any weekday (Monday through Friday) not designated as a federal holiday.

Section 3. Substitute Annual Meeting. If an annual meeting of the Association shall not be held during September of any year as hereinabove provided, a substitute annual meeting may be called in accordance with the provisions of Section 4 of this Article V. A meeting so called shall be designated and treated for all purposes as the annual meeting.

Section 4. Special Meetings. Special meetings of the members may be called at any time by the President or the Board of Directors of the Association, or upon the written request of not less than twenty percent (20%) of the members.

Section 5. Notice of Meetings. Written notice of the meeting shall be delivered not less than ten (10) nor more than forty (40) days before the date of any members' meeting, personally, by fax or e-mail, or by regular first class U.S. mail, to each member of record. The notice shall state the time and place of the meeting and shall also state the items on the agenda, including the general nature of any proposed amendment to the Declaration or these Bylaws, any budget changes and any proposal to remove a Director. If mailed, it shall be deemed to be delivered when deposited in the United States Mail, addressed to the member at the address as it appears on the record of members of the Association, with postage prepaid. It shall be the responsibility of the individual members to keep the Secretary informed of their current addresses. In the absence of instructions from an individual member as to an address, the Secretary shall be entitled to rely on the most recent records of the Transylvania County Tax Collector to determine the address of the owner of a Unit. The notice of meeting must state the time and place of the meeting and all items on the agenda for the meeting.

When a meeting is adjourned for thirty days or more, notice of the adjourned meeting shall be given as in the case of an original meeting. When a meeting is adjourned for less than thirty days in any one adjournment, it is not necessary to give any notice of the adjourned meeting other than by announcement at the meeting at which the adjournment is taken.

Section 6. Voting Rights. On matters of the Association's business submitted to vote of the membership, there shall be one vote per Residential Unit (floors three and four) and 1.5 votes per Commercial Unit (floors one and two), regardless of the number of owners of a Unit. At any meeting of members, twenty percent of the Units (represented either in person or by proxy) shall constitute a quorum for the purposes of submitting any matter to a vote. Except as otherwise provided by the Declaration, Chapter 47C of the North Carolina General Statutes, or these Bylaws, all matters submitted to a vote at any meeting held in accordance with these Bylaws shall be decided by a simple majority of the total votes cast.

Section 7. Voting by Proxy. Votes may be cast either in person or by one or more agents authorized by a dated, written proxy executed by the member or his/her attorney-in-fact. A proxy terminates one year after its date, unless it specifies a shorter term. Any form of proxy which is sufficient in law may be used, but the following form of proxy shall be deemed sufficient:

The undersigned appoints _____ their proxy for the sole purpose of casting the vote allocated to Unit _____, on all matters submitted to vote at the meeting of owners of French Broad Place Condominiums, to be held on _____, _____. The undersigned ratify and confirm all such votes cast on behalf of the Unit at the meeting.

This the _____ day of _____, _____.

Section 8. Voting List. At least ten days before each meeting of members, the Secretary of the Association shall prepare a list of the members entitled to vote at the meeting, with the address of each, which list shall be kept on file with the book of records of the Association. This list shall be produced and kept open at the time and place of the meeting and shall be subject to inspection by any members during the meeting. Voting rights shall be suspended for any members delinquent in payment of assessments.

Section 9. Waiver of Notice. Any member may waive notice of any meeting. The attendance by a member at a meeting shall constitute a waiver of notice of such meeting, except where a member attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened.

Section 10. Minutes of Meetings. The Secretary of the Association shall prepare, or cause to be prepared, and keep accurate minutes of every meeting of the members. Such minutes shall be made available for examination and copying by any unit owner at any reasonable time.

Section 11. Actions Without Meeting. Any action which may be taken at a meeting of the membership may be taken without a meeting if a consent or ratification, in writing, setting forth the action so taken or to be taken shall be signed by one hundred percent (100%) of the persons who would be entitled to vote at a meeting and such consent is filed with the Secretary of the Association and inserted in the Minute Book of the Association.

ARTICLE VI. BOARD OF DIRECTORS

Section 1. Purpose, Number and Term of Office. The business and affairs of the Association shall be managed by a Board of Directors consisting of three (3) individuals, who shall be entitled to act on behalf of the Association. The Board of Directors shall initially consist of the initial members of the Board of Directors as named in the Organizational Minutes of the Association or as appointed by the Declarant. Subsequently, the Board of Directors shall be appointed by the Declarant until such time as the period of Declarant control of the Association has terminated pursuant to the provisions of the Declaration. At the first meeting of the membership of the Association following the termination of the period of Declarant control of the Association, the members of the Board of Directors shall be elected by the membership of the Association and those persons who receive the highest number of votes at a meeting at which a quorum is present shall be elected. Each member of the Board of Directors shall hold office for

one (1) year or until the death, disability, resignation or removal of such Director or until expiration of his or her term and the election of a successor. Directors appointed by the Declarant do not need to be unit owners. Otherwise, all members of the Board shall be a unit owner, or a spouse of a unit owner, provided, however, that in the event a unit owner is a corporation, limited liability company, partnership, trust or other legal entity, then an officer, director, member, manager, partner, beneficiary or other duly authorized agent of such entity shall be eligible to serve as a Director. Other than the Directors appointed by Declarant, each Director shall hold office for the term for which he was elected, or until his death, resignation, retirement, removal, disqualification or until his successor is elected and qualified.

Section 2. Powers and Duties. The Board of Directors shall have the power and the duty to act on behalf of the Association in all instances, except that the Board may not amend the Declaration, terminate the condominium, elect members of the Board (except to fill any vacancy in its membership for the unexpired portion of a term) or determine the qualifications, powers, duties or terms of office of members of the Board. In addition the Board of Directors shall have the following specific powers, duties and responsibilities:

- A. The Board will keep a complete record of all of its acts and all affairs of the Association and make the same reasonably available for examination by any member, his agents or mortgagees.
- B. The Board will adopt a proposed budget for the Association to be approved or rejected by the membership of the Association at its Annual Meeting. The proposed budget shall be adopted at a meeting of the Board to be held not more than sixty days before the Annual Meeting of the membership of the Association. A summary of the proposed budget, including the amount of any proposed assessments against the Units, shall be mailed to the membership with notice of the annual meeting. The proposed budget shall be deemed ratified unless at the meeting more than fifty percent (50%) of the Units existing at that time vote to reject it. In the event the proposed budget is rejected, the periodic budget last ratified shall be continued until the membership ratifies a budget subsequently proposed by the Board of Directors.
- C. The Board may fine any unit owner an amount not to exceed \$100.00 for any violation of the Declaration, these Bylaws or any Rules and Regulations promulgated by the Board. In such event, the Board shall provide the unit owner fined an opportunity to be heard before the Board of Directors of the Association, acting as a Adjudicatory Panel, or a separate Adjudicatory Panel appointed by the Board pursuant to Article X below. Each day a violation continues, after notice of violation is given the unit owner or occupant of such unit, shall be considered a separate violation. Multiple fines may be assessed against any unit owner for multiple violations. Any such fines shall be deemed assessments against the unit of such owner, and shall be collectable as provided in the Declaration.
- D. The Board may contract a management agent to perform and execute such duties, functions and responsibilities of the Board as the Board may deem appropriate.

The Board of Directors is authorized, on behalf of the Association, to submit any dispute with or claim against an owner of any Unit to voluntary arbitration or mediation pursuant to any program then in effect in Transylvania County, North Carolina.

In addition to the foregoing, the Board of Directors shall have all of the powers and duties necessary for the administration of the affairs of the Condominium, and may do all such acts and things as are not by the Act, the Declaration, or these Bylaws directed to be exercised and done only by the unit owners. In addition to the powers, duties and responsibilities granted to or imposed on the Board of Directors by the Act, the Declaration, these Bylaws or by any resolution of the members of the Association that may hereafter be adopted, the powers and duties of the Board of Directors shall include, but not be limited to, the following:

(a) Determining the common expenses required for the affairs of the Condominium, including, without limitation the operation, maintenance and repair of the common elements and the obtaining of insurance on all common elements.

(b) Preparing and adopting an annual budget in which there shall be established the annual assessment against each unit owner for the common expenses. The Board shall also have the power and authority to create such additional reserve funds as it shall deem prudent and necessary and fund the same as a part of the common expenses.

(c) Making assessments against the unit owners to pay the common expenses of the Association, including allocations to reserves; establishing the means and methods of collecting such assessments from the unit owners; establishing the period and amount of the monthly installment payment of the annual assessment for the common expenses and to collect the common expenses from the unit owners. Unless otherwise determined by the Board of Directors, the annual assessment against each unit owner for his proportionate share of the common expenses shall be payable monthly on the 1st day of each month.

(d) Providing for and supervising the operation, care, upkeep, maintenance, repair and replacement, as necessary, of the common elements including the limited common elements;

(e) Designating, hiring and dismissing the personnel necessary for the maintenance, operation, repair and replacement of the common elements and providing services for the Property, and where appropriate, providing for the compensation of such personnel. Further, to purchase the equipment, supplies and material to be used by such personnel in the performance of their duties which supplies and equipment shall be deemed the common property of all unit owners to be used by the Association in the performance of its duties and obligations.

(f) Collecting the assessments against the unit owners, depositing the proceeds thereof in a bank depository which it shall approve, and using such funds to carry out the administration, operation, maintenance and repair of the common elements of the Condominium.

(g) Adopting and amending, from time to time, any Rules and Regulations it may deem advisable for the maintenance, conservation, enjoyment, and beautification of the Property and for the health, comfort, safety and general welfare of the unit owners and occupants of the Property. Written notice of such Rules and Regulations shall be provided to all unit owners and occupants. The entire Property and Condominium shall at all times be maintained subject to such rules and regulations. Such rules and regulations must be in accordance with the provisions and restrictions contained in the Declaration and not in modification thereof.

(h) Acting as Insurance Trustee in the manner provided for by the Act, the Declaration and these Bylaws.

(i) Opening of bank accounts on behalf of the Association and designating the signatories required therefor, and depositing and withdrawing Association funds from such accounts. This includes the authority to open and maintain one or more checking accounts in the name of the Condominium or the Association and designate the persons authorized to write checks on such checking account(s). The Board has the duty and authority to pay from the funds of the Association the common expenses of the Condominium and all other duly authorized expenditures.

(j) Purchasing or leasing or otherwise acquiring in the name of the Association, or its designee, corporate or otherwise, on behalf of all unit owners, units offered for sale or lease.

(k) Selling, leasing, mortgaging, or otherwise dealing with units acquired by, and subleasing units leased by, the Association, or its designee, corporate or otherwise, on behalf of all unit owners.

(l) Purchasing of units at foreclosure or other judicial sales in the name of the Association, or its designee, corporate or otherwise, on behalf of all unit owners.

(m) Organizing corporations or limited liability companies to act as designees of the Board of Directors in acquiring title to, or leasing, units on behalf of all unit owners.

(n) Making, or contracting for the making of, repairs, additions, and improvements to, or alterations or restorations of the Property, in accordance with the other provisions of these Bylaws, the Act or the Declaration, after

destruction by fire or other casualty, or as a result of condemnation or eminent domain proceeding.

(o) Enforcing by legal means the provisions of the Act, the Declaration, these Bylaws and the Rules and Regulations of the Condominium for the use of the Property, and bringing any proceedings which may be instituted on behalf of the unit owners.

(p) Obtaining and carrying insurance against casualties, loss and liabilities as provided for in the Act, the Declaration and these Bylaws and paying the cost and expense thereof as a part of the common expenses.

(q) Paying the cost and expense of all authorized services, materials and work rendered to the Property or the Association and not billed to unit owners.

(r) In accordance with Section 47C-3-118 of the Act, keeping books with detailed accounts in chronological order of the receipts and expenditures affecting the Property, and the administration of the Condominium, specifying the maintenance and repair expenses of the common elements and any other expenses incurred. The said books and vouchers accrediting the entries thereupon shall be available for the examination by the unit owners, their duly authorized agents or attorneys, during general business hours on working days at the times and in the manner that shall be set and announced by the Board of Directors for the general knowledge of the unit owners. All books and records shall be kept in accordance with good and accepted accounting practices, and the same shall be reviewed or audited at least once a year by an outside accountant employed by the Board of Directors who shall not be a resident of the Condominium or an owner of a unit therein. The cost of such review or audit shall be a Common Expense.

(s) Whenever requested in writing by a first mortgagee, the Board shall notify any first mortgagee of any unit more than sixty (60) days in default for failure to make payment of monthly or quarterly assessments.

(t) Maintaining and repairing any unit, if such maintenance or repair is necessary in the discretion of the Board of Directors or by operation of applicable provisions of the Declaration or these Bylaws to protect the common elements or any other portion of the Property when the unit owner of such unit has failed or refused to perform such maintenance or repair within a reasonable time after written notice of the necessity of such maintenance or repair is delivered or mailed by the Board to said unit owner, provided that the Board shall levy a special assessment against such unit owner for the costs of such maintenance or repair.

(u) Entering any unit when necessary in connection with any

maintenance, repair or construction for which the Association is responsible, provided that, except in the event of emergencies, such entry shall be made during reasonable hours with as little inconvenience to the unit owner or occupant as practicable, and any damage caused thereby shall be repaired by the Board and such expense shall be treated as a common expense.

(v) To enter into and execute on behalf of the Association any and all agreements, contracts, notes, deeds, deeds of trust and vouchers for payment of expenditures and any other instruments in such manner as from time to time shall be determined by written resolution of the Board. In the absence of such determination by the Board, such documents shall be signed by the President and countersigned by the Secretary of this Association.

(w) Contracting for all goods, services and insurance necessary for the maintenance, operation, replacement and repair of the Property, the payment of which is to be made by the Association as part of the common expenses.

(x) Instituting, defending, or intervening in litigation or administrative proceedings in the name of or on behalf of the Association or two or more unit owners on matters affecting the Condominium.

(y) Borrowing money on behalf of the Condominium or the Association when required in connection with the operation, care, upkeep, maintenance, repair, replacement or improvement of the common elements or the acquisition of property, and granting mortgages, deeds of trust or security interests in Association owned property in accordance with the Declaration and these Bylaws regarding the creation of any lien on the common elements, or to pledge and pay assessments, and any and all other revenue and income for such purpose; provided, however, that the consent of the unit owners shall be required for the borrowing of any sum in excess of \$25,000.00.

(z) Imposing charges for late payment of assessments and, after notice and an opportunity to be heard, levying reasonable fines for violations of the Declaration, the Bylaws, or Rules and Regulations established by the Association, all in accordance with Sections 47C-3-107 and 47C-3-107A of the Act, the Declaration and these Bylaws.

(aa) Hearing and deciding upon requests by the unit owners to upfit, alter, change or modify units, common elements or limited common elements. Any decision by the Board shall be final.

(bb) Granting leases, licenses, concessions and easements over, upon, under and through the common elements.

(cc) Making or constructing any alterations or improvements to the

common elements.

(dd) To impose and collect reasonable charges, including reasonable costs and attorney fees, for the evaluation, preparation and recordation of any amendments to the Declaration or these Bylaws, resale certificates required by Section 47C-4-109 of the Act, or certificates of assessments.

(ee) At its discretion, authorizing unit owners or other persons to use portions of the common elements for private parties and gatherings and imposing reasonable charges for such private use.

(ff) Exercising (i) all powers and performing all the duties and obligations granted to the Board in the Declaration, the Articles of Incorporation, these Bylaws and in the Act, as amended from time to time; (ii) all powers incidental thereto, and (iii) all other powers of a nonprofit North Carolina corporation.

(gg) Suspending the right of any unit owner to vote or use the recreational facilities of the Condominium as long as such unit owner is delinquent in the payment of common expenses or is otherwise in violation of the Declaration, these Bylaws or the Rules and Regulations of the Condominium.

(hh) To do such other things and acts not inconsistent with the Act and with the Declaration as the Board may deem necessary and prudent and to do such things as it may be authorized to do by a resolution of the Association.

Section 3. Managing Agent. The Board of Directors may, on behalf of the Association, contract with or employ any person, firm or corporation, including Declarant, or an affiliate of Declarant, to act as managing agent for the Association at a compensation established by the Board, to perform such duties and services as the Board shall authorize, including but not limited to, the duties listed in paragraphs (d), (e), (f), (n), (p), (q), (r), (s), (t), (u) and (w) of Section 2 of this Article IV. The Board of Directors may delegate to the managing agent all of the powers granted to the Board other than the powers set forth in paragraphs (a), (b), (c), (g), (h), (i), (j), (k), (l), (m), (o), (v), (x), (y), (z), (aa), (bb), (cc), (dd), (ee), (ff), (gg) of Section 2 of this Article VI.

Section 4. Removal of Directors. Any director may be removed at any time with or without cause by a vote of at least sixty-seven percent of all members present and entitled to vote at any meeting of the membership of the Association at which a quorum is present. Notwithstanding anything in this Section to the contrary, no person selected and appointed by the Declarant as a member of the Board of Directors may be removed without the written consent of the Declarant and in such event the Declarant shall select and appoint his or her successor.

Section 5. Vacancies. In the event of the death, disability, resignation or removal of a director, a successor shall be selected and appointed by the remaining members of the Board of Directors to serve until the next meeting of the membership of the Association or until a successor is appointed by the Declarant if such vacancy is the result of the death, disability, resignation or removal of an initial director or a director who was appointed by the Declarant.

ARTICLE VII. MEETINGS OF THE BOARD OF DIRECTORS

Section 1. Regular Meetings. Regular meetings of the Board of Directors may be held at such time and place as shall be determined from time to time by a majority of the Directors, but at least four meetings shall be held each year, one in each quarter of the fiscal year. Notice of regular meetings of the Board of Directors shall be given to each Director by mail or telephone at least five (5) business days prior to the day named for such meeting and need not specify the purpose of, or agenda for, the meeting. Meetings of the Board shall be open to all unit owners and notices of such meetings shall be posted conspicuously for the attention of unit owners in advance of the meeting.

Section 2. Called Meetings. Meetings of the Board of Directors may be called by or at the request of the President or any two directors.

Section 3. Notice of Meeting. The person or persons calling a meeting of the Board of Directors shall, at least five (5) days before the meeting, give notice by any usual means of communication. Such notice need not specify the purpose for which the meeting is called.

Section 4. Waiver of Notice. Any member of the Board of Directors may waive notice of any meeting. The attendance by a member of the Board of Directors at a meeting shall constitute a waiver of notice of such meeting, except where a member of the Board of Directors attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened.

Section 5. Quorum. A majority of the number of the members of the Board of Directors fixed by these Bylaws shall constitute a quorum for the transaction of business at any meeting of the members of the Board of Directors.

Section 6. Manner of Acting. Except as otherwise provided in these Bylaws, the act of the majority of the members of the Board of Directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.

Section 7. Informal Action by Members of the Board of Directors. Action taken by a majority of the members of the Board of Directors without a meeting is nevertheless Board action if written consent to the action in question is signed by all of the members of the Board of Directors and filed in the book of records of the Association, whether done before or after the action so taken.

Section 8. Committees of the Board. The Board of Directors may establish either

standing or ad hoc committees of the members to assist it in its work. Such committees shall be chaired by a member of the Board of Directors.

Section 9. Compensation. No Director shall receive any compensation for acting as such unless expressly allowed by the Board at the direction of the unit owners other than Declarant having sixty-seven percent (67%) of the total votes in the Association; except that a Director may be reimbursed for any actual expenses he incurs in performing any of his duties as Director.

Section 10. Conduct of Meetings. The President shall preside over all meetings of the Board of Directors and the Secretary shall keep a Minute Book recording therein the minutes of all meetings of the Board. Roberts Rules of Order shall govern the conduct of the meetings of the Board of Directors when not in conflict with the Declaration, these Bylaws, or the Act. All minutes of Board meetings shall be available for inspection by the unit owners during reasonable business hours.

Section 11. Liability of the Board. The members of the Board shall not be liable to the unit owners for any mistake of judgment, negligence, or otherwise except for their own individual willful misconduct or bad faith. The unit owners shall indemnify and hold harmless each of the members of the Board against all contractual liability to others arising out of contracts made by the Board on behalf of the Condominium or the Association unless any such contract shall have been made in bad faith or knowingly contrary to the provisions of the Declaration or these Bylaws. Said indemnity obligation, and all costs reasonably incurred in enforcing it, including reasonable attorneys' fees, shall be secured by a lien in favor of the Board and each of its members individually identical to that provided in connection with common expenses. It is intended that the members of the Board shall have no personal liability with respect to any contract made by them on behalf of the Condominium or the Association, except to the extent they are unit owners. It is also intended that the liability of any unit owner arising out of any contract made by the Board or out of the aforesaid indemnity in favor of the members of the Board shall be limited to such proportion of the total liability thereunder as his interest in the common elements bears to the interests of all the unit owners in the common elements. Every agreement made by the Board or by the managing agent on behalf of the Association shall provide that the members of the Board, or the managing agent, as the case may be, are acting only as agents for the unit owners and have no personal liability thereunder (except as unit owners), and that each unit owner's liability thereunder shall be limited to such proportion of the total liability thereunder as his interest in the common elements bears to the interest of all unit owners in the common elements.

ARTICLE VIII OFFICERS

Section 1. Designation. The officers of the Association shall consist of a President, Vice President, a Secretary, and a Treasurer, and such other officers as the membership may from time to time elect. The offices of Secretary and Treasurer may be held by the same person; otherwise, no two offices may be held by the same person.

Section 2. Election and Term. The officers of the Association shall be elected annually by the Board of Directors at the meeting of each new Board of Directors, which follows the annual meeting of the members of the Association, and shall hold office at the pleasure of the Board of Directors. The officers elected by any Board to which Declarant is entitled to appoint a majority of the Directors are not required to be unit owners. Other than officers elected by a Board to which Declarant is entitled to appoint a majority of Directors, officers of the Association shall be a member of the Association or an officer, director, member, manager, partner, beneficiary or other authorized agent of a unit owner that is a corporation, limited liability company, partnership, trust or other legal entity. The President of the Association shall be a member of the Board of Directors. Officers appointed by Declarant, or elected by a Board to which Declarant is entitled to appoint a majority of Directors, need not be a member of the Association.

Each officer shall hold office for a period of one (1) year, or until his death, resignation, retirement, removal, disqualification or until his successor is elected and qualified.

Section 3. Removal of Officers. Upon the affirmative vote of a majority of the members of the Board of Directors, any officer may be removed, either with or without cause, and his successor may be elected at any regular meeting of the Board of Directors, or any special meeting of the Board of Directors called for such purpose.

Section 4. President. The President shall be the principal executive officer of the Association and, subject to the control of the Board of Directors, shall in general supervise and control all of the business and affairs of the Association. The President shall preside at all meetings of the members, and shall sign any contracts, or other instruments which the Board of Directors has authorized to be executed. In general the President shall perform all duties incident to the office of President and such other duties as may be prescribed by the Board of Directors. The President or the Secretary shall execute any amendments to the Declaration approved by the membership of the Association.

Section 5. Vice President. The Vice President shall assume all duties of the President when the President is not available.

Section 6. Secretary. The Secretary shall: (a) keep minutes of the meetings of members, of the Board of Directors and of all Executive Committees in one or more books provided for that purpose; (b) see that all notices are duly given in accordance with the provisions of these Bylaws or as required by law; (c) be custodian of the corporate records of the Association; (d) be authorized to certify and oversee the recordation of amendments to the Declaration on behalf of the Association; (e) keep a register of the post office address of each member; and (f) in general perform all duties incident to the office of Secretary and such other duties as may be assigned by the President or by the Board of Directors.

Section 7. Treasurer. The Treasurer shall: (a) have custody of all funds and securities of the Association; (b) receive and give receipts for moneys payable to the Association, and deposit all such moneys in the name of the Association in such depositories as shall be selected by the

Board; (c) prepare, execute and deliver certificates of Assessments as provided in the Declaration; and (d) in general perform all of the duties incident to the office of treasurer and such other duties as from time to time may be assigned by the President or by the Board of Directors.

ARTICLE IX. CONTRACTS, LOANS, CHECKS, AND DEPOSITS

Section 1. Contracts. The Board of Directors may authorize any officer or agent to enter into any contract or execute and deliver any instrument in the name of the Association, and such authority may be general or confined to specific instances.

Section 2. Loans. No loans shall be contracted on behalf of the Association and no evidence of indebtedness shall be issued in its name unless authorized by the Board of Directors. Such authority may be general or confined to specific instances.

Section 3. Checks and Drafts. All checks, drafts or other orders for the payment of money, issued in the name of the Association, shall be signed by the President or the Treasurer of the Association.

Section 4. Deposits. All funds of the Association not otherwise employed shall be deposited from time to time to the credit of the Association in such depositories as the Board of Directors may select.

ARTICLE X ADJUDICATORY PANEL

Section 1. Appointment of Adjudicatory Panel. The Board of Directors shall serve as an Adjudicatory Panel or, may, if it chooses, appoint a separate Adjudicatory Panel consisting of three (3) individuals, all of whom shall be residents of the Condominium. Members of the Board shall be eligible to serve as members of the Adjudicatory Panel. Members of any Adjudicatory Panel appointed by the Board of Directors shall be appointed to one-year terms, and each member shall sit until death, disability, resignation or removal, or until the expiration of the term and the appointment of a successor.

Section 2. Hearings. In the event that a fine is assessed against a unit owner by the Board of Directors pursuant to Subsection 2(C) Article VI above, the Board of Directors, or any Adjudicatory Panel that may be appointed by the Board of Directors, shall provide to the unit owner so fined notice of the violation and an opportunity to be heard regarding the alleged violation and the assessed fine. If within ten days of receipt of the notice the unit owner requests in writing a hearing, the Board of Directors, acting as the Adjudicatory Panel, or the Adjudicatory Panel appointed by the Board, if any, shall hear the matter within twenty days of the date of the written request. Three members of the Board or the Panel, as appropriate, shall constitute a quorum for the purpose of conducting a hearing. Following such a hearing, the Board of Directors, or the Adjudicatory Panel, if any, shall confirm, deny or modify the fine initially imposed by the Board and shall notify the unit owner of its decision. The decision of the

Board of Directors or the Adjudicatory Panel, if any, shall be by majority vote and shall be the final decision with regard to the fine.

ARTICLE XI. INDEMNIFICATION

Any person who at any time serves or has served as an officer, member of the Board of Directors or member of the Adjudicatory Panel of the Association shall have a right to be indemnified by the Association to the fullest extent permitted by law against (a) reasonable expenses, including attorneys' fees, incurred in connection with any threatened, pending, or completed civil, criminal, administrative, investigative, or arbitrative action, suit, or proceeding (and any appeal), whether or not brought by or on behalf of the Association, and (b) reasonable payments made in satisfaction of any judgment, money decree, fine, penalty or settlement for which the person may have become liable in any such action, suit or proceeding.

Upon request for payment, the President of the Association shall promptly call a special meeting of the Board of Directors to obtain approval to pay the indemnification required by this bylaw. Such approval may be general or confined to specific instances, and shall not be unreasonably withheld.

Any person who at any time after the adoption of this bylaw serves or has served as an officer, member of the Board of Directors and/or member of the Adjudicatory Panel of the Association shall be deemed to be doing or to have done so in reliance upon, and as consideration for, this right of indemnification. Such right shall inure to the benefit of the legal representatives of any such person and shall not be exclusive of any other rights to which such person may be entitled apart from the provision of this bylaw.

ARTICLE XII. DISSOLUTION

In the event of dissolution of the Association, the residual assets of the Association will be distributed to a nonprofit organization with purposes similar to those of the Association, or to any other organization eligible under the provisions of Chapter 55A of the General Statutes of North Carolina. However, in no event shall the residual assets of the Association be distributed in a fashion that terminates the Association's exempt status under Section 528 of the Internal Revenue Code of 1986 or any corresponding sections or provisions of any future United States Internal Revenue law.

ARTICLE XIII. SECTION 528 STATUS

The Association shall elect and shall be managed in such fashion as to maintain tax-exempt status under Section 528 of the Internal Revenue Code of 1986. The Association shall not carry on any activities prohibited by an Association electing tax-exempt status under Section 528, or any corresponding sections or provisions of any future United States Internal Revenue

law.

ARTICLE XIV. GENERAL PROVISIONS

Section 1. Seal. The corporate seal of the Association shall consist of two concentric circles, in the center of which is inscribed SEAL.

Section 2. Fiscal Year. The fiscal year of the Association shall be the calendar year.

Section 3. Amendments. Following the termination of the initial period of Declarant control provided for in the Declaration, the members of the Association may amend these Bylaws, repeal these Bylaws or adopt new Bylaws by the vote of at least sixty-seven percent of all existing Units at any meeting of the membership of the Association properly held and conducted.

Section 4. Payment of Assessments, Penalties. The payment of any assessment or installment thereof shall be in default if such assessment or installment is not paid to the Association within ten (10) days of its due date. Assessments or installment payments of assessments not paid within ten (10) days of its due date shall be subject to a late payment charge in the amount of the greater of (i) \$20.00, (ii) ten percent (10%) of the amount of the assessment or assessment installment unpaid or (iii) such greater amount as may be permitted by the Act. In addition, any assessment or installment of an assessment not paid within ten (10) days of its due date shall be subject to an interest charge of eighteen percent (18%) per annum from its due date until paid. The above described late charge and interest shall be added to and collected in the same manner as the assessment.

Section 5. Use of Common Elements. Unit owners shall not place or cause to be placed in the lobbies, vestibules, steps, landings, sidewalks, public halls, walkways, common stairways, parking areas or other common elements, other than the areas specifically designated as storage or trash disposal areas, any furniture, packages, trash, supplies or objects of any kind. The lobbies, vestibules, steps, public halls, landings, sidewalks, walkways and common stairways shall be used for no purpose other than for normal transit through them. A unit owner shall not interfere with the use of the common elements by the remaining unit owners or occupants of other units and their guests.

Section 6. Rules and Regulations. Rules and regulations governing the use of the units and the common elements of the Condominium may be promulgated and amended by the Board of Directors in order to provide a congenial community, permanent in nature and to protect the value of all units within the Condominium. All unit owners and occupants of units, their guests, officers, employees, agents and invitees, shall, at all times, abide by such rules and regulations. Such rules and regulations shall be equally applicable to all unit owners similarly situated (i.e. rules may be different for residential and commercial units and may be different for commercial units on the 2nd floor and commercial units on the 1st floor) and shall be uniform in their application and effect. Copies of such rules and regulations shall be furnished by the Board to each unit owner prior to their effective date. Such rules and regulations shall at all times be

consistent with the covenants and restrictions contained in the Declaration and shall not be in derogation or amendment thereof.

Section 7. Parliamentary Rules. Robert's Rules of Order (latest edition) shall govern the conduct of the Association proceedings when not in conflict with North Carolina law, the Declaration or these Bylaws.

Section 8. Conflicts. Should any of the terms, conditions, provisions, paragraphs or clauses of these Bylaws conflict with any of the provisions of the Act, the provisions of the Act shall control unless the Act permits these Bylaws to override the Act, in which event these Bylaws shall control. In case of any conflict between the provisions of these Bylaws and the Declaration, the Declaration shall control.

Section 9. Waiver. No provision of these Bylaws or of the Rules and Regulations promulgated pursuant thereto shall be deemed to have been abrogated or waived by reason of any failure to enforce the same, regardless of the number of violations or breaches which may have occurred.

Section 10. Execution of Amendments to the Declaration. Any and all amendments to the Declaration on behalf of the Association shall be prepared by the Secretary or Assistant Secretary of the Association. Such Amendments shall be certified and executed by the President or Vice President of the Association with all the formalities of a deed. Any such amendment shall be recorded in the Office of the Register of Deeds for Transylvania County, North Carolina by the President or Vice President of the Association.

Section 11. Notices. All notices, demands, bills, statements or other instruments called for in the Declaration or these Bylaws shall be deemed to have been duly given, if made in writing, upon deposit in a receptacle of the United States Postal Service with the mailing address of the unit or such other address as provided to the Association by the unit owner or mortgagee thereon in a postage pre—paid, first class mail envelope, or if delivered personally or if posted upon the front door of the unit or in the mail receptacle for such unit.

Section 12. Gender, Singular, Plural. Whenever the context so permits, the use of the singular or plural shall be interchangeable in meaning and the use of any gender shall be deemed to include all genders.