

BYLAWS OF
ASHE CROFT HOMEOWNER'S ASSOCIATION, INC.

ARTICLE I
ASSOCIATION MEMBERS

Section 1. ANNUAL MEETING OF MEMBERS. The annual meeting of the Members of the Association shall be held at the hour and on the day fixed by the President, in January of each year for the purpose of electing directors and for the transaction of such other business as may be brought before the meeting. If the day fixed for the annual meeting shall be a legal holiday in the State of North Carolina or the United States, such meeting shall be held on the next succeeding business day.

Section 2. SUBSTITUTE ANNUAL MEETING. If the annual meeting shall not be held on the day designated in these Bylaws, a substitute annual meeting may be called in accordance with the provisions of Section 3 of this Article I. A meeting so called shall be designated and treated for all purposes as the annual meeting.

Section 3. SPECIAL MEETINGS OF MEMBERS. Special meetings of the members may be held whenever called in writing by the President or any member of the Board of Directors of the Association or by members representing twenty percent (20%) of the membership entitled to vote.

Section 4. NOTICE OF MEETING. Written or printed notices stating the time and place of meeting shall be mailed or delivered by the Secretary to each member of record at the member's last known address. The notice of each meeting shall be mailed or delivered by the Secretary not less than ten (10) days nor more than fifty (50) days prior to the date set for such meeting and as to special meetings, the Notice shall indicate the purpose or purposes thereof.

When any meeting is adjourned for more than thirty (30) days, notice of the adjourned meeting shall be given as in the case of an original meeting. When a meeting is adjourned for thirty (30) days or less in any one adjournment, no notice need be given of the time and place of the adjourned meeting other than by announcement at the meeting at which the adjournment is taken.

Section 5. QUORUM. At any meeting of the members, ten percent (10%) of the members entitled to vote, present in person or represented by proxy, shall constitute a quorum of the membership for all purposes.

If a quorum is not present, the meeting may be recessed from time to time by announcement from the chair at the time such meeting was set and such shall be sufficient notice of the time and place of the recessed meeting. The members present at a duly organized meeting may continue to transact business until

adjournment, notwithstanding the withdrawal of enough members to leave less than a quorum.

Section 6. ORGANIZATION. The President, or in his absence, the Vice President, shall preside over all meetings of members and the Secretary of the Association shall act as Secretary at all meetings of the members; provided, however, in the Secretary's absence the President may appoint a Secretary for the meeting of the members.

Section 7. VOTING. Each member of the Association, as defined in the Articles of Incorporation of said Association or Declaration of Covenants, Conditions and Restrictions of Ashe Croft Subdivision ("Declaration"), shall be entitled to one (1) vote on each matter submitted to a vote at a meeting of members. When more than one (1) person owns an interest in a lot, all such persons holding an interest shall be members of the Association and the vote for that lot shall be exercised as they, among themselves, determine, but in no event shall more than one (1) vote be cast with respect to any lot. Should the co-owners of a single lot attempt to cast more than one (1) vote at any meeting, the vote shall not be counted except for the purposes of determining whether or not a quorum is present.

The vote of a majority of the members at a meeting of members at which a quorum is present shall be the act of the members on that matter, unless the vote of a greater number is required by law, by the Articles of Incorporation, the Declaration or Bylaws of the Association. Cumulative voting shall not be allowed.

Section 8. VOTING BY PROXY. The vote allocated to a member may be cast pursuant to a dated written proxy signed by the member. A member may not revoke a proxy except by written notice delivered to the person presiding over a meeting of the Association. A proxy terminates one (1) year after its date, unless it specifies a shorter term.

Section 9. PLACE OF MEETINGS. The Board of Directors may designate any place within Union County, North Carolina, as the place of meeting for any annual meeting, substitute annual meeting or special meeting of the members.

ARTICLE II BOARD OF DIRECTORS

Section 1. NUMBER AND TERM OF OFFICE. The affairs of the Association shall be managed by a Board of Directors of five (5) members. One (1) of the five (5) Directors shall be elected to hold office for a one-year term or until his death, resignation, retirement, removal, disqualification or successor shall have been duly elected and qualified. The remaining four (4) Directors shall be elected to hold office for a two-year term or until their death, resignation, retirement, removal, disqualification or successors shall have been duly elected and qualified. Two (2) of the four

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(4) "two-year" Directors shall be elected in even numbered years. The other two (2) "two-year" Directors shall be elected in odd numbered years. By virtue of the foregoing, three Directors of the Association will be elected each year. Directors shall be elected by a plurality of the votes cast at each election of Directors.

Section 2. COMPENSATION. No Board member shall receive compensation for any service he may render to the Association. However, with the prior approval of the Board, any Board member may be reimbursed for actual expenses incurred in the performance of his duties.

Section 3. VACANCIES. Any vacancy occurring in the Board of Directors may be filled by the affirmative vote of the majority of the remaining Directors even though less than a quorum or by the sole remaining Director. Any Director elected to fill a vacancy shall be elected for the unexpired term of his predecessor in office. The members may elect a Director to fill any vacancy not filled by the remaining Directors at a special meeting called for that purpose.

Section 4. REMOVAL. Any Director may be removed at any time, with or without cause, by a majority vote at any annual meeting or at a special meeting called for that purpose or by the Board of Directors as permitted by Section 8, subparagraph (c) of this Article.

Section 5. ACTION WITHOUT MEETING. The Board shall have the right to take any action in the absence of a meeting which they could take at a duly held meeting by obtaining the written consent of all of the Board members to the action. Any action so approved shall be filed in the corporate books and records and shall have the same effect as though taken at a meeting of the Board.

Section 6. MEETINGS. Meetings of the Board shall be held monthly without notice, at such place and hour, as may be fixed from time to time by resolution of the Board. Special meetings of the Board may be called by any two (2) members of the Board after not less than three (3) days notice to each Board member.

All meetings shall be held at a location in Union County, North Carolina. Attendance of a Director at a meeting of the Board of Directors shall constitute a waiver of notice of such meeting, except where a Director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting has not been lawfully called or convened.

A Director who is present at a meeting of the Board of Directors at which action on a matter is taken shall be presumed to have assented to the action taken unless his contrary vote is recorded or his dissent is otherwise entered in the minutes of the meeting or unless he shall file his written dissent to such action with the person acting as the Secretary of the meeting before adjournment or shall forward such dissent by certified mail to the

Secretary immediately after the adjournment of the meeting. Such right to dissent shall not apply to a Director who voted in favor of the action.

Section 7. QUORUM. A majority of the Board members shall constitute a quorum for the transaction of business. Every act or decision done or made by a majority of the Board members present at a duly held meeting shall be regarded as the act of the Board.

Section 8. POWERS AND AUTHORITY OF THE BOARD OF DIRECTORS. Subject to the provisions of the Declaration of and applicable law, the Board shall have the power and authority to exercise all of the rights and powers of the Association, including, but not limited to, the following powers:

(a) To adopt rules and regulations governing the use of the common area and facilities, the personal conduct of the members and their guests thereon, and establish penalties for the infraction thereof;

(b) To suspend the voting rights, the right of use of the recreational facilities or services provided by the Association to a member during any period in which such member shall be in default in the payment of any assessment levied by the Association; and to suspend voting and recreational facility use rights after notice and hearing, for infraction of published rules and regulations, for a period of up to one hundred twenty (120) days;

(c) To declare the office of a member of the Board to be vacant in the event such member shall be absent from three (3) consecutive regular meetings of the Board;

(d) To employ a manager, an independent contractor, or other employees as is deemed necessary, and prescribed their duties; provided, that any contract for professional management shall not be for a term greater than one (1) year and must contain a clause requiring not more than ninety (90) days termination notice;

(e) To procure, maintain, and pay premiums on, insurance policy(s) and equitably assess the members the same for their prorata portion of such expense;

(f) To impose and receive any payments, fees, or charges for the use, rental, or operation of the common areas or elements other than for service provided to members;

(g) To exercise all other powers that may be exercised in this state by legal entities of the same type as the Association, including the right to convey, transfer or encumber real or personal property;

(h) To exercise any other powers necessary and proper for the governance and operation of the Association; and

(i) To have and to exercise any and all powers, rights and privileges which an Association organized under the Non-Profit Corporation Law of the State of North Carolina by law may now or hereafter have or exercise.

Section 9. DUTIES OF THE BOARD OF DIRECTORS. It shall be the duty of the Board to do the following:

(a) To cause the common elements to be maintained, repaired, and replaced as necessary, and to assess the members to recover the cost of the upkeep of the common elements;

(b) To keep a complete record of all its acts and corporate affairs and present a statement thereof to the members at the annual meeting, or at any special meeting when such statement is requested in writing by twenty percent (20%) of the members;

(c) To supervise all officers, agents and employees of the Association, and see that their duties are properly performed;

(d) To fix the amount of the annual assessment in advance of each annual assessment period based on the projected budget for the annual assessment period and pursuant to the provisions set forth in the Declaration of Covenants, Conditions and Restrictions;

(e) To collect any unpaid maintenance assessments and to foreclose liens resulting therefrom against any property for which assessments are not paid within thirty (30) days after due date;

(f) To issue, or have issued, for a reasonable charge, a certificate setting forth whether or not any assessment has been paid; provided, however, that if a certificate states that an assessment has been paid, such certificate shall be conclusive evidence of such payment as to all parties except the member and lot owner as of the date of the assessment;

(g) To procure and maintain, at all times, adequate hazard insurance on the property owned by the Association and all property for which the Association has the duty to maintain, and sufficient liability insurance to adequately protect the Association as provided in the Declaration of Covenants, Conditions and Restrictions; and

(h) To cause all officers or employees, including officers and employees of professional management, having fiscal responsibilities to be bonded, as it may deem appropriate.

ARTICLE III OFFICERS

Section 1. OFFICERS OF THE ASSOCIATION. The officers of the Association shall consist of a president, a secretary, a treasurer and such vice presidents, assistant secretaries, assistant treasur-

ers and other officers as the Board of Directors may from time to time elect. The same person may at the same time hold any two (2) of the above-named offices except the offices of president and secretary or president and assistant secretary.

Section 2. ELECTION AND TERM. The officers of the Association shall be elected by the Board of Directors and each officer shall hold office until his death, resignation, retirement, removal, disqualification or his successor shall have been elected and qualified.

Section 3. COMPENSATION OF OFFICERS. The compensation, if any, of all officers of the Association shall be fixed by the Board of Directors and no officers shall serve the Association therefor unless such additional compensation be authorized by the Board of Directors. Notwithstanding the foregoing, no individual who is an employee of the developer or declarant shall be compensated as an officer of the Association.

Section 4. REMOVAL OF OFFICERS AND AGENTS. Any officer or agent elected or appointed by the Board of Directors may be removed by the Board of Directors whenever, in its judgment and sole discretion, the best interest of the Association will be served thereby.

Section 5. BONDS. The Board of Directors may by resolution require any officer, agent or employee of the Association to provide a bond to the Association, with sufficient sureties, conditioned upon the faithful performance of the duties of his respective office or position and to comply with such other conditions as may from time to time be required by the Board of Directors.

Section 6. POWERS AND DUTIES OF THE EXECUTIVE OFFICERS.

(a) The President shall preside at all meetings of the Board; he shall see that orders and resolutions of the Board are carried out; he shall sign all leases, mortgages, deeds, promissory notes and other written instruments as the Association's representative, and he shall perform such other duties as may be required by the Board.

(b) The Vice President shall act in the place of the President in the event of his absence, or his inability or refusal to act, and shall exercise and discharge such other duties as may be required of him by the Board.

(c) The Secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board and of the members; he shall keep the Association seal and affix it on all papers requiring said seal; he shall serve notice of meetings of the Board and of the members; he shall keep appropriate current records showing the members of the Association together with their addresses; he shall prepare, execute, certify, and record amendments to the Declaration of Covenants, Conditions and Restrictions

on behalf of the Association; and he shall perform such other duties as required by the Board.

(d) The Treasurer shall receive and deposit in appropriate bank accounts all monies of the Association and disburse such funds as directed by the Board; he shall keep proper books of account; he shall cause an annual review of the Association books to be made at the completion of each fiscal year; and he shall prepare an annual budget and a statement of income and expenditures to be presented to the membership at its annual meeting.

ARTICLE IV
BOOKS AND RECORDS

The books, records and papers of the Association shall at all times, during reasonable business hours, be subject to inspection by any member or a mortgagee of any member. The Articles of Incorporation and the Declaration of Covenants, Conditions and Restrictions and Bylaws of the Association shall be available for inspection by any member at the principal office of the Association, where copies may be purchased at reasonable cost.

ARTICLE V
FORMS OF PROXY AND WAIVER

Section 1. FORMS OF PROXY. The following form of proxy shall be deemed sufficient, but any other form may be used which is sufficient in law:

ASHE CROFT HOMEOWNER'S ASSOCIATION, INC.

Know all men by these presents that the undersigned member of ASHE CROFT HOMEOWNER'S ASSOCIATION, INC. hereby constitutes and appoints _____ the attorney and proxy of the undersigned to annual and special meeting of the members of ASHE CROFT HOMEOWNER'S ASSOCIATION, INC., at which I am not present, until the secretary of the Association receives from me a letter revoking this proxy for and on behalf of the undersigned to vote as the undersigned would be entitled to vote if personally present, hereby ratifying and confirming all that said attorney and proxy shall do in the premises, and giving and granting unto said attorney and proxy full power of substitution and revocation.

Dated: _____, 1995.

Member

Witness:

Section 2. ASSOCIATION SEAL. A seal with the words "ASHE CROFT HOMEOWNER'S ASSOCIATION, INC." on the outer circle and the date "1994" within the circle, shall be the common corporate seal of the Association and shall be in the custody of the secretary.

Section 3. FISCAL YEAR. Unless otherwise fixed by the Board of Directors, the fiscal year of the Association shall begin on the first (1st) day of January and end on the thirty-first (31st) day of December in each year.

Section 4. PROVISIONS OF ARTICLES OF INCORPORATION AND DECLARATION. In case of a conflict between a provision in these Bylaws and provisions in the Articles of Incorporation for the Association or the Declaration of Covenants, Conditions and Restrictions of Ashe Croft Subdivision, the provisions of the Articles of Incorporation and the Declaration shall control.

CERTIFICATION

I, the undersigned, do hereby certify: That I am the duly elected and acting Secretary of ASHE CROFT HOMEOWNER'S ASSOCIATION, INC. a North Carolina corporation; and

That the foregoing Bylaws constitute the original Bylaws of said Association, as duly adopted by the Board of Directors thereof, on the 6th day of April, 1995.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed the seal of said Association this 6th day of February, 1994.

Secretary


CONSENT TO ACTION
OF THE BOARD OF DIRECTORS
OF ASHE CROFT HOMEOWNER'S ASSOCIATION, INC.
TO ACTION WITHOUT MEETING


The undersigned being all of the initial Board of Directors and current Board of Directors of the Ashe Croft Homeowner's Association, Inc. do hereby adopt the following resolution by their written consent hereto.

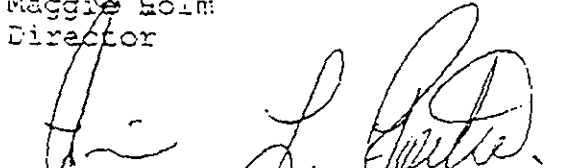
Adoption of Bylaws


RESOLVED, that the attached document designated BYLAWS OF ASHE CROFT HOMEOWNER'S ASSOCIATION, INC. are hereby adopted as the bylaws of the homeowner's association pursuant to the authority granted in N.C.G.S. §55A-14 and a copy of those bylaws shall be certified by the secretary of the association and placed in the corporate records.

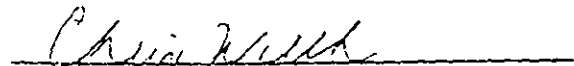
This action is effective the 6th day of February, 1994.


Maggie Holm
Director


Dave Cochran
Director


Ron Porter
Director


Jeff Devals
Director


Chris Welch
Director