

WHEREAS, upon the affirmative vote of a greater than sixty-seven (67%) of the Members of the Association, the Members have determined to amend the Bylaws of the Association by deleting them in their entirety and in lieu thereof adopting these Bylaws as the sole Bylaws applicable to the Seven Glens Subdivision.

NOW THEREFORE, the Bylaws of the Association shall be as follows:

ARTICLE I

Identity

These are the Bylaws of the Seven Glens Homeowners Association, Inc., a North Carolina Nonprofit Corporation ("Association"). The Association was incorporated under the Nonprofit Corporation Act contained in Chapter 55A of the North Carolina General Statutes on April 20, 2000.

All terms defined in the Declaration of Protective Covenants, Restrictions and Reservations for Seven Glens Subdivision ("Restrictions") to which these Bylaws are attached shall have the same meaning herein and shall be used without further definition. The provisions of these Bylaws are applicable to the Lots, the residences located or to be located thereon, and to the occupancy and use thereof.

The principal office of the Association shall be located at such location within Madison County, North Carolina as may be designated by the Association's Board of Directors from time to time.

ARTICLE II

Qualifications and Responsibilities of Members

2.01 Members. Each Lot Owner shall be a Member ("Member") of the Association and shall remain a Member until he or she ceases to be a Lot Owner of Seven Glens Subdivision ("Subdivision"). When there is more than one Owner of a Lot, all such persons shall be Members of the Association.

2.02 Termination of Membership. Membership in the Association shall terminate automatically upon said Member being divested of all title to or fee ownership interest in all Lots owned by such Member within the Subdivision. Such termination of Membership in the Association shall be automatic upon presentation of reasonable evidence to the Board of Directors of the Association that such person no longer owns a Lot within the Subdivision.

2.03 Responsibilities of Members. (a) All Owners or any other person that occupies and/or uses the Subdivision or any part thereof in any manner are subject to the provisions of these Bylaws, the Restrictions and any rules and regulations adopted in furtherance hereof ("Rules and Regulations").

(b) The acquisition of a Lot and/or the rental or occupancy of any Lot or any part thereof shall constitute acceptance of these Bylaws, the Restrictions, the Rules and Regulations and all amendments thereto, and the agreement to comply therewith.

(c) Only Members of the Association shall have the right to vote. The right to vote shall be a responsibility of Membership in the Association. Also, it shall be the duty of each member to register with the Association. Such registration shall include information from the Member concerning the names of all Owners of the Lot, the address or Lot number of the Lot owned in the Subdivision, and the date of acquisition of an ownership interest in said Lot. Furthermore, it shall be the responsibility of the Member to notify the Association in the event of a sale, transfer, or other disposition of said Member's entire interest in any Lot within the Subdivision. The information to be provided by Members to the Association shall be filed with the Secretary of the Association.

2.04 Prohibition of Assignment. The interest of a Member in the funds and assets of the Association cannot be assigned, hypothecated or transferred in any manner, except as appurtenance to his or her Lot. The funds and assets of the Association shall belong solely to the Association, subject to the limitation that the same be expended, held or used for the benefit of the Membership and for the purposes authorized in these Bylaws, the Articles of Incorporation , Restrictions, and Rules and Regulations.

ARTICLE III

Member Meetings and Voting

3.01 Votes. Voting of Members shall be based on Sites of Ownership. Each Site of Ownership shall be entitled to one vote. (A Site of Ownership consists of a single Lot or multiple contiguous Lots owned by a person or entity or jointly owned by multiple persons; purchase of multiple noncontiguous lots constitutes multiple sites of ownership for purposes of voting and assessments.) Where a Site of Ownership is owned by more than one person or entity, the vote of said Site of Ownership shall be exercised by the person designated by all Owners of said Site of Ownership in writing to the Secretary of the Association, yielding one vote per Site of Ownership. A written designation of the person entitled to cast the vote for any Lot shall continue to be valid until revoked in writing by an Owner of said Lot. In the event that an Owner or Owners own or are purchasing more than one contiguous Lot, the Owners will have a single vote, again limiting voting power to one vote per Site of Ownership. In the event that the Owner(s) of multiple contiguous or noncontiguous Lots sells or otherwise transfers ownership of a lot, the vote for the sold or transferred lot and all duties and benefits of ownership of that lot shall be reassigned to its new Owner(s), creating an additional site of ownership if the lot previously was part of a site of ownership comprised of multiple contiguous lots; the previous Owner(s) retains voting rights and duties and benefits of ownership for all lots not sold or transferred.

3.02 Manner of Casting Votes. Votes on all questions and issues may be cast in person, by proxy, or mail ballot. Any action that may be taken at any meeting of Members may be taken without a meeting if voting is by mail ballot. Proxies must be in writing and filed with the Secretary of the Association before the appointed time of any meeting.

3.03 Required Votes. All questions and issues to be resolved by the Members shall be decided by a majority of the votes cast on the question, unless the provisions of applicable law, the Restrictions, or these Bylaws require a greater vote.

3.04 Quorum. A quorum shall consist of Members present, in person or by proxy, entitled to cast at least ten percent (10%) of the total votes in the Association. If a quorum is not present, the provisions of paragraph 47F-3-109 (c) of the North Carolina Planned Community Act shall govern. The members present at a duly organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal of enough Members or votes to leave less than a quorum.

3.05 Place. Meetings of the Members of the Association shall be held at the principal office of the Association or such other suitable place within Madison or Buncombe County, North Carolina convenient to the Members as may be designated by the Board of Directors.

3.06 Annual Meeting. The annual Member meeting of the Association shall be held at such place, date, and time in July of each year as may be designated by the Board of Directors. The Members may also transact such other business of the Association as may properly come before them.

3.07 Special Meeting. The President shall call a special meeting of the Members on his or her own motion or if so directed by a resolution of the Board of Directors or if a petition is presented to the Board of Directors signed by Members entitled to cast not less than ten percent (10%) of the total votes of the Association. The notice of any special meeting of Members shall state the date, time and place of such meeting and the purpose thereof. No business shall be transacted at a special meeting of Members except as stated in the notice thereof.

3.08 Notices. The Secretary shall mail a notice of each annual meeting or special meeting stating the purpose thereof as well as the time and place where it is to be held to each Member at least ten (10) days but not more than sixty (60) days prior to such meeting. Notice shall be personally delivered or mailed, postage prepaid, to the Member's address within the Subdivision or at such address as a Member shall have specified to the Association in writing. A notice mailed shall be deemed delivered upon mailing.

3.09 Adjournment for Lack of a Quorum. If any meeting of Members does not have a quorum present at the commencement of the meeting, the Members who are

present, either in person or by proxy, may adjourn the meeting from time to time until a quorum is present.

3.10 Order of Business. The order of business at all meetings of the Members shall be as follows:

- (a) Roll Call and Certify Proxies.
- (b) Proof of Notice of Meeting or Waiver of Notice.
- (c) Reading and Approval of Minutes of Preceding Meeting.
- (d) Reports of Officers.
- (e) Reports of Committees.
- (f) Unfinished Business.
- (g) New Business.
- (h) Adjournment.

3.11 Action by Members Without Meeting. Any action that may be taken at a meeting of the Members may be taken without a meeting if such action is authorized in writing setting forth the action taken and signed by all Members. The Membership list of the Association at the time of the last signature on any written action taken by consent of the Members shall be binding and conclusive evidence of the status of all persons as Members of the Association.

3.12 Procedure. Meetings of the Association need not be conducted in accordance with Robert's Rules of Order, except upon a majority vote of those members present at a meeting or the ruling of the Chairperson of the meeting.

ARTICLE IV

Board of Directors

4.01 Number and Qualifications of Directors.

- (a) The affairs of the Association shall be governed by a Board of Directors ("Board") composed of five (5) persons. All members of the Board shall be Lot Owners.
- (b) Director candidates may be nominated or otherwise put on a ballot for election in all of the following ways:

The affairs of the Association shall be governed by a Board of Directors ("Board") composed of five (5) persons. All members of the Board shall be Lot Owners. Director candidates may be nominated or otherwise put on a ballot for election in all of the following ways:

By a Nominating Committee of five (5) Members appointed by the Board for a one year term, which Nominating Committee may nominate any number of candidates it determines to be qualified to serve the best interests of Seven Glens.

By a petition presented to the Board signed by Members entitled to cast not less than 10% of the total votes of the Association.

By a Member writing in the name of any Member not listed on the ballot for whom the voting member desires to vote.

(c) An Election Committee of three (3) Members shall be appointed annually by the Board to oversee the fairness of the vote counting procedure and such other matters as the President or Board may determine.

(d) The Board may make such other rules as it deems necessary or advisable to promote the administration of fair and orderly elections.

4.02 Term. The terms of the Directors shall be for two (2) years. A Director shall hold office until his or her successor has been duly elected and qualified. The Board of Directors shall be elected in a manner which results in staggered terms for the Board of Directors, with approximately one-half (1/2) of the Directors' terms expiring each year.

4.03 Vacancies. Vacancies on the Board of Directors caused by any reason other than the removal of a Director by a vote of the Members of the Association shall be filled by vote of the majority of the then remaining Directors even though they may constitute less than a quorum. Each person so elected to fill a Director vacancy shall be a Director serving the unexpired term of his or her predecessor until a successor is duly elected and qualified.

4.04 Removal. At any regular or special meeting of the Members of the Association duly called, any one or more of the Directors previously elected by the Members may be removed, with or without cause, by a vote of Members representing twenty-five percent (25%) of the Sites of Ownership. A successor Director may be elected at the same meeting by a vote of Members representing twenty-five percent (25%) of the Sites of Ownership to fill the vacancy thus created. Any Director whose removal has been proposed shall be given an opportunity to be heard at the meeting.

4.05 Regular Meetings. Regular meetings of the Board of Directors may be held on such date, time and place as shall be determined, from time to time, by a majority of the Directors. Notice of regular meetings of the Board shall be given to each Director, personally, or by mail, telephone, facsimile transmission, E-mail, or overnight delivery service, at least five (5) days prior to the date of such meeting, unless otherwise agreed.

4.06 Special Meetings. Special meetings of the Board of Directors may be called by the President of the Association or on three (3) days notice to each director given personally or by mail, telephone, facsimile transmission, E-mail, or overnight delivery service, which shall state the date, time, place, and purpose of the meeting. Special meetings of the Board shall be called by the President or Secretary in like manner and on like notice on the written request of two or more Directors. No business shall be transacted at a special meeting except that which is stated in the notice thereof.

4.07 Waiver of Notice. Before or at any meeting of the Board, any Director may in writing waive notice of such meeting and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a

Director at any meeting of the Board shall be a waiver of notice by him of the time and place thereof. If all the Directors are present at any such meeting of the Board, no notice shall be required and any business may be transacted at such meeting.

4.08 Quorum. At all meetings of the Board, a majority of the Directors shall constitute a quorum for the transaction of business. The acts of a majority of the Directors present at a meeting at which a quorum is present shall be acts of the Board. If at any meeting of the Board there is less than a quorum present, the majority of those present may adjourn the meeting from time to time. At any such adjourned meeting, any business which might have been transacted at the meeting as originally called may be transacted without further notice.

4.09 Powers and Duties. The Board of Directors shall have such powers and duties as are reasonably necessary and appropriate for administration of the affairs of the Association. The Board of Directors may do all such acts and things as are not prohibited by law or matters reserved by these Bylaws or the Restrictions to the Lot Owners or Members. Such powers and duties shall include, but are not limited to, the following:

- (a) To prepare and provide to Members of the Association annually, a report of the operations of the Association for the preceding fiscal year;
- (b) To adopt and amend budgets for the operating and capital needs of the Association;
- (c) To establish, collect and impose General and Special Assessments as provided in these Bylaws and the Restrictions;
- (d) To regulate the use of, and to maintain, repair, replace, modify and improve the Common Areas of the Association within the Subdivision;
- (e) To adopt and amend Rules and Regulations and to establish reasonable penalties for infraction thereof;
- (f) To enforce the provisions of the Protective Covenants Restrictions and Reservations, the Bylaws, and the Rules and Regulations of the Association by all legal means, including injunction and recovery of monetary penalties;
- (g) To hire and terminate managing agents and to delegate to such agents such powers and duties as the Board shall determine, except such as are specifically required by the Protective Covenants Restrictions and Reservations, the Bylaws, or policies of the Board, to be done or performed by the Board or the Members;

- (h) To hire and terminate agents and independent contractors;
- (i) To institute, defend, intervene, or settle any litigation or administrative proceedings in its own name on behalf of the Association;
- (j) To establish, dissolve, and liquidate, from time to time, reserve, operating, or other accounts by the Association for any purpose;
- (k) To borrow money for the maintenance, repair, replacement, modification or improvement of Common Areas and to pledge and pay Assessments, and any and all other revenue and income of the Association, for such purpose;
- (l) Grant leases, licenses, easements, and other rights of or relating to Common Areas or other property within the Subdivision owned by the Association;
- (m) To impose and collect reasonable charges, including reasonable costs and attorneys' fees, for the preparation and recordation of Amendments to the Restriction, Recordation of Variances, issuance of Certificates or notices of unpaid Assessments, and such other matters as may be necessary and appropriate to conduct its functions as described in the Bylaws and Restrictions;
- (n) To provide for indemnification of the Association's Officers and Directors and maintain Officers and Directors liability insurance;
- (o) To impose charges for the late payment of Assessments and to levy reasonable fines for violations of these Bylaws, the Restrictions, or the Rules and Regulations of the Association or Architectural Review Committee;
- (p) To suspend the voting rights and right of use of the Common Areas of the Subdivision by a Member during any period in which such Member shall be in default in the payment of any General or Special Assessment levied by the Association;
- (q) To procure, maintain, and pay premiums on, insurance policies and to equitably assess the Members for their pro-rata portion of such expense;
- (r) To exercise all other powers that may be exercised in North Carolina by legal entities of the same type as the Association; and
- (t) To exercise any other powers necessary and proper for the governance and operation of the Association.

4.10 Fidelity Bonds. The Board may require that all Directors, officers and employees of the Association handling or responsible for Association funds shall be covered by adequate fidelity bonds; provided, however, that this provision shall not require that the Treasurer be bonded if, under terms of any management agreement

in effect from time to time, the person, firm or corporation serving as management agent is responsible for collecting and disbursing Assessments funds and is required to account to the Association for said funds at least annually. The premiums on necessary fidelity bonds shall be paid by the Association.

4.11 Compensation. No member of the Board shall receive any compensation for serving in said capacity, but shall be reimbursed for out-of-pocket expenses incurred on behalf of the Association which are approved by the Board of Directors and upon submission of proper receipts thereof.

4.12 Action Without Meeting. Any action that may be taken at a meeting of the Board of Directors may be taken without a meeting if such action is authorized in writing, setting forth the action taken, and signed by all Directors whether before or after such action has been taken.

4.13 Procedure. Meetings of the Board need not be conducted in accordance with Robert's Rules of Order, except upon a majority vote of those Directors present at the meeting or the ruling of the person presiding at the meeting.

ARTICLE V Officers

5.01 Designation of Officers. The principal Officers of the Association shall be a President, Vice President, Secretary and a Treasurer, all of whom shall be elected by the Board of Directors from members of the Board of Directors. The Board may appoint an Assistant Treasurer and an Assistant Secretary and such Officers as in their judgment may be necessary from Members of the Association who may but are not required to be Directors.

5.02 Election of Officers. The Officers of the Association shall be elected annually by the Board of Directors at the first regular meeting of the Board of Directors in each new fiscal year of the Association and shall hold office at pleasure of the Board.

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

5.04 President. The President shall be Chief Executive Officer of the Association. He or she shall preside at all meetings of the Association and of the Board of Directors. He or she shall have all of the general powers and duties which are usually vested in the office of President of an association, including but not limited to the powers to appoint committees from among Members from time to time as he or she may in their discretion decide is appropriate to assist in the conduct of the affairs of the Association.

5.05 Vice President. The Vice President shall take the place of the President and perform the President's duties whenever the President is absent or unable to act. If neither the President nor Vice President is able to act, the Board of Directors shall appoint some other members of the Board of Directors to do so on an interim basis. The Vice President shall also perform such other duties as shall from time to time be delegated to him or her by the Board.

5.06 Secretary. The Secretary shall keep the minutes of all meetings of the Board of Directors and the minutes of all meetings of the Association. The Secretary shall have charge of such books and papers as the Board of Directors may direct and shall, in general, perform all duties incident to the office of Secretary.

5.07 Treasurer. The Treasurer shall have responsibility for Association funds and securities and shall be responsible for keeping full and accurate accounts of all receipts and disbursements in books belonging to the Association, shall be responsible for the deposit of all monies and other valuable effects in the name of, and to the credit of the Association, in such depositories as may from time to time be designated by the Board of Directors; provided, however, that the Treasurer shall not be responsible for such of the foregoing matters as have been delegated to any management agent pursuant to the provisions of Article IV of these Bylaws.

5.08 Compensation. No Officer shall receive any compensation for serving in said capacity, but shall be reimbursed for out-of-pocket expenses incurred on behalf of the Association, which are approved by the Board of Directors and upon submission of proper receipts thereof.

ARTICLE VI

Fiscal Management of the Association

6.01 Fiscal Management and Budget. The Board shall use the following guidelines in the fiscal management of the Association which shall be subject to the requirements and limitations set forth in the Restrictions:

(a) Receipts and disbursements of the Association shall be credited and charged to accounts under the following classification as shall be appropriate:

(1) Current maintenance, utilities (including lighting, if any, of Subdivision signs) and administrative expenses, including a reasonable allowance for current contingencies and working funds other than expenditures chargeable to reserves, and amounts necessary to make up any deficits in Common Expenses for any prior year. Any balance in this fund at the end of each year shall be applied to reduce the Assessments for Common Expenses for the succeeding year or shall be transferred to the reserve fund or general operating reserve hereinafter provided for, as determined by the Board of Directors.

(2) A reserve fund for the purpose of performing periodic maintenance, replacement and repair of the Subdivision signs and Common Areas and performing major items of maintenance, effecting replacements or additions to the same, and for such other purposes as may from time to time appear to be necessary or appropriate.

(3) Insurance policies obtained and maintained pursuant to these Bylaws.

(b) The Board shall adopt a budget for each fiscal year that shall include the estimated funds required to provide and maintain funds for the foregoing accounts. Said budget shall be based upon the costs set forth in any management agreement in effect pursuant to the provisions of Article IV to the extent that said agreement is applicable to the accounts established above. If no such agreement is in effect and to the extent the management agreement does not provide for costs of the Association, the budget shall be determined by the Board of Directors.

(c) Copies of the budget shall be transmitted to each Member on or before July 1 of the fiscal year for which the budget is made. If the budget is amended subsequently, a copy of the amended budget shall be furnished to each member.

6.02 Annual General Assessment. An annual General Assessment against the Lots in order to meet the budget requirements shall be made for the fiscal year annually on or before June 1 of the year for which the annual General Assessment is made. The Annual General Assessment payable shall not be less than \$150.00 per Site of Ownership per annum. Notice of the annual General Assessment shall be given to all Members on or before July 1 of the year to which the annual General Assessment applies. The annual General Assessment shall be due and payable in full on July 1 of each year or as otherwise determined by the Association's Board of Directors on receipt of the notice. In event the Assessment proves to be sufficient or insufficient, the budget and annual General Assessments may be amended at any time during the year by the Board.

If a Member is in violation of the Restrictions, including but not limited to a default in the payment of an annual General Assessment or part thereof, the Association may accelerate the remaining installments (if any) of the current year's Assessments due from such Member upon notice to such Member, and the then unpaid balance of the current year's Assessment shall come due upon the date stated in the notice, but not less than ten (10) days after the forwarding of the notice to the Member

6.03 Special Assessments. Assessments for general expenses of the Association applicable to all Sites of Ownership within the Subdivision, including capital expenditures that are not included in the budget shall be made only after notice of the need for such is given to the Members. After such notice, and upon the approval by the Board of Directors and a vote of Members representing twenty five-percent

(25%) of the sites of Ownership, the additional expense shall become a Special Assessment, and shall be due at such time as the Board shall establish.

6.04 Default and Collection. All unpaid Assessments not paid within thirty (30) days after the due date shall be subject to a late charge of \$20.00. Further, any Assessment not paid within thirty (30) days after the due date shall bear interest from the due date at the highest rate permitted by law. In addition, delinquent Owners shall be liable for the costs to the Association, including reasonable attorneys' fees incurred in the collection of such unpaid Assessments. Unpaid Assessments may be collected by the Association pursuant to the provisions hereof and the Restrictions. If any Owner(s) shall fail to pay dues or assessments after thirty (30) days' written notice of such delinquency given by the corporation to such Owner(s), the amount of the dues or assessment shall become a lien on such member's Lot or Lots in the subdivision in favor of the Corporation, and the Corporation shall have the right to record a notice of claim of lien, and proceed thereon in accordance with the provisions of the law, applicable to the exercise of powers of sale or foreclosure in deeds of trust or mortgages or in any manner permitted by law. In any foreclosure or sale, the Owner(s) shall be required to pay the costs and expenses of such proceedings and reasonable attorney's fees.

ARTICLE VII

Elective and Fiscal Year

The fiscal year of the corporation for financial, accounting, and Assessment purposes and the elective year for Officers, Directors, and other appointed representatives of the Association shall be the fiscal year commencing July 1 and ending June 30.

ARTICLE VIII

Liability of Officers and Directors of Association

The officers and members of the Board of Directors of the Association, designated or elected as provided in these Bylaws, shall not be liable to the Members for any mistake of judgment, negligence, or otherwise, except for their own individual willful misconduct or bad faith. The Members shall indemnify and hold harmless each of the Officers and members of the Board of Directors against all contractual liability to others arising out of contracts made by the Officers and/or Board of Directors on behalf of the Association unless any such contract shall have been made in bad faith or clearly contrary to the provisions of the Restrictions or Bylaws. It is intended that the Officers and members of the Board of Directors shall have no personal liability with respect to any contract made by them on behalf of the Subdivision or Association in such capacity.

ARTICLE IX

Corporate Seal

The Corporation shall adopt a corporate seal, which shall remain in the custody of the Secretary of the Association and shall be by him or her affixed to all certificates of such membership of the Association and to all instruments in writing requiring the corporate seal for complete execution. An impression thereof is affixed to these Bylaws.

ARTICLE X Amendment

These Bylaws may be amended only by the affirmative vote of Members representing at least sixty-seven percent (67%) of the Sites of Ownership. No amendment hereof shall occur without notice of the proposed amendment being given to Members.