

**BYLAWS
OF
The Cotswolds Homeowners Association, Inc.**

ARTICLE I -GENERAL

Section 1. Applicability. These Bylaws provide for the self-government of The Cotswolds (a subdivision) by The Cotswolds Homeowners Association, Inc. (the Association, herein referred to as CHOA) in accordance with the Articles of Incorporation of the Association, the North Carolina Planned Community Act (the Act) and the Declarations of Covenants, Conditions and Restrictions (Declarations) for each phase of The Cotswolds. The Declarations are recorded in the Office of the Register of Deeds for Buncombe County and provide that each phase of The Cotswolds be governed by the CHOA.

Section 2. Name and Offices. The name of the association is The Cotswolds Homeowners Association, Inc. (CHOA). The principal office of CHOA is located at P.O. Box 345, Skyland, NC 28776-9998 or such other place as the Board of Directors may designate. The registered office of CHOA shall be maintained in the State of North Carolina, but may not be necessarily identical with the principal office.

Section 3. Purpose. CHOA shall have as its purpose those responsibilities assigned to it in the Act and the Declarations.

ARTICLE II - DEFINITIONS

Terms used in these Bylaws shall have the meanings set forth in the Declaration of Covenants, Conditions and Restrictions for Phase I of the subdivision as recorded in the Office of the Register of Deeds for Buncombe County in Deed Book 2076 at Page 423 unless specifically provided otherwise herein or the context of their use requires otherwise.

ARTICLE III - MEMBERSHIP

Section 1. Association Members. As provided for in North Carolina G.S. 47F, the North Carolina Planned Community Act, an Owner of a Lot in the Subdivision shall become a member of the Association (CHOA) upon taking title to the Lot and shall remain a member for the entire period of ownership of the Lot. If title is held by more than one person, the membership shall be shared in the same proportion as the ownership, but there shall be only one membership per Lot.

Section 2. Voting Rights. The CHOA shall have two (2) voting memberships:

A. Class A. Class A Members shall be all Owners (with the exception of Declarant) of a Lot within the subdivision, each of whom shall be entitled to

one(1) vote for each Lot owned. If more than one person holds interest in any Lot, they shall agree amongst themselves how their one (1) vote will be cast.

B. Class B. Class B Member shall be the Declarant and such member shall be entitled to three (3) votes for each Lot owned within the subdivision. The Class B membership shall cease and be converted to Class A membership upon the happening of either of the following events, whichever occurs first:

- (1) When the total votes outstanding in the Class A membership equal the total votes outstanding in the Class B membership; or
- (2) On the first day of December 2014.

Section 3. Transfer of Membership. Membership in CHOA is not transferable or assignable except in conjunction with the transfer of an interest in the realty to which such membership is appurtenant.

ARTICLE IV - MEETINGS OF MEMBERS

Section 1. Annual Meeting. An annual meeting of the CHOA shall be held for the purpose of electing directors, adopting a budget, setting the Association dues for the following year, and for the transaction of other business as may come before the meeting. The meeting shall be held with proper notification and support information as required by the NC Planned Community Act requirements. A meeting shall be held when the initial Bylaws, budget, and assessment proposal are ready for presentation to the CHOA Members, and thereafter in June of each calendar year on a day set by the Board of Directors (Board). If for any reason the annual meeting cannot be held as stated above, it shall be rescheduled as soon thereafter as can be conveniently noticed to the Members.

Section 2. Special Meetings. Special meetings of the CHOA Membership may be called by a majority of the Board, or not less than ten (10%) percent of the CHOA Members having voting rights.

Section 3. Notice of Meetings. Written or printed notice stating the place, day and time of any meeting of CHOA Members shall be delivered either personally or by mail to each member entitled to vote at such meeting not less than ten (10) nor more than sixty (60) days before the date of such meeting by or at the direction of the President, Secretary, or officers or persons calling the meeting. In case of a special meeting or when required by statute or by these Bylaws, the purpose or purposes for which the meeting is called shall be stated in the notice. Notice shall be deemed to be delivered when deposited in the U.S. Mail and properly addressed.

Section 4. Action by Members. Except as provided otherwise in the Act, Declarations, or these Bylaws, any act or decision approved by a vote of no less than a majority of all votes present, or represented by a legitimate proxy or

mailed in ballot, at a duly held meeting of the CHOA Members at which a quorum is present, shall be regarded as the act of the CHOA Members.

Section 5. Quorum. Except as provided in the Act, Declarations or these Bylaws, CHOA Members holding ten percent (10%) of the votes that may be cast at any meeting shall constitute a quorum at such meeting. Presence for purposes of a quorum shall constitute physical presence or proxy presence or mail-in vote presence. If a quorum is not present at any meeting the meeting is adjourned.

Section 6. Proxies and Mail Voting. At any meeting of CHOA Members, a CHOA Member entitled to vote may vote by proxy executed in writing by the Member. Proxies shall be valid for six (6) months from date of execution, unless otherwise provided in the proxy. CHOA Members may vote by mail at any meeting of CHOA Members by filling in a ballot provided for the meeting and executing same by dating and signature of the Member. Mail-in ballots are valid if postmarked at least 5 days before the meeting.

Section 7. Order of Business. The Secretary shall have the authority to structure a CHOA Member meeting, but items that must be included if applicable are:

- a. Determination of quorum
- b. Proof of proper notice of meeting
- c. Adoption of prior minutes
- d. Appointment of Inspectors of Election
- e. Management reports
- f. Election of Directors
- g. Budget, financial reports and assessment approval
- h. Unfinished business
- i. New business
- j. Adjournment

The parliamentary conduct of all meetings of the CHOA Members shall be governed by Robert's Rules of Order.

ARTICLE V - BOARD OF DIRECTORS

Section 1. General Powers. The business and affairs of the CHOA shall be managed by the Board of Directors or by such Executive Committees as the Board may establish pursuant to these Bylaws.

Section 2. Number, Election, Tenure and Qualifications. The number of directors shall be from five(5) to seven (7) as determined by their nomination and election by vote of those present at an annual meeting. Each Owner present shall be entitled to one vote for each nominee. Those nominees with the largest number of votes are elected to fill however many director vacancies are extant. Initial nominations for the first Board will be made from the floor. Thereafter, a Nominating Committee appointed by the Board and made up of non-board

Association members shall propose a slate for election. Directors will serve for a period of 2 years and may stand for reelection. Each director must be a Lot owner and member in good standing within the subdivision.

Section 3. Voting. Each director shall be entitled to one vote on business issues and affairs before the Board for consideration. A majority vote of those present at a meeting with a quorum shall constitute an act by the Board unless the act of a greater number is required by law or these Bylaws.

Section 4. Removal and Vacancies. Any duly elected director may be removed from the Board, with or without cause, by a majority vote of CHOA members. In the event of a vacancy, the Board may appoint a replacement to serve until the next annual meeting.

Section 5. Committees. The Board, by resolution of a majority of directors in office, may designate one or more Board committees with full powers of the Board consisting of two (2) or more directors. The Board may also, by resolution of a majority of directors in office, designate members of CHOA to serve on other committees which members do not have the authority of the Board in exercising management of the CHOA and may be removed at the Board's discretion.

Section 6. Compensation. Directors shall not receive any compensation for their services, but may be reimbursed for direct expenses incurred on behalf of CHOA business.

Section 7. Meetings, Notice and Quorum. A regular Board meeting schedule and location shall be published for the year and no other notice than this Bylaw shall be necessary. Special meetings of the Board may be called by the President or any two (2) directors upon five (5) days notice by any usual means of communication, giving the purpose for which the meeting is being called. A majority of the Board shall constitute a quorum for business; but if less than a majority of the directors is present, a majority of those present may adjourn the meeting.

Section 8. Duties of the Board.

- a. Maintenance of CHOA common areas.
- b. Procurement of adequate liability insurance covering the CHOA and the directors and officers thereof and adequate hazard insurance on the property owned by CHOA.
- c. Payment for common expenses.
- d. Development of an annual budget.
- e. Fix, notify and collect from Lot owners annual and special assessments.
- f. Provide an annual report to CHOA members of operations and expenses and have it certified by a CPA if desired by 67% vote of the CHOA members at the annual meeting.
- g. Cause a complete record of all its acts to be kept.

h. Supervise all officers, agents and employees of CHOA.

Section 9. Powers of the Board.

a. To make reasonable rules/regulations for the use of CHOA common areas.

b. To enter into agreements with governments, utilities, maintenance and insurance companies.

c. To maintain one or more bank accounts.

d. To retain the services of legal and accounting firms.

e. To sue or defend in any court of law in behalf of the CHOA.

f. To levy assessments and place liens against any property for which assessments are not paid within thirty (30) days after due date per the Declarations.

g. To the extent permitted, enforce the provisions of the Declarations and any rules made thereunder and to enjoin and/or seek damages or other relief for violation of such provisions.

h. To declare the office of a member of the Board to be vacant if such member is absent, without the consent of the Board, from three(3) consecutive regular meetings or six(6) meetings in a year.

i. To cause all officer, employees and contractors to be bonded, as the Board may deem appropriate.

j. To grant all necessary easements and rights-of-way over and across CHOA Common Areas when in its sole discretion it deems such an action to be necessary and appropriate, including but not limited to easements for the installation and maintenance of electrical, telephone, cable, water, sewage and other utilities and drainage facilities and any easement where consistent with the general use of such areas.

k. Subject to affirmative vote of no less than 80% of all votes entitled to be cast by CHOA Members, which vote is taken at a duly held meeting of CHOA Members at which a quorum is present, to convey fee simple title to all or any part of CHOA Common Area or to accept fee simple title to any real property on behalf of the Association.

l. To take any and all other actions and enter any and all other agreements as may be necessary or proper for the fulfillment of its obligations here under.

Notwithstanding anything contained herein to the contrary, none of the above described rights and powers of the Board shall be obligatory on the part of the Board.

ARTICLE VI - OFFICERS

Section 1. Officers. The officers of the CHOA shall be a President, Vice President, Secretary and Treasurer and other officers as the Board may from time to time elect.

Section 2. Election and Term. Officers shall be elected annually by the Board at the regular annual meeting or as soon thereafter as convenient. Each officer shall hold office until his or her successor has been duly elected and qualified.

Section 3. Vacancy, Resignation and Removal. Any vacancy created by death, resignation, removal or other circumstance shall be filled for the unexpired term. Any elected officer who resigns shall do so in written notice to the Board and will be accepted. Any elected officer may be removed by a majority vote of the Board whenever in its judgment the best interests of CHOA would be served.

Section 4. Duties.

a. President. The President shall be the principal executive officer of the CHOA and, subject to the control of the Board, shall supervise and control the management of the CHOA. The President shall preside at all meetings of the Board; shall see that orders and resolutions of the Board are carried out; and, shall sign all contracts, leases, mortgages, deeds and other written instruments and may co-sign all checks.

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

c. Secretary. The Secretary shall record the votes and keep minutes of all meetings of the Board and the CHOA; shall keep the Corporate Seal of CHOA and affix it on all required papers; shall serve notice of meetings of the Board and of the CHOA Members; shall keep appropriate current records showing the members of the CHOA with their addresses; and, shall perform such other duties as required by the Board.

d. Treasurer. The Treasurer shall receive and deposit in appropriate bank accounts all monies of CHOA and shall disburse funds as directed by resolution of the Board; shall sign all checks of CHOA; shall keep proper books of account; shall cause an annual report of the CHOA books to be made; and, shall prepare an annual budget and statement of income and expense to be presented to the membership at the regular annual meeting and delivered to each CHOA member.

ARTICLE VII - CONTRACTS, LOANS AND FUNDS

Section 1. Contracts. The Board may authorize an officer or officers to enter into any contract or execute and deliver any instrument of behalf of CHOA, and such authority may be general or confined to specific instances.

Section 2. Loans. No loans shall be contracted on behalf of CHOA and no evidence of indebtedness shall be issued in its name.

Section 3. Funds. All checks, drafts or other orders for the payment of CHOA funds shall be signed by such officer or officers as determined by resolution of the Board. All funds received for the CHOA shall be deposited to the credit of CHOA in such depositories as the Board shall direct.

ARTICLE VIII - INDEMNIFICATION OF OFFICERS AND DIRECTORS

The CHOA shall indemnify every officer and director against any and all expenses, including legal fees, reasonably incurred by or imposed upon such officer or director in connection with any action, suit, or other proceeding to which he/she may be made a party by reason of being or having been an officer or director, whether or not such person is an officer or director at the time such expenses are incurred. The officers and directors shall not be liable for any mistake of judgment, negligent or otherwise, except for their own individual willful misfeasance or malfeasance. The officers and directors shall have no personal liability with respect to any contract, debt or other commitment made by them in good faith on behalf of the CHOA. The CHOA shall indemnify and forever hold each such officer and director free and harmless against any and all liability to others on account of any such contract, debt or commitment. The CHOA shall, as a common expense, maintain adequate general liability and officers and directors liability insurance to fund the obligation of the CHOA described in this Article.

Nothing contained in the Article or elsewhere in these Bylaws shall operate to indemnify any director or officer if such indemnification is for any reason contrary to any applicable state or federal law.

ARTICLE IX - DUES AND ASSESSMENTS

Section 1. Annual Assessments. There are no initiation costs or dues to become a CHOA Member. There are, however, annual assessments that are the obligation of each Lot owner upon acceptance of a deed within the Cotswolds Subdivision as provided for in the Declarations. These assessments are secured by a continuing lien upon each Lot and if not paid when due shall be delinquent. If an assessment is delinquent, interest, late charges and action of law charges as appropriate are enforceable against Lot Owners. No Owner may waive or otherwise escape liability for the assessments provided for herein by non-use of the Common Areas or abandonment of Property.

Section 2. Special Assessments. Special assessments may be levied against Lots when approved by a majority vote of the CHOA Members. The purposes for which special assessments may be levied include, but are not limited to, providing funds to pay CHOA expenses which exceed the available general assessment funds; providing a fund for capital improvements; and, providing for the payment of extraordinary expenses. Special assessments may be levied upon specific Lots when expenses pertain to that or those specific Lots.

Section 3. Assessment Approval. Assessments are proposed by the Board after their approval by a majority of the Board as part of the budgeting process. The assessment is then brought before the Annual Meeting of Members for approval, along with the budget, by a majority of those voting at the meeting. The assessment is made and is due from Lot Owners of record with the Buncombe County Tax Assessor as of the last day of the month prior to the month of assessment approval by the CHOA Members.

ARTICLE X - BOOKS, RECORDS, FISCAL YEAR, SEAL

Section 1. Books and Records. The CHOA shall keep correct and complete books and records of accounts and minutes of proceedings of its members, Board and committees having and exercising any of the authority of the Board. All books and records of CHOA may be inspected by any CHOA Member for any proper purpose at any reasonable time.

Section 2. Fiscal Year. The fiscal year of the CHOA is from July 1 to June 30 of each year.

Section 3. Seal. The corporate seal of the CHOA shall be the same as that impressed in the right margin of this Article.

ARTICLE XI - GENERAL PROVISIONS

Section 1. Waiver of Notice. Whenever any notice is required to be given under provisions of NC Planned Community Act or these Bylaws, a waiver thereof in writing signed by the person entitled to such notice, whether before or after the time stated herein, shall be deemed equivalent to the giving of such notice.

Section 2. Arbitration of Disputes. In the event any dispute or controversy shall arise between the CHOA and any CHOA Member(s) which cannot be resolved between the parties, such matter shall be submitted for a final resolution to an arbitrator appointed by and acting under the rules and procedures of the American Arbitration Association. The award of such arbitrator shall be conclusive and binding upon the parties thereto and judgment thereon may be issued by any court of competent jurisdiction. In addition to the award of settlement, the arbitrator may assess any one or more of the parties to the controversy with cost of the arbitration proceeding.

Section 3. Amendment of Bylaws. These Bylaws may be amended or repealed and new Bylaws may be adopted by the affirmative vote of 67% of CHOA Members.

SECRETARY'S CERTIFICATE

This is to certify that the foregoing Bylaws of The Cotswolds Homeowners Association, Inc. (CHOA) have been duly adopted by the CHOA Membership on this 12th day of _January, 200_4__.

In witness whereof, the undersigned, duly and acting Secretary of the Corporation, has signed this Certificate and affixed the Seal of the Corporation hereon dated this 26th day of _January, 200_4__.

Nora Bayne
