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CINDY M OWNBEY

REGISTER OF DEEDS

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DEPUTY REGISTER OF DEEDS

**BK: DOC 779**

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**CONNESTEE FALLS PROPERTY OWNERS ASSOCIATION, INC.  
BYLAWS**

**ARTICLE I  
GENERAL**

Section 1. Name. The name of the Association shall be CONNESTEE FALLS PROPERTY OWNERS ASSOCIATION, INC. (The "Association").

Section 2. Principal Office. The principal office of the Association shall be located in Transylvania County, North Carolina within the boundaries of the Community.

Section 3. Seal. The Association shall have a corporate seal in circular form having within its circumference the words "CONNESTEE FALLS PROPERTY OWNERS ASSOCIATION, NC, Corporate Seal."

Section 4. Definitions. The words used in these Bylaws shall be given their normal commonly understood meanings. Capitalized terms shall have the same meaning as set forth in the Declaration of Restrictive Covenants for Connestees Falls (the "Declaration") as currently amended or restated, unless the context otherwise clearly requires.

**ARTICLE II  
MEMBERSHIP**

Section 1. General. The Association shall be a Membership corporation comprised of Members and Non-Members as more particularly described below.

Section 2. Members. A "Member" shall be as defined in the Restated Articles of Incorporation of Connestee Falls Property Owners Association, Inc. ("Articles"). The Membership Rights and Privileges of an Owner who is a natural person may be exercised by that Member, the Member's designee who must also be a Member upon a revocable written designation filed with the secretary of the Association, or any other legal representative designated in writing by the Member. The Membership Rights and Privileges of an Owner which is a corporation, partnership or other legal entity shall be exercised by the individual designated from time to time by the Owner in a revocable written instrument filed with the secretary of the Association.

Section 3. Non-Members. A "Non-Member" shall be as defined in the Articles. Alumni/ae Members are Non-Members of the Association with Privileges as determined by the Board.

Section 4. Access to Facilities. The Board has the right to develop Rules and Regulations regarding access to facilities and Amenities by Members and Non-Members.

Section 5. Notices. Regardless of the number of Owners of a Lot, the Association shall send notices (a) of Assessments, fees or charges, (b) of Association meetings or (c) other Association notices or publications only to the Voting Member at the address designated in writing by such Voting Member, or absent such designation, to the address of the Lot. Copies of Association notices, publications, and other information shall be posted on the Association's web site and shall be made available to Owners upon request. All Association notices and publications shall be deemed delivered when deposited in the United States Mail, postage prepaid.

Section 6. Suspension of Rights and Privileges. The Board may suspend the Rights, excluding the Right of access to property, and Privileges to use the Association's Common Areas of any Member during any period of time that the Owner is delinquent as to any Assessments, fees, fines, or other charges levied against a Lot, or during the period of any continuing violation of the provisions of the Declaration. Such Member may be referred to as a Member "not-in good-standing".

- a. Determination of whether a Member is in good standing shall be made by the appropriate administrative staff of the Association.
- b. If a Member owns more than one Lot and is delinquent on one or more Lots but not on all Lots, then the Member shall retain voting Rights for any Lots on which the Member is in good standing.

### ARTICLE III VOTING

Section 1. Voting Rights. Each Lot in the Community shall be entitled to one vote and there shall be no cumulative voting. There shall be one Voting Member for each Lot, regardless of the number of Persons who have an ownership interest in the Lot or the manner in which title is held by them. At the request of the Association, the Voting Member shall be designated in writing by the Owner(s). If they fail to do so within the time set by the Association, the Association may designate a Voting Member for that Lot, which will typically be the name first appearing on the recorded property deed. The Voting Member for a Lot may be changed at any time by the Owner(s) through written notification to the Association.

Section 2. Association Lots. The Association has no voting rights with respect to Lots it owns.

Section 3. Suspension. The Board may suspend the voting Rights of any Member as provided in Article IV, Section 3. herein or in Article VII, Section H. of the Declaration.

Section 4. Election Committee. Prior to the 31<sup>st</sup> day of March each year the Board shall ensure that an Election Committee has been formed, with membership as stipulated herein below or in the charter of the committee. Should a member of the Election Committee file for candidacy for the Board, that member may remain on the committee but shall be excused from all activities pertaining to the election of members of the Board. No member of the Election Committee may serve simultaneously on the Board or on another Permanent Committee.

Section 5. Member Voting. The Election Committee shall establish, in writing and for Board approval, standard procedures for tabulating votes on issues for which it is charged by the Board. Ballots shall be mailed to Voting Members no earlier than forty-five (45) days and no later than thirty (30) days prior to the date on which ballots are due for receipt by the Association. All Member Voting shall be by written ballot except as provided herein below. Except when used in the election of Directors as provided herein below, every written ballot for Member voting shall clearly provide spaces for affirmative and negative votes for each issue under consideration. Voting for directors shall be by secret ballot. All other voting directed by the Board may be conducted by secret ballot at the discretion of the Board. A Member vote once cast shall be deemed irrevocable.

Section 6. Voting by Electronic Means. Any vote by a Voting Member may be satisfied by a ballot returned by electronic transmission, including but not limited to e-mail and facsimile, provided that such transmission shall contain information from which it may be determined by the Election Committee that the transmission was authorized by the Voting Member or designated proxy.

Section 7. Election of Directors.

- a. Between 9:00 a.m. on the fifteenth (15th) day of April and noon on the fifteenth (15th) day of May inclusive, any Voting Member in good standing may file with the Election Committee a candidacy package for election as a director of the Association for the term beginning immediately following the next annual meeting of the Association. The candidacy package shall include: endorsements of candidacy signed by the candidate and at least twenty-five (25) Voting Members in good standing; a biographical statement; a statement of objectives; a conflict of interest form provided by the Association; and a photograph suitable for publication. Each candidacy package shall be reviewed by, and shall be subject to verification by, the Election Committee not later than 5:00 PM on the thirty-first (31st) day of May. Each Voting Member may sign no more candidate endorsements as there are Board vacancies to be filled. If the fifteenth day of May should fall on a Saturday or Sunday, the filing deadline shall be extended until noon on the following Monday. No candidacy packages will be accepted beyond the filing deadline.

- b. Following verification, the Election Committee shall certify to the secretary of the Association the names of all candidates who have submitted, on or prior to the filing deadlines set forth herein, valid candidacy packages.
- c. Except as provided in section III.7.k., the Secretary of the Association shall cause notice of each candidacy, the biographical statements, photos, statements of objectives for each candidate, ballots for election of directors, and the notice of the annual meeting, to be mailed or otherwise distributed to each Voting Member on or before the thirtieth (30th) day of June but not later than forty (40) days prior to the date of the annual meeting. The same information shall likewise be posted on the Association's website.
- d. In each election of directors, each Voting Member in good standing as determined in Article II herein, as of the thirtieth (30th) day of June, shall be eligible to vote.
- e. Ballots for the election of directors that are mailed to all Voting Members shall be accompanied by information that describes the vacancies to be filled and that sets forth in alphabetical order the names of the Members who have duly been certified as candidates.
- f. Each Voting Member shall receive one (1) ballot for each Lot for which the Member is the Voting Member. One (1) vote shall be allotted on each ballot for each vacancy to be filled, and if more than one (1) vacancy is to be filled, the votes should be distributed among the candidates.
- g. No fractional votes may be cast, and if cast the fractional votes shall be disqualified by the Election Committee and the remaining full votes counted. Candidates are elected by a plurality of the votes where a majority is not attained. The candidate(s) with the greatest number of votes received win(s) election with no run-off election required. In case of a tie, a recount will be made, and, if necessary, a run-off election will be held.
- h. In the event there are one or more unexpired terms to be filled in the election, the secretary of the Association shall certify to the Election Committee the number of full three (3) year term vacancies to be filled at the election as well as the number of unexpired two (2) year and/or one (1) year terms to be filled at the election. The three (3) year full term(s) will be filled by the candidate(s) receiving the highest number(s) of votes. Then the two (2) year unexpired term(s), if any, will be filled by the candidate(s) receiving the next highest number(s) of votes. Then the one (1) year unexpired term(s), if any, will be filled by the candidate(s) receiving the next highest number(s) of votes.
- i. The ballots must be returned to the secretary of the Association no later than 5:00 p.m. of the tenth (10th) calendar day preceding the annual meeting to be counted in the election of directors. The Election Committee shall certify the results of the count not later than the eighth (8th) day prior to the annual meeting, at which time the chair of the Election Committee shall notify the president of the Association, the general manager, the Community, and all candidates of the results of the vote. The total vote count and votes received by each candidate shall be announced at the Annual Meeting. The terms of office of the director(s) declared elected shall commence immediately following the annual meeting.

- j. All return envelopes, ballots, and candidacy packages shall be retained by the secretary of the Association under the control of the designated administrative staff for a period of one (1) year, after which they may be destroyed.
- k. In the event that the number of certified candidates is fewer than or equal to the number of Board vacancies, the mailing of ballots and subsequent Member vote will not be necessary. The candidates will be awarded their positions and terms at the annual meeting. The candidates will take office immediately following the annual meeting. The vacancies shall be filled in the following manner:
  - 1. When the term lengths of vacancies vary, the candidates shall determine which of them will serve in which vacancy either by mutual agreement or by drawing of lots.
  - 2. When the number of candidates is fewer than the number of vacancies the terms with the longest periods shall be filled first. The new Board shall then fill the remaining vacancies by appointment as soon as possible following the annual meeting, in compliance with the provisions of Article IX herein.

Section 8. Voting Quorum. The Association is incorporated under the North Carolina Nonprofit Corporation Act, which provides that a written ballot may be used for Member voting rather than holding a meeting for approval of an action. The statute requires that a written ballot on an action is valid only when the number of votes cast equals or exceeds the number of votes that would be required at a meeting to authorize the same action, and that the number of votes to approve equals or exceeds the number of votes required for approval at a meeting.

For purposes of Member voting, unless otherwise noted in the Articles, Declaration, or Bylaws, this requirement shall be defined as the "Voting Quorum" and shall be equal to twenty-five percent (25%) of all Voting Members in good standing as of the date the ballots are due.

Section 9. Approval. A Member vote by written ballot is deemed approved if a Voting Quorum is achieved with an affirmative vote of a majority of the valid votes cast by Voting Members in good standing, unless otherwise required by the Articles, Declaration, these Bylaws, or applicable statute. For the election of directors there is no Voting Quorum and a plurality is required for election.

#### ARTICLE IV ASSESSMENTS AND CHARGES

Section 1. The Board shall have the authority as, and to the extent, provided in the Declaration to levy annual and Special Assessments against the Lots in the Community as well as fees, fines, and charges for Members and Non-Members.

Section 2. Notice of Levy. A written notice of each Assessment and the required date of payment shall be sent through the mail to the Voting Member for each Lot. Postage shall be fully prepaid and the notice shall be mailed at least thirty (30) days prior to the required date of payment.

Section 3. Public Posting. The Board may cause to be posted on an Association bulletin board and/or to be printed in Association publications the name of any Owner delinquent in the payment of an Assessment after a letter has been mailed to the Owner stating the amount due and the consequences of nonpayment.

Section 4. Registration. Each Member shall register their address and any changes thereof with the secretary of the Association. Failure to notify the Association of a change of address does not relieve a Member of the duties and obligations of Membership including the timely payment of Assessments, fees, fines, and charges.

## ARTICLE V BUDGET, FISCAL MANAGEMENT

Section 1. General. The Association shall conduct its affairs on a fiscal year basis, beginning and ending on dates determined by the Board. The Board will initiate each annual budget formulation process by providing written guidance regarding the upcoming budget, to the general manager and the Finance Committee.

Section 2. Proposed Budget. The Board shall each year, before the beginning of the next fiscal year, prepare and adopt a proposed detailed operating, capital, and reserves budget showing estimated receipts, expenditures, and funding of reserves for the next fiscal year. The budget and the Unimproved and Improved Lot assessments supporting such proposed budget shall be approved by a majority vote of the Finance Committee and the Board.

Section 3. Budget Approval. The Board shall, within thirty (30) days after voting to adopt the proposed operating, capital, and reserves budget, provide the Members with a summary of such budget via first class mail and set a date not less than thirty (30) nor more than forty-five (45) days after the mailing of the summary for a Member vote by written ballot on such budget. A quorum shall be twenty-five (25) percent of all Voting Members in good standing as of the date the ballots are due. An operating, capital, and reserves budget is deemed approved if a Voting Quorum is achieved, with an affirmative vote of a majority of the valid votes cast by Voting Members in good standing. This voting process shall be used for any Member votes taken under the provisions of Article V.

Section 4. Budget Rejected. In the event of rejection of the proposed budget, Assessments will be billed at the prior year's amount. The general manager and Finance Committee will prepare an interim budget that is limited by the total operating spending and reserve funding and the annual Assessment amounts last approved by the Voting Members. Line items of operating expenditures may be reallocated as needed to continue operations without exceeding the total operating expenditures from the last budget approved by the Voting Members. Spending from each reserve is permitted but cannot exceed the spending dollar amount for each respective reserve as shown in the last budget approved by the Voting Members. The interim budget shall be adopted by a majority vote of the Finance Committee and of the Board, shall be communicated to the Members, and shall remain in effect until a new budget proposal is approved by a Member vote.

Section 5. Approval of Unbudgeted Capital Amenity Projects. The actual cost or Total Estimated Project Costs of Unbudgeted new or upgraded capital Amenity projects, that individually cost less than \$350,000, shall be accumulated on a fiscal year basis. The resulting cumulative total shall not include expenditures made in the current fiscal year for Unbudgeted capital Amenity projects that were approved in the prior fiscal year.

When the cumulative total is \$100,000 or less, the Board shall consider the recommendations of the Finance Committee before proceeding with a project costing more than \$25,000. When the cumulative total is in excess of \$100,000 but less than \$350,000, such projects must be approved by a majority vote of both the Finance Committee and the Board.

The cumulative total of Unbudgeted capital Amenity projects proposed in a single fiscal year shall not exceed \$350,000 without approval by a Member Vote. Some capital projects may consist of components which may be interrelated. In such situations, the Board shall determine whether such components need to be considered as one project for purposes of determining the Total Estimated Project Cost. The Board shall consider the recommendation of the Finance Committee before making their determination.

Section 6. Proposal of Special Capital Expenditure for New or Upgraded Amenities. If the Board proposes at any time to spend or commit the Association for a new or upgraded Amenities project with a Total Estimated Project Cost in excess of \$350,000, the Board shall prepare and adopt a proposal of Special Capital Expenditure detailing the project, its Total Estimated Project Cost, any proposed indebtedness, and the proposed method of repayment thereof. If applicable, the estimated interest expense after completion of the project on borrowings and a good faith estimate of the impact of new or upgraded Amenities on operating revenues and costs during construction and for up to three years after the estimated completion date of the project shall be provided to the Community. The costs to describe and communicate to the Community information about the project, to survey Members, to conduct a Member vote, and similar expenses not directly related to the execution of the project will not be included in the Total Estimated Project Cost.

A proposal of Special Capital Expenditure requires a Member vote. A rejected Proposal of Special Capital Expenditure may be resubmitted at another meeting of Members duly called for that purpose, with such amendments as the Board may deem appropriate.

Section 7. Unbudgeted Non-Amenity Capital and Operating Expenditures. The estimated or actual cost of expenditures or commitments for Unbudgeted non-Amenity capital and operating needs shall be accumulated on a fiscal year basis according to the date the expenditures were approved by the Board. The approval process and cumulative threshold limits shall be the same as in Section 5 above, which includes a Member vote if the cumulative total in any fiscal year will exceed \$350,000. The purpose(s) and amounts to be voted upon shall be determined by the general manager and the Board, taking into consideration projected needs for the remainder of the fiscal year.

Section 8. Emergency Expenditures. In the event of an emergency as determined by the Board in its sole discretion, the Board may take such steps, allocate such funds and/or incur such indebtedness as it reasonably determines to be necessary or prudent to protect the interest of the Community. In such event the Board shall promptly convene, upon due notice, a meeting of the Members to review steps taken and to consider appropriate future courses of action.

ARTICLE VI  
ACCESS TO AND USAGE OF COMMON AREAS

Section 1. Each Member and Non-Member shall be entitled to the use and enjoyment of the Common Areas subject to:

- a. the provisions of the Articles, the Declaration, these Bylaws, and the Rules and Regulations of the Association;
- b. the right of the Association to charge reasonable fees for the use of the various facilities and Amenities as established by the Board;
- c. the right of the Board to suspend, modify, or limit the Rights and Privileges of any Member or Non-Member to use the Association's Common Areas as provided in these Bylaws, the Declaration, or the Rules and Regulations of the Association;
- d. the suspension of the Rights and Privileges of those Non-Members existing through relationships to Members whose Rights and Privileges have been suspended as a result of any of the provisions stated above; and
- e. the Board's prerogative to modify or limit the Rights and Privileges of Non-Members, which need not be the same as those of Members.

Section 2. Any Member or Non-Member may allow Guests and/or Tenants to use and enjoy the Common Areas as provided in the Rules and Regulations of the Association. No Member or Non-Member may extend Privileges which exceed those possessed. The Rights and Privileges of such Persons are subject to the same provisions and are subject to suspension under Article III herein to the same extent as those of the Member or Non-Member.

Section 3. The Association may extend the use and enjoyment of the Common Areas to Persons as Guests for a fee and within guidelines established by the Board. The Privileges of such Persons shall be as described in resolutions of the Board and shall be subject to the provisions of the Articles, the Declaration, these Bylaws, and the Rules and Regulations. Persons granted such Privileges shall have no vote nor the right to notice of any regular or special meeting of Members. The Privileges of such Persons are subject to suspension under Article III herein.

ARTICLE VII  
EVIDENCE OF MEMBERSHIP AND TRANSFER

Section 1. Membership Certificates. Certificates of Membership in the Association may be issued to Members. Such certificates shall be in such form as the Board shall from time to time designate. Each Owner shall provide the secretary of the Association with the name, relationship, and address of each Member. No Membership certificates may be transferred or loaned to another by any holder thereof. All Membership certificates remain the property of the Association and must be surrendered to the Association upon termination of Membership or upon request of the Association.



Section 2. Application. An application for a certificate of Membership as required by the Board must be on file with the Association prior to a certificate being issued to the Member. The Rights and Privileges of Membership in the Association may not be made available until such application is on file. Failure or refusal to apply to the Association for Membership does not relieve the Owner of the duties and obligations of Membership as provided herein.

Section 3. Notice of Sale. Any Member shall give notice, in writing, as required by the Board, of the sale of a Lot or Parcel, stating the name and address of the new purchaser and such other information as the Board may reasonably require. The Board shall have the authority to make and enforce reasonable Rules and Regulations in order to enforce this provision.

Section 4. Transfer. When a Member ceases to be an Owner, such Person's Membership, including Rights and Privileges, and that of any Person with Non-Member status existing through relationships to such Member, shall cease, but such Member shall remain liable for all Association charges incurred prior to the sale of the Lot or Parcel. The Rights and Privileges of Membership for a new Owner will be withheld until all outstanding Assessments, fees, fines, and charges levied by the Association against the acquired property have been satisfied, application for a Membership certificate has been made and such a certificate issued, and notice of sale as provided in this Article VII has been given to the Association.

#### ARTICLE VIII MEETINGS OF MEMBERS

Section 1. Place of Meetings. Any meeting of the Association shall be held in the State of North Carolina, County of Transylvania, at such place therein as may be stated in the notice of such meeting.

Section 2. Annual Meeting of the Association. The annual meeting of the Association shall be held no later than the second Saturday of August of each year.

Section 3. Special Meetings of the Association. A special meeting of the Association shall be called by the Board within sixty (60) days of the receipt of a written petition setting forth its specific purpose and signed by more than ten percent (10%) of Voting Members in good standing as of the date the petition is presented to the Board. However, the Board may call the special meeting to coincide with the annual meeting if the written petition is received within 120 days before the annual meeting. The Board may call a special meeting of the Association for a specific purpose as stated in a notice to the Members.

Section 4. Notice of Meetings. Notice of any meeting shall be given to the Voting Members by the secretary of the Association by sending a copy of the notice through first-class mail to the address appearing on the books of the Association or, unless provided for to the contrary herein, to an electronic mail (email) address provided by the Voting Member. Notice of any meeting shall be mailed or transmitted at least thirty (30) days, but not more than forty-five (45) days, before the scheduled date of the meeting and shall set forth in general the nature of the business to be transacted. Such notice shall be deemed to have been delivered when deposited in the United States mail or sent by email. Copies of meeting notices and associated information shall be available at the Administration office and shall be posted on the Association's web site. At a special meeting, no business shall be conducted except that stated in the notice of said meeting.

ARTICLE IX  
BOARD OF DIRECTORS

Section 1. The executive body of the Association shall consist of a Board of Directors comprised of seven (7) elected or appointed members.

Section 2. Term. The regular term of office of a director shall be three (3) years, and thereafter until a successor has been elected or appointed. No director shall serve more than two (2) consecutive terms and a director shall not be eligible for re-election thereafter until the lapse of at least one (1) year.

Section 3. Qualifications. A director shall be at least eighteen (18) years of age and a Voting Member in good standing of the Association.

Section 4. Vacancy. If any vacancy exists on the Board, such vacancy may be appointed by the remaining directors, even though those remaining directors might be less than a quorum. Any Member so appointed shall serve until the next regular election of directors, at which time a successor shall be elected by the Voting Members to serve the period of the unexpired term. At the discretion of the Board, an acting director may be named in case of a protracted excused absence of a director. At no time shall the number of active members of the Board be allowed to fall below a quorum. Any director who fails to attend two (2) consecutive regular or special meetings of the Board without notification to the president of the Board of reason for the absence, or who fails to pay the annual Assessment by the assigned date, shall be deemed to have resigned and the Board may appoint a new director to serve in the vacant position until the following regular election. Should any officer of the Board resign, be removed, or be permanently incapacitated during the term of office, the remaining directors shall elect a successor to complete the term of office.

Section 5. Removal. A director may be removed from office by a vote called for that purpose. Such vote shall be called and executed either:

- a. upon the affirmative vote of a majority of the Board at a regular or special Board meeting called by the president upon receipt of a written petition signed by a majority of the Board members recommending removal from office of a director; or
- b. upon receipt of a written petition recommending the removal of a director, stating reasons therefor, and requesting a vote by Members for that purpose, signed by more than ten percent (10%) of the Voting Members in good standing as of the date the petition is presented to the Board. Upon certification of the validity of such petition, the Board shall, within thirty (30) days of receipt thereof, notify Voting Members by first class mail of the reasons for the petition, and shall provide for a vote by written ballot on the issue to be due not later than sixty (60) days following the date of receipt of the petition. The director petitioned for removal shall be given an opportunity to include a written statement of no greater than two hundred (200) words within the body of the ballot, provided that such statement is received within seven (7) days of the date of receipt of the petition by the Board. The director shall be removed following achievement of a Voting Quorum and the affirmative vote of a majority of votes cast by Members in good standing as of the date the ballots are due.

ARTICLE X  
POWERS AND DUTIES OF THE BOARD OF DIRECTORS

Section 1. The affairs of the Association shall be managed by the Board as provided in the Articles.

Section 2. The powers of the Board are:

- a. To manage, control, and establish policy in the affairs of the Association;
- b. To manage, control, and administer the Common Areas, to include the granting of licenses and non-exclusive easements over the Common Areas, and to adopt and publish Rules and Regulations governing the use of the Common Areas and the personal conduct of Members and Non-Members;
- c. To establish, levy, assess, and collect the Assessments, fees, fines, and charges referred to in the Articles, the Declaration and these Bylaws;
- d. To establish, charge, and collect reasonable fees from Non-Members for the use of the various facilities and Amenities and as the Board may deem necessary for the operation of the various functions of the Association;
- e. To establish the Rights, duties, Privileges, and obligations of Membership in the Association, except as otherwise provided in the Articles, the Declaration, , and these Bylaws;
- f. To establish cash management and investment policies; to designate the officer, officers or employees authorized to make withdrawals, transfers, and investments; and to execute obligations on behalf of the Association;
- g. To appoint and remove at its pleasure all officers of the Association. Any officer may be removed when, in the judgment of the Board, the best interest of the Association will be served by such removal. Such removal from office shall be by majority vote of the Board upon motion by any director at a special meeting of the Board;
- h. To cause the Association to employ sufficient employees to adequately perform the responsibilities of the Association. Nothing contained in these Bylaws shall be construed to prohibit the employment of any Member of the Association in any capacity whatsoever;
- i. To assign by resolution such responsibilities and duties not inconsistent with the provisions of the Declaration, these Bylaws, or with the law as deemed appropriate to the Permanent Committees. The Board shall appoint and remove all members, alternates, and chairs of the Permanent Committees, who shall serve at the discretion of the Board. The Board may establish new Permanent Committees or dissolve existing Permanent Committees from time to time;

- j. To establish new Special Board Committees or dissolve Special Board Committees from time to time, and to assign by resolution such responsibilities and duties not inconsistent with the provisions of the Declaration or the Bylaws as deemed appropriate.
- k. Except to the extent otherwise limited in these Bylaws, to borrow money for Association purposes. Borrowed money shall be construed to include all leases except operating leases and any leases not required to be capitalized in accordance with generally accepted accounting principles. A resolution by the Board that the interest of the Association requires the borrowing of money shall be sufficient evidence for any Person that the borrowing is for a proper corporate purpose. The Board may, if it determines that the same shall be reasonably necessary, assign, pledge, mortgage, or encumber any property as security for such borrowing, and they may pledge or assign future revenues of the Association as security therefor;
- l. To reserve the right, upon recommendation of the Judicial Committee, to levy Assessments and penalties and/or suspend any Member or Non-Member for conduct or for actions which may in any way be objectionable so as to bring disrepute upon the Association or which are in violation of the Articles, the Declaration, these Bylaws, or the Rules and Regulations of the Association. Such penalties and fines and/or suspension shall be as the Judicial Committee deems justifiable within the guidelines established by the Board, the Planned Communities Act, and other applicable laws and regulations. If penalties or fines and/or suspension are invoked, the Member or Non-Member may appeal to the Board according to procedures established by the Board and described in the Rules and Regulations under the section governing the Judicial Committee; during such interval, however, Rights and Privileges may be suspended. This does not abridge the right of the Board to levy Assessments, fees, and charges and/or to suspend any Member or Non-Member for violations or actions not in the best interest of the Association without the recommendation of the Judicial Committee; and
- m. To perform such other acts the authority for which has been granted by the Articles, the Declaration, by these Bylaws, or by law;

Section 3. Board Duties:

- a. To cause to be kept a complete record of all its acts and corporate affairs and to present a statement thereof to the Members at the annual meeting or at any special meeting when such is requested in writing by ten percent (10%) of the Voting Members in good standing as of the date of the request;
- b. To adopt an annual operating, capital, and reserves budget and proposals of Special Capital Expenditures as necessary and to levy the annual Assessment(s) in advance for each Lot for the following fiscal year. The Board may, by resolution, fix the time for payment of each annual Assessment which may be on an annual, quarterly, or monthly basis;

- c. To supervise and control the affairs of the Association and all officers of the Association, and see that their duties are properly performed;
- d. To obtain and maintain adequate fidelity coverage and bond to protect against dishonest acts on the part of officers, directors, and employees and others who handle or are responsible for handling funds of the Association, the premium for which will be paid by the Association.
- e. To obtain and maintain adequate insurance coverage to protect the improvements within the Community and other property owned or leased by the Association; to obtain and maintain, to the extent obtainable, public liability and property damage insurance in such limits and with such deductibles as the Board may from time to time determine; and to obtain and maintain such other such insurance as the Board may determine and such insurance as is necessary to meet the requirements of law;
- f. To cause an independent annual audit of the financial statements of the Association, and to present to the Members the audited financial statements with auditor's report at a regular meeting of the Board; and
- g. To do all lawful things and acts for the betterment of the Members and promotion of their interest as provided by the Articles, the Declaration, and these Bylaws.

## ARTICLE XI BOARD MEETINGS

Section 1. Regular Meetings of the Board. The regular meetings of the Board shall be held at such times and places, in the State of North Carolina, County of Transylvania, at such locations as the Board shall from time to time determine. After adoption of a resolution setting forth the time and place of a regular meeting, no notice of such meeting shall be required. Meetings of the Board shall be held at least once each quarter. All such regular meetings shall be open to the Members. An agenda for regular meetings will be published in a reasonable time period in advance, but shall not preclude new business from being introduced by the Board or general manager. Draft minutes of regular meetings in the form of *Board Notes* will be published in a reasonable time period; final minutes will be adopted at the next regular meeting. The Board shall meet in Executive Session immediately after the annual meeting of the Association to elect officers.

Section 2. Special Meetings of the Board. Special meetings of the Board shall be held when action of a specific type is required and when called by any officer of the Association or by any two (2) directors after not less than forty-eight (48) hours' notice to each director. Notice of special meetings may be given in writing or orally, or notice thereof may be waived by all directors. The time, place, and subject of the special meeting shall be stated in the notice, and no other business shall be conducted at the meeting.

Section 3. Executive Session. The Board will meet in Executive Session when sensitive or privileged issues involving Members, personnel, or legal situations are to be discussed. No actions requiring a vote will be taken in Executive Session. Association staff, Members, or Non-Members may attend at the invitation of the Board. No minutes will be taken in Executive Session.

Section 4. Action Without a Meeting. Any action which may be taken at a meeting of the Board may also be taken without a meeting if immediate action is required and if such action is consented to in writing, signed by all of the directors and filed with the secretary of the Association. Minutes shall be taken and made available to the Community.

Section 5. Meeting Communications. Meetings may be conducted using any means of communication by which all directors participating may simultaneously hear one another during the meeting. A director participating in a meeting by this means is deemed to be present in person. The Board may use e-mail for voting, meeting notices, and consent to an action without a meeting, and may use e-mail to waive the notice required for special meetings.

Section 6. Quorum. A majority of the authorized number of directors shall constitute a quorum for the conduct of the powers and duties as described in these Bylaws, and the act of the majority of the directors present and voting at any meeting shall be deemed to be the act of the Board.

Section 7. Voting. A director present at a meeting of the Board shall vote on all matters before the Board except where a conflict of interest exists or the director, for reasonable cause, abstains.

## ARTICLE XII OFFICERS

Section 1. Officers. The officers of the Association and the Board shall be the president, a vice-president, a secretary, a treasurer, a general manager, and such other officers and assistant officers as the Board may from time to time elect. No director may simultaneously serve in more than one officer position. Officers, other than the general manager and assistant general manager, shall be Members of the Association and of the Board. The general manager and assistant general manager may be, but need not be, a Member of the Association.

Section 2. The officers shall be chosen by majority vote of the Board.

Section 3. All officers shall hold office at the pleasure of the Board.

Section 4. President. The president shall preside at all meetings of the Board and of the Association. The president will be a director and serve as the chair of the Board. The president shall be a non-voting ex-officio member of all Permanent Committees of the Association. The president shall be vested with the powers and duties generally incident to the office of president of a nonprofit corporation of the State of North Carolina, except as otherwise determined by the Board, or as may be otherwise set forth in these Bylaws.

Section 5. Vice-President. The vice-president shall perform all the duties of the president in the president's absence or inability or refusal to serve, and shall perform such other duties as shall from time to time be prescribed by the Board.

Section 6. Secretary. The secretary of the Association shall keep the minutes of the business and other matters transacted at meetings of the Board and of the Association. The secretary shall mail and/or otherwise communicate, or cause to be mailed, all notices required under these Bylaws. The secretary shall have custody of the corporate seal and records and maintain a list of the Voting Members and their addresses, and shall perform all other duties incident to the office of secretary. In the absence of the treasurer, or the inability or refusal of the treasurer to serve, the secretary shall serve as acting treasurer.

Section 7. Treasurer. The treasurer shall monitor the financial affairs of the Association, and shall report on the operating results and financial condition of the Association at regular meetings of the Board and at the annual meeting. The Board shall require that the treasurer be bonded for such amount and under such conditions as the Board may determine. In the absence of the secretary, or inability or refusal to serve, the treasurer shall serve as acting secretary.

Section 8. General Manager.

- a. The general manager of the Association shall be the chief managerial officer. The general manager shall attend all meetings of the Board, except any Executive Session of the Board when a majority of the Board agrees to exclude the general manager from that meeting.
- b. The selection and appointment of the general manager shall be made on the basis of ability, experience, training, and character, with special reference to actual experience, or knowledge of the duties of the office as herein outlined. During the tenure of office, the general manager shall have a nearby residence, and shall not engage in any other business or profession except with the written consent of the Board.
- c. The general manager shall give bond for the faithful administration of the office in such amount as the Board may determine, the premium for which will be paid by the Association.
- d. Powers.
  - i. The general manager shall appoint, prescribe the duties of, supervise, determine compensation, and terminate the employment of all employees. Except for the purposes of inquiry, directors, officers, and Members shall deal with Association employees solely through the general manager.
  - ii. The general manager shall be entitled to notice of all special meetings of the Board.
  - iii. The general manager shall exercise such other powers as the Board may fix by resolution.

- iv. By specific authority delegated by the Board, and except as otherwise determined by the Board, the general manager shall establish and dissolve, except for the Board Committees, all other committees of the Association and assign to them such responsibilities and duties not inconsistent with the provisions of the Declaration and these Bylaws or with law as may be deemed appropriate. Subject to approval by the Board, the general manager shall appoint and remove all members and chairs of such committees, who shall serve at the discretion of the general manager.
- e. Duties. The general manager shall:
- i. Supervise the administration of the affairs of the Association;
  - ii. Ensure that the Articles, the Declaration, the Bylaws, and the Rules and Regulations of the Association are enforced, and that the Association is in compliance with the laws of the county, state, and federal government;
  - iii. Make recommendations to the Board concerning Association affairs as may be deemed desirable, including reporting the actions of all committees;
  - iv. Inform the Treasurer on the financial affairs and condition of the Association by submitting regular reports of the affairs and finances at such intervals as may be required by the Board;
  - v. Act in advisory capacity to the Board in the formulation of policies of the Association;
  - vi. Serve as a channel of complaints, suggestions, and problems of Members and Non-Members to the Board;
  - vii. Perform such other duties as the Board may fix by resolution;
  - viii. Annually prepare a proposed budget for presentation to the Finance Committee and the Board which shall set forth all proposed expenditures for the administration, operation, and maintenance of the properties and programs of the Association, capital expenditures, and the funding of expenditures from the reserves. The proposed budget shall also set forth the anticipated revenues of the Association, and shall recommend the Assessment amounts to be levied, the fees and charges for the next Assessment period, and reserve funding. The proposed budget shall be presented to the Board in adequate time for their deliberation and preparation of the necessary material for distribution to the Members; and
  - ix. In the absence or disability of the general manager, designate a qualified subordinate who shall act in for the general manager at meetings of the Board and in all other matters pertaining to the office.



ARTICLE XIII  
COMMITTEES

Section 1. Permanent Committees: The following named committees shall be Permanent Board Committees. The Board may from time to time dissolve Permanent Committees or establish one or more additional Permanent Committees with an approved charter, as deemed necessary to perform such duties or functions as the Board may prescribe. Each Permanent Committee shall be assigned a Board director as liaison.

- a. Appointment: The Board shall appoint and have the power to remove all persons and chairs of the Permanent Committees. Persons appointed to Permanent Committees shall be Members in good standing or Resident Affiliates, excluding current Board members, and shall not serve concurrently on more than one Permanent Committee. The current Board president shall be a non-voting ex-officio liaison to the Strategic Planning Committee, the vice president shall be a non-voting ex-officio liaison to the Membership Information Committee, the treasurer a non-voting ex-officio liaison to the Finance Committee and the secretary a non-voting ex-officio liaison to the Election Committee. The remaining directors on a seniority basis shall choose a Board liaison for each of the remaining Permanent Committees. As soon as practicable after each annual meeting the Board shall appoint or reappoint the Permanent Committee members with the exception of appointments to the Election and Finance Committees, the terms of which shall begin on the first day of April of each year.
- b. Term: Permanent Committee members shall consist of regular members and alternate members. Regular members shall typically be appointed for staggered terms of three (3) years and may be shorter than three (3) years when necessary to provide staggered terms such that there will be one or more openings each year. No regular member shall serve more than two (2) consecutive terms and shall not be eligible for reappointment until the lapse of one (1) year. The term of the chair shall be one year. The Board shall ensure that the chair of each Permanent Committee is rotated at least once every three years. Upon the recommendation of the chair, and at the Board's discretion, for each Committee one or two alternate Permanent Committee members may be appointed for a one-year term to facilitate the on-going work of the Committee.
- c. Named Committees:
  - i. Architecture and Environmental Committee shall have the duties and functions as provided in the Declaration. It shall adopt written rules and regulations of general application governing its procedures subject to the approval of the Board. The Board shall assign such other duties and functions as deemed necessary and not inconsistent with the provisions of the Declaration. The committee shall advise the Board regarding its actions.
  - ii. Audit Committee shall review and coordinate audit arrangements, scope of the audit, and the audit reports and findings between the Association's auditor and the Board. It shall be independent of the general manager in accordance with commonly used governance policies.

- iii. Election Committee shall develop and implement procedures that ensure the integrity, accuracy, and confidentiality of Member voting. This includes the duties and functions described herein before as well as providing advice, counsel, and support to the Board as required or assigned. The committee shall validate nominations for the Board; cause ballots to be mailed; receive, store, and validate ballots received; and tabulate votes.
- iv. Facilities Planning Committee shall assist the Board and the general manager in the preparation of long-range master plans for the facilities of the Community by responding to specific charges from the Board and by initiating analyses and recommendations pertinent thereto.
- v. Finance Committee will consist of Persons having experience in finance, banking, corporate management or business. The Finance Committee shall provide advice and counsel to the Board on financing, borrowing, and investing, shall review budgets prepared by the general manager, shall review monthly financial reports, and shall present financial suggestions and concerns to the Board as well as any other financial matters the Board may refer to it from time to time.
- vi. Judicial Committee shall have duties and functions as provided by resolution of the Board and as provided in the Articles, the Declaration, these Bylaws, and the published Rules and Regulations of the Association. The Judicial Committee shall advise the Board regarding its actions.
- vii. Membership Information Committee shall undertake communication projects that foster an open and informative environment benefitting the Community and supporting the Members, Non-Members, the Association, and the Board.
- viii. Strategic Planning Committee shall develop, update, and communicate a strategic plan which will be used by the Board, management, and all committees, clubs and organizations within the community as the basis of planning and decision making.

Section 2. Special Board Committees: The Board may from time to time establish a Special Board Committee with a limited scope and purpose. Members, Non-Members, and other Persons may be appointed to a Special Board Committee. Such committees may be dissolved at any time at the discretion of the Board, whether or not their purpose has been fulfilled in its entirety.

Section 3. Management Committees: Except for the above specified Permanent Committees and Special Board Committees, or as otherwise determined by the Board, all committees of the Association shall be management committees with charters as approved by the Board, and will report directly to the general manager.

- a. Appointment: The general manager shall appoint and have the power to remove all members and chairs of all management committees. Members of all committees shall be Members in good standing or Non-Members to be eligible to serve.
- b. Term: The vitality of each committee's usefulness and relevance should prevail without any mandatory term limit being imposed on its members.

Section 4. Recommendations and actions of all committees shall, except as determined by the Board, be forwarded to the general manager for appropriate action as required.

ARTICLE XIV  
ORGANIZATIONS

Section 1. All clubs, sub-units, associations, and organizations of the Association shall operate within the provisions of the Articles, the Declaration, these Bylaws, and the Rules and Regulations of the Association.

Section 2. All clubs and organizations must have a charter approved by the Board. In considering a request for a new club or organization, the Board will determine whether the purpose of the proposed new group serves a Community need and/or social purpose. Only chartered groups will be able to use the Clubhouse and the non-classified section of the Friday Flyer without charge.

Section 3. No club, sub-unit, association, or organization of the Association shall engage in activities which consist of carrying on propaganda or participate in or intervene in any political campaign on behalf of any candidate for public office. No political or duplicate groups will be approved.

ARTICLE XV  
INDEMNIFICATION OF DIRECTORS AND OFFICERS

Section 1. The Association shall indemnify and hold harmless each Person who shall serve as a director or officer or member of a committee of the Association from and against any and all claims and liabilities to which such Person shall become subject as a consequence of service on behalf of the Association, or by reason of any action alleged to have been taken or committed by that Person as such, and shall reimburse each Person for all legal and other expenses reasonably incurred in connection with any such claim or liability; provided, however, that no such Person shall be indemnified against or be reimbursed for any expense incurred in connection with any claim or liability arising out of the Person's own willful misconduct or bad faith actions.

Section 2. The Rights accruing to any Person hereunder shall not exclude any other right to which lawfully entitled, nor shall anything herein contained restrict the right of the Association to indemnify or reimburse such Person in any proper case, even though not specifically herein provided for. The Association, its directors, officers, employees, and agents shall be fully protected in taking any action or making any payment hereunder, or in refusing to do so, in reliance upon the advice of counsel.

ARTICLE XVI  
PROXIES

Section 1. Every Voting Member in good standing entitled to vote or execute consents may do so in person or by designating another Voting Member to act as proxy.

Section 2. All proxies shall be designated in writing and filed with the secretary of the Association. No designated proxy shall extend beyond a period of eleven (11) months, and every proxy shall automatically cease upon sale by the Voting Member of the Lot or Lots associated with the designation. A Voting Member may revoke a proxy at any time by written notice filed with the secretary of the Association.

Section 3. Once a Voting Member has designated a proxy, any vote cast by the proxy shall be irrevocable once cast.

#### ARTICLE XVII BOOKS AND RECORDS

Section 1. The Association shall maintain its books and records in conformity with the provisions of Article 16 of Chapter 55A of the Nonprofit Corporation Act and any applicable successor statute. The Association shall make such books and records available to its Members to inspect and copy to the extent and on the basis provided in the above statute. The Association may adopt and apply reasonable criteria for determining whether a specific request for inspection and/or copying complies with the statutory requirements.

#### ARTICLE XVIII RULES OF ORDER

Section 1. All meetings of the Association, the Board, committees, and organizations of the Association shall be conducted in accordance with Robert's Rules of Order, latest edition, unless in conflict with the Articles, Declaration, Bylaws, or a ruling made by the chair presiding over the meeting.

#### ARTICLE XIX AMENDMENTS

Section 1. These Bylaws may be altered, amended, repealed or new Bylaws may be adopted at any time by a written ballot as provided in the Nonprofit Corporation Act. These Bylaws will be respectively modified if valid ballots are cast by at least twenty-five percent (25%) of all Voting Members in good standing as of the date the ballots are due, and with the affirmative vote of either two-thirds of valid votes cast or a majority of the votes entitled to be cast, whichever is less, provided that those provisions of these Bylaws which are governed by the Articles may not be amended, except as provided in the Articles or applicable law, and further provided that any matter governed by the Declaration may not be amended, except as provided in the Declaration.

Section 2. All changes in these Bylaws shall be communicated to the Members within a reasonable time as determined by the Board.

Section 3. In the case of any conflict between the Articles and these Bylaws, the Articles shall control; and in the case of any conflict between the Declaration and these Bylaws, the Declaration shall control.

IN WITNESS THEREOF the undersigned officers of the Board of Directors of Connestee Falls Property Owners Association hereby adopts and approves the aforesaid amended Bylaws of the Connestee Falls Property Owners Association which were duly adopted and approved by the Members of the Association by a majority of votes entitled to be cast at a meeting duly called for the purpose of amending the Bylaws of Connestee Falls Property Owners Association, Inc., this fifteenth day of September, 2016.

(Seal)



Connestee Falls Property Owners Association, Inc.

By:

  
\_\_\_\_\_  
Carl H. Burkhardt, President

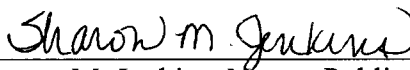
Attest:

  
\_\_\_\_\_  
Michael H. Sanders, Secretary

NORTH CAROLINA  
TRANSYLVANIA COUNTY

I, Sharon M. Jenkins, Notary Public for said County and State, certify that Michael H. Sanders personally came before me this day and acknowledged that he is secretary of Connestee Falls Property Owners Association, Inc., a corporation, and that by authority duly given and as the act of the corporation, the foregoing instrument was signed in its name by its president, sealed with its corporate seal, and attested by him as its secretary.

Witness my hand and official seal, this the fifteenth day of September, 2016.

  
\_\_\_\_\_  
Sharon M. Jenkins, Notary Public

My commission expires 11-28-2017.

