

BY-LAWS

OF

VILLAGE ON THE NEW OWNERS ASSOCIATION, INC.

ARTICLE I

NAME AND LOCATION

The name of the corporation is VILLAGE ON THE NEW OWNERS ASSOCIATION, INC., hereinafter referred to as the "Association". The principal office of the corporation shall be located at 7 South Jefferson Avenue, West Jefferson, NC 28694, but meetings of members and directors may be held at such places within the State of North Carolina, County of Ashe, as may be designated by the Board of Directors.

ARTICLE II

DEFINITIONS

Section 1. "Association" shall mean and refer to Village on the New Owners Association, Inc., its successors and assigns.

Section 2. "Properties" shall mean all real property referred to in plats recorded in the Registry of Ashe County in Plat Book 6 at pages 107, 108 and 120.

Section 3. "Common Area" shall mean all real property owned by the Association for the common use and enjoyment of the Members of the Village on the New Owners Association.

Section 4. "Lot" shall mean and refer to any plot of land shown upon any recorded subdivision map of the Properties with the exception of the Common Area.

Section 5. "Owner" shall mean and refer to the record owner, whether one or more persons or entities, of the fee simple title to any Lot which is a part of the Properties, including

contract sellers, but excluding those having such interest merely as security for the performance of an obligation.

Section 6. "Declarations" shall mean and refer to the Restrictive Covenants and Restrictions recorded on December 10, 2002 in the Registry of Ashe County at Book 285, pages 1509 through 1511; and to the Restrictive Covenants and Restrictions recorded on December 10, 2002 in the Registry of Ashe County at Book 285, pages 1512 through 1514; and to the Declarations recorded on March 19, 2003 in the Registry of Ashe County at Book 290, Pages 1524 through 1542, as well as all amendments subsequent thereto.

Section 7. "Member" shall mean and refer to those persons entitled to membership as provided in the Declarations.

ARTICLE III

MEETINGS

Section 1. Annual Meetings. The first annual meeting of the members shall be held within eighteen months after the date of incorporation of the Association, and each subsequent regular annual meeting of the members shall be held in the same month of each year thereafter, on the day and at the hour specified in the notice to members of the meeting.

Section 2. Special Meetings. Special meetings of the members may be called at any time by the President or by the Board of Directors, or upon written request of the members who are entitled to vote one-fourth (1/4) of all of the votes of the membership.

Section 3. Notice of Meetings. Written notice of each meeting of the members shall be given by, or at the direction of, the Secretary or person authorized to call the meeting, by mailing a copy of such notice, postage prepaid, at least thirty (30) days before such meeting to each member entitled to

vote thereat, addressed to the member's address last appearing on the books of the Association, or supplied by such member to the Association for the purpose of notice. Such notice shall specify the place, day and hour of the meeting, and in the case of a special meeting, the purpose of the meeting.

Section 4. Quorum. The presence at the meeting of members entitled to cast, or of proxies entitled to cast, ten (10%) percent of the votes of the membership shall constitute a quorum for any action except as otherwise provided in the Articles of Incorporation, of the Declarations, or these By-Laws. If, however, such quorum shall not be present or represented at any meeting, the members entitled to vote thereat shall have the power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum as aforesaid shall be present or represented.

Section 5. Proxies. At all meetings of members, each member may vote in person or by proxy. All proxies shall be in writing and filed with the secretary. Every proxy shall be revocable and shall automatically cease upon conveyance by the member of his Lot.

ARTICLE IV

BOARD OF DIRECTORS; SERVICE; TERM OF OFFICE

Section 1. Number. The affairs of this Association shall be managed by a Board of not less than three (3), nor more than seven (7) directors, who shall be members of the Association.

Section 2. Term of Office. At the first annual meeting the members shall elect one (1) directors for a term of one year, one (1) directors for a term of two years, and at least one (1) director for a term of three years, and at each annual meeting thereafter the members shall elect directors for the terms expiring that year for a term of three (3) years.

Section 3. Removal. Any director may be removed from the Board, with or without cause, by a majority vote of the members of the Association. In the event of death, resignation or removal of a

director, his successor shall be selected by the remaining members of the Board and shall serve for the unexpired term of his predecessor.

Section 4. Compensation. No director shall receive compensation for any service he may render to the Association. However, any director may be reimbursed for his actual expenses incurred in the performance of his duties.

Section 5. Action Taken Without a Meeting. The directors shall have the right to take any action in the absence of a meeting which they could take at a meeting by obtaining the written approval of all the directors. Any action so approved shall have the same effect as though taken at a meeting of the directors.

ARTICLE V

NOMINATION AND ELECTION OF DIRECTORS

Section 1. Nomination. Nomination for election to the Board of Directors shall be made by any member of the Association in advance of the meeting at which election is to take place. Nominations may also be made from the floor at the annual meeting.

Section 2. Election. Election to the Board of Directors shall be by secret written ballot. At such election the members or their proxies may cast, in respect to each vacancy, as many votes as they are entitled to exercise under the provisions of the Declarations. The persons receiving the largest number of votes shall be elected. Cumulative voting is not permitted. In the event the nominations for directors do not exceed the vacancies to be filled, the slate of directors may be elected by acclamation by a show of hands or voice vote.

ARTICLE VI

MEETINGS OF DIRECTORS

Section 1. Regular Meetings. Regular meetings of the Board of Directors shall be held at least quarterly without notice, at such place and hour as may be fixed from time to time by resolution of the Board. Should said meeting fall upon a legal holiday, then that meeting shall be held at the same time on the next day which is not a legal holiday.

Section 2. Special Meetings. Special meetings of the Board of Directors shall be held when called by the president of the Association, or by any two directors, after not less than three (3) days notice to each director.

Section 3. Quorum. A majority of the number of directors shall constitute a quorum for the transaction of business. Every act or decision done or made by a majority of the directors present at a duly held meeting at which a quorum is present shall be regarded as the act of the Board.

ARTICLE VII

POWERS AND DUTIES OF THE BOARD OF DIRECTORS

Section 1. Powers. The Board of Directors shall have power to:

(a) establish reasonable rules and regulations concerning the use of the Common Area, facilities located thereon, and the personal conduct of the members and their guests thereon, as well as rules and regulations concerning use of the lots. Copies of such regulations and amendments thereto shall be furnished by the Board of Directors to all Members prior to the rule's effective date. Such regulations shall be binding upon the Members, their families, tenants, guests, invitees, and agents until and unless such regulation, rule, or requirement shall be specifically overruled, cancelled, or modified by the Board or the Association in a regular or special meeting by the vote of Members holding a majority of the total votes in the Association;

(b) impose reasonable monetary fines not to exceed one hundred fifty dollars (\$150.00) per

day or to take appropriate legal action for a violation of the Declarations, these Bylaws or the rules and regulations promulgated hereunder. No such monetary fine shall be imposed except following a hearing before the Board of Directors, which shall accord to the party charged with the violation notice of the charge, opportunity to be heard and to present evidence, and notice of the decision;

(c) make or contract for the making of capital improvements upon the Common Area, in accordance with Article XII of these Bylaws;

(d) enforce the provisions of the Declarations, these Bylaws, and the Rules and Regulations adopted by the Board and bring any proceedings which may be instituted on behalf of or against the Owners concerning the Association or the Declarations;

(e) suspend the voting rights of a member during any period in which such member shall be in default in the payment of any assessment levied by the Association. Such rights may also be suspended after notice and hearing, for a period not to exceed sixty (60) days from infraction of published rules and regulations;

(f) exercise for the Association all powers, duties and authority vested in or delegated to this Association and not reserved to the membership by other provisions of these By-Laws, the Articles of Incorporation, or the Declarations;

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

(h) employ a manager, an independent contractor, or such other employees as they deem necessary, and to prescribe their duties.

Section 2. Duties. It shall be the duty of the Board of Directors to:

(a) 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 of the members, or at any special meeting when such statement is requested in writing by one-fourth (1/4) of the members who are entitled to vote;

(b) supervise all officers, agents and employees of this Association, and to see that their duties are properly performed;

(c) as more fully provided in the Declarations, to:

(1) fix the amount of any annual assessment against each lot at least thirty (30) days in advance in each annual assessment period;

(2) send written notice of each assessment to every Owner subject thereto at least thirty (30) days in advance of each annual assessment period; and

(3) after due date, impose a fine not exceeding \$150.00 per day and/or bring an action at law against any delinquent owner personally obligated to pay the annual assessment;

(d) issue, or to cause an appropriate officer to issue, upon demand by any person, a certificate setting forth whether or not any assessment has been paid. A reasonable charge may be made by the Board for the issuance of these certificates. If a certificate states an assessment has been paid, such certificate shall be conclusive evidence of such payment;

(e) cause the Common Area to be maintained, including the maintenance, repair and reconstruction of private streets and water and sewer lines, if any, situated on the Common Area when such lines are located outside dedicated public easements and City rights-of-way, except such lines located on a lot which serve only that lot, and such other areas as the Association may by contract undertake to maintain;

- (f) pay all ad valorem taxes and public assessments relating to the Common Area.

ARTICLE VIII

OFFICERS

Section 1. Enumeration of Offices. The officers of this Association shall be a president and vice president, a secretary, and a treasurer, who shall at all times be members of the Board of Directors, and such other officers as the Board may from time to time by resolution create.

Section 2. Election of Officers. The election of officers shall take place at the first meeting of the Board of Directors following each annual meeting of the members.

Section 3. Term. The officers of this Association shall be elected annually by the Board and each shall hold office for one (1) year unless he/she shall sooner resign, or shall be removed, or otherwise disqualified to serve.

Section 4. Special Appointments. The Board may elect such other officers as the affairs of the Association may require, each of whom shall hold office for such period, have such authority, and perform such duties as the Board may, from time to time determine.

Section 5. Resignation and Removal. Any officer may be removed from office with or without cause by the Board. Any officer may resign at any time giving written notice to the Board, the president or the secretary. Such resignation shall take effect on the date of receipt of such notice or at any later time specified therein, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 6. Vacancies. A vacancy in any office may be filled by appointment by the Board. The officer appointed to such vacancy shall serve for the remainder of the term of the officer he replaces.

Section 7. Multiple Offices. The offices of secretary and treasurer may be held by the same person. No person shall simultaneously hold more than one of any of the other offices except in the case of special offices created pursuant to Section 4 of this Article.

Section 8. Duties. The duties of the officers are as follows:

(a) President. The President shall preside at all meetings of the Board of Directors and the Association; shall see that orders and resolutions of the Board are carried out; shall sign all leases, mortgages, deeds and other written instruments and shall co-sign all checks exceeding \$100.00 and promissory notes.

(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 other duties as may be required of him/her by the Board.

(c) Secretary. The secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board and of the members; keep the corporate seal of the Association and affix it on all papers requiring said seal; serve notice of meetings of the Board and of the members; keep appropriate current records showing the members of the Association together 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 the Association and shall disburse such funds as directed by resolution of the Board of Directors; shall sign all checks and promissory notes of the Association; keep proper books of account; cause an annual audit or review of the Association books to be made by an independent public accountant at the completion of each fiscal year; and shall prepare an annual budget and a statement of income and expenditures to be presented to the membership at its

regular annual meeting, and deliver a copy of each to the members.

ARTICLE IX

INDEMNIFICATION OF DIRECTORS AND OFFICERS

The corporation shall indemnify any director or officer against liabilities and reasonable litigation expenses, including attorney's fees, incurred by him/her in connection with any action, suit or proceeding in which he/she is made or is threatened to be made a party by reason of being or having been such director or officer, except in relation to matters as to which he/she shall be adjudged in such action, suit or proceeding to have acted in bad faith or to have been liable or guilty by reason of willful misconduct in the performance of duty.

ARTICLE X

COMMITTEES

The Board of Directors shall appoint a Nominating Committee, as provided in these By-Laws. In addition, the Board of Directors, shall appoint other committees as deemed appropriate in carrying out its purpose.

The Architectural Review Committee and Maintenance Committee shall be elected by the members of the Association at the annual meeting.

ARTICLE XI

BOOKS AND RECORDS

The books, records, financial statements and papers of the Association shall at all times during reasonable business hours, be subject to inspection by any member. The Declarations, the Articles of Incorporation and the By-Laws of the Association shall be available for inspection by any member at

the principal office of the Association, where copies may be purchased at reasonable cost. Such documents shall also be made available to lenders, holders, insurers and guarantors of any first mortgages or deed of trust on the lot(s).

ARTICLE XII

ASSESSMENTS

(a) The Board of Directors may levy such annual assessments as are necessary to care for and maintain the Common Area, and to provide for the best interest and welfare of the Association. The Board of Directors may direct that annual assessments be collected in advance and with such frequency as may be determined appropriate by the Board of Directors. Each member is obligated to pay to the Association such annual assessments as are adopted by the Board of Directors. Any assessments which are not paid when due shall be delinquent. If the assessment is not paid within thirty (30) days after the due date, the assessment shall bear interest from the date of delinquency at the rate of twelve (12%) percent per annum, and the Association may impose a fine not exceeding \$150.00 per day and/or bring an action at law against the Owner personally obligated to pay the same and interest, costs, and reasonable attorney's fees of any such action shall be added to the amount of such assessment. No Owner may waive or otherwise escape liability for the assessments provided for herein by non-use of the Common Area or abandonment of his/her Lot.

ARTICLE XIII

CORPORATE SEAL

The Association shall have a seal in circular form having within its circumference the words:
Village on the New Owners Association, Inc.

ARTICLE XIV

AMENDMENTS AND CONFLICTS

Section 1. These By-Laws may be amended, at a regular or special meeting of the members, by a vote of a majority of a quorum of members present in person or by proxy.

Section 2. In the case of a conflict between the Articles of Incorporation and these Bylaws, the Articles shall control; and in the case of any conflict between the Declarations and these Bylaws, the Declarations shall control.

ARTICLE XV

MISCELLANEOUS

The fiscal year of the Association shall begin on the first day of January and end on the 31st day of December of every year, except that the first fiscal year shall begin on the date of incorporation.