

BYLAWS

of

Line Runner Ridge Maintenance Corporation, Inc. (A North Carolina Non-profit Corporation)

Bylaws amended June 1, 2002

ARTICLE I DEFINITIONS

The following terms as used in these Bylaws are defined as follows:

- (a) "Association" means the Line Runner Ridge Maintenance Corporation, Inc., a North Carolina Non-profit Corporation.
- (b) "Board" means the Board of Directors of Line Runner Ridge Maintenance Corporation, Inc.
- (c) "Bylaws" means the Bylaws of the Association.
- (d) "Common Areas" means any real estate owned or leased by the Association, other than a lot.
- (e) "Lot" means a physical portion of the area covered by these Bylaws designated for separate ownership or occupancy by a lot owner.
- (f) "Restrictive Covenants" means the Restrictive Covenants and Road Maintenance Agreement for Line Runner Ridge Properties, dated the 16th day of May 1980, as the same may be supplemented or amended from time to time. [Deed Book 241, p. 707, and Amendments of Nov. 1991 at Deed Book 345, p. 488.]
- (g) "He" and "his" are generic terms that include "she" and "her", and are not intended to refer to a specific gender.

ARTICLE II ASSOCIATION MEMBERSHIP

Section 1. Class of Members. There shall be one class of members: General Class. Each lot Owner shall by reason of ownership, become a general member of the Association. Each Owner shall be entitled to a number of votes equal to the number of annual assessments paid by that Owner in accordance with the Restrictive Covenants and these Bylaws. If there are multiple owners of a lot, the group shall be entitled to one vote. This applies to joint ownership, as by married couples, partnerships, and any other arrangement resulting in more than one person legally sharing ownership.

Section 2. Assessment of Maintenance Fees. Each Owner of a lot or lots within Line Runner Ridge shall pay one unit of Association maintenance fees (also called "dues") to Line Runner Ridge Maintenance Corporation. However, if said lot or lots have more than one dwelling, the Owner shall pay annually one unit of maintenance fees *per dwelling*, with the exception of a non-rental guesthouse. Maintenance fees and other

assessments are to be paid in full within 45 days of the date of the notice sent unless the member enters into an alternative agreement with the Corporation through the Secretary-Treasurer. Such an agreement is authorized in cases of financial hardship and will involve two semi-annual payments over the course of the year, the final payment to be due during the final month of the fiscal year to which the dues apply.

Section 3. Suspension of Privileges of Membership. The Board may, by majority vote, suspend the voting privilege of any member and/or permission for any member to use the Common Areas. The member in question must be notified by the Board of the failure to pay, or the violation(s), in writing, and must be offered the opportunity of a hearing before the Board in advance of any vote on suspension of privileges. The suspension may be for:

- (a) The period during which any Association assessment on such member's lot remains unpaid.
- (b) The period of any continuing violation by such member of the provisions of the Restrictive Covenants after the existence thereof shall have been declared by the Board of Directors.
- (c) A period to be determined by the Board of Directors for repeated violations of the Bylaws or the rules and regulations of the Association.

ARTICLE III MEETINGS OF MEMBERS

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

Section 2. The Annual Meeting. The annual meeting of the Association shall be held during the first fifteen (15) days of the month of June, at a time, date, and place determined by the Board of Directors.

Section 3. Substitute Annual Meeting. If the annual meeting is not held during the period designated by these Bylaws, a substitute annual meeting may be called in accordance with the provisions of Sections 4 and 5 of this Article. A meeting so called shall be designated and treated for all purposes as the annual meeting.

Section 4. Special Meetings of the Association. Special meetings of the Association may be called by the Board of Directors at any time. A special meeting may also be called upon the written petition of ten percent (10%) of the members of the Association who would have the right to vote at such meeting. Such petition shall set forth the purpose of the special meeting. The meeting shall be held within thirty (30) days of the date the petition is delivered to the Secretary-Treasurer and the signatures confirmed.

Section 5. Notice of Meetings of the Association. Written notice of the place, date and hour of the meeting, and in the case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered not less than ten (10) days nor more than

fifty (50) days before the date of the meeting, either personally, by mail, or by electronic means to each member. If mailed, such notice shall be deemed to have been delivered when deposited in the United States Mail, addressed to the member at his address as it appears on the records of the Association, with postage prepaid; or such notice may be published in any newspaper or publication printed under the auspices of the Association and distributed generally among members of the Association. At a special meeting, no business shall be conducted except that stated in the notice of said meeting.

Section 6. Voting. In accordance with Article II, Sections 1 and 2, each Owner shall have a number of votes equal to the number of annual assessment units said Owner has paid.

Section 7. Quorum. At an annual meeting, substitute annual meeting, or special meeting, ten percent (10%) of the authorized number of votes represented either in person or by proxy, shall constitute a quorum for the purposes of the meeting.

**ARTICLE IV
THE DIRECTORS**

Section 1. Powers. The Board of Directors shall:

- (a) Manage and control the business and affairs of the Association.
- (b) Adopt a corporate seal as the seal of the Association.
- (c) Designate a banking institution or institutions, as depository for the Association's funds and the officer or officers authorized to make withdrawals therefrom and to execute obligations on behalf of the Association.
- (d) Perform other acts the authority for which has been granted herein or by law.
- (e) Adopt such rules and regulations relating to the use of Common Areas and/or Association property, and sanctions for non-compliance therewith, as it may deem reasonably necessary for the best interest of the Association and its members.
- (f) Cause the Association to employ sufficient personnel to adequately perform the responsibilities of the Association.
- (g) Adopt reasonable rules of order for the conduct of the meetings of the Association, and with reference thereto, on procedural questions upon which no rules have been adopted, the ruling of the chairman of the meeting shall be final.
- (h) Establish committees of the Association as and when this seems desirable and appoint the members thereof, assigning to such committees responsibilities and duties not inconsistent with the provision of these Bylaws.
- (i) The Board may solicit and choose among competitive bids for needed services and materials.
- (j) The Board shall annually adopt an operating budget to be circulated to the members prior to the annual meeting. The Board shall, taking into

consideration other sources of income that the Association may have, recommend to the membership the annual assessment (called "dues") for each member for the following year. No assessments shall be levied against parcels owned by the Association.

- (k) During the course of any fiscal year, the Board may recommend to the membership at a special meeting a supplemental assessment if revenue is less than the actual costs incurred, or expected to be incurred, during the year, or if the Association incurs any cost or expenses not foreseen in the budget.
- (l) Assessments shall be paid to the Association for the purposes expressed in, and pursuant to, Section I, Part I of the Restrictive Covenants and pursuant to Article II, Section 2 of these Bylaws.
- (m) The Board shall be empowered to enforce the collection of all assessments ("dues") pursuant to Section II, Part B (1) of the Restrictive Covenants and Article II, Section 3 of these Bylaws.
- (n) The Board may direct the establishment of separate bank accounts, as it may deem desirable to segregate operating revenue receipts from capital contributions and for funds received for repairs or maintenance services for the Association which shall be incurred in future fiscal years.
- (o) A new member may purchase, at cost, a key to the Common Area at the lake by presenting a copy of his deed, or other document by which he acquired title, to the Secretary-Treasurer.
- (p) The Board may authorize any officer or officers, agent or agents, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Association.
- (q) All checks, drafts or other orders for the payment of money, issued in the name of the Association, shall be signed by the Secretary-Treasurer of the Association, or by another authorized officer, and in a manner as shall from time to time be determined by resolution of the Board.
- (r) All funds of the Association not otherwise employed shall be deposited from time to time to the credit of the Association in depositories selected by the Board.

Section 2. Number of Directors. The number of Directors shall be five, each of whom must be a lot Owner, spouse of lot Owner, or official of a corporate Owner. The Board of Directors may not compensate directors for their services as directors, except as provided in Article V, Section 1.

Section 3. Composition of the Board. The Board of Directors shall consist of the President, Vice President, and Secretary-Treasurer of the Association, plus two additional members elected as set out in Section 6 of this Article.

Section 4. Term of Office. All directors will be elected to serve for two-year terms. If during a term in office a director shall cease to function, the Board shall have the right to appoint a replacement to serve the remainder of the unexpired term left until the next annual meeting, at which time the general membership will elect a replacement. Any

vacancy in the Board may be temporarily filled until the next annual meeting by the affirmative vote of the majority of the remaining directors, or by the sole remaining director.

Section 5. Qualifications of Directors. A director shall be a member in good standing. If he ceases to be a member by no longer qualifying as an Owner, or by being in arrears on his financial obligations to the Association, he shall immediately cease being a director.

Section 6. Election of the Directors.

- (a) In the notice for the annual meeting the Board of Directors will nominate candidates for each of the Board positions for which the incumbent's term expires. The voting membership may nominate candidates in writing to the Secretary-Treasurer up until seventy-two (72) hours prior to the meeting at which voting will occur. All nominations must have the consent of the candidates.
- (b) Each eligible voter has the right to vote for the candidates of his/her choice, either by proxy, in person, or by absentee ballot if one is provided. For each position for which there is only one nominee, the voting members will be asked to ratify the election of the nominee by a majority vote. In the event of a majority vote against the nominee, nominations will be accepted from the floor. Any floor nominees will be voted on, with the one receiving the most votes (a plurality) declared the winner. If more than one nomination for a position has been received prior to the meeting, a vote will be held and the candidate receiving the most votes will be declared the winner. In case of a tie vote, a run-off will be held. If the meeting cannot decide which of two (or more) candidates should be elected, the question shall be put to the membership by mail ballot within thirty (30) days of the adjournment of the meeting. The candidate receiving the largest number of returned votes will be declared the winner.

Section 7. Removal. Any director may be removed at any time with or without cause by a vote of a majority of the members at an annual meeting, substitute annual meeting, or special meeting of the Association at which a quorum as defined by Article III, Section 7 is present.

Section 8. Proxies. Every member entitled to vote shall have the right to do so either in person or by an agent or agents authorized by a written proxy executed by such member or his duly authorized agent and filed with the Secretary-Treasurer of the Association. Such a proxy shall expire eleven (11) months after its date of issuance unless a shorter term is specified in the proxy.

Section 9. Meetings of the Board of Directors. Meetings of the Board shall be held at such place and time, within Transylvania County in the State of North Carolina, as the Board shall from time to time determine. Special meetings of the Board may be called by

a majority of the Board and shall be held at such place as the call or notice of the meeting shall designate. Notice of a special meeting may be given in writing, or orally, at least seventy-two (72) hours prior to the date of said special meeting. If the notice is sent by mail it must be postmarked at least four (4) days prior to the meeting date.

Section 10. Informal Action by Directors. Action taken by a majority of the directors without a meeting is nevertheless Board action if written consent to the action in question is signed by all the directors and filed with the minutes of the proceedings of the Board, whether done before or after the action is taken.

Section 11. Quorum. A majority of the directors shall constitute a quorum to transact business for the Board and the act of the majority of the directors present at any meeting shall be deemed to be the act of the Board.

Section 12. Presumption of Assent. A Board member of the Association who is present at a meeting of the Board of Directors at which action on any Association matter is taken shall be presumed to have assented to the action taken unless his contrary vote is recorded or his dissent is otherwise entered in the minutes of the meeting. The right to dissent shall not apply to a director who voted in favor of the action.

Section 13. Fiscal Year. The fiscal year of the Association shall be fixed by the Board of Directors.

Section 14. Year-End Audit. The Board shall have an audit performed by a qualified outside certified public accountant whenever a new Secretary-Treasurer takes office, and otherwise from time to time at their discretion. Each year the Board will appoint two Association members, who may also be Board members, but neither the Secretary-Treasurer, to review the Association's financial records and provide the Board with an opinion as to their validity.

Section 15. Board Vacancy. If during the course of the year a Board member resigns or loses eligibility by selling his/her property, the Board is empowered to elect from the eligible membership a person to serve as replacement until the next annual meeting. The term in office of the replacement will be deemed to end with that meeting, although he/she may be nominated for a full term by either the Board or membership as provided in Article IV, Section 6.

ARTICLE V THE OFFICERS

Section 1. Officers. The officers of the Association will be the President, the Vice President, and the Secretary-Treasurer. An assistant to the Secretary-Treasurer may be appointed by the Board if requested by that officer. Officers must be members in good standing. The Secretary-Treasurer will be exempt from paying the annual assessment (dues) for services rendered while in office.

Section 2. President. The President shall be the chief executive officer of the Association, and he shall be vested with the powers and duties generally incident to the office of President of a non-profit corporation, except as otherwise determined by the Board, or as may be otherwise set forth in these Bylaws. He shall act as chair of the Board and preside over membership meetings.

Section 3. Vice President. In the absence of the President, or in the event of his inability or refusal to act, the Vice President is empowered to act and shall thereupon be vested with the powers and duties of the President.

Section 4. Secretary-Treasurer. The Secretary-Treasurer of the Association shall

- (a) Keep the minutes of the business and other matters transacted at the meetings of the Board and membership.
- (b) Mail, or cause to be appropriately communicated, all notices required under the Bylaws, including those for meetings and Association dues.
- (c) Have the custody of the corporate seal and records.
- (d) Maintain an accurate list of the members and their addresses.
- (e) Have custody of the funds of the Association.
- (f) Collect monies due and deposit dues payments.
- (g) Pay the obligations of the Association out of its funds.
- (h) Keep financial records of income and expense and fund balances to insure the fiscal soundness of the Association.
- (i) Perform such other duties as are incident to the office.

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

ARTICLE VI INDEMNIFICATION

Section 1. To the fullest extent permitted by the North Carolina Nonprofit Corporation Act as it exists or may hereafter be amended, no person who is serving or who has served as a director of the corporation shall be personally liable for monetary damages for breach of any duty as a director. No amendment or repeal of this Article, nor the adoption of any other amendment to these Bylaws, inconsistent with this Article, shall eliminate or reduce the protection granted herein with respect to any matter that occurred prior to such amendment, repeal or adoption.

Section 2. To that end, any person who at any time serves or has served as a director, officer, employee or agent of the Association, shall have a right to be indemnified by the Association to the fullest extent permitted by law against

- (a) reasonable expenses, including attorneys' fees, actually and necessarily incurred by him in connection with any threatened, pending or complete action, suit or proceedings, whether civil, criminal, administrative or

- investigative, and whether or not brought by or on behalf of the Association, seeking to hold him liable by reason of the fact that he is or was acting in such capacity, and
- (b) reasonable payments made by him in satisfaction of any judgment, money decree, fine, penalty or settlement for which he may have become liable in any such action, suit or proceeding.

The Board of Directors of the Association shall take all such action as may be necessary and appropriate to authorize the Association to pay the indemnification required by this Bylaw, including without limitation, to the extent needed, making a good faith evaluation of the manner in which the claimant for indemnity acted and of the reasonable amount of indemnity due him and giving notice to, and obtaining approval by, the members of the Association.

Any person who at any time after adoption of these Bylaws serves or has served in any of the aforesaid capacities for or on behalf of the Association shall be deemed to be doing or to have done so in reliance upon, and as consideration for, the right of indemnification provided herein. Such right shall inure to the benefit of the legal representatives of any such person and shall not be exclusive of any other rights to which such person may be entitled apart from the provisions of these Bylaws.

ARTICLE VII DUTIES OF MEMBERS

Section 1. Payment of Assessments. The charges, dues or assessments levied by the Association as provided in Article II, Section 2 above shall be paid to the Association within the time period allowed herein and established by the Board. Written notice of the charge and date of payment shall be sent to each Owner at the address given by the Owner to the Association.

Section 2. Enforcement Procedures. Upon the failure of the Owner of any lot to pay any assessment or charge when due, the Association shall have the right to collect the amount thereof by an action at law against the Owner as for a debt, and may bring and maintain such other suits and proceedings at law or at equity as may be available. Such rights and powers shall continue in the Association and the lien of such charge shall be deemed to run with the land; and the successive Owners of each lot, by the acceptance of deeds therefore, shall be deemed personally to assume and agree to pay all unpaid assessments or charges or additional assessments which have been levied against the property and all assessments or charges or additional assessments which shall become a lien thereon during their ownership. Any assessment or charge levied against a lot remaining unpaid for a period of forty-five (45) days or longer shall constitute a lien on that lot when a claim of lien (sometimes herein referred to as a "Notice of Assessment and Lien") setting forth the name and address of the Association, the name of the record Owner of the lot at the time the lien is filed, a description of the lot and the amount of the lien claimed is filed of record in the office of the Register of Deeds for Transylvania County. Upon the filing of any such lien pursuant to the authority granted under this Declaration, the

Association may foreclose the claim of lien in like manner as a mortgage on real estate under power of sale under Article 2A of Chapter 45 of the North Carolina General Statutes.

All liens levied pursuant to the provisions of these Covenants shall include the amount of any unpaid assessments, plus any other charges thereon, and interest at six percent (6%) per year from the due date, and costs of collection, including attorneys' fees. Each Notice of Assessment and Lien shall be signed by the Association or such other person or legal entity to whom the Association may assign the authority to file Notices of Assessments and Lien pursuant to a document filed in the office of the Register of Deeds for Transylvania County. Such lien shall be prior to all other liens recorded subsequent to the filing of such Notice of Assessment and Lien. Each Owner, by acceptance of a deed or as a party to any other type of conveyance, vests in the Association, or such other person or legal entity to whom the Association may assign the authority to file Notices of Assessment and Lien, the right and power to bring all actions against said Owner personally for the collection of such charges set out in said Notice of Assessment and Lien as a debt or to foreclose the aforesaid lien in the same manner as other liens for the improvement for real property. The lien provided for in this Article shall be in favor of the Association and it shall have the power to bid on the lot in any foreclosure proceeding or to acquire, hold, lease, mortgage, or convey the lot. No diminution or abatement of assessment or set-off shall be claimed or allowed by reason of any alleged damage, inconvenience or discomfort arising from the completion by the Association of repairs or improvements or removal of nuisances or for any maintenance performed by the Association.

All payments shall be applied first to costs and attorney fees, then to late charges, then to interest, then to delinquent assessments. Upon payment of all assessments and other charges, costs and fees provided for in a particular Notice of Assessment and Lien, or other satisfaction thereof, the party filing said lien shall cause to be recorded a further notice stating satisfaction and the release of the lien thereof.

Section 3. Members shall adhere to all restrictions and requirements outlined in the Restrictive Covenants.

Section 4. Members shall obey such rules and regulations as may be prescribed by the Board or adopted by the membership relating to the reasonable use of the roadway and Common Areas.

ARTICLE VIII AMENDMENTS

These Bylaws may be amended by the membership as represented by a majority of the quorum present at a general meeting, or if by mail, by the majority of at least ten percent (10%) of returned ballots from the membership eligible to vote. When an amendment approval is sought by mail, the mailing shall include a copy of the proposed amendment and an indication of how it changes the existing Bylaw.

APPENDED REGULATIONS
(Adopted 1983, amended June 1, 2002)

TEMPORARY STRUCTURES: No structure of a temporary character, trailer, tent, shack, carport or other outbuilding may be used as a residence with the *exception* of one camper which may be used while the residence is being constructed. Obvious progress is necessary in accordance with county building inspection regulations.

MOBILE HOMES: A mobile home, as forbidden by the Restrictions, continues to be a mobile home regardless of whether it is added to another structure or another structure is added to it.

SIGNS: There shall be no signs placed on Association property or rights of way, or on any individual lot *except* to indicate the lot owner and address, or that *the particular* lot is for sale or rent.

BOAT MOTORS: Because of the erosive effects of wave action generated by motor driven boats and because of the obligation of the Maintenance Corporation to preserve the integrity of the dam, the use of motors on the lake is prohibited, except small, electrically driven trolling motors.

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