

BY-LAWS OF THE LEDGES HOMEOWNERS ASSOCIATION, INC.
(A NORTH CAROLINA NON-PROFIT CORPORATION)

AS AMENDED BY THE BOARD OF DIRECTORS, JULY 16, 2003

ARTICLE I -- NAME, PURPOSE AND APPLICABILITY

1.1 Name: The name of this incorporated homeowners association shall be The Ledges Homeowners Association, Inc. The corporation shall be called the Association in these By-Laws.

1.2 Purpose: The Association shall have the responsibility of administering the Planned Community, establishing the means and methods of collecting the contributions to the common expenses, arranging for the management of the Planned Community, enforcing the Restrictive Covenants and these Bylaws, and performing all of the other acts that may be required to be performed by the Association by the North Carolina Planned Community Act and the Restrictive Covenants. The Association shall also amend and supplement the system of administration, the Restrictive Covenants and these Bylaws as may be required from time to time and perform all other things or acts required or permitted to the Association under the Planned Community Act. Except as to those matters which either the North Carolina Planned Community Act, the Restrictive Covenants, these Bylaws or the North Carolina Nonprofit Corporation Act specifically require to be performed by the vote of the Association, the administration of the foregoing responsibilities shall be performed by the Board of Directors, as is more particularly set forth below.

1.3 Applicability: These By-Laws are applicable to the property known as The Ledges of Hidden Hills and to any property owned or leased by the Association. These By-Laws are binding on all persons and future owners, tenants, guests, residents or other persons occupying or using the facilities of The Ledges of Hidden Hills. The mere acquisition, rental or act of occupancy of any part of the property will signify that these By-Laws are accepted, ratified and will be complied with.

ARTICLE II -- DEFINITIONS

The definition of words contained in the Declaration for The Ledges of Hidden Hills, Article I, shall apply to those words and terms as used in these By-Laws.

ARTICLE III -- OFFICES, REGISTERED AGENT, SEAL, FISCAL YEAR

3.1 Principal office: The Association's principal office shall be located at the home of the President of the Association.

3.2 Registered Agent: The name of the Registered Agent for the Association is on file with the Department of the Secretary of State of North Carolina or may be obtained from the President of the Association. The Registered Agent may be removed and replaced at any time by a majority vote of the Association's Board of Directors.

3.3 Other Offices: The Association may have other offices at such other places within the State of North Carolina as the Board of Directors may from time to time determine or as the affairs of the Association may require.

3.4 Seal: The seal of the Association shall contain "The Ledges Homeowners Association, Inc.", the word "Seal" and such other words and figures as desired by the Board of Directors. When obtained, the seal shall be impressed in the margin of the Minutes of the initial meeting of the Board of Directors. Until such time a mechanical seal is procured, a handwritten seal shall be permitted.

3.5 Fiscal Year: The fiscal year of the Association shall be the calendar year commencing January 1, 1995.

ARTICLE IV -- MEMBERSHIP

4.1 Classes of Membership: Initially there shall be one class of membership: Subdivision lot owners shall be member of Class One. Membership shall be appurtenant to and inseparable from lot ownership. No owner shall be required to pay any consideration whatsoever for his membership. Membership in the Association shall inure automatically to owners upon acquisition of the fee simple title, whether encumbered or not, to any one or more lots. The date of registration of the conveyance in the Henderson County Registry of the lot in question shall govern the date of ownership of each particular lot. The period of membership in the Association shall be for the duration in which such member remains an owner and shall cease automatically when the status of the owner terminates. The execution of a mortgage or deed of trust on a lot shall not divest an owner of membership.

4.2 Place of Meetings: All meetings of the membership shall be held in Henderson County, North Carolina, at such place as is convenient to the members as may be designated by the Board of Directors.

4.3 Annual Meetings: The Annual Meeting shall be held each year at such place and at such time as is convenient to the members as may be designated by the Board of Directors.

4.4 Subsequent Annual Meetings: If any Annual Meeting is not held on the day designated by these By-Laws, a substitute Annual Meeting may be called in accordance with the provisions of Section 4.5 and 4.6 immediately below. A meeting so called shall be designated and treated for all purposes as the Annual Meeting.

4.5 Special Meetings: After the first Annual Meeting of the Members, Special Meetings of the Members may be called at any time by the President, the Board of Directors or pursuant to the written request of the owners of at least five members, by written notice to all owners. Business to be acted upon at all Special Meetings shall be confined to the objects stated in the notice of such meeting.

4.6 Notices of Meetings, Waiver: Written or printed notice stating the time and place of the meeting shall be delivered not less than ten nor more than fifty days before the date of any Membership meeting, either personally or by mail, by the direction of the President, the Secretary or other person calling the meeting, to each Member entitled to vote at such meeting. Notice shall be deemed given upon deposit in an official depository of the United State Postal Service in an envelope properly addressed to each owner at the address of such or at any other address supplied to the Association by the owner, with sufficient postage affixed thereto. Notice given to any one tenant in common or tenant by entirety of a lot shall be deemed notice to all co-owners of the subject lot. In the case of a Special Meeting, the notice of the meeting shall state specifically the purpose or purposes for which the meeting is being called. In the case of an Annual Meeting or Substitute Annual Meeting, the notice of the meeting need not state specifically the business to be transacted. Any member may waive the necessity of formal notice to him by attending the meeting without objection or by signing a written waiver either before or after the meeting; and upon such attendance or execution of such waiver, the Member shall not be entitled thereafter to object to the meeting being held or matters being passed upon at the meeting because of lack of notice.

4.7 Quorum: Except as otherwise provided in these By-Laws, the presence in person or by proxy of Members holding forty percent of the total vote of the Membership shall constitute a quorum at all meetings of the Members. If a quorum is not present or represented at any meeting, the Members entitled to vote shall have the power to adjourn the meeting from time to time, without notice other than the announcement at the meeting, until a quorum is present or is represented. The Members at any meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough Member to leave less than a quorum.

4.8 Voting Rights: Each Lot shall be entitled to one (1) vote which may be cast in accordance with the terms herein. A vote may be cast by the Owner, or by a lawful proxy, as also provided herein.. When more than one person owns a Lot, the vote for such Lot shall be exercised as they between or among themselves determine, but in no event shall more than one (1) vote be cast with respect to any Lot. In the event of disagreement among such persons and an attempt by two or more of them to cast such vote or votes, such persons shall not be recognized and such vote or votes shall not be counted. The Board may prohibit any owner from voting, either in person or by proxy, or from being elected to the Board of Directors if such owner is shown on the books or management accounts of the Association to be more than sixty (60) days delinquent in any payment due the Association and therefore is not a member in good standing.

4.9 Proxies: Members may vote either in person or by agents duly authorized by written proxy executed by an owner or by his duly authorized attorney in fact. A proxy is not valid after the expiration of eleven months from the date of its execution unless the person executing it specifies therein the length of time for which it is to continue in force or limits its use to a particular meeting, but no proxy shall be valid after ten years from the date of its execution. Unless a proxy otherwise provides, any proxy holder may appoint in writing a substitute to act in his place. In order to be effective, all proxies must be filed with the Secretary or duly acting Secretary either during or prior to the meeting in question. All of the above provisions concerning the voting by co-owners shall apply to votes cast for any one lot by two or more proxy holders.

4.10 Votes: As used in these Bylaws, for any vote of the membership held in accordance with or pursuant to the Restrictive Covenants, the term "majority" shall mean those votes, owners, or other group as the context may indicate totaling more than fifty percent (50%) of the total number of eligible votes, owners, or other groups. Unless otherwise specifically stated, the words "majority vote" shall mean more than fifty percent (50%) of the eligible votes of the Association represented at a meeting in person or by proxy. Unless otherwise provided in the Restrictive Covenants or these Bylaws, all decisions shall be by majority vote.

4.11 Actions Without Meetings: Any action which may be taken at a meeting of the Membership may be taken without a meeting if a consent or ratification, in writing, setting forth the action taken or to be taken is signed by persons who would be entitled to vote all of the votes upon such action at a meeting and such consent is filed with the Secretary of the Association and inserted in the Minute Book of the Association.

(new) 4.12 Adjournment: Any meeting of the Owners may be adjourned from time to time by the President or by a vote of the Owners holding the majority of the votes represented at such meeting, regardless of whether a quorum is present. Any business which could be transacted properly at the original session of the meeting may be transacted at an adjourned session, and no additional notice of such adjourned session shall be required.

(new) 4.13 Vote by Written Ballot: In accordance with Section 55A-7-08 of the North Carolina Nonprofit Corporation Act, any action that may be taken at any annual, regular, or special meeting of members may be taken without a meeting if the Association delivers by mail or otherwise a written ballot to every member entitled to vote on the matter.

ARTICLE V

5.1 General Powers: The business and affairs of the Association shall be managed by the Board of Directors or by such committees as the Board may establish pursuant to Article VI of these By-Laws.

5.2 Number and Qualifications: The affairs of the Association shall be governed by a Board of Directors. The Board shall be composed of five (5) directors. Each

director shall be an Owner, or the spouse of an Owner, of at least one Lot; provided, however, a husband and wife may not serve on the Board at the same time. Any qualified directors may be reelected to office.

5.3 Election and Term of Office: Directors shall be elected by vote of those persons present, in person or by proxy, at the annual meeting, a quorum being present. Those persons receiving the most votes shall be elected to the number of positions to be filled. The term of office for directors shall be for one (1) year, commencing from the date of elections and continuing until the election of successors.

5.4 Removal: Any Director may be removed from the Board, with or without cause, by a majority vote of the Members of the Association at any Annual or Special Meeting of the Membership, provided the notice of the meeting must state that the question of such removal will be acted upon at the subject meeting. If any Directors are so removed, their successors as Directors may be elected by the Membership at the same meeting to fill the unexpired term of the Directors so removed.

5.5 Vacancies: A vacancy occurring in the Board may be filled by a majority of the remaining Directors, though less than a quorum, or by the sole remaining Director; however, a vacancy created by an increase in the authorized number of Directors shall be filled only by election at an Annual or substitute Annual Meeting, or at a Special Meeting of Members called for that purpose, or by unanimous consent of the Members without meeting. The members may elect a Director at any time to fill any vacancy not filled by the Directors.

5.6 Chairman: The President of the Association shall serve as Chairman of the Board. The Chairman shall preside at all meetings of the Board and perform such other duties as may be directed by the Board.

5.7 Compensation: No Member of the Board shall receive any compensation from the Association for acting as such. Each Director, upon approval of the Board, shall be reimbursed for reasonable out-of-pocket expenses incurred and paid by him on behalf of the Association, and nothing in these By-Laws shall prohibit the Board from compensating a Director for unusual and extraordinary services rendered. Each Director, by assuming office, waives his right to institute suit against or make claim upon the Association for compensation. This shall not preclude the Board, however, from contracting with any Director for the providing of goods or services.

5.8 Loans to Directors and Officers: No loans shall be made by the Association to its Directors or Officers.

5.9 Indemnification of Officers and Directors: The Association shall indemnify every officer and director against any and all expenses, including legal fees, reasonably incurred by or imposed upon such officer or director in connection with any action, suit, or other proceeding (including settlement of any such action, suit, or proceeding, if approved by the then Board of Directors) to which he or she may be made a party by reason of being or having been an officer or director, whether or not such person is an officer or director at the time such expenses are incurred. The officers and directors shall not be liable for any mistake of judgment, negligent or otherwise, except for their own individual willful misfeasance or malfeasance. The officers and directors shall have no personal liability with respect to any contract or other commitment made by them, in good faith, on behalf of the Association (except to the Association), and the Association shall indemnify and forever hold each such officer and director free and harmless against any and all liability to others on account of any such contract or commitment. Any right to indemnification provided for herein shall not be exclusive of any other rights to which any officer or director, or former officer or director, may be entitled. The Association shall, as a common expense, maintain adequate general liability and, if obtainable, officers' and directors' liability insurance to fund this obligation, and the insurance shall be written as provided in the Restrictive Covenants.

5.10 Meetings of Directors:

A. Regular Meetings. Regular meetings shall be held, without notice, at such hour and address as may be fixed from time to time by resolution of the Board. Should any such 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. Any member can attend any Board Meeting.

B. Special Meetings. Special meetings shall be held when called by the President of the Association or by any two Directors after not less than one week nor more than ten days notice to each Director.

C. Notices of Special Meetings. The notice provided for in these By-Laws may be waived by attendance without objection to lack of notice or by written instrument signed by those Directors who do not receive such notice. Except to the extent otherwise required by law, the purpose of a Directors' Special Meeting need not be stated in the notice. Attendance by a Director at a meeting shall constitute a waiver of a notice of such meeting unless the Director gives a written statement at the meeting to the person presiding objecting to the transaction of any business because the meeting is not call lawfully.

D. Approved Meeting Place. All Directors' meetings shall be held in Henderson County, North Carolina, unless a majority of the Directors then in office agree in writing to hold a meeting or meetings at another location.

E. Quorum. A majority of the Directors then holding office shall constitute a quorum for the transaction of business and 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 or decision of the Board.

5.11 Action Without 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 of the directors. Any action so approved shall have the same effect as if taken at a meeting of the Directors. Such written approval shall be filed with the minutes of the proceedings of the board whether done before or after the action so taken.

5.12 Presumption of Assent: A Director of the Association who is present at a meeting of the Board at which action on any corporate matter is taken shall be presumed to have assented to the action taken unless his contrary vote is recorded or his dissent otherwise is entered in the minutes of the meeting, or unless he shall file his written dissent to such action with the person acting as the Secretary of the meeting before the adjournment thereof or shall forward such dissent by registered or certified mail to the Secretary of the Association immediately after the adjournment of the meeting. Such right to dissent shall not apply to a Director who voted in favor of such action.

5.13 Powers and Duties: The Board of Directors shall manage the affairs of the Association and shall have all the powers and duties necessary for the administration of the Planned Community and may do all such acts and things as are not by the Restrictive Covenants, Articles of Incorporation, or these Bylaws directed to be done and exercised exclusively by the members. The Board shall have the power to adopt, modify, and repeal such reasonable rules and regulations as it deems necessary and appropriate for the governance of the Planned Community or the administration of the affairs of the Association and to impose sanctions for violations thereof, including, without limitation, monetary fines. Such powers and duties shall include but not be limited to:

- (a) Adopt and amend Rules and Regulations;
- (b) Adopt and amend budgets for revenues, expenditures, and reserves;
- (c) Collect assessments for common expenses for Lot Owners;
- (d) Hire and terminate managing agents and other employees, agents, and independent contractors;
- (e) Institute, defend, or intervene in its own name in litigation or administrative proceedings on matters affecting the Planned Community;
- (f) Make contracts, open bank accounts, and incur liabilities;

- (g) Regulate the use, maintenance, repair, replacement, and modification of common elements;
- (h) Cause additional improvements to be made as a part of the common elements within the limits of expenditures permitted by the Restrictive Covenants and/or Bylaws;
- (i) Acquire, hold, encumber, and convey in its own name any right, title or interest to real or personal property, provided that common elements may be conveyed or subjected to a security interest only pursuant to Section 47F-3-112 of the Planned Community Act;
- (l) Grant easements, leases, licenses, and concessions through or over the common elements;
- (k) Impose and receive any payments, fees, or charges for the use, rental, or operation of the common elements and for services provided to Lot Owners;
- (l) Impose charges for late payment of assessments and, after notice and an opportunity to be heard, levy reasonable fines not to exceed One Hundred Fifty Dollars (\$150.00) per violation (on a daily basis for continuing violations) of the Restrictive Covenants, Bylaws, and Rules and Regulations of the Association pursuant to Section 47F-3-107.1 of the North Carolina Planned Community Act;
- (m) Suspend the voting rights of an owner and the rights of an owner to enjoy the amenities of The Ledges during any period in which such owner shall be in default by more than sixty (60) days after notice in the payment of any assessment levied by the Association. The voting rights of an owner and the rights of an owner to enjoy the amenities may also be suspended for any infractions of the Restrictive Covenants or any rules and regulations adopted by the Board of Directors;
- (n) Impose reasonable charges for the preparation and recordation of amendments to the Restrictive Covenants or statements of unpaid assessments;
- (o) Provide for the indemnification of and maintain liability insurance for its officers, directors, employees and agents;
- (p) Borrow money and assign its right to future income, including the right to receive common expense assessments subject to approval of the purpose of the borrowing by a majority of the vote of the members of the Association;
- (q) Prepare, execute, certify and record amendments to the Restrictive Covenants and Bylaws on behalf of the Association;
- (r) Exercise any other powers conferred by the Restrictive Covenants or Bylaws;

(new) 8.4 Books and Records. All members of the Association and all mortgagees shall, upon written request, be entitled to inspect all books and records of the Association during normal business hours at the office of the Association or other place designated reasonably by the Board of Directors as the depository of such books and records.

I hereby certify that these Bylaws incorporate the Amendments adopted unanimously by the Board of Directors of The Ledges Homeowners Association on July 16, 2003.

On behalf of the Board of Directors,

Marvin G. Katz, President