

**700 Haymount Townhouse Association, Inc
Bylaws**

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ARTICLE I. OFFICES

Section 1. Principal Office. The principal office of the corporation shall be located at One NCNB Plaza, Charlotte, Mecklenburg County, North Carolina.

Section 2. Registered Office. The registered office of the corporation required by law to be maintained in the State of North Carolina may be, but need not be, identical with the principal office

Section 3. Other Offices. The corporation may have offices at such other places, either within or without the State of North Carolina as the Board of Directors may designate or as the affairs of the corporation may require from time to time.

ARTICLE II. MEMBERSHIP AND VOTING RIGHTS

Section 1. Eligibility for Membership. Every person or entity who is an Owner of any 'Lot' in the "Properties "-as those terms are defined and described in a certain Declaration of Covenants, Conditions and Restrictions (the "Declaration") dated March 31, 1984, executed by 700 Haymount Associates, a joint venture of Fayetteville Progress Development Corporation, a North Carolina nonprofit corporation, and NCNB Community Development Corporation, a North Carolina nonprofit corporation, and recorded in Book 3008, at Page 429, in the Office of the Public Registry of Cumberland County, North Carolina, which definitions shall be adopted and incorporated wherever such terms appear in these bylaws- shall be a member of this corporation, subject to the rights of the corporation set out in Article II, Section 1, of the Declaration, and subject to the provisions of these bylaws and the Articles of Incorporation of the corporation. It is specifically understood that no person or entity who has an interest in any Lot or in the Properties solely as security for the performance of an obligation shall be entitled to membership in the corporation. Membership shall be appurtenant to and may not be separated

from ownership of any Lot or other property subject to assessment by the corporation as provided in the Declaration as it may be amended from time to time.

Section 2. Classes of Membership and Voting. The corporation shall have only one class of voting membership.

Section 3. Delegation of Use. The right and privilege, subject to the matters and things described in these bylaws and in the Articles of Incorporation of this corporation and the Rules and Regulations promulgated, from time to time by the Board of Directors of this corporation, to use and enjoy the property and facilities of the corporation shall belong to every member of the corporation and to each "single family" who shall from time to time be entitled to the benefits of a membership or who occupy a Lot in the Properties. Any member may delegate his right of enjoyment to the corporation's property and facilities to the members of his family, his tenants or contract purchasers who reside on his Lot. For purposes of these bylaws, "single family" shall mean a group of one or more persons, each related by blood, marriage, or legal adoption, or a group of one or more persons not so related together with their domestic servants, if any, who maintain a common household.

ARTICLE III. MEETINGS of MEMBERS

Section 1. Annual Meetings. The first annual meeting of the members shall be held on the 30th day of June, 1985, at 3:00 o'clock p.m., Eastern Time, or at such other time as may be designated by the Board of Directors and specified in the notice of such meeting. Successive annual meetings of the members of the corporation shall be held on the second Sunday in March in succeeding years.

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 any class of membership.

Section 3. Substitute Annual Meeting. If the annual meeting shall not be held on the day designated by these bylaws, a substitute annual meeting may be called in accordance with the provisions of Section 2 of this Article. A meeting so called shall be designated and treated for all purposes as the annual meeting.

Section 4. Notice of Meetings. Not less than seven nor more than sixty days before the date fixed for a meeting of the members of the corporation, written notice stating the time, place and purpose of such meeting shall be given by or at the direction of the Secretary or any other person or persons required or permitted by these bylaws to give such notice. The notice shall be given by personal delivery or by United States Mail to each member of the corporation. If mailed, the notice shall be addressed to the members of the corporation at their respective addresses as the same appears on the records of the corporation. Notice of the time, place and purpose of any meeting of members may be waived in writing, either before or after the holding of such meeting, by any member, which writing shall be filed with or entered upon the records of the meeting. The attendance of any member at any such meeting without protesting, prior to or at the

commencement of any meeting, lack of proper notice shall be deemed to be a waiver of notice by such member of such meeting. Provided, however, in the case of an annual or substitute annual meeting, the notice of meeting need not specifically state the business to be transacted thereat, unless it is a matter, other than election of directors, on which the vote of members is expressly required by applicable provisions of North Carolina law. In the case of a special meeting, the notice of meeting shall specifically state the purpose or purposes for which the meeting is called. When a meeting is adjourned for thirty (30) days or more, notice of the adjourned meeting shall be given as in the case of an original meeting. When a meeting is adjourned for less than thirty (30) days in any one adjournment, it is not necessary to give any notice of the adjourned meeting other than by announcement at the meeting in which the adjournment is taken.

Section 5. Quorum. The presence at the meeting of members entitled to cast, or of proxies entitled to cast, one tenth (1/10) of the votes of the membership shall constitute a quorum for any action except as otherwise provided in the Declaration, the Articles of Incorporation or these bylaws. If, however, such quorum shall not be present or represented at any meeting the members entitled to vote thereat shall have 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, so long as said adjournment is for less than thirty (30) days. The members at a meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of members to leave less than a quorum. In the absence of a quorum in the opening of any meeting of members, such meeting may be adjourned from time to time by a vote of the majority of the members voting on the motion to adjourn; and at any adjourned meeting at which a quorum is present, any business may be transacted which might have been transacted at the original meeting.

Section 6. 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 or interest therein. In addition, a proxy is not valid after the expiration of eleven (11) 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 (10) years from the date of its execution.

Section 7. Voting by Members. Voting on all matters except election of directors shall be by voice vote or by a show of hands unless one tenth (1/10) of the votes represented at the meeting shall, prior to the voting on any matter, demand a ballot vote on that particular matter

Section 8. Informal Action by Members. Any action which may be taken at a meeting of the members may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all the persons who would be entitled to vote upon such action at a meeting and filed with the Secretary of the corporation to be kept as part of the corporate records.

Section 9. Voting Lists. At least ten (10) days before each meeting of members, the Secretary of the corporation shall prepare an alphabetical list of the members entitled to vote at such a meeting or any adjournment thereof, with the address of each such member, which list shall be

kept on file at the registered office of the corporation for a period of ten days prior to such meeting, and shall be subject to inspection by any member at any time during the usual business hours. This list shall also be produced and kept open at the time and place of the meeting and shall be subject to inspection by any member during the whole time of the meeting.

ARTICLE IV. BOARD OF DIRECTORS

Section 1. General Powers. The business and affairs of the corporation shall be managed by its Board of Directors.

Section 2. Number, Term and Qualifications. The number of directors constituting the initial Board of Directors shall be three (3). Each director shall hold office until his death, resignation, retirement, removal, disqualification, or his successor shall have been elected and qualified.

Section 3. Initial Board. From the time of incorporation until the initial meeting of members of the corporation, the Board of Directors shall consist of three persons appointed by 700 Haymount Associates ("Declarant" as defined in the Declaration). These persons may or may not be employees of 700 Haymount Associates and need not own or occupy a Lot or interest therein. Until these persons are replaced by elected Board members, they shall constitute the Board of Directors and exercise all powers and duties granted to the Board of Directors in these Bylaws. Said initial directors are further specifically authorized to enter into a Management Agreement for the corporation upon the terms, provisions, conditions and limitations as described herein and in the Declaration and upon such other terms and conditions as the initial directors may deem to be in the best interest of the corporation.

Section 4. Number and Qualification. Except as provided in Section 17 of this Article IV, the Board shall consist of not less than three nor more than seven persons, the exact number of directors required from time to time to be fixed by Resolution of the Board of Directors. Except as provided in Section 17 of this Article IV, all persons nominated or elected to the Board shall be an Owner and an occupant of a Lot, officers of a corporation or other business entity owning a Lot or a partner in a partnership owning a Lot.

Section 5. Election of Board: Vacancies. Board members shall be elected at the annual meeting of members of the corporation or at a special meeting called for such purpose. At a meeting of members of the corporation at which Board members are to be elected, except as provided in Section 17 of this Article IV, only persons nominated as candidates, in accordance with the provisions of Section 18 of this Article IV, shall be eligible for election as Board members and the candidates receiving the greatest number of votes shall be elected. In the event of the occurrence of any vacancy or vacancies in the Board, however caused, the remaining Board members, though less than a majority of the total authorized number of Board members, may, by vote of a majority of their number, fill any such vacancy for the unexpired term.

Section 6. Term of Office: Resignations. Each Board member shall hold office for the term stated below or until his successor is elected, or until his earlier resignation, removal from office or death. Any Board member may resign at any time by oral statement to that effect made at a meeting of the Board or in a writing to that effect delivered to the Secretary of the corporation,

such resignation to take effect immediately or at such other time as the resigning Board member may specify. Members of the Board shall serve without compensation. At the first annual meeting the members shall elect one-third (1/3) of the directors for a term of one year, one-third (1/3) of the directors for a term of two years and one-third (1/3) or the remaining number of directors for a term of three years; and at each annual meeting thereafter the members shall elect one-third (1/3) of the directors for a term of three years. In the event of any increase in the number of directors, the additional directors shall be elected so that each respective "third" of directors shall be increased equally, as nearly as may be, and, in the event of any decrease in the number of directors, each respective "third" of directors shall be decreased equally, as nearly as may be. Because the first annual meeting of members of the corporation is scheduled for June 30, 1985, and succeeding annual meetings of members of the corporation are scheduled for the 30th day of June in succeeding years, it is necessary that the terms of the Board members elected at the first annual meeting of members of the corporation be reduced sufficiently to accommodate scheduling of the annual meetings.

Section 7. Organizational Meetings. Immediately after each annual meeting of members of the corporation, the newly elected Board members and those Board members whose terms hold over shall hold an organizational meeting for the purpose of electing officers and transacting any other business. Notice of such meetings need not be given.

Section 8. Regular Meetings. Regular meetings of the Board of Directors may be held at such times and places as shall be determined by a majority of the Board and provided by resolution, but at least four such meetings shall be held during each fiscal year. Regular meetings may be held without notice.

Section 9. Special Meetings. The President or any two (2) Board members shall hold special meetings of the Board of Directors at any time upon call. Notice of the time and place of each such meeting shall be given to each Board member either by personal delivery or by mail, telegram or telephone at least two (2) days before the meeting, which notice need not specify the purpose of the meeting; provided, however, that attendance of any Board member at any such meeting without protesting prior to or at the commencement of the meeting, lack of proper notice shall be deemed to be a waiver by him or her of notice of such meeting, and such notice may be waived in writing either before or after the holding of such meeting, by any Board member, which writing shall be filed with or entered upon the records of the meeting. Unless otherwise indicated in the notice thereof, any business may be transacted at any organizational, regular or special meeting.

Section 10. Quorum: Adjournment. A quorum of the Board of Directors shall consist of a majority of the Board members then in office; provided that a majority of the Board members present at a meeting duly held whether or not a quorum is present, may adjourn such meeting from time to time. If any meeting is adjourned for lack of a quorum or without completing the business scheduled to come before the meeting, notice of the time and place to which such meeting is adjourned need not be given if the time and place to which such meeting is adjourned are fixed and announced at such meeting. At each meeting of the Board at which a quorum is present, all questions and business shall be determined by a majority vote of those present, except as may be otherwise expressly provided in the Declaration, Articles of Incorporation or

these bylaws.

Section 11. Presumption of Assent. A director of the corporation who is present at a meeting of the Board of Directors 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 is otherwise 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 mail to the Secretary of the corporation immediately after the adjournment of the meeting. Such right to dissent shall not apply to a director who voted in favor of such action.

Section 12. 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 so taken.

Section 13. Committees of the Board. The Board of Directors, by resolution adopted by a majority of the number of directors fixed by these bylaws, may designate three or more directors to constitute an Executive Committee and other committees, each of which, to the extent authorized by law and provided in such resolution, shall have and may exercise all of the authority of the Board of Directors in the management of the corporation. The designation of any committee and the delegation thereto of authority shall not operate to relieve the Board of Directors, or any member thereof, of any responsibility or liability imposed upon it or him by law.

Section 14. Powers and Duties.

(a) Except as otherwise provided by law, the Declaration, Articles of Incorporation or these bylaws, all power and authority of the corporation shall be exercised by the Board of Directors. In carrying out the purposes of protecting and preserving the Properties and subject to the limitations prescribed by law, the Declaration, Articles of Incorporation or these bylaws, the Board, for and on behalf of the corporation may:

- (i) purchase or otherwise acquire, lease as lessee, hold, use, lease as lessor, sell, exchange, transfer, and dispose of property of any description or any interest therein;
- (ii) make contracts;
- (iii) effect insurance;
- (iv) borrow money, and issue, sell and pledge notes, bonds, and other evidences of indebtedness of the corporation,
- (v) levy assessments against Owners;
- (vi) employ lawyers and accountants to perform such legal and accounting services as the Board may authorize; and
- (vii) do all things permitted by law and exercise all power and authority within the purposes stated in these bylaws, the Declaration or Articles of Incorporation or incidental thereto.

(b) In addition to the foregoing, the Board of Directors shall have the following specific

duties and powers:

(i) Duties. It shall be the duty of the Board of Directors to

(A) Cause to be kept a complete record of all its accounts and corporation affairs and to present a statement thereof to the members at the annual 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 the corporation, and to see that their duties are properly performed;

(C) As more fully provided in the Declaration or these bylaws, to:

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

(2) Foreclose the lien against any Lot or property of a member for which assessments are not paid within thirty (30) days after due date or to bring an action at law against the owner personally obligated to pay the same; and

(3) Send written notice of each assessment to every Owner subject thereto at least thirty (30) days in advance of each annual assessment period.

(D) Issue, or cause an appropriate officer to issue, upon demand by any person, a certificate setting forth whether or not any assessment has been paid. If a certificate states an assessment has been paid, such certificate shall be conclusive evidence of such payment;

(E) Procure and maintain adequate liability and hazard insurance on the Properties, as more fully described in Article VII of the Declaration;

(F) Cause all officers or employees having fiscal responsibilities to be bonded, as it may deem appropriate and as is required by the Declaration or these bylaws; and

(G) Cause the Properties to be maintained

(ii) Powers: The Board of Directors shall have power to:

(A) Adopt and publish rules and regulations governing the use of the facilities of the corporation, and the personal conduct of the members and their guests thereon, and to establish penalties for the infraction thereof;

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

(C) Exercise for the corporation all powers, duties and authority vested in or delegated to this corporation and not reserved to the membership by other provisions of these bylaws, the Articles of Incorporation or the Declaration.

(D) 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

(E) Employ such agents and independent contractors as it shall deem necessary, and to prescribe their duties

(c) The Board of Directors may, but shall not be required to, employ for the corporation a Management Agent (the "Management Agent") at a rate of compensation established by the Board of Directors to perform such duties and services as the Board of Directors shall authorize, including but not necessarily limited to the duties set out in subsections (i) through (iv) of this subsection (c) of Section 14. A copy of all such agreements shall be available to every member or owner upon request. Any and all Management Agreements entered into by the Board shall provide that said Management Agreement, and any succeeding Management Agreements, may be cancel-led, with or without cause and prior to the expiration. Thereof upon an affirmative vote of sixty percent (60%) of the votes of the members of the corporation, said Management Agent, subject to supervision by the Board of Directors, shall provide for the:

(i) Care and upkeep of the Townhouse Project and the Common Area as defined in the Declaration, and provision of "exterior maintenance" on townhouse structures as described in Article VIII of the Declaration, all in a manner consistent with law and the provisions of these bylaws, the Articles of Incorporation and the Declaration.

(ii) Collection of assessments or carrying charges from the members and for the assertion or enforcement of liens therefor in a manner consistent with law and the provisions of these bylaws, the Articles of Incorporation and the Declaration.

(iii) Promulgation and enforcement of such rules and regulations and such restrictions or requirements as may be deemed proper respecting the use, occupancy and maintenance of the Project and the use of the Common Area, as defined in the Declaration, to prevent unreasonable interference with the use and occupancy of the Project and of the Common Area by the members all of which shall be consistent with law and the provisions of these bylaws, the Articles of Incorporation and the Declaration.

Section 15. Removal of Members of the Board. Except for Board members appointed pursuant to Section 17 of this Article IV, at any regular or special meeting of members of the corporation duly called, at which a quorum shall be present, any one or more of the Board members may be removed with or without cause by the vote of at least 75% of the members of the corporation and a successor or successors to such Board member or members so removed shall then and there be elected to fill the vacancy or vacancies thus created. Any Board member whose removal has been proposed by the members of the corporation shall be given an opportunity to be heard at such meeting.

Section 16. Fidelity Bonds. The Board may require that all officers and employees of the corporation who shall handle or be responsible for corporation funds shall furnish adequate fidelity bonds. The premiums for such bonds shall be paid by the corporation.

Section 17. Declarant's Sales Period. Notwithstanding any provision contained in these bylaws to the contrary, for so long as "Declarant" as defined in the Declaration is the owner of one (1) or more Lots, Declarant shall and does have and retain the right, privilege and option to designate, as nearly as may be, one-third (1/3) of the members of the Board of Directors of the corporation. These appointees may or may not be employees of Declarant and need not own or occupy a Lot.

Section 18. Nomination. A Nominating Committee shall make nomination for election to the Board of Directors. Nominations may also be made from the floor at the annual meeting. The Nominating Committee shall consist of a Chairman, who shall be a member of the Board of Directors and two or more members of the corporation. The Board of Directors shall appoint the Nominating Committee prior to each annual meeting until the close of the next annual meeting and such appointment shall be announced at each annual meeting. The Nominating Committee shall make as many nominations for election to the Board of Directors as it shall in its discretion determine, but not less than the number of vacancies that are to be filled. Such nominations may be made from among members only.

Section 19. 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 Declaration. The persons receiving the largest number of votes shall be elected. Cumulative voting is not permitted.

ARTICLE V. OFFICERS

Section 1. Election and Designation of Officers. The Board of Directors shall elect a president and a Vice President, each of whom shall be a member of the Board. The Board shall appoint a Secretary and a Treasurer who may or may not be members of the Board but who shall be members of the corporation, and the Board may also appoint an Assistant Treasurer and Assistant Secretary and such other officers as in their judgment may be necessary, any of whom may or may not be members of the Board of Directors but who are members of the corporation. Notwithstanding the requirements of this section, members of the Board of Directors who are appointed or designated pursuant to the provisions of Article IV, Section 17 of these bylaws shall be deemed qualified to serve as officers of the corporation if they are so elected or appointed by the Board.

Section 2. Term of Office: Vacancies. The officers of the corporation shall hold office until the next organizational meeting of the Board and until their successors are elected, except in cases of resignation, removal from office or death. The Board may remove any officer at any time with or without cause by a majority vote of the Board members then in office. The Board may fill any vacancy in any office.

Section 3. President. The President shall be the chief executive officer of the corporation. He shall preside at all meetings of members of the corporation and shall preside at all meetings of the Board. Subject to directions of the Board, the President shall have general executive supervision over the business and affairs of the corporation. He may execute all authorized deeds, contracts and other obligations of the corporation and shall have such other authority and shall perform such other duties as may be determined by the Board or otherwise be provided for in the Declaration, the Articles of Incorporation or these bylaws.

Section 4. Vice president. The Vice President shall perform the duties of the President whenever the president is unable to act and shall have such other authority and perform such other duties as may be determined by the Board.

Section 5. Secretary. The Secretary shall keep the minutes of meetings of the members of the corporation and of the Board. He shall keep such books as may be required by the Board, shall give notices of meetings of members of the corporation and of the Board required by law, the Declaration, the Articles of Incorporation or these bylaws, and shall have such authority and shall perform such other duties as may be determined by the Board of Directors or otherwise be provided for in the Declaration, the Articles of Incorporation or these bylaws.

Section 6. Treasurer. The Treasurer shall receive and have in charge all money, bills, notes and similar property belonging to the corporation, and shall do with the same as may be directed by the Board of Directors. He shall keep accurate financial accounts and hold the same open for the inspection and examination of the Board of Directors and shall have such authority and shall perform such other duties as are determined by the Board of Directors.

Section 7. Other officers. The Assistant Secretaries and Assistant Treasurers, if any, and any other officers whom the Board may appoint shall, respectively, have such authority and perform such duties as may be determined by the Board.

Section 8. Delegation of Authority and Duties. The Board is authorized to delegate the authority and duties of any officer to any other officer and generally to control the action of the officers and to require the performance of duties in addition to those mentioned herein. Any other officer of the corporation may hold the office of Treasurer, except that the President shall not also hold the office of Treasurer.

ARTICLE VI. FINANCES of ASSOCIATION

Section 1. Preparation of Estimated Budget. Each year on or before December 1, the corporation shall estimate the total amount necessary to pay all corporation expenses for the next calendar year together with reasonable amounts considered by the corporation to be necessary as reserves for contingencies and replacements, and shall on or before December 15 notify each Owner as defined in the Declaration in writing as to the amount of such estimate, with reasonable itemizations thereof. This "estimated cash requirement" shall be assessed to the Owners as provided in the Declaration. On or before January 1 of the ensuing year and the first of each and every month of said year, each Owner shall be obligated to pay to the corporation as it may direct one-twelfth (1/12) of the assessment made pursuant to this Section. On or before

the date of each annual meeting, the corporation shall supply to all Owners an itemized accounting of all its expenses for the preceding calendar year actually incurred and paid together with a tabulation of the amounts collected pursuant to the estimates provided, and showing the net amount over or short of the actual expenditures plus reserves. Any amount accumulated in excess of the amount required for actual expenses and reserves shall be credited ratably to the next monthly installments due from Owners under the current year's estimate, until exhausted, and any net shortage shall be added to the installments due in the succeeding six months after rendering the account

Section 2. Reserve for Contingencies and Replacements. The corporation shall build up and maintain a reasonable reserve for contingencies and replacements. Extraordinary expenditures not originally included in the annual estimate, which may be necessary, for the year shall be charged first against such reserve. If said estimated cash requirement proves inadequate for any reason, including nonpayment of any Owner's assessment, such extraordinary expenditures shall be assessed to the Owners as provided in the Declaration. The corporation shall serve notice of such further assessment on all Owners by a statement in writing giving the reasons for such assessment and the amount payable by each Owner receiving such notice which amount shall be payable with the next regular monthly payment becoming due to the corporation not less than ten (10) days after delivery or mailing of such notice of further assessment. All Owners shall be obligated to pay the adjusted monthly amount.

Section 3. Budget Through December 31, 1985. The budget for the remainder of the calendar year 1984 and for calendar year 1983 shall be determined by the initial directors appointed by Declarant in accordance with Article XVI, Section 1, of the Declaration and Article 10 of the Articles of Incorporation.

Section 4. Failure to Prepare Annual Budget. The failure or delay of the Board of Directors to prepare or deliver to the Owners the annual or adjusted estimate shall not constitute a waiver or release in any manner of such Owner's obligation to pay the maintenance costs and necessary reserves, as herein provided, whenever the same shall be determined, and in the absence of any annual estimate or adjusted estimate, the Owner shall continue to pay the monthly maintenance charge at the existing monthly rate established for the previous period until the monthly maintenance payment which is due more than ten (10) days after such new annual or adjusted estimate shall have been mailed or delivered.

Section 5. Books and Records. The corporation shall keep full and correct books of account and the same shall be open for inspection by any Owner, or his representative duly authorized in writing and by any holder of a first mortgage or first deed of trust on a Lot as required in Article XV, Section 10 of the declaration, at such reasonable time or times during normal business hours as may be requested by such Owner. Upon ten (10) days notice to the Board, any Owner or the holder of a first mortgage or deed of trust on any Lot shall be furnished a statement of his account setting forth the amount of any unpaid assessments or other charges due and owing from such Owner.

Section 6. Status of Funds Collected by Corporation. All funds collected hereunder shall be held and expended solely for the purposes designated herein and in the Declaration and Articles

of Incorporation, and (except for such special assessments as may be levied hereunder against less than all of the Owners, and for such adjustments as may be required to reflect delinquent or prepaid assessments) shall be deemed to be held for the use, benefit and account of all of the Owners in accordance with the provisions of the Declaration.

ARTICLE VII. INDEMNIFICATION OF BOARD MEMBEAS AND OFFICERS

Each director and officer of the corporation, and each former director and former officer of the corporation shall be indemnified by the corporation against the costs and expenses reasonably incurred by him in connection with the defense of any pending or threatened action, suit or proceeding, criminal or civil, to which he is or may be made a party by reason of his being or having been such director or officer of the corporation (whether or not he is a director or officer at the time of incurring such costs and expenses), except with respect to matters as to which he shall be adjudged in such action, suit or proceeding to be liable for misconduct or negligence in the performance of his duty as such director or officer. In case of the settlement of any actions, suit or proceeding to which any director or officer of the corporation, or any former director or officer of the corporation, is made a party or which may be threatened to be brought against him by reason of his being or having been a director or officer of the corporation, he shall be indemnified by the corporation against the costs and expenses (including the cost of settlement) reasonably incurred by him in connection with such action, suit or proceeding (whether or not he is a director or officer at the time of incurring such costs and expenses), if (a) the corporation shall be advised by independent counsel that, in such counsel's opinion, such director or officer did not misconduct himself or was not negligent in the performance of his duty as such director or officer with respect to the matters covered by such action, suit or proceeding, and the cost to the corporation of indemnifying such director or officer (and all other directors and officers, if any, entitled to indemnification hereunder in such case) if such action, suit or proceedings were carried to a final adjudication in their favor could reasonably be expected to exceed the amount of costs and expenses to be reimbursed to such directors and officers as a result of such settlement, or (b) disinterested corporation members entitled to exercise a majority of the voting power shall, by vote at any annual or special meeting of the corporation, approve such settlement and the reimbursement to such director or officer of such costs and expenses. The phrase "disinterested members" shall mean all members of the corporation other than (i) any director or officer of the corporation who at the time is or may be entitled to indemnification pursuant to the foregoing provisions, (ii) any corporation or organization of which any such director or officer owns of record or beneficially ten percent (10%) or more of any class of voting securities, (iii) any firm of which such director or officer is a partner, and (iv) any spouse, child, parent, brother or sister of any such director or officer. The foregoing rights of indemnification shall inure to the benefit of the heirs and legal representatives of each such director or officer, and shall not be exclusive of other rights to which any director or officer may be entitled as a matter of law or under the Declaration, any vote of the corporation members or any agreement. The Board may purchase and maintain such Directors' and Officers' Liability Insurance as it shall deem appropriate, and premiums for such insurance policies shall be deemed for all purposes proper expenses of the corporation

ARTICLE VIII. AMENDMENT

Section 1. Procedure. These bylaws may be amended, at a regular or special meeting of the members, by a vote of at least 75% of the members of the corporation; provided that amendment of Article IV, Section 17, shall require the vote of members entitled to exercise one hundred percent (100%) of the voting power, and provided further that no such amendment shall conflict with the Articles of Incorporation or the Declaration.

Section 2. Conflict. In the case of any conflict between these bylaws and the Articles of Incorporation or the Declaration, the Articles or Declaration, as the case may be, shall control.

ARTICLE IX. CORPORATE SEAL

The Association shall have a seal in circular form having within its circumference the words; "700 Haymount Townhouse Association, Inc., Corporate Seal, North Carolina, 1984."

ARTICLE X. FISCAL YEAR

The fiscal year of the corporation shall begin on the 1st day of January and end on the 31st day of December of every calendar year, except that the first fiscal year shall begin on the date of incorporation.

ARTICLE XI. DEFINITIONS

The terms used in these bylaws (except as herein otherwise expressly provided or unless the context otherwise required) for all purposes of these bylaws and of any amendment hereto shall have the respective meanings set forth in the Declaration.