

BYLAWS
OF
BRIGHTWOOD I, II and III PROPERTY OWNERS' ASSOCIATION, INC.

ARTICLE I

NAME AND PRINCIPAL OFFICE

Section 1.1 Name. The name of this corporation is Brightwood I, II and III Property Owners' Association, Inc. (hereinafter referred to as the "Association").

Section 1.2 Principal Office. The principal office of the Association shall be located at such place in Watauga County, North Carolina as the Board of Directors shall from time to time designate by resolution.

ARTICLE II

DEFINITIONS

Section 2.1 Definitions. The words used in these Bylaws shall be given their normal, commonly understood definitions. Capitalized terms shall have the same meaning as set forth in that Declaration of Restrictions, Covenants and Conditions Brightwood filed in the office of the Register of Deeds for Watauga County, North Carolina, as it may be amended ("the Declaration"), unless the context indicates otherwise.

The following terms are used as here defined in these Bylaws and/or in the Declaration:

(a) "Articles" means the articles of incorporation of Brightwood I, II and III Property Owners' Association, Inc.

(b) "Board" means the Board of Directors of Brightwood I, II and III Property Owners' Association, Inc.

(c) "Bylaws" means the Bylaws of Brightwood I, II and III Property Owners' Association, Inc.

(d) "Common Area" means all real property (including the improvements thereto) labeled as "Common Area" on the maps of Brightwood I, II and III and all roads and driveways shown thereon.

(e) "Common Expenses" means the expenses incurred or anticipated to be incurred by the Association in performing its responsibilities and exercising its rights under the Declaration and the Bylaws for the general benefit of all Lots.

(f) "Declarant" means Mac Gayden and wife, Diane Gayden, and their successors and assigns.

(g) "Declaration" means the Declaration of Restrictions, Covenants and Conditions Brightwood recorded in Book 433, Page 453 in the office of the Register of Deeds in Watauga County, North Carolina, along with such amendments as may from time to time be duly recorded.

(h) "Lot" means any numbered plot of land, with delineated boundary lines, shown upon any recorded subdivision map of the Properties with the exception of the Common Area.

(i) "Living Unit" means any portion of a building situated upon the Properties designed and intended for use and occupancy as a residence by a single family.

(j) "Member" means every person or entity who holds membership with voting rights in the Association.

(k) "Member in Good Standing" means a Member who has paid all outstanding assessments, along with any applicable late payment charges.

(l) "Owner" means the record owner, whether one or more persons or entities, of a fee simple title to any Lot which is made a part of the Properties, including contract sellers, but excluding those having such interest merely as security for the performance of an obligation.

(m) "Properties" means the properties which are now or may hereafter be made subject to the Declaration and brought within the jurisdiction of the Association.

ARTICLE III

PURPOSES

Section 3.1 The purposes for the Association shall be as follows:

- (a) To create and maintain a peaceful, beautiful and harmonious community which fully supports the material and spiritual well-being of its Members;
- (b) To bring all Members together to work toward this end in an orderly manner;
- (c) To continuously maintain and improve the physical environment and amenities of Brightwood, so that the value of the community is preserved for all current and future residents;
- (d) To promote friendly relationships with other people and organizations in the area;
- (e) To establish Brightwood as an uplifting model for other communities.

ARTICLE IV

MEMBERSHIP

Section 4.1 Membership. Every Owner of a Lot shall be a Member of the Association, as stated in the Declaration. Members in Good Standing are those members who shall have paid outstanding assessments owed to the Association, along with any applicable interest charges.

Section 4.2 Membership Register. A membership register shall be maintained in the principal office of the Association, containing the name and current address of each Member and the Lot number of the Lot(s) owned. This membership register shall indicate which Owners are current in the payment of assessments for their Lots.

Section 4.3 Membership List. A list of Members in Good Standing shall be prepared not more than 70 days before each election or other vote, and this list shall be used to determine eligibility to vote in that election.

ARTICLE V

MEETINGS

Section 5.1 Place of Meetings. Meetings of the Association shall be held in Watauga County, North Carolina at such particular place therein as stated in the notice for each meeting.

Section 5.2 Annual Meetings. The first meeting of the Association, whether a regular or special meeting, shall be held within one year from the date of incorporation of the Association. Subsequent regular meetings shall be set by the Board so as to occur during the second quarter of the Association's fiscal year on a date and at a time set by the Board.

Section 5.3 Special Meetings. Special meetings of the Association may be called at any time by the President or by a resolution of the Board. In addition, it shall be the duty of the President to call a special meeting whenever so requested in writing by Members representing at least 25% of the total votes of the Members in Good Standing of the Association.

Section 5.4 Notice of Meetings. Written or printed notice stating the time, location and purpose of any meeting of the Members shall be delivered, either personally or by mail, to each Member entitled to vote at such meeting, not less than 10 nor more than 60 calendar days before the date of such meeting, by or at the direction of the President or the Secretary.

Section 5.5 Adjournment of Meetings. If any meeting of the Association cannot be held because a quorum is not present, Members or their proxies holding a majority of the votes represented at such meeting may adjourn the meeting to a time not less than 5 nor more than 30 calendar days from the time the original meeting was called. At the reconvened meeting, if a quorum is present, any business may be transacted which might have been transacted at the meeting originally called. If a time and place for reconvening the meeting is not fixed by those in attendance at the original meeting, or if for any reason a new date is fixed for reconvening the meeting after adjournment, notice of the time and place for reconvening the meeting shall be given to the Members in the manner prescribed in Section 5.4.

Section 5.6 Voting. The voting rights of the Members shall be as set forth in the Declaration and in these Bylaws, and such voting rights provisions are specifically incorporated by this reference. All Lot Owners shall be entitled to one (1) vote for each Lot owned. Fractional voting by multiple Owners of a Lot shall be prohibited. Only Members in Good Standing, as of the record date determined by the Board of Directors in accordance with Section 4.3 of these Bylaws, shall be entitled to vote.

Section 5.7 Proxies. At all meetings of Members, each Member entitled to vote may vote in person or by proxy. All proxies shall be in writing specifying the Lot(s) for which it is given, signed by the Member or its duly authorized attorney-in-fact, dated and filed with the Secretary of the Association prior to any meeting for which it is to be effective. Unless otherwise specifically provided in the proxy, a proxy shall be presumed to cover all votes which the Member giving such proxy is entitled to cast. Every proxy shall be revocable and shall automatically cease upon conveyance of any Lot for which it was given, or upon receipt of written revocation, or 11 months after the date of the proxy, unless it specifies a shorter time or a specific purpose.

Section 5.8 Quorum. The presence at any meeting, in person or by proxy, or by absentee ballot, of the Members in Good Standing representing at least 20% of the total votes of the membership in good standing of the Association shall constitute a quorum at all meetings of the Association; provided, if a quorum is not represented at any meeting when originally called, then the quorum for any subsequent attempt to convene such meeting shall be reduced to 10% of the total votes of the membership in good standing of the Association.

The Members represented at a duly called meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of Members leaving less than a quorum, provided that any action taken is approved by at least the number of votes which would be required to approve the action were a quorum still present.

Section 5.9 Action Without a Meeting. Any action or issue requiring the vote of the Members may be decided without a meeting (that is, by a written, mail-in ballot), if a majority of the Board so decides, through the following procedures. The Board shall give written notice of such a vote, specifying the time and place where the ballots are to be tallied, and the question(s) to be voted upon. This notice shall be mailed to the Members of record at least thirty (30) days prior to the date that the ballots are to be recorded and counted. A quorum shall be considered present when votes from at least 20% of the total votes of the membership in good standing of the Association are received for any question to be voted upon. A majority of total votes cast shall decide any question. The Board shall notify the Members of the outcome of the question. The Board shall also notify the Members if a quorum is not reached.

ARTICLE VI

BOARD OF DIRECTORS

Section 6.1 Governing Body; Number of Directors. The affairs of the Association shall be governed by a Board of Directors, consisting of five (5) directors, each of whom shall have one equal vote. The directors shall be Members of the Association. Only Members in Good Standing may serve as directors.

Section 6.2 Nominations and Declarations of Candidacy. Prior to each election of directors by the Members, the Board shall prescribe the opening date and the closing date of a reasonable filing period in which each and every eligible person who has an interest in serving as a director may file as a candidate. The Board shall also establish such other rules and regulations as it deems appropriate to conduct the nomination of directors in a fair and efficient manner, including but not limited to the establishment of a Nominating Committee, if it so desires.

Section 6.3 Election and Term of Office. Not later than the first annual meeting after the termination of the period during which the Declarant has the right to appoint the initial members of the Board, as defined in the Declaration, an election shall be held at which five (5) directors shall be elected. At each annual meeting of the Association thereafter, those members whose terms have expired shall be elected for a term of two years. Terms shall be staggered, with either 2 or 3 vacancies coming up in alternate years. A director may be elected to serve any number of consecutive terms. Directors shall hold office until their respective successors have been elected.

Section 6.4 Removal of Directors and Vacancies. Any director may be removed, with or without cause, by Members holding a majority of the total votes of the membership in good standing of the Association. Any director whose removal is sought shall be given notice prior to any meeting called for that purpose. Upon removal of a director, a successor shall be elected by the Members to fill the vacancy for the remainder of the term of such director.

Any director who has three or more consecutive unexcused absences from Board meetings, or who is more than 30 days delinquent in the payment of any assessment or other charge due the Association, may be removed by a majority of the directors present at a regular or special meeting of the Board at which a quorum is present, and the Board may appoint a successor to fill the vacancy for the remainder of the term.

In the event of the death, disability, or resignation of a director, the remaining directors shall appoint a successor to fill the vacancy until the next annual meeting, at which time the Members shall elect a successor for the remainder of the term.

Section 6.5 Compensation. Directors shall not receive any compensation from the Association for acting as such unless approved by Members representing a majority of the total votes of the membership in good standing of the Association at a regular or special meeting of the Association. Any director may be reimbursed for expenses incurred on behalf of the Association upon approval of a majority of the other directors. Nothing herein shall prohibit the Association

from compensating a director, or any entity with which a director is affiliated, for services or supplies furnished to the Association in a capacity other than as a director pursuant to a contract or agreement with the Association, provided that such director's interest was made known to the Board prior to entering into such contract and such contract was approved by a majority of the Board, excluding the interested director.

ARTICLE VII

BOARD MEETINGS

Section 7.1 Organizational Meetings. The first meeting of the Board following each annual meeting of the membership shall be held immediately following the annual meeting or at such other time and place within 10 business days thereafter as a majority of the directors shall determine.

Section 7.2 Regular Meetings. Regular meetings of the Board may be held at such a time and place as a majority of the directors shall determine, but at least four such meetings shall be held during each fiscal year with at least one per quarter.

Section 7.3 Special Meetings. Special meetings of the Board shall be held when called by the President or by any two directors. Notice of the time and place of special meetings shall be given not less than 48 hours in advance and/or in a timely and appropriate fashion to each director. The notice shall specify the time and place of the meeting and the nature of any special business to be transacted. Actions taken by a special meeting without such notice shall not be valid unless all absent directors subsequently agree in writing to them.

Section 7.4 Quorum of Board of Directors. At all meetings of the Board, a majority of the directors shall constitute a quorum for transaction of business, and the votes of a majority of the directors present at a meeting at which a quorum is present shall constitute the decision of the Board. A meeting at which a quorum is initially present may continue to transact business, notwithstanding the withdrawal of directors, if any action taken is approved by at least a majority of the required quorum for that meeting. If any meeting of the Board cannot be held because a

quorum is not present, a majority of the directors present at such meeting may adjourn the meeting to a time not less than 5 nor more than 30 days from the date of the original meeting. At the reconvened meeting, if a quorum is present, any business which might have been transacted at the meeting originally called may be transacted without further notice.

Section 7.5 Open and Closed Meetings. Each regular meeting of the Board shall, and any special meeting may, be open to all Members who wish to attend, with the exception that the Board may declare part of any meeting to be a closed executive session in order to discuss matters of a sensitive nature. Each regular meeting of the Board shall, and any special meeting may, offer an opportunity for Members to raise questions or otherwise to bring matters to the attention of the Board. __

Section 7.6 Action Without a Formal Meeting. Any action that may be taken at a meeting of directors may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the directors, and such consent shall have the same force and effect as a unanimous vote.

ARTICLE VIII

POWERS AND DUTIES OF THE BOARD

Section 8.1 General Authority/Specific Powers and Duties. The Board of Directors shall have all of the powers and duties necessary for the administration of the Association's affairs and for performing all responsibilities and exercising all rights of the Association as set forth in the Declaration, these Bylaws, the Articles of Incorporation, and as provided by North Carolina law, including the following powers and duties:

(a) To appoint and remove all officers of the Association as it sees fit;

- (b) To prepare and adopt, in accordance with the Declaration, an annual budget establishing each Owner's share of the Common Expenses;

- (c) To establish and levy assessments, as provided for under the Declaration and as budgeted, on all Members of the Association and to collect these assessments, as well as any fees and charges associated with late payment of these assessments;

- (d) To contract for or otherwise provide for the operation, maintenance, repair, additions, and improvements to the Common Area, including but not limited to all roads and driveways constructed within the Common Area, in accordance with the Declaration;

- (e) To designate, hire, and dismiss the personnel necessary to carry out the rights and responsibilities of the Association and where appropriate, provide for the compensation of such personnel and for the purchase of equipment, supplies, and materials to be used by such personnel in the performance of their duties;

- (f) To open bank accounts on behalf of the Association, to designate the authorized signatories, to deposit all funds received on behalf of the Association in this or in these account(s), and to use such funds to operate the Association;

- (g) To establish, adopt and, when needed, modify rules and regulations which are designed to enhance the quality of life in the community, subject to the provisions of the Declaration and these Bylaws;

- (h) To impose and receive a payment, fee or charge for services provided to an Owner and/or for the use or rental of any part of the Common Area or any other property owned by the Association;

- (i) To enforce by legal means the provisions of the Declarations and these Bylaws and to institute, defend or intervene in any proceedings which may be initiated on behalf of or against the Owners concerning the Association;

(j) To obtain and pay premiums for property and liability insurance and bonds (including indemnity bonds), as provided in the Declaration or as may be required from time to time by the Association;

(k) To pay all taxes, special assessments, and other charges which are or would become a lien on the Common Area and any other property owned by the Association;

(l) To maintain a full set of books and records with detailed accounts of the receipts and expenditures of the Association in a manner consistent with generally accepted accounting principles;

(m) To make available to any prospective purchaser of a Lot, any Owner, and the holders, insurers, and guarantors of any mortgage on any Lot or Living Unit, current copies of the Declaration, Articles and Bylaws and all other books, records, and financial statements of the Association;

(n) To permit utility suppliers to use portions of the Common Area reasonably necessary to the ongoing development or operation of the Properties;

(o) To appoint such committees as it deems necessary from time to time to perform such tasks for the Association and to serve for such periods as the Board may designate by resolution; and

(p) To provide for the indemnification of the Association's directors, officers, and committee members to the extent such indemnity is required under North Carolina law, the Articles of Incorporation, or these Bylaws.

Section 8.2 Management. The Board may employ for the Association a professional management agent or agents at such compensation as the Board may establish, to perform such duties as the Board shall authorize. The Board may delegate such powers as are necessary to perform the manager's assigned duties.

Section 8.3 Enforcement. In addition to such other rights as are specifically granted under the Declaration, the Board shall have the power to impose reasonable monetary fines, which shall constitute a lien upon the Lot of the violator, and to suspend an Owner's right to vote for violation of any duty imposed under the Declaration and these Bylaws. In addition, the Board may suspend any services provided by the Association to an Owner or the Owner's Lot if the Owner is more than 30 calendar days delinquent in paying any assessment or other charges owed to the Association. The failure of the Board to enforce any provision of the Declaration or Bylaws shall not be deemed a waiver of the right of the Board to do so thereafter.

Section 8.4 Notice/Hearing. Prior to imposition of any monetary fine or suspension of voting rights or services hereunder, the Board or its delegate shall serve the alleged violator with written notice describing (i) the nature of the alleged violation, (ii) the proposed sanction to be imposed, and (iii) a period of not less than 10 calendar days within which the alleged violator may present a written request for a hearing to the Board. If a timely challenge is not made, the sanction stated in the notice shall be imposed; provided, the Board may suspend any proposed sanction if the violation is cured within the 10-day period.

If a hearing is requested within the allotted 10-day period, the hearing shall be held before the Board in executive session. The alleged violator shall be afforded a reasonable opportunity to be heard. The minutes of the meeting shall contain a written statement of the results of the hearing and the sanction, if any, imposed.

ARTICLE IX

OFFICERS

Section 9.1 Officers. The officers of the Association shall be a President, Vice President, Secretary, and Treasurer. The President, Vice President, and Secretary shall be elected from among the members of the Board; the Treasurer may, but need not be a member of the Board. The Board may appoint any other officers, including one or more Assistant Secretaries and one

or more Assistant Treasurers, as it shall deem desirable, such officers to have such authority and perform such duties as the Board prescribes. Any two or more offices may be held by the same person, except that the President may not also serve as Secretary.

Section 9.2 Election and Term of Office. The Board shall elect the officers of the Association at the first meeting of the Board following each annual meeting of the Members, to serve until their successors are elected.

Section 9.3 Removal and Vacancies. The Board may remove any officer whenever in its judgment the best interests of the Association will be served, and may fill any vacancy in any office arising because of death, resignation, removal, or otherwise, for the unexpired portion of the term.

Section 9.4 President. The President shall preside at all meetings of the Board and of the Association, and shall have the general powers and duties of management usually vested in the office of president of a corporation, together with such other powers and duties as may be prescribed by the Board or these Bylaws.

Section 9.5 Vice President. In the absence of the President, the Vice President shall perform all the duties of the President and, when so acting, shall have all the powers of, and be subject to the restrictions upon, the President. The Vice President shall have such other powers and perform such other duties as may be prescribed by the Board, the President or these Bylaws. __

Section 9.3 Secretary. The Secretary shall keep or cause to be kept, at the principal office of the Association or such other place as the Board may order, a book of minutes of all business meetings of the Board and of the Association, with the time and place of holding same, whether regular or special, the notice given, the names of directors present at Board meetings, the number of voting memberships present in person, by absentee ballot, or by proxy at Association meetings, and the proceedings thereof. The Secretary shall keep, or cause to be kept, appropriate current records showing the Members of the Association, together with their addresses. The Secretary shall give, or cause to be given, notice of all meetings of the Board required by law or by these Bylaws to be given, and shall have such other powers and perform such other duties as may be prescribed by the Board, the President or these Bylaws.

Section 9.4 Treasurer. The Treasurer shall keep and maintain, or cause to be kept and maintained, adequate and correct accounts of the properties and business transactions of the Association, including accounts of its assets, liabilities, receipts and disbursements. The books of accounts shall at all reasonable times be open to inspection by any director or Member. The Treasurer shall deposit or cause to be deposited all monies and other valuables in the name of and to the credit of the Association with such depositories as may be designated by the Board. The Treasurer shall disburse, or cause to be disbursed, the funds of the Association as may be ordered by the Board, shall render to the President and directors upon request an account of all transactions of the Association and of its financial condition, and shall have such other powers and perform such other duties as may be prescribed by the Board, the President or these Bylaws.

The Treasurer shall have primary responsibility for the preparation of an annual budget establishing each Owner's share of the Common Expenses and may delegate all or part of the preparation and notification duties to a finance committee, management agent, or both.

Within four months after the end of the fiscal year, the Treasurer shall prepare an annual financial report, consisting of at least (i) a balance sheet, (ii) an income statement reflecting all income and expenditures for the preceding year, and (iii) a statement of changes in financial position for the fiscal year. The Treasurer shall present this financial report at the next annual meeting of the Association following the end of the fiscal year. This financial report shall then be filed at the principal office of the Association or such other place as the Board may order, where it shall be kept available for inspection by any Member; the Treasurer shall mail or otherwise deliver a copy of this report to any Member upon written request.

Upon request of the Board, the Treasurer shall prepare a delinquency report listing all Owners who are delinquent in paying any assessments at the time of the report and describing the status of any action to collect such assessments which remain delinquent.

Section 9.5 Resignation. Any officer may resign at any time by giving written notice to the Board. Such resignation shall take effect on the date of the 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 9.6 Agreements, Contracts, Deeds, Leases, Checks, Etc. Except as provided in these Bylaws, all agreements, contracts, deeds, leases, checks and other instruments of the Association

shall be executed by any officer of the Association or by any other person or persons designated by the Board.

Section 9.7 Compensation. Compensation of officers shall be subject to the same limitations as compensation of directors under Section 6.5.

ARTICLE X

ASSESSMENTS

Section 10.1 Assessments shall be set by the Board of Directors in a manner consistent with Article 22 of the Declaration.

ARTICLE XI

AMENDMENTS

Section 11.1 These Bylaws may be amended only by the affirmative vote or written consent of Members representing not less than two-thirds (2/3) of the total vote of the membership in good standing of the Association.

ARTICLE XII

MISCELLANEOUS

Section 12.1 Fiscal Year. The fiscal year of the Association shall be the calendar year unless the Board establishes a different fiscal year by resolution.

Section 12.2 Conflicts. If there are conflicts between the provisions of North Carolina law, the Declaration, the Articles of Incorporation, and these Bylaws, the provisions of North Carolina law, the Declaration, the Articles of Incorporation, and the Bylaws (in that order) shall prevail.

Section 12.3 Inspection of Books and Records. The Board shall make available for inspection and copying by any Member, or the duly appointed representative of any Member, at any reasonable time and for a purpose reasonably related to the Member's interests, the membership register or a duplicate thereof, the books of account, and the minutes of meetings of the Members, the Board, and any committees. Any Member requesting copies of any of these records shall pay the cost of copying and/or reproduction.

Every director shall have the absolute right at any reasonable time to inspect all books, records, and documents of the Association and the physical properties owned or controlled by the Association. The right of inspection by a director includes the right to make a copy of relevant documents at the expense of the Association.

Section 12.4 Notices. Except as otherwise provided in the Declaration or these Bylaws, all notices, demands, bills, statements, and other communications under the Declaration or these Bylaws shall be in writing and shall be deemed to have been duly given if delivered personally or if sent by United States mail, postage prepaid:

(a) if to a Member, at the address which the Member has designated in writing and filed with the Secretary; or

(b) if to the Association, the Board of Directors, or any managing agent employed by the Board, at the principal office of the Association or the managing agent, or at such other address as shall be designated by notice in writing to the Members pursuant to this Section.

If delivery is made by mail, it shall be deemed to have been delivered fourteen (14) days after a copy of same has been deposited in the mail to the last known address of the Owner.

Section 12.5 Indemnification. The Association shall indemnify every officer, director, and committee member against all expenses, including counsel fees, reasonably incurred by them and each of them in connection with any action, suit, or other proceeding to which he or she may be a party by reason of being or having been an officer, director, or committee member of the Association.

The officers, directors, and committee members shall not be liable for any mistake of judgment, negligent or otherwise, except for their own individual willful malfeasance, misconduct, or bad faith. The officers and directors shall have no personal liability with respect to any contract or other commitment made or action taken in good faith on behalf of the Association. The Association shall indemnify and forever hold each such officer, director, and committee member harmless from any and all liability to others on account of any such contract, commitment, or action. Any right to indemnification provided for herein shall not be exclusive of any other rights to which any present or former officer, director, or committee member may be entitled.