

Table of Contents

By-Laws

Quail Run Cluster Association

Contents

ARTICLE 1 – OWNERS	2
ARTICLE II – BOARD OF DIRECTORS	5
ARTICLE III - OFFICERS	8
ARTICLE IV - MANAGER	9
ARTICLE V - FINANCES	9
ARTICLE VI - MAINTENANCE AND IMPROVEMENTS	11
ARTICLE VII - REPAIR AND RESTORATION	12
ARTICLE VIII - CONDEMNATION	14
ARTICLE IX - INSURANCE	14
RECONSTRUCTION OR REPAIR AFTER CASUALTY	16
ARTICLE X - RESTRICTIONS AND REGULATIONS	18
ARTICLE XI - LIABILITIES AND INDEMNIFICATION	20
ARTICLE XII - SEAL AND SIGNATURES	21
ARTICLE XIII - AMENDMENTS	22
ARTICLE XIV - MISCELLANEOUS.....	22
ARTICLE XV - AMENITIES	23

BY-LAWS OF CAREFREE CAROLINA CONDOMINIUMS QUAIL RUN CLUSTER

NOTE:

This is an unrecorded RESTATED DOCUMENT incorporating all amendments through December 13, 1993. The original, unamended, document is recorded in Book 5, Pages 571-593, Transylvania County Registry.

THESE BY-LAWS of Carefree Carolina Condominiums, Quail Run Cluster Association are promulgated pursuant to the Unit Ownership Act of North Carolina (the "Act") for the purpose of governing Carefree Carolina Condominiums, Quail Run Cluster Owners Association (the "Association") and the administration of Carefree Carolina Condominiums Quail Run Cluster (the "Property"), which has been constituted a condominium. The terms used herein are defined in the Declaration by which the Property has been so constituted, and the By-Laws incorporate and are subject to the provisions of said Declaration.

ARTICLE 1 – OWNERS

- A. Membership. Every Owner shall be a member of the Association. A person who holds title to a Dwelling merely as a security for payment of a debt shall not be entitled to exercise the rights of an Owner unless such person holds a proxy conferring such rights.
- B. Voting. Each Owner shall be entitled to vote as specified in Article II C & D, of the Declaration of Condominium. Votes shall be cast only at meetings of the Owners convened in accordance with these By-Laws.
- C. Quorum. A majority of the Owners shall constitute a quorum for the transaction of business at meetings of the Owners.
- D. Consents. Any action which may be taken by a vote of the Owners may also be taken by written consent to such action signed by all Owners.
- E. Organizational Meeting. The organization meeting shall be held at a time designated by the Declarant as appropriate but no later than one hundred twenty (120) days after 75% of the Units have been conveyed to Unit Purchasers.
- F. Annual Meeting. An annual meeting of the Owners shall be held on the second Thursday of each December. Any business which is appropriate for action of the Owners may be transacted at the annual meeting.

- G. **Special Meetings.** Special meetings of the Owners may be called at any time by the President of the Association or by a majority of the Board of Directors and shall be called upon the written request of a majority of the Owners. Only such business as is stated in the notice of meeting shall be transacted at a special meeting unless all Owners waive notice of any additional business.
- H. **Notice of Meetings.** Written notice of every annual or special meeting of the Owners stating the time, date and place of the meeting and, in the case of a special meeting, the business proposed to be transacted, shall be given to every Owner not fewer than ten (10) nor more than thirty (30) days in advance of the meeting. Notice shall be deemed properly given when such notice is placed in the mail receptacle or affixed to the front door of a dwelling or deposited in the United States mail, postage prepaid, addressed to the Owner at the address on the books of the Association, unless such Owner has previously specified in writing another address for the delivery of notices. Failure to give proper notice of a meeting of the Owners shall not invalidate any action taken at such meeting unless an Owner who was not given proper notice objects in writing to the lack of proper notice within thirty (30) days following such meeting, in which case the action to which such Owner objects will be void.
- I. **Waiver of Notice.** Waiver of notice of a meeting of the Owners shall be deemed the equivalent of proper notice. Any Owner may in writing waive notice of any meeting of the Owners either before or after such meeting. Attendance at a meeting by an Owner, whether in person or by proxy, shall be deemed waiver of notice of the time, date and place thereof unless such Owner specifically objects to the lack of proper notices at the time the meeting is called to order. Attendance at a special meeting shall be deemed waiver of notice of all business transacted thereat unless objection to lack of notice is raised before the business of which proper notice was not given is put to a vote.
- J. **Place of Meeting.** All meetings of the Owners shall be held upon the Property or at such other place within the county in which the Property is situated and convenient to the Owners as the President of the Association or the Board of Directors may direct.
- K. **Adjournment.** Any meeting of the Owners may be adjourned from time to time for periods not exceeding forty-eight (48) hours by vote of Owners holding a majority of the votes represented at such meeting, at the time such adjournment vote is taken, regardless of whether a quorum is present at such time. Any business which could properly be transacted at the original session of a meeting may be transacted at an adjourned session, and no additional notice of adjourned sessions shall be required.

L. Order of Business. The order of business at all meetings of the Owners shall be as follows:

1. Roll call;
2. Proof of proper notice of the meeting or waiver of notice;
3. Reading of minutes of the preceding meeting;
4. Report of the Board of Directors;
5. Report of officers;
6. Reports of committees;
7. Election of inspectors of election (when required)
8. Election of directors (when required)
9. Unfinished business
10. New Business

M. Minutes of Meetings. The Secretary of the Association shall prepare, or cause to be prepared, and keep accurate minutes of every meeting of the Owners. Such minutes shall be made available for examination and copying by any Owner at any reasonable time.

N. Who May Act For An Owner. In the absence of a valid proxy, an individual shall act in his own behalf, a corporation shall act by an officer thereof, a partnership shall act by any general partner thereof, an association shall act by any associate thereof, a trust shall act by any trustee thereof, and any other legal entity shall act by any managing agent thereof. When an Owner consists of two or more persons, any one of such persons shall be deemed authorized to act for all in taking any action on behalf of such Owner unless another of such persons objects, in which case the vote of such Owner shall not be counted.

O. Proxies. Any Owner may by written proxy designate an agent to cast the votes of such Owner. Unless otherwise stated herein, a proxy shall be deemed to confer the authority to execute consents and waivers. A proxy may be revocable or irrevocable but shall be deemed revocable at will unless otherwise specified therein. No proxy shall be honored until delivered to the Secretary of the Association.

ARTICLE II – BOARD OF DIRECTORS

- A. Form of Administration. The administration of the Association and the Property shall be vested in a Board of Directors consisting of five (5) Directors elected from the Owners.
- B. Authorities and Duties. The authorities and duties of the Board of Directors shall include the following:
1. To provide for the surveillance and security of the Property;
 2. To provide for the maintenance, repair and replacement of the Common Elements;
 3. To employ and discharge the persons necessary for the operation, maintenance, repair and replacement of the Common Elements;
 4. To collect from the Owners their respective shares of the Common Expenses;
 5. To insure the Property as hereinafter provided;
 6. To enact reasonable regulations governing the operation and use of the Common Elements;
 7. To enforce the terms of the Act, the Declaration and these By-Laws and the Regulations promulgated pursuant hereto as hereinafter provided; and
 8. To administer the Association and Property on the behalf of and for the benefit of all Owners.
- C. Qualification. Only an individual who is an Owner, or who together with another person or persons is an Owner, or who is an officer or designee of a corporation, a general partner of a partnership, an associate of an association, a trustee of a trust, or a managing agent of any other legal entity which is an Owner, or which together with another person or persons is an Owner, may be elected to continue to serve as a Director of the Association. A dwelling shall be represented by no more than one Director, but an Owner who owns more than one dwelling may be represented by a Director for each of such dwellings.
- D. Election and Term. The initial Board of Directors shall be elected at the organizational meeting of the Association. New Directors shall be elected to the Board of Directors at each annual meeting thereafter; to assure continuity of management, the term of office of each Director shall be two years, with three new Directors elected each year, beginning with the December 1990 annual meeting. (To facilitate the transition to two year terms, three members of the 1990 Board of Directors, selected by that Board, shall continue in office for one additional year.) In elections of Directors, Owners shall be entitled to accumulate their votes (each Owner shall have his votes times the number of Directors to be elected at the meeting) and cast the same for one or more candidates if they so desire. A Director shall be deemed to continue in office until his successor has been elected and has assumed office and a Director may be elected to succeed himself.

- E. Removal. A Director may be removed from office with or without cause by the affirmative vote of a majority of the Owners, but no Director shall be removed if the Owners voting against his removal would have been able to elect him by voting cumulatively in the election of Directors in which such Director was most recently elected. The unexpired portion of the term of any Director so removed shall be filled by a new Director elected by the affirmative vote of a majority of the new Owners.
- F. Vacancies. Vacancies in the Board of Directors caused by any reason other than the removal of a Director by the Owners shall be filled by a new Director elected by the affirmative vote of a majority of the remaining Directors even though such remaining Directors do not constitute a quorum.
- G. Voting. Each Director shall have one (1) vote on all matters acted upon by the Board of Directors. To assume maximum participation in Board decisions, the Board may, at its sole discretion, permit any Director absent because of illness, business, etc., to be represented by his/her spouse, who may exercise that Director's proxy in all matters considered by the Board during that meeting. No other proxies shall be permitted in any vote by the Board of Directors. The affirmative vote of a simple majority of the Directors present at the meeting at which a quorum has been established shall be sufficient for any action unless otherwise specified in these By-Laws.
- H. Quorum. Three Directors shall constitute a quorum for the transaction of business. Once a quorum has been established at a meeting of the Board of Directors, a quorum shall be deemed to continue to be present until the meeting is adjourned by vote of a majority of the Directors present, regardless of the earlier departure of one or more Directors.
- I. Consents. Any action which may be taken by a vote of the Board of Directors may also be taken by written consent to such action signed by all Directors.
- J. Referendum. Any action taken by vote of a majority of the Owners shall be binding upon the Board of Directors and shall supersede any inconsistent action previously or thereafter taken by the Board of Directors, except that no such action shall invalidate a contract which was duly authorized by the Board of Directors and executed pursuant to authority granted in the Master Deed or the By-Laws.
- K. Annual Meetings. An annual meeting of the Board of Directors shall be held during each fiscal year within ten (10) days following the annual meeting of the Owners. The time, date and place of the annual meeting of the Board of Directors shall be fixed at the annual meeting of the Owners by mutual agreement of a majority of the Directors present at such meeting, and no further notice thereof shall be necessary. Any business which is appropriate for action of the Board of Directors may be transacted at an annual meeting.
- L. Regular Meetings. Regular meetings of the Board of Directors shall be held at such times, dates and places as the Board of Directors may determine from time to time, but at least three (3) regular meetings shall be held each fiscal year. Any business which is appropriate for action of the Board of Directors may be transacted at a regular meeting.

- M. **Special Meetings.** Special meetings of the Board of Directors may be called from time to time by the President of the Association and shall be called upon the written request of one-third of the Directors. Only such business as is stated in the notice of meeting shall be transacted at a special meeting unless all Directors waive notice of any additional business.
- N. **Notice of Meetings.** Written notice of every regular or special meeting of Directors stating the time, date and place of the meeting and, in the case of a special meeting, the business proposed to be transacted, shall be given to every Director not fewer than three (3) nor more than ten (10) days in advance of the meeting. Notice shall be deemed to be properly given when such notice is deposited in the United States Mail, postage prepaid, addressed to the Owner at the address on the books of the Association. Failure to give proper notice of a meeting of the Board of Directors shall not invalidate any action taken at such meeting unless a Director who was not given proper notice objects in writing to the lack of proper notice within thirty (30) days following such meeting, in which case the action to which such Director objects shall be void. When so resolved by each Board of Directors in advance, verbal notice of meetings may be substituted for written notice during the term of office of that specific Board.
- O. **Waiver of Notice.** Waiver of notice of a meeting of the Board of Directors shall be deemed the equivalent of proper notice. Any Director may in writing waive notice of any meeting of the Board of Directors either before or after such meeting. Attendance at a meeting by a Director shall be deemed waiver by such Director of notice of the time, date and place thereof unless such Director specifically objects to lack of proper notice at the time the meeting is called to order. Attendance at a special meeting shall also be deemed waiver of notice of all business transacted thereat unless objection to lack of notice is raised before the business of which proper notice was not given is put to vote.
- P. **Place of Meeting.** All meetings of the Board of Directors shall be held upon the Property or at such other place within five (5) miles of the Property and convenient to the Directors as the President of the Association or the Board of Directors may direct.
- Q. **Recess.** Any meeting of the Board of Directors may be recessed from time to time for periods not exceeding two (2) hours by a vote of the majority of the Directors present at the time of such vote, regardless of whether a quorum is present. Any business which could properly be transacted at the original session of a meeting may be transacted at a subsequent session following a recess of such meeting, and no additional notice of such subsequent sessions shall be required.
- R. **Minutes of Meetings.** The Secretary of the Association shall prepare, or cause to be prepared, and keep accurate minutes of every meeting of the Board of Directors. A copy of such minutes shall be distributed to each Owner within thirty (30) days following each meeting, and all such minutes shall be made available for examination and copying by any Owner at any reasonable time.
- S. **Compensation.** The Directors shall serve without compensation but shall be entitled to reimbursement by the Association for expenses incurred in the conduct of their duties.

ARTICLE III - OFFICERS

- A. Designation. The Association shall have a President, a Vice President, a Secretary and a Treasurer. The Association may also have one or more assistants to the Secretary and to the Treasurer and such other officers as may be necessary from time to time. The offices of the Secretary and the Treasurer or of the Secretary and the Vice President may be filled by the same individual.
- B. Qualifications. The President and the Vice President must be Directors, and all other officers must be individuals who are qualified to be Directors.
- C. Election and Term. Officers of the Association shall be elected at each annual meeting of the Board of Directors and at such other times as may be required to fill vacancies in any office. All officers shall serve until their successors have been elected and assumed office unless sooner removed as hereinafter provided. An officer may be reelected to any number of terms.
- D. Removal. Any officer may be removed from office at any time with or without cause by the Board of Directors or by the Owners. An officer removed by the Owners shall be replaced only by the Owners.
- E. President. The President shall be the chief executive officer of the Association. He shall preside at all meetings of the Association and of the Board of Directors at which he is present. He shall have all of the general powers and duties which are usually vested in the office of the president of an unincorporated association, including but not limited to the power to appoint committees from among the Owners from time to time as he may in his discretion decide is appropriate to assist in the conduct of the affairs of the Association.
- F. Vice President. The Vice President shall take the place and perform the duties of the President whenever the President shall be absent or unable to act. If neither the President nor the Vice President is able to act, the Board of Directors shall appoint some other Director to take the place and perform the duties of the President on an interim basis. The Vice President shall also perform such other duties as shall from time to time be imposed upon him by the Board of Directors.
- G. Secretary. The Secretary shall keep the minutes of all meetings of the Owners and of the Board of Directors, shall have charge of such books and papers as the Board of Directors may direct and shall, in general, perform all the duties incident to the office of the secretary of an unincorporated association.
- H. Treasurer. The Treasurer shall have custody of and responsibility for Association funds and securities and shall keep books belonging to the Association. If a Manager is employed as hereinafter provided, custody of Association funds and securities and responsibility for maintaining full and accurate accounts of all receipts and disbursements may be delegated to the Manager if the Board of Directors so approves, but in such case the Treasurer shall verify the amounts of Association funds and securities in the custody of the Manager and review and reconcile the accounts maintained by the Manager at such intervals as may be determined by the Board of Directors.

- I. Compensation. The Officers may receive such compensation as the Owners may determine and shall be entitled to reimbursement by the Association for expenses incurred in the conduct of their duties.

ARTICLE IV - MANAGER

- A. Employment. The Board of Directors may employ a Manager to assist in or take charge of the administration of the Association and the Property.
- B. Qualification. The Manager may be an individual or a corporation or other legal entity. No individual who is a Director or an officer of the Association or who resides in the home of a Director or an officer of the Association shall be the Manager.
- C. Authority and Duties. The Manager shall have such authority and duties as may be determined by the Board of Directors and shall report to the Board of Directors or to the President, as the Board of Directors may determine.
- D. Compensation. "The Manager shall receive such compensation as the Board of Directors may determine.

ARTICLE V - FINANCES

- A. Fiscal Year. The fiscal year of the Association shall be the calendar year unless the Owners shall otherwise determine.
- B. Budget. The Board of Directors shall prepare and submit to the Owners at each annual meeting of the Owners a proposed budget for the Association for the fiscal year in which the meeting is held. Declarant shall prepare and submit the first proposed budget at the organizational meeting of the Association. The proposed budget shall set forth with particularity the anticipated Common Expenses for the fiscal year and the amount of money needed to establish reserves, if any, for the payment of future or unforeseen Common Expenses.
- C. Approval of Budget The proposed budget, as it may be amended upon motion of any Owner, shall be submitted to a vote of the Owners and when approved by the affirmative vote of a majority of the Owners shall become the budget of the Association for the fiscal year (the "Budget"). The terms of the budget shall be binding upon the Board of Directors until such terms are amended by action of the Owners.
- D. Regular Assessments. The funds required by the Budget shall be collected from the Owners by the Board of Directors in equal monthly or quarterly assessments as the Board of Directors may determine.
- E. Special Assessments. The funds required from time to time to pay any Common Expenses which are not covered by the Budget but which are approved by the Owners shall be collected from the Owners by the Board of Directors in such installments as the Owners shall determine.
- F. Individual Assessments. Any payments to the Association which one or more, but less than all, of the Owners shall be obligated to make pursuant to the terms of the Declaration or these By-Laws shall be due upon demand and shall be collected by the Board of Directors.

- G. Collection. Owners shall be personally liable for all assessments and shall pay the same promptly when due. The Board of Directors shall take prompt and appropriate action to collect by suit, foreclosure or other lawful method any overdue assessment. If any overdue assessment is collected by an attorney or by action at law, the Owner owing the same shall be required to pay all reasonable costs of collection, including attorney's fees.
- H. Past Due Assessments. All assessments which are not paid in full on or before a date 14 days after the due dates shall be termed as Late, and shall bear a Late Charge penalty to be established by the Board of Directors from time to time. Assessments and/or Late Charges not paid in full on or before a date 30 days after the due date shall be termed Delinquent, and be subject to the following additional penalties:
1. A Delinquent Assessment penalty shall be charged in an amount to be fixed by the Board of Directors from time to time.
 2. The entire unpaid balance of the delinquent Homeowner's share of all approved assessments shall be due immediately as of the date the Homeowner becomes delinquent.
 3. All expenses incurred by the Association in the collection process shall be charged to the delinquent Homeowner.
 4. Interest on all owed amounts shall be charged at the rate of one and one-half (1 1/2) percent for each month or fraction thereof, calculated from the date of delinquency until paid in full.

The Board of Directors may in its discretion waive all or any portion of a penalty or interest imposed pursuant to this paragraph if it has been affirmatively shown that the failure to make timely payment was caused by circumstances beyond the control of the Homeowner. Lack of notice shall not constitute a waiver of any of the provisions of this paragraph. Budget shortfalls resulting from delinquencies shall be deemed to be common expenses collectible from all non-delinquent Homeowners and the Board of Directors may assess each such Homeowner a pro-rata share of such common expenses.

- I. Accounts. The Board of Directors shall maintain on behalf of the Association a checking account with a state or federally chartered bank having an office in the county where the Property is situated. The Board of Directors may also maintain on behalf of the Association an interest-bearing savings account with a state or federally chartered bank, savings and loan association, building and loan association or a money market fund administered by a member of the New York Stock Exchange. All funds of the Association shall be promptly deposited in one of said accounts, except that the Board of Directors may maintain a petty cash fund of not more than Fifty (\$50.00) Dollars for the payment of minor current expenses of the Association. The books and records relating to any account of the Association shall be made available for examination and copying by any Owner at any reasonable time.
- J. Payments. The Board of Directors shall provide for payment of all debts of the Association from the funds collected from the Owners. Expenditures specifically approved in the Budget may be paid without further approval unless the Board of Directors shall otherwise determine. All

other expenditures which are in excess of Fifty (\$50.00) Dollars shall be reviewed and approved by the President or the Board of Directors before payment is made. All checks and requests for withdrawals drawn upon any account of the Association shall be signed by any two members of the Board of Directors. If a Manager is employed, the Board of Directors may authorize the Manager to draw checks upon the account of the Association to pay expenditures specifically approved in the Budget. The Board of Directors may also authorize the Manager to make disbursements from the petty cash fund, if any.

- K. Bonding. The Board of Directors shall, at its sole discretion, determine when the amounts of money in the Association's accounts have become, or are projected to become, large enough to warrant the expense of Bonding. Whenever Bonding is selected, the Board of Directors shall secure, from a surety company rated "AAA" or better by Best's Insurance Reports, a fidelity bond in an amount appropriate to the projected Association account balances, and covering each individual authorized to draw on those funds. The cost of the bond shall be a Common Expense.

ARTICLE VI - MAINTENANCE AND IMPROVEMENTS

- A. Maintenance by Board of Directors. The Board of Directors shall provide for the maintenance; repair and replacement of the Common Elements, including the Limited Common Elements, and shall employ and dismiss the personnel required for such maintenance, repair and replacement; however, replacement or removal of trees, shrubs and other plantings shall be at the option of the Board of Directors, and if the Board decides against such replacement or removal it may, upon request by any Owner, authorize replacement or removal by any such Owner at such Owner's sole expense. The Board of Directors shall also provide for the maintenance, repair and replacement of certain exterior portions of the Dwellings as follows: caulking and painting or staining of the exterior portions of windows and window frames and exterior doors and door frames.

The funds for this maintenance, repair and replacement shall be maintained in a separate reserve fund. This reserve fund shall be maintained out of regular assessments for Common Expenses but shall be a separate account and neither the funds nor the interest thereon shall be used for normal operating expenses of the Association.

- B. Maintenance by Owners. Each Owner shall maintain his Dwelling, except the exterior portions thereof which are maintained by the Board of Directors, in good condition and repair. Each Owner shall also provide for the routine sweeping and cleaning of all Limited Common Elements reserved for the use of his Dwelling and shall maintain such Limited Common Elements in a clean and orderly condition.
- C. Default by Owner. In the event that any Owner fails to perform the maintenance required of such Owner by these By-Laws or by any lawful regulation enacted pursuant hereto and such failure creates or permits a condition which is hazardous to life, health or property or which unreasonably interferes with the rights of another Owner or which substantially detracts from the value or appearance of the Property, the Board of Directors shall, after given such Owner reasonable notice and opportunity to perform such maintenance, cause such maintenance to

be performed and charge all reasonable expenses of so doing to such Owner by an individual assessment.

- D. Expenses. Except as hereinafter provided, the expenses of all maintenance, repair and replacement provided by the Board of Directors shall be Common Expenses. The expenses of maintenance, repair or replacement which are necessitated by (i) the failure of an Owner to perform the maintenance required by these By-Laws or by any lawful regulation enacted pursuant hereto, (ii) the willful act, neglect or abuse of an Owner, or (iii) an uninsured loss which is to be borne by an Owner in accordance with Article VII of these By-Laws shall be charged to such Owner by an individual assessment.
- E. Improvements. The Board of Directors shall provide for the making of such improvements to the Common Elements as may be approved from time to time by two-thirds (2/3) of the Owners. The cost of such improvements shall be Common Expenses; provided, however, that no Owner shall without his consent be assessed in any one year for the making of improvements to the Common Elements an amount in excess of one percent (1 %) of the value of his Dwelling as set forth in the Declaration.

ARTICLE VII - REPAIR AND RESTORATION

- A. Decision of Owners. In the event of substantial damage to or destruction of any portion of the Property, the damage or destruction shall be promptly appraised by the Board of Directors. If more than two-thirds (2/3) of the Property has been destroyed, the Board of Directors shall promptly call a special meeting of the Owners to determine in the manner provided in the Declaration whether the Property shall be repaired or restored. In the event that the Owners determine not to repair or restore the Property, the Secretary shall execute a certificate to that effect and cause the same to be recorded in the same manner as these By-Laws.
- B. Reconstruction. Unless the Owners affirmatively determine in the manner provided in the Declaration not to repair or restore the Property following damage or destruction thereof, the Board of Directors shall promptly provide for such repair or restoration. Such repair or restoration shall encompass and include repair and replacement of all floor coverings, fixtures and appliances originally installed in a dwelling by Developer or equivalent replacements thereof installed by any subsequent Owner.

- C. Costs. The Board of Directors shall employ for the purpose of repairing or restoring the Property the proceeds of any insurance obtained on the Property by the Board of Directors. If such insurance proceeds do not cover the cost of repair or restoration, the deficiency shall be borne by the Association as a common expense up to an amount equal to the sum of (i) the amount deducted pursuant to a "loss deductible" clause of the insurance policy plus (ii) fees and expenses of the Insurance Trustee hereinafter identified. Any deficiency in excess of such amount shall be borne by the Owners in proportion to their respective interests in the portion or portions of the Property repaired or restored.

ARTICLE VIII - CONDEMNATION

- A. Rights of Owners. If any portion of the Property is condemned by an authority having the power of eminent domain, each Owner shall be entitled to receive notice of such condemnation and to participate in the proceedings incident thereto unless otherwise prohibited by law. Each Owner shall be entitled to an individual award to be determined by the value of his interest in the portion or portions of the Property condemned.
- B. Duties of the Association. In the event that any award is received by the association on account of condemnation of any portion or portions of the Common Elements, the Board of Directors shall promptly pay such award to the Insurance Trustee hereinafter identified as trustee for the Owners to be disbursed in the same manner as if it were insurance proceeds. The Board of Directors shall also promptly call a special meeting of the Owners to determine whether any condemned portion of the Common Elements shall be replaced. If the Owners determine to replace any condemned portion of the Common Elements, the Board of Directors shall provide for the replacement of such portions in the same manner as if such portions had been destroyed by casualty.

ARTICLE IX - INSURANCE

The following provisions shall apply except as to household furnishings and appliances which are owned by Unit Owners. Unit Owners shall be responsible for purchasing, maintaining and insuring their furniture, appliances and any other personal effects belonging to such Unit Owner which may be located in or about the Unit.

- A. Purchase of Insurance. The Association shall obtain fire and extended coverage insurance and vandalism and malicious mischief insurance insuring all of the insurable improvements within the Condominium Complex, together with such other insurance as the Association deems necessary in and for the interest of the Association, all Unit Owners and their Mortgagees, as their interests may appear, in an amount which shall be equal to the maximum insurable replacement value as determined annually; and the premiums for said coverage and other expenses in connection with said insurance shall be assessed against the Unit Owners as a part of the common expense. The named insured shall be the Board or Directors or the Association, as Trustee for the Unit Owners, without naming them, and as Trustee for their Mortgagees.

Provisions shall be made for the issuance of Mortgagee endorsements and memoranda of insurance to the Mortgagees of Unit Owners. Such policies made to the insurance trustee, and all policies and endorsements thereon shall be deposited with the insurance trustee. Notwithstanding the aforesaid, the provisions for such insurance shall be without prejudice to the right of each Unit Owner to insure his own unit for his benefit. Unit Owners may obtain insurance coverage at their own expense upon their own personal property and for their personal liability and living expenses.

- B. Coverage.

1. Casualty. All buildings and improvements upon the Property shall be insured in an amount equal to the maximum insurable replacement value, and all personal property included in

the Common Elements shall be insured for its value, all as determined annually by the Board of Directors of the Association. Such coverage shall afford protection against:

(a) Loss or damage by fire and other hazards covered by a standard extended coverage endorsement;

(b) Such other risks as from time to time shall be customarily covered with respect to buildings similar in construction, location and use as such buildings including, but not limited to, vandalism and malicious mischief.

2. Public Liability. Public Liability insurance shall be obtained in such amounts, not to be less than One Million (\$1,000,000.00) Dollars per occurrence, and with such coverage as shall be required by the Board of Directors of the Association including, but not limited to, hired automobile and non-owned automobile coverages, and with cross liability and endorsement to cover liabilities of the Unit Owners as a group of Unit Owners.
3. Workmen's Compensation. Workmen's compensation insurance sufficient to meet the requirements of law shall be obtained.
4. Other Insurance. Such other insurance shall be obtained as the Board of Directors of the Association shall determine from time to time desirable.

C. Premiums. Premiums upon insurance policies purchased by the Association shall be paid by the Association as a common expense.

D. Insurance Trustee and Shares of Proceeds. All insurance policies purchased by the Association shall be for the benefit of the Association and the Unit Owners and their Mortgagees, as their interests may appear, and shall provide that all proceeds covering property losses shall be paid to the Board of Directors as insurance trustee. The duty of the insurance trustee shall be to receive such proceeds as are paid, to make distribution of such proceeds in trust for the benefit of the Unit Owners and their Mortgagees in the following shares, which shares need not be set forth on the records of the insurance trustee.

1. Common Elements. Proceeds on account of damage to Common Elements shall be held in undivided shares for each Unit Owner, each such share being in the same proportion as the undivided share in the Common Elements appurtenant to such Owner's Unit.
2. Condominium Units. Proceeds on account of damage to Units shall be held in the following undivided shares:

(a) When the Building is to be Restored--For the Owners of damaged Units in proportion to the cost of repairing the damage suffered by each Unit Owner, which cost shall be determined by the Association.

(b) When the Building is not to be Restored--An undivided share for each Unit Owner, each such share being in the same proportion as the undivided share in the Common Elements appurtenant to such Owner's Unit.

3. Mortgagees. In the event a mortgage endorsement has been issued as to a Unit, the share of the Unit Owner shall be held in trust for the Unit Owner and the Mortgagee, as their interests may appear; provided, however, that no Mortgagee shall have any right to determine or participate in the determination as to whether or not any damaged property shall be reconstructed or repaired, and no Mortgagee shall have any right to apply or have applied to the reduction of a mortgage debt any insurance proceeds except distributions thereof made to the Unit Owner and Mortgagee pursuant to the provisions of this Declaration.
- E. Distribution of Proceeds. Proceeds of insurance policies received by the insurance trustee shall be distributed to or for the benefit of the beneficial Owners in the following manner:
1. Reconstruction or Repair. If the damage for which the proceeds are paid is to be repaired or reconstructed, the remaining proceeds shall be paid to defray the costs thereof as elsewhere provided. Any proceeds remaining after defraying such costs shall be distributed to the beneficial Owners, remittance to Unit Owners and their Mortgagees being payable jointly to them. This is a covenant for the benefit of any Mortgagee of a Unit and may be enforced by such Mortgagee.
 2. Failure to Reconstruct or Repair. If it is determined in the manner elsewhere provided that the damage for which the proceeds are paid shall not be reconstructed or repaired, the remaining proceeds shall be distributed to the beneficial Owners, remittances to Unit Owners and their Mortgagees being payable jointly to them. This is a covenant for the benefit of any Mortgagee of a Unit and may be enforced by such Mortgagee.
- F. Association as Agent. The Association is hereby irrevocably appointed Agent for each Unit Owner and for each Owner of a mortgage or other lien upon a Unit and for each Owner of any other interest in the Condominium Complex to adjust all claims arising under insurance policies purchased by the Association and to execute and deliver releases upon the payment of claims.
- G. Notice of Insurance Coverage. In any legal action in which the Association may be exposed to liability in excess of insurance coverage protecting it and the Unit Owners, the Association shall give notice of the exposure within a reasonable time to all Unit Owners who may be exposed to the liability and such Unit Owners who may be exposed to the liability and such Unit Owners shall have the right to intervene and defend.
- H. Inspection of Insurance Policy. A copy of each insurance policy obtained by the Association shall be made available for inspection by Unit Owners at reasonable times.
- I. Developer's Interest. All insurance purchased by the Association on behalf of the Unit Owners shall include the Developer as its interest may appear, and the Developer shall share in the proceeds of any insurance payments as its interest may appear.

RECONSTRUCTION OR REPAIR AFTER CASUALTY

- A. Determination to Reconstruct or Repair. If any part of the Condominium Complex shall be damaged by casualty, whether or not it shall be reconstructed or repaired shall be determined in accordance with the applicable North Carolina law which is in existence as of the time such

casualty occurs, and if not provided for by North Carolina law at such time, then in accordance with North Carolina General Statutes Section 47A-25 which is in effect as the date of this Declaration.

If the damaged improvement is a Common Element; the damaged property shall be reconstructed or repaired, unless it is determined in the manner elsewhere provided that the Condominium Complex shall be terminated.

- B. Plans and Specifications. Any reconstruction or repair must be substantially in accordance with the plans attached to this Declaration as a part of Exhibit B.
- C. Responsibility. If the damage is only to those parts of one Unit for which the responsibility or maintenance and repair is that of the Unit Owner, then the Unit Owner shall be responsible for reconstruction and repair after casualty. In all other instances, the responsibility for reconstruction and repair after casualty shall be that of the Association.
- D. Estimates of Cost. Immediately after a determination is made to rebuild or repair damage to property for which the Association has the responsibility of reconstruction and repair, the Association shall obtain reliable and detailed estimates of the cost to rebuild or repair.
- E. Assessments. The amount by which an award of insurance proceeds to the insurance trustee is reduced on account of a deductible clause in an insurance policy shall be assessed against all Unit Owners in proportion to their shares in the Common Elements, provided that the cost of such insurance was a common expense. If the proceeds of such assessments and of the insurance are not sufficient to defray the estimated costs of a reconstruction and repair or upon completion of reconstruction and repair, the funds for the payment of the costs of reconstruction and repair are insufficient, assessments shall be made against the Unit Owners in sufficient amounts to provide funds for the payment of such other costs. Such assessments shall be in proportion to the Owner's share in the Common Elements.
- F. Construction Funds: The funds for payment of costs of reconstruction and repair after casualty, which shall consist of proceeds of insurance held and funds collected from assessments against Unit Owners, shall be disbursed by the Insurance Trustee in payment of such costs in the following manner and order:
1. Association - Lesser Damage - If the amount of the estimated costs of reconstruction and repair which is the responsibility of the Association is less than \$5,000.00, then the construction fund shall be disbursed in payment of such costs by the Association; provided, however, that upon request by a Mortgagee which is a beneficiary of an insurance policy, the proceeds of which are included in the construction fund, such fund shall be disbursed in the manner hereafter provided for the reconstruction and repair or major damage.
 2. Association - Major Damage - If the amount of the estimated costs of reconstruction and repair which is the responsibility of the Association is more than \$5000.00, then the construction fund shall be disbursed in payment of such costs in the manner required by the Board of Directors of the Association.

3. Unit Owner - The portion of insurance proceeds representing damage for which the responsibility of reconstruction and repair lies with a Unit Owner shall be paid to the Unit Owner, or if there is a mortgage endorsement as to such Unit, then to the Unit Owner and Mortgagee jointly, who may use such proceeds as they may deem appropriate.
4. Surplus - It shall be presumed that the first monies disbursed in payment of costs and reconstruction and repair shall be from insurance proceeds. If there is a balance in a construction fund after payment of all costs of the reconstruction and repair for which the fund is established, such balance shall be distributed to the beneficial Owners of the fund in the manner elsewhere stated; provided, that the part of a distribution to a beneficial Owner which is not in excess of assessment paid by such Owner into the Construction funds shall not be made payable to any Mortgagee.

ARTICLE X - RESTRICTIONS AND REGULATIONS

A. Restrictions. The use of the Property shall be subject to the following restrictions:

1. Dwellings shall be used only as single-family residences. No Owner shall rent or lease less than all of his Dwelling. No Dwelling shall be leased or rented for a term of less than sixty (60) days without the express approval of the Board of Directors.
2. No Owner shall maintain or permit any nuisance within his Dwelling or unreasonably interfere with the use and enjoyment of the Property by any other person entitled to the same by creating anywhere on the Property or permitting within his Dwelling the creation of excessive noise, smoke or offensive odors. No person shall maintain on the Property, and no Owner shall permit within his Dwelling, any condition which is unreasonably hazardous to the life, health or property of any other persons.
3. No person shall make any additions or perform any work upon the Common Elements or otherwise alter the Common Elements without the express authorization of the Board of Directors. No Owner shall alter or permit the alteration of the external appearance of any portion of his Dwelling without the express approval of the Board of Directors.
4. Members shall maintain in good condition and repair all interior surfaces and fixtures of their condominium unit. All plumbing and electrical repairs within a unit shall be the responsibility of the owner of that unit and shall be paid for by the owner.
5. Members shall promptly pay all bills for utilities metered separately to their unit.
6. In accordance with the Condominium Declaration, members shall not use their unit for any purpose other than a single family residence.
7. Members shall maintain their unit in a clean and sanitary manner at all times.
8. Pets may be kept only under rules and regulations established by the Association. No dogs, cats or other domestic household pets shall be allowed to run at large in the common areas. All pets must be kept on a leash when outside the unit, and the owner of each pet is required to clean up after the pet in order to properly maintain the common areas or use

the areas designated. The Association must give its prior approval of all pets, especially with regard to size, weight and breed.

9. No member shall permit anything to be done to his unit or keep anything in his unit which will increase the insurance rates of other units or the cluster.
 10. No exterior radio or television aerial shall be installed by any owner. Any aerial erected on the roof or exterior walls of a building by any owner is subject to removal without notice.
 11. Each member shall permit the Board of Directors of the Association or the Manager (if one is employed), or their representatives or agents, to enter any unit for the maintenance, repair or replacement or any item within the unit or in the common areas. In furtherance of these objectives, the owner may choose to provide the Association or its representative with acceptable means of access to the premises (such as a pass-key to be kept in a mutually agreeable and readily available location), so as to permit maintenance personnel to enter the 'unit in case of emergency or the prolonged absence of the owner. If such access is not provided for, then the Board of Directors shall have specific authorization to order forced entry, at the owner's expense, where such entry is essential for maintenance, repair or replacement, and the owner is not reasonably accessible.
 12. No sign, advertisement, notice or other lettering shall be exhibited, inscribed, painted or affixed by any owner on any part of the outside or inside (if visible from the outside) of his unit or cluster except in accordance with uniform rules established by the Association. Any sign, advertisement, notice or lettering so displayed in violation of this regulation shall be subject to removal without notice. This regulation shall not apply to the Developer.
 13. No awnings or other projections shall be attached to the outside walls of the building and no other modifications shall be permitted to the exterior.
 14. No clothes lines shall be permitted.
 15. All garbage and refuse must be placed in containers with tops closed.
 16. Members shall not park, and shall not permit guests or other invitees to park for a period of more than 12 hours, any vehicle other than conventional, unmodified passenger cars on any part of the common areas and facilities; for all other vehicles, either temporary or permanent permits must be obtained from the Association, with such permits being approved or denied at the sole discretion of the Board of Directors. Vehicle maintenance is not permitted on unit or common areas.
- B. Regulations. The Board of Directors shall adopt and amend from time to time such reasonable rules and regulations ("Regulations") governing the operation and use of the Common Elements as they may deem necessary or desirable. The operation and use of the Common Elements shall be governed by the Regulations appended to these By-Laws until such Regulations are amended or repealed by the Board of Directors. It shall not be necessary to record Regulations newly adopted or the amendment or repeal of existing Regulations, but no Owner shall be bound by any newly adopted Regulations or any amendment or repeal of an existing Regulation until a copy of the same has been delivered to such Owner.

- C. Enforcement The Board of Directors shall enforce the terms of the Act, the Declaration and these By-Laws and the Regulations promulgated pursuant hereto and shall take prompt and appropriate action to correct any violations of the same. In addition to any other remedy to which the Association or any Owner may be entitled, the Board of Directors may impose against any Owner reasonable fines not to exceed a total of Ten Dollars (\$10.00) per day for any violation of the terms of the Act, the Declaration or these By-Laws or of the Regulations promulgated pursuant hereto. Such fines shall be collected by individual assessment. Each day during which a violation occurs or continues shall be deemed a separate offense.
- D. Responsibility of Owners. Each Owner shall be deemed responsible for the conduct of members of his household and his tenants, agents and guests, but the responsibility of the Owner shall not relieve any member of his household or any of his tenants, agents or guests for any liability to the Association or to an Owner for their own acts.

ARTICLE XI - LIABILITIES AND INDEMNIFICATION

- A. Liability of Owners. No Owner shall be liable upon a debt or tort of the Association for an amount in excess of such portion of the total liability of the Association which bears the same ratio to the total liability as the percentage interest of such Owner in the Common Elements bears to the whole. All correspondence of the Association and all contracts executed by the Association shall incorporate the following recital:

Carefree Carolina Condominium, Section I, Phase IIA, Quail Run Cluster Association is an incorporated association established pursuant to the Unit Ownership Act of North Carolina. No member of the Association shall be liable upon a debt of the Association for an amount in excess of such portion of the debt which bears the same ratio to the total debt as the number of votes in the Association to which the member is entitled bears to the total number of votes in the Association to which all members are entitled.

- B. Indemnification Among Owners. Each Owner shall be entitled to contribution from and indemnification by every other Owner to the extent that such Owner is required to and does discharge any portion of any liability of the Association in excess of such Owner's proportionate share thereof, except that no Owner shall be required to provide contribution or indemnification on account of a debt which was liquidated in amount and due and payable prior to the time such Owner became an Owner.
- C. Liability of Directors and Officers. No director or officer of the Association shall be liable to any Owner for any decision, action or omission made or performed by such Director or officer in the course of his duties unless such Director or officer acted in bad faith or in reckless disregard of the rights of any person or of the terms of the Act, the Master Deed or these By-Laws.

D. Indemnification of Directors and Officers. The Association shall indemnify and defend each Director and each officer of the Association from any liability claimed or imposed against him by reason of his position or actions as a Director or an officer of the Association if all of the following conditions are satisfied:

1. Such Director or officer is not required to bear such liability by the terms of the Act, the Declaration or these By-Laws;
2. Such Director or officer gives the Association adequate notice of the claim or imposition of liability to permit the Association reasonable opportunity to defend against the same; and,
3. Such Director or officer cooperates with the Association in defending against the liability.

The expense of indemnifying a Director or an officer shall be a Common Expense and shall be borne by all the Owners, including such Director or officer, in proportion to their respective interest in the Common Elements.

The expense of obtaining errors and omissions insurance for the Board of Directors shall be a Common Expense.

ARTICLE XII - SEAL AND SIGNATURES

A. Seal. When voted necessary by the Board of Directors, the Association shall procure a seal, to be inscribed with the name of the Association and such other information as the Board of Directors may determine. The Secretary of the Association shall have custody of the seal and shall affix and attest the same upon such documents as the Board of Directors may direct.

B. Attestation of Document. The presence of the Association seal, attested by the Secretary or an assistant secretary of the Association, on any contract, conveyance or any other document executed on behalf of the Association shall attest:

1. That the Association seal affixed to the document is in fact the seal of the Association;
2. That any officer of the Association executing the document does in fact occupy the official position indicated, that one in such position is duly authorized to execute such document on behalf of the Association, that the signature of such officer subscribed to the document is genuine; and
3. That the execution of the document on behalf of the Association has been duly authorized.

C. Certification of Documents. When the seal of the Association is affixed to any document relating to the Property of the Association and is attested by the Secretary or an assistant secretary-

Quail Run Cluster Association
Restated By-Laws as Amended Through December 13, 1993

of the Association, a third party without knowledge or reason to know to the contrary may rely on such document as being what it purports to be.

- D. Certification of Actions and Facts. When a written statement setting forth (i) actions taken by the Owners or by the Board of Directors or (ii) facts relating to the property or the Association as determined by the Board of Directors is executed by the Secretary or an assistant secretary of the Association and bears the seal of the Association, a third party without knowledge or reason to know to the contrary may rely on such statement as factually true and correct.
- E. Absence of Seal. The absence of the seal of the Association from any contract, conveyance or other document executed on behalf of the Association shall not impair the validity of such contract, conveyance or document or of any action taken pursuant thereto or in reliance thereon, but the person relying on the same shall bear the burden of establishing that the execution of the same was duly authorized and accomplished on behalf of the Association.

- 9 -
ARTICLE XIII - AMENDMENTS

- A. Procedure. These By-Laws may be amended from time to time by resolution adopted by the affirmative vote of the Owners of two-thirds (2/3) of the total interest in the Common Elements. No amendment shall be effective unless and until recorded as an amendment to the Declaration in accordance with the act.
- B. Effect. All Owners, tenants of Owners, employees of Owners and tenants, and any other persons that may in any manner use the Property or any part thereof shall be bound to abide by any amendment to these By-Laws duly adopted and recorded as specified herein.

ARTICLE XIV - MISCELLANEOUS

- A. Record of Ownership. Any person who acquires title to a Dwelling, except a person who acquires title to a Dwelling merely as security for a debt, shall promptly inform the Board of Directors of the identity and the mailing address of such person and the date upon and manner in which title to the Dwelling was acquired. The Board of Directors shall maintain a record of the names and addresses of all Owners and of the dates upon which they acquired title to their Dwellings.
- B. Notices. Any notices or documents placed in the mail receptacle or affixed to the front door of a Dwelling by or at the direction of the Board of Directors shall be deemed delivered to the Owner of such dwelling, unless the Owner of such dwelling has previously specified to the Board of Directors in writing another address for delivery of such notices and documents. Any notice or document addressed to the Board of Directors and delivered to any Director by or at the direction of an Owner shall be deemed delivered to the Board of Directors.

Quail Run Cluster Association
Restated By-Laws as Amended Through December 13, 1993

- C. Waiver. No provision of these By-Laws or of the Regulations promulgated pursuant hereto shall be deemed to have been abrogated or waived by reason of any failure to enforce the same, regardless of the number of violations or breaches which may have occurred.
- D. Conflicts. In the event of any conflict between these By-Laws and the Act or the Declaration, the Act or the Declaration shall control, as appropriate. In the event of a conflict between these By-Laws and the Regulations promulgated pursuant hereto, these By-Laws shall control.
- E. Severability. The provisions of these By-Laws are severable, and the invalidity of one or more provisions hereof shall not be deemed to impair or affect in any manner the enforceability or effect of the remainder hereof.
- F. Captions. The captions herein are inserted only as a matter of convenience and for reference and in no way define, limit or describe the scope of these By-Laws or the intent of any provision hereof.
- G. Gender and Number. All pronouns used herein shall be deemed to include the masculine, the feminine and the neuter and the singular and the plural whenever the context requires or permits.

ARTICLE XV - AMENITIES

- A. When approved by 2/3 of the voting interests of the owners, in a meeting properly called for that purpose, the Association may contract for the use of certain amenities, such as, but not limited to, the clubhouse, tennis courts and swimming pool now being constructed by Greenwood Development Corporation for the DEERLAKE VILLAGE development. After such approval by the owners, the Board of Directors is empowered to negotiate the terms and conditions of subsequent contract renewals; such contract renewals shall be submitted, in advance, for approval by 2/3 of the owners, either every 3 years following the inception of the contract, or at each renewal for contracts running longer than 1 year. Assessments to fund the use of such amenities shall be made on the basis of equal costs for each dwelling unit, and these assessments shall have the same enforceability under law and the same recourse specified elsewhere in the DECLARATION and BY-LAWS for Common Expenses.