

BYLAWS OF BEAR PAW PROPERTY OWNERS ASSOCIATION, INC. (BPPOA)

ARTICLE I. NAME, LOCATION, MEMBERSHIP

Section 1. Name. The name of the association is the Bear Paw Property Owners Association, Inc., hereinafter referred to as the Property Owners Association.

Section 2. Location. The principal office of the Property Owners Association shall be located at Bear Paw, Cherokee County, North Carolina.

Section 3. Membership. Each and every record owner of a fee or undivided fee interest in any Bear Paw lot shall be a member of the Property Owners Association, excluding persons who hold such interest under a deed to secure debt, mortgage or deed of trust. Membership in the Property Owners Association shall be confined to such Owners and shall be appurtenant to and inseparable from lot ownership. Such Owner or Owners of each Lot shall designate in writing delivered to the Secretary, one member from amount such Owner or Owners, and such member shall represent the Owner or Owners of such Lot in connection with the activities of the Property Owners Association and to exercise the voting rights thereof. Such designation shall be valid until revoked in writing delivered to the secretary or until such Owner sells his Lot, whichever event shall first occur.

Section 4. Suspension of Membership and Voting Rights. During any period in which a Lot owner shall be in arrears for any taxes assessed by the Bear Paw Service District, the Board of Directors shall suspend the voting rights of the Lot owner until such time as the taxes are paid.

ARTICLE II. DEFINITIONS

The terms used in these By-laws, unless the context requires otherwise or unless otherwise specified herein, shall have the same meaning as in the Restrictions.

ARTICLE III. MEETINGS OF MEMBERS

Section 1. Place of Meetings. Meetings of the Property Owners Association shall be held at Bear Paw in Cherokee County, North Carolina, at such suitable place convenient to the members as may be designated by the Board of Directors.

Section 2. Annual Meeting. The annual meeting of the Property Owners Association shall be held in May at such time as may be designated by the Board of Directors.

Section 3. Special Meetings. Special meetings of the Property Owners Association may be called at any time by the President, by resolution of the Board of Directors, or upon the receipt by the Secretary of a petition signed by members holding greater than fifteen (15%) percent of the total vote of the Property Owners Association. The call of a special meeting shall be by notice stating the date, time, place, purpose and order of business of such special meeting. Only the business stated in the notice may be transacted at a special meeting.

Section 4. Notice of Meetings. The Secretary shall mail a notice of each annual or special meeting, stating the purpose thereof as well as the time and place where it is to be held, to each member at the last address of such member furnished to the Secretary at least fifteen (15) but not more than forty-five (45) days prior to such meeting. Mailing notice as herein provided shall be deemed delivery thereof. Any member may waive notice of the meeting in writing either before or after the meeting. Attendance of a member at a meeting, either in person or by proxy, except for

the purpose of stating, at the beginning of the meeting, any objection to the transaction of business, shall constitute waiver of notice and any objection of any nature whatsoever as to the transaction of any business at such meeting. Notice given to one tenant in common, joint tenant or tenant by the entirety shall be deemed notice to all such Owners.

Section 5. Quorum. At all duly called meetings, regular or special, in which notice has been given as specified, a quorum shall consist of those members in attendance.

Section 6. Voting Rights. The Property Owners Association shall have one class of voting membership which shall consist of all Lot Owners whose membership has not been suspended in accordance with Article I, Section 3, above. A vote is not divisible nor may a vote be cast in part.

Section 7. Proxy. Vote may be cast in person or by a proxy. Proxies must be filed with the Secretary before the designated time of each meeting.

Section 8. Majority Vote. Acts authorized, approved or ratified by the casting of a majority of the votes represented at a meeting at which a quorum is present, in person or by proxy, shall be the acts of the Property Owners Association, except where a higher percentage vote is required by these By-Laws or by law, and shall be binding for all purposes.

Section 9. Alternative Method of Voting. In addition to voting in person or by proxy, issues, including election of directors, may be decided by written ballot in accordance with the procedures established in this section. (a) The President shall appoint a proctor who shall be responsible for supervising the election by written ballot, issuing all required notices, tallying the results and filing a written report of the election results. The proctor shall retain all written ballots for a period of sixty (60) days after any election; however, the ballots shall remain confidential unless the election results are contested, in which case, the Board of Directors shall appoint a special committee of not more than three (3) people to review the ballots, recount the ballots if necessary and certify the results of the election. For purposes of verifying the results of the election, the proctor shall turn over the ballots to the special committee who shall thereafter retain possession of the ballots. (b) The person or group of persons challenging the results of any election by written ballot shall have the right to propose one member who shall be appointed to the special committee reviewing the election. (c) The proctor shall mail a notice of any vote or election to be taken by written ballot to each member at the last address of such member maintained by the secretary of the corporation at least fifteen (15) days prior to the date on which all written ballots shall be returned to the proctor. The notice shall describe the election procedures, shall contain the written ballot and shall clearly state the date by which such written ballot shall be returned. (d) In the event it shall be determined that the Board of Directors shall be elected by written ballot, the secretary of the corporation shall notify the membership of the method of electing the Board of Directors at least thirty (30) days prior to the date on which the election is to take place and any member of the corporation shall have the right to declare his candidacy in writing with the secretary of the corporation. The ballot for such election shall contain not only the names of candidates proposed by any nominating committee but shall also contain the names of all other candidates seeking election. (e) Any election for Board of Directors of the corporation by written ballot may be conducted in connection with the annual meeting in which event, members in attendance at the annual meeting shall be permitted to vote for the election of the Board of Directors by written ballot only if such member has not previously filed a written ballot with the proctor of elections. (f) The Board of Directors shall have authority to issue such additional rules and regulations as may be necessary to implement this section of the Bylaws.

ARTICLE IV. BOARD OF DIRECTORS, NUMBERS, POWERS, MEETINGS.

Section 1. Numbers. The business and affairs of the Property Owners Association shall be governed by a Board of Directors (herein sometimes referred to as the "Board"), all of whom shall be property owners at all times during their terms as directors. There shall be seven (7) directors. Each director shall be at least twenty-one (21) years of age and any qualified director may be elected for a maximum of two consecutive two year terms. Each director shall hold office until his death, resignation, retirement, removal, disqualification, or his successor is elected and qualified.

Section 2. Powers and Duties. The Board of Directors shall manage and direct the affairs of the Property Owners Association, and, subject to any restrictions imposed by law, by the Restrictions, or these By-Laws, may exercise all the powers of the Property Owners Association. The Board of Directors shall exercise such duties and responsibilities as shall be incumbent upon it by law, the Restrictions, or these By-laws as it may deem necessary or appropriate in the exercise of its powers, including, without limitation, the collection of assessments and charges from the owners, the establishment and amendment from time to time of reasonable regulations governing the use of the common areas and facilities. The Board of Directors may require that all employees of the Property Owners Association handling, or responsible for, Property Owners Association funds shall furnish adequate fidelity bonds. The premium on such bonds shall be paid by the Property Owners Association.

Section 3. Election and Term of Office. At the first annual meeting of the Property Owners Association, the members shall elect four (4) directors for an initial term of one year, and three (3) directors for an initial term of two (2) years. At the expiration of the initial term of each respective director, his successor shall be elected for a term of two (2) years. Cumulative voting is not permitted.

Section 4. Vacancies. Vacancies on the board caused by any reason other than the removal of a Director by a vote of the Property Owners Association shall be filled by a vote of the majority of the remaining directors, even though they may constitute less than a quorum, and each person so elected shall be director until a successor is elected at the next annual meeting of the Property Owners Association. Vacancies caused by the removal shall be filled by vote of the Property Owners Association at the same meeting at which a director or directors are removed.

Section 5. Removal of Directors. At any regular or special meeting of the Property Owners Association duly called, any one or more directors may be removed with or without cause by vote of eighty percent (80%) of the total vote authorized to vote thereon, and a successor may then be elected to fill the vacancies thus created. Any director whose removal has been proposed by any Owner or Owners shall be given an opportunity to be heard at such meeting. Sale of his lot by a director shall automatically terminate his directorship.

Section 6. Annual Meeting. The annual meeting of the Board of Directors shall be held immediately following the annual meeting of the members of the Property Owners Association. At the annual meeting of the Board of Directors, officers of the Property Owners Association shall be elected for the succeeding year. In addition thereto, the Board of Directors shall nominate seven (7) persons as representatives of the Property Owners Association to serve on the Bear Paw Service District created by the Board of Commissioners for Cherokee County, North Carolina. The Board of Directors shall have the right to name itself as the representatives of the Property Owners Association; however, should any officer or director of the corporation refuse to serve as a representative to the Bear Paw Service District, then, and in that event, the Board of Directors shall have the right to nominate some other member of the Property Owners

Association as representative of the Property Owners Association to serve on the Bear Paw Service District. The Secretary of the Property Owners Association shall forthwith notify the Chairman of the Board of Commissioners of Cherokee County and the then President of the Bear Paw Service District in writing of the names and addresses of the nominees selected by the Board of Directors.

Section 7. Regular Meetings. Regular meetings of the Board of Directors may thereafter be held on such dates and at such place and hour as may be fixed from time to time by resolution of the Board. Notice of regular meetings of the Board shall be given to each Director, personally or by mail, telephone or telegraph, at least three (3) days prior to such meeting.

Section 8. Special Meetings. Special meetings of the Board of Directors may be called by the President on three (3) days notice to each Director, given personally or by mail, telephone or telegraph, which notice shall state the date, time, place (as hereinabove provided) and purpose of the meeting. Special meetings of the Board of Directors shall be called by the President or Secretary in like manner and on like notice upon the written request of at least three (3) directors.

Section 9. Waiver of Notice. Before or at any meeting of the Board of Directors any director may, in writing, waive notice of such meeting and such notice shall be deemed equivalent to the giving of such notice. Attendance by a director at any meeting of the Board shall be a waiver of notice by him of the date, time and place thereof. If all the directors are present at any meeting of the Board, no notice shall be required and any business may be transacted at such meeting.

Section 10. Quorum. At all meetings of the Board of Directors, a majority of then qualified directors shall constitute a quorum for the transaction of business, and the acts of the majority of the directors present at a meeting at which a quorum is present shall be the acts of the Board of Directors. If at any meeting of the Board of Directors, there be less than a quorum present, the majority of those present may adjourn the meeting from time to time. At such adjourned meeting, any business which might have been transacted at the meeting as originally called may be transacted without further notice.

Section 11. Compensation. No director shall receive compensation for any services rendered to the Property Owners Association nor shall the Property Owners Association make any loan, directly or indirectly, to a director; provided however, a director may be reimbursed for expense incurred in the performance of duties.

Section 12. Action of Board Without Meeting. The Board of Directors shall have the right to take any action which it could take at a meeting by obtaining the written approval of all directors thereto. Any action so approved by -- shall have the same effect as though taken -- a meeting of the Board.

Section 13. Liability of Directors. No director shall be liable to any Owner for injury or damage caused by such director in the performance of his duties unless due to the willful misfeasance or malfeasance of such director. Furthermore, each director shall be indemnified by the Property Owners Association against all liabilities and expenses, including attorney fees reasonably incurred and imposed upon him in connection with any proceeding to which he may be a party or in which he becomes involved by reason of his being or having been a director of the Property Owners Association, whether or not he is director of the Property Owners Association at the time such expenses and liabilities are incurred, except in such cases where the director is adjudged guilty of willful misfeasance or malfeasance in the performance of his duties; provided; however, that in the event of a settlement, the indemnification shall apply only when the Board approves such settlement as being in the best interest of the Property Owners Association.

ARTICLE V. OFFICERS.

Section 1. Numbers and Election. There shall be elected annually by and from the Board of Directors, a President (who shall also be Chairman of the Board), a Vice President, a Secretary and a Treasurer. The office of the Secretary and Treasurer may be filled by the same person. The Directors may also elect from time to time, such other officers as in their judgment are needed.

Section 2. Removal and Vacancies. Except as herein provided to the contrary, the officers shall be elected annually and hold office at the pleasure of the Board. A vacancy in any office may be filled by the Board at its next meeting. The officer elected to such vacancy shall serve for the remainder of the term of the officer he replaces.

Section 3. Duties. The duties of the officers shall be as follows:

President: The president shall be the chief executive officer and shall preside at all meetings of the Board of Directors and the Property Owners Association, shall see that orders and resolutions of the Board are carried out, shall appoint committees consisting of members of the Property Owners Association as in his opinion is necessary, shall co-sign with the Treasurer all checks, promissory notes and similar documents, if any, and shall perform such other duties as may be delegated to him by the Board. He shall have all general powers and duties which are incident to the office of President of a corporation organized in North Carolina, and control management of the Property Owners Association in accordance with such act and By-Laws.

Vice President: In the absence of the President, the Vice President shall exercise all of the duties of the President or such other powers and duties as may be conferred upon the Vice President by the Board.

Secretary: The Secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board and the Property Owners Association; keep appropriate current records, showing the members of the Property Owners Association together with their addresses and designating those members entitled to vote; keep custody of and attest the sale of the Property Owners Association; and perform such other duties as may be required of him by the Board or incident to the office of Secretary of a corporation organized in North Carolina.

Treasurer: The Treasurer shall be responsible for the funds of the Property Owners Association, shall co-sign with the President all checks, promissory notes and similar documents, if any, shall maintain full and accurate fiscal accounts and records, and shall perform other duties as may be designated by the Board or incident to the office of Treasurer of a corporation organized in North Carolina.

Section 4. Compensation. Officers may not be compensated for the usual or ordinary services rendered to the Property Owners Association incident to their offices, nor shall the Property Owners Association make loans, either directly or indirectly, to any officer of the Property Owners Association. The officers may be reimbursed for reasonable expenses incurred on behalf of the Property Owners Association.

Section 5. Liability of Officers. No officer shall be liable to an Owner for injury or damage caused by such officer in the performance of his duties unless due to the willful misfeasance or malfeasance of such officer. Furthermore, each officer shall be indemnified by the Property Owners Association against all liabilities and expenses, including attorney fees, reasonably

incurred and imposed upon him in connection with any proceeding to which he may be a party or in which he becomes involved by reason of his being or having been an officer of the Property Owners Association at the time such expenses and liabilities are incurred, except in such cases where the officer is adjudged guilty of willful misfeasance or malfeasance in the performance of his duties; provided however, in the event of a settlement the indemnification shall apply only when the Board approves such settlement as being in the best interests of the Property Owners Association.

ARTICLE VI. COMPLIANCE

These By-Laws are set forth to comply with the requirements of Chapter 55A, as amended, of the General Statutes of North Carolina. In the event any of these By-Laws conflict with the provisions of said chapter, the provisions of the chapter will control.

ARTICLE VII. BOOKS AND RECORDS.

The books, records and papers of the Property Owners Association shall at all times during reasonable business hours be subject to inspection by any member of the principal office of the Property Owners Association. The By-Laws of the

Property Owners Association shall be available for inspection by any member at the principal office of the Property Owners Association, where copies may be purchased for a reasonable price.

ARTICLE VIII. ASSOCIATION SEAL.

The Property Owners Association shall have a seal in circular form having within its circumference the words: "Bear Paw Property Owners Association, Inc."

ARTICLE IX. AMENDMENTS.

These By-Laws may be amended by a vote of not less than seventy-five percent (75%) of Lot owners voting on such amendments. Proposed amendments to the By-Laws shall be mailed to each Lot owner and voting may be conducted by mail with the mailing and tabulation of the votes to be supervised by independent voting officials appointed by the Board of Directors. For purposes of this section, mailing the proposed amendments and the ballot shall be deemed sufficient if deposited in the U. S. Mail, postage prepaid, and addressed to the member at the address shown on the Cherokee County tax bill unless the member has advised the Property Owners Association of a current address.