

BYLAWS FOR
BROAD & GALES CREEK COMMUNITY ASSOCIATION
(A NONPROFIT CORPORATION)

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BYLAWS
OF
BROAD & GALES CREEK COMMUNITY ASSOCIATION

MISSION STATEMENT

The mission of the Broad & Gales Creek Community Association is to provide for the betterment, development and welfare of the communities of Broad and Gales Creek in Carteret County, North Carolina, including the promotion of fire prevention and to provide high quality fire and rescue services within the Broad and Gales Creek Fire District as delineated by the Carteret County Board of Commissioners.

ARTICLE 1

OFFICES

Section 1.1 Principal Office: The principal office of the Association shall be located in Carteret County, North Carolina.

Section 1.2 Registered Office: The registered office of the Association required by the North Carolina Nonprofit Corporation Act to be maintained in the State of North Carolina may be, but need not be, identical with the principal office.

Section 1.3 Other Offices: The Association may have offices at such other places, either within or without the State of North Carolina, as the Board of Directors from time to time may determine, or as the affairs of the Association from time to time may require.

ARTICLE 2

MEMBERS

Section 2.1 Membership: All persons eighteen (18) years of age or older owning property, land, a dwelling, a business establishment, or other property ("Ownership Interest") subject to fire tax within the Broad and Gales Creek Fire District shall automatically become members.

Section 2.2 Transfer of Membership: Memberships are not transferable and no member shall have any property right in the Association, the property owned thereby, or in any membership therein.

Section 2.3 Membership Benefits: The Association may issue certificates, cards or other indicia of membership that the Board of Directors may determine to be appropriate, and the members shall be entitled to such other benefits as may be from time to time determined by the Board of Directors.

Section 2.4 Suspension or Termination of Membership Rights: The membership rights of a member shall not be suspended so long as the member continues to hold an Ownership Interest and is not in violation of any rule or regulation adopted by the Association. Membership in the Association shall terminate automatically upon divestment of such member's Ownership Interest regardless of the means by which such ownership may be divested. Membership rights also shall terminate upon the resignation or death of a member. Upon termination for any cause of membership in the Association, all of the right, title and interest of such member shall cease and revert to the Association.

ARTICLE 3

MEETINGS OF MEMBERS

Section 3.1 Place of Meetings: All meetings of members shall be held at the principal office of the Association or at such other place within the State of North Carolina as shall be designated in the notice of the meeting.

Section 3.2 Annual Meetings: The annual meeting of members shall be held at such date and time as may be determined on an annual basis by the Board of Directors and stated in the notice of such members' meeting. The annual meeting of members shall be held for the purpose of electing directors of the Association, such other purposes as may be included in the notice of such meeting.

Section 3.3 Special Meetings: Special meetings of the members may be called at any time by (a) the President, or (b) the Board of Directors of the Association, or (c) the holders of at least ten percent (10%) of all the votes entitled to be cast on any issue proposed in such request to be considered at the meeting and in which case shall be noticed by the Secretary of the Association within thirty (30) days upon receipt of a written request signed, dated and received by the Secretary. The signatures on a petition requesting a special meeting shall be valid for a period of ninety (90) days after the date of the first signature. The call for special meeting shall: (1) specify the time and place at which the meeting is to be held, which place must be in Carteret County, North Carolina; (2) either specify a date on which the meeting is to be held which date will allow the Secretary to comply with all notice provisions of this Article or else specify that the Secretary shall designate the date of the meeting; (3) specify the purposes for which the meeting is to be held; and (4) be delivered to the Secretary in writing.

Section 3.4 Notice of Meetings: Notice of meetings of members shall be given by the President, Secretary, or other person calling the meeting by any means that is fair and reasonable, and for this purpose, written or printed notice stating the time, place, and date of the meeting shall be delivered (a) not less than ten (10) nor more than sixty (60) days before the date thereof, or (b) not less than thirty (30) nor more than sixty (60) days before the date thereof, if such notice is mailed by other than first class, registered, or certified mail, to each member of record entitled to vote at such meeting, unless the North Carolina Nonprofit Corporation Act or the Association's Articles of Incorporation require that such notice be given to all members with

respect to such meeting. For this purpose, notice may be delivered in person; by electronic mail, or other form of wire or wireless communication, or by facsimile transmission; or by mail or private carrier. If mailed, such notice shall be deemed to be effective when deposited in the United States mail, correctly addressed to the member at the member's address as it appears on the current record of members of the Association, with postage thereon prepaid.

Notwithstanding the foregoing, if the notice provided for above clearly would not be fair and reasonable under the circumstances then existing, then notice appropriate for the circumstances shall be given; PROVIDED, HOWEVER, that notice for a meeting where any of the following matters are to be approved in all events shall be given as provided in the first paragraph of this Section: (i) director conflict of interest or indemnification, (ii) amendment to the Association's Articles of Incorporation, (iii) plan of merger or dissolution, or (iv) a sale of assets other than in the regular course of the Association's activities.

In the case of an annual or regular meeting of members, the notice of meeting need not specifically state the business to be transacted thereat or include a copy or summary of any proposed action, unless any of the foregoing expressly is required by the provisions of the North Carolina Nonprofit Corporation Act. In the case of a special meeting, the notice of meeting specifically shall state the purpose or purposes for which the meeting is called, and only those matters which are stated in the notice may be acted upon at a special meeting of members.

Also, notice of an annual, regular, or special meeting of members shall give notice of any matter a member intends to raise at the meeting if the Association receives a written request to do so by members entitled to call a special meeting pursuant to Section 3.3 ("Special Meetings") of this Article, and such written request is received by the Secretary or President of the Association at least ten (10) days before the Association gives notice of such meeting.

If any meeting of members is adjourned to a different date, time, or place, notice need not be given of the new date, time, or place if the new date, time, or place is announced at the meeting before adjournment and if a new record date is not fixed for the adjourned meeting. If a new record date for the adjourned meeting is or must be fixed pursuant to North Carolina law, notice of the adjourned meeting must be given as provided in this Section to the members of record entitled to vote at the meeting as of the new record date.

Section 3.5 Waiver of Notice: Any member may waive notice of any meeting before or after the meeting. The waiver must be in writing, signed by the member, and delivered to the Association for inclusion in the minutes or filing with the corporate records. A member's attendance, in person or by proxy, at a meeting (a) waives objection to lack of notice or defective notice of the meeting, unless the member or the member's proxy at the beginning of the meeting objects to holding the meeting or transacting business thereat, and (b) waives objection to consideration of a particular matter at the meeting that is not within the purpose or purposes described in the meeting notice, unless the member or the member's proxy objects to considering the matter before it is voted upon.

Section 3.6 Quorum: Unless provided otherwise by the North Carolina Nonprofit Corporation Act, the Association's Articles of Incorporation or these Bylaws, ten percent (10%) of the votes entitled to be cast on a matter, represented in person or by proxy, shall constitute a quorum on that matter at the opening of a meeting of members. Once a member is represented for any purpose at a meeting, such member is deemed present for quorum purposes for the remainder of the meeting and for any adjournment of that meeting unless a new record date is or must be set for that adjourned meeting.

Section 3.7 Manner of Voting: Members may vote either in person, by written ballot or by one or more agents authorized by a written proxy executed by the member or by the member's duly authorized attorney-in-fact. A proxy is valid for eleven (11) months from the date of its execution unless a different period is expressly provided therein.

Section 3.8 Voting: Members shall only have voting rights with respect to electing directors. Within the sole discretion of the Board of Directors, the directors may submit other matters to the members for a vote. Each member is entitled to one vote on each matter submitted to a vote at a meeting of members. Except in the election of directors as provided in Section 4.3 of Article IV, if a quorum is present, action on a matter at a meeting of members is approved by the affirmative vote of a majority of the votes cast, unless a greater vote is required by the North Carolina Nonprofit Corporation Act, the Association's Articles of Incorporation, or these Bylaws.

Section 3.9 Order of Business. Unless otherwise specified in the notice of the meeting, the order of business at all meetings of the Association shall be as follows: (1) roll call or proof of quorum; (2) reading of the minutes of the preceding meeting; (3) reports of officers, directors, committees, fire department, and EMS; (4) election of directors; (5) new membership; (6) old business; and (7) new business; provided, however, that the voting for election of directors may commence at any time at the direction of the presiding officer.

Section 3.10 Conduct of Meetings. The President shall preside over all meetings of the Association and the Secretary shall keep the minutes of the meetings and record all resolutions adopted at the meetings and proceedings occurring at such meetings. The President shall, in his reasonable discretion, determine the procedural manner in which each meeting shall be conducted and such meeting need not be conducted according to *Robert's Rules of Order Newly Revised* unless a majority of the Board so requires.

Section 3.11 Informal Action: Any action which may be taken at a meeting of the members may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the persons who would be entitled to vote upon such action at a meeting, and delivered to the Secretary of the Association for inclusion in the minutes or filing with the corporate records.

Section 3.12 Action by Written Ballot: Any action that may be taken at any annual, regular, or special meeting of Members may be taken without a meeting if the Association delivers a written ballot to every Member entitled to vote on the matter. A written

ballot shall: (a) set forth each proposed action, and (b) provide an opportunity to vote for or against each proposed action. Approval by written ballot pursuant to this section shall be valid only when the number of votes cast by ballot equals or exceeds the quorum required to be present at a meeting authorizing the action, and the number of approvals equals or exceeds the number of votes that would be required to approve the matter at a meeting at which the same total number of votes were cast. All solicitations for votes by written ballot shall indicate the time by which a ballot shall be received by the Association in order to be counted. A written ballot shall not be revoked.

Section 3.13 Record Date: Members at the close of business on the business day preceding the day on which notice of a members' meeting is given are entitled to notice of such meeting, and members on the date of a members' meeting who are otherwise eligible to vote are entitled to vote at such members' meeting.

ARTICLE 4

BOARD OF DIRECTORS

Section 4.1 General Powers: The activities and affairs of the Association shall be managed and directed by the Board of Directors or by such Executive Committee or other committees as the Board may establish pursuant to these Bylaws.

Section 4.2 Number, Term, and Qualifications: The number of directors constituting the Board of Directors of the Association, including the Ex-Officio Directors described in Section 4.3(a) below, shall be eleven (11). Members of the Board of Directors shall be at least twenty-one (21) years of age and no more than one director shall reside in the same household. Each director, except for the Ex-Officio Directors, shall hold office for a term of two years or until such director's death, resignation, retirement, removal, or disqualification, or until election, designation or appointment as may be applicable and qualification of such director's successor.

Section 4.3 Directors: a) Ex-Officio Directors. The Ex-Officio Directors shall be the person who occupies the position of Chief of the Broad & Gales Creek Fire Department ("Fire Chief") and the person who occupies the position of Chief of the Broad and Gales Creek EMS, Inc. ("EMS Chief"). The Ex-Officio Directors shall be non-voting members of the Board of Directors.

b) Elected Directors. Except as provided in Section 4.5 of this Article, the directors, excluding the Ex-Officio Directors, shall be elected at the annual meeting of members and four (4) directors shall be elected during odd calendar years and five (5) directors shall be elected during even calendar years. Those persons who receive the highest number of votes by the members entitled to vote in the election at a meeting at which a quorum is present shall be deemed to have been elected. All ties shall be broken by coin-toss.

Section 4.4 Removal: a) Any director, except an Ex-Officio Director, may be removed from office at any time with or without cause by a vote of members whenever the number of votes cast in favor of removal of the director exceeds the number of votes cast against such removal. A director may not be removed by the members at a meeting unless the notice of the meeting states that the purpose, or one of the purposes, of the meeting is removal of the director. If any directors are so removed, new directors may be elected at the same meeting.

b) The Ex-Officio Director may be removed from office by an amendment to these Bylaws deleting or changing the provisions setting forth the Ex-Officio Director.

Section 4.5 Vacancies: a) If a vacancy occurs in the Board of Directors, excluding a vacancy of an Ex-Officio Director position, the Board of Directors may fill the vacancy. If the directors in office do not constitute a quorum of the Board, the directors may fill the vacancy by the affirmative vote of a majority of the remaining directors, or by the sole remaining director, as the case may be. The term of a director filling a vacancy expires at the end of the unexpired term that such director is filling.

b) A vacancy of an Ex-Officio Director position shall remain vacant until such time as a person or temporary replacement is designated as Fire Chief or EMS Chief, at which time such person or temporary replacement shall become a director of the Association.

Section 4.6 Compensation of Directors: No salary or other compensation shall be paid by the Association to any director of the Association for serving or acting as such, but this shall not preclude the payment of salary or other compensation for the performance by any person serving as a director for services provided to the Association in a capacity other than that of director nor shall it preclude the reimbursement of reasonable, ordinary and necessary expenses incurred in serving or acting as a director.

Section 4.7 Fire Department: a) Firefighters. The Board of Directors shall have the authority to employ firefighters to serve the Broad & Gales Creek Community and provide such compensation to be fixed by the Board. Within the Board's discretion, the Board may consider candidates for employment based on recommendations from the Fire Chief.

b) Fire Chief. The Chief of the Broad & Gales Creek Fire Department shall be selected by the Board of Directors. Such selection may be held at any regular or special meeting of the Board. The Fire Chief shall hold such position until death, resignation, retirement, or removal by the Board of Directors. The Fire Chief shall perform all duties incident to his or her position and such other duties as from time to time may be assigned by the Board of Directors

Section 4.8 Committees of the Board: The Board of Directors, by resolution of a majority of directors in office, may designate two or more directors to constitute an Executive Committee and such other committees as the Board shall deem advisable, each of which, to the extent authorized by the North Carolina Nonprofit Corporation Act and provided in such resolution, shall have and may exercise all of the authority of the Board of Directors in the management of the Association. Each committee member serves at the pleasure of the Board of Directors. The provisions of these Bylaws governing meetings, action without meeting, notice

and waiver of notice, and quorum and voting requirements of the Board of Directors apply to any committees of the Board of Directors established pursuant to this Section. The designation of any committee of the Board of Directors and the delegation thereto of the Board's authority shall not operate to relieve the Board of Directors, or any member thereof, of any responsibility imposed upon him or her by law.

Section 4.9 Other Committees: Other committees not having and exercising the authority of the Board of Directors in the management of the Association may be designated by resolution adopted by a majority of the directors present at a meeting at which a quorum is present. Such committee shall have such duties and responsibilities as may be set forth in the resolution designating the committee. For committees set up under this Section 4.9 to which decision making authority is delegated by the Board of Directors, the provisions of these Bylaws governing meetings, action without meeting, notice and waiver of notice, quorum and voting requirements of the Board of Directors shall apply to any such committees. Further such committees shall keep a written record of actions taken by such committees.

ARTICLE 5

MEETINGS OF DIRECTORS

Section 5.1 Types of Meetings. Regular meetings of the Board of Directors may be held at such time and place as shall be determined from time to time by a majority of the directors; provided, however, such meetings shall be held at least quarterly during each fiscal year. Special meetings of the Board of Directors may be called by the President, and shall be called by the President or Secretary upon the written request of at least two (2) directors. The President or presiding officer may call the Board into executive session on sensitive matters such as personnel or litigation strategy. Any final action taken by the Board in executive session shall be recorded in the minutes.

Section 5.2 Notice of Meetings: Regular meetings of the Board of Directors may be held without notice. The person or persons calling a special meeting of the Board of Directors, at least two (2) days before the meeting, shall give notice thereof by any usual means of communication. Such notice need not specify the purpose for which the meeting is called. Any duly convened regular or special meeting may be adjourned by the directors to a later time without further notice.

Section 5.3 Waiver of Notice: Any director may waive notice of any meeting before or after the meeting. The waiver must be in writing, signed by the director entitled to the notice, and delivered to the Association for inclusion in the minutes or filing with the corporate records. The attendance by a director at, or the participation of a director in, a meeting shall constitute a waiver of any required notice of such meeting, unless the director, at the beginning of the meeting (or promptly upon the director's arrival thereat), objects to holding the meeting or to transacting any business at the meeting and does not thereafter vote for or assent to action taken at the meeting.

Section 5.4 Quorum: A majority of the Board of Directors in office immediately before a meeting begins shall constitute a quorum for the transaction of business at any meeting of the Board of Directors. The Board of Directors may participate in any meeting by, or conduct the meeting through the use of, any means of communication in which all directors participating may simultaneously hear each other during the meeting.

Section 5.5 Voting and Manner of Acting: Each director shall be entitled to one (1) vote on all matters that come before the Association. Unless a higher vote is required by the Association's Articles of Incorporation or these Bylaws or the North Carolina Nonprofit Corporation Act, the act of the majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.

Section 5.6 Presumption of Assent: A director of the Association who is present at a meeting of the Board of Directors or at a meeting of any committee of the Board of Directors at which action on any corporate matter is taken shall be presumed to have assented to the action taken unless (a) such director objects at the beginning of the meeting (or promptly upon the director's arrival thereat) to holding the meeting or to transacting any business at the meeting, or (b) such director's contrary vote is recorded or such director's dissent or abstention from the action taken otherwise is entered in the minutes of the meeting, or (c) such director files written notice of dissent or abstention to such action with the person presiding at the meeting before the adjournment thereof or forwards such notice by registered mail to the Secretary of the Association immediately after the adjournment of the meeting. Such right of dissent or abstention is not available to a director who voted in favor of the action taken.

Section 5.7 Action by Directors Without Meeting: Action required or permitted to be taken at a meeting of the Board of Directors may be taken without a meeting if the action is taken by all members of the Board and evidenced by one or more written consents signed by each director before or after such action, describing the action taken, and delivered to the Secretary of the Association for inclusion in the minutes or filing with the corporate records.

ARTICLE 6

OFFICERS

Section 6.1 Designation and Duties of Officers: The principal officers of the Association shall be the President (who shall also serve as Chairman of the Board of Directors), the Vice President, the Secretary and the Treasurer, all of whom shall be elected by the Board of Directors. The Board of Directors may also elect an assistant treasurer, an assistant secretary and such other officers as in its judgment may be necessary. Each officer shall perform such duties as are normally associated with such office in parliamentary organizations, except to the extent, if any, inconsistent with these Bylaws, and shall perform such other duties as may be assigned to such office by resolution of the Board of Directors. If any officer is unable for any reason to perform the duties of the office, the President (or the Board of Directors if the President fails to do so) may appoint another qualified individual to act in such officer's stead on an interim basis.

Any two (2) or more offices may be held by the same person, except that no officer may act in more than one capacity where action of two (2) or more officers is required.

Section 6.2 Election and Term: The officers of the Association shall be elected by the Board of Directors. Such elections may be held at any regular or special meeting of the Board. Each officer shall hold office for a term of one (1) year or until such officer's death, resignation, retirement, removal, or disqualification, or until the election and qualification of such officer's successor.

Section 6.3 Removal and Resignation: Any officer or agent may be removed by the Board of Directors at any time with or without cause; but such removal shall be without prejudice to the contract rights, if any, of the person so removed. An officer may resign at any time by notifying the Association, orally or in writing, of such resignation. A resignation shall be effective upon receipt by the Association unless it specifies in writing a later effective date. If a resignation is made effective at a later date, the Board of Directors may fill the pending vacancy prior to such date; however, the successor to the resigning officer may not take office until the effective date. An officer's resignation does not affect the Association's contract rights, if any, with such officer.

Section 6.4 Vacancies: A vacancy in any office may be filled by appointment by the Board of Directors. The individual appointed to fill a vacancy shall serve for the remainder of the term of the officer such individual replaces.

Section 6.5 President: The President shall be the principal executive officer of the Association and, subject to the control of the Board of Directors, shall supervise and control the management of the Association in accordance with these Bylaws. The President, with any other proper officer, may sign any deeds, leases, mortgages, bonds, contracts or other instruments which lawfully may be executed on behalf of the Association, except where required or permitted by law otherwise to be signed and executed and except where the signing and execution thereof shall be delegated by the Board of Directors to some other officer or agent. In general, the President shall perform all duties incident to the office of President and such other duties as from time to time may be assigned by the Board of Directors.

Section 6.6 Vice President: In the absence of the President or in the event of the President's death, inability, or refusal to act, the Vice President shall perform the duties of the President, and when so acting shall have all the powers of and be subject to all the restrictions upon the President. The Vice President shall perform such other duties as from time to time may be assigned by the President or by the Board of Directors.

Section 6.7 Secretary: The Secretary shall keep accurate records of the acts and proceedings of all meetings of directors. The Secretary shall give all notices required by law and by these Bylaws. The Secretary shall have general charge of the corporate books and records and of the corporate seal, and shall affix the corporate seal to any lawfully executed instrument requiring it. The Secretary shall keep all records required by law at the principal office of the Association. The Secretary shall sign such instruments as may require the Secretary's signature.

In general, the Secretary shall perform all duties incident to the office of Secretary and such other duties as from time to time may be assigned by the President or by the Board of Directors.

Section 6.8 Assistant Secretaries: In the absence of the Secretary or in the event of the Secretary's death, inability or refusal to act, the Assistant Secretaries in the order of their length of service as Assistant Secretaries, unless otherwise determined by the Board of Directors, shall perform the duties of the Secretary, and when so acting shall have all the powers of and be subject to all the restrictions upon the Secretary. Assistant Secretaries shall perform such other duties as from time to time may be assigned by the Secretary, by the President, or by the Board of Directors.

Section 6.9 Treasurer: The Treasurer shall have custody of all funds and securities belonging to the Association and shall receive, deposit, or disburse the same under the direction of the Board of Directors. The Treasurer shall maintain appropriate accounting records as may be required by law and shall prepare and submit financial reports to the Board of Directors. In general, the Treasurer shall perform all duties incident to the office of Treasurer and such other duties as from time to time may be assigned by the President or by the Board of Directors.

Section 6.10 Assistant Treasurer: In the absence of the Treasurer or in the event of the Treasurer's death, inability or refusal to act, the Assistant Treasurers in the order of their length of service as Assistant Treasurers, unless otherwise determined by the Board of Directors, shall perform the duties of the Treasurer, and when so acting shall have all the powers of and be subject to all the restrictions upon the Treasurer. Assistant Treasurers shall perform such other duties as from time to time may be assigned by the Treasurer, by the President, or by the Board of Directors.

Section 6.11 Compensation of Officers: No salary or other compensation shall be paid by the Corporation to any officer of the Association for serving or acting as such, but this shall not preclude the payment of salary or other compensation for the performance by any person serving as an officer for services provided to the Association in a capacity other than that of officer nor shall it preclude the reimbursement of reasonable, ordinary and necessary expenses incurred in serving or acting as an officer.

ARTICLE 7

CONTRACTS, CHECKS, DEPOSITS AND FUNDS

Section 7.1 Contracts: The Board of Directors may authorize any officer or officers, agent or agents of the Association, in addition to the officers so authorized by these Bylaws, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Association, and such authority may be general or confined to specific instances.

Section 7.2 Checks: All checks, drafts, or orders for payment of money, notes or other evidences of indebtedness issued in the name of the Association, shall be signed by such officer or officers, agent or agents of the Association and in such manner as shall from time to

time be determined by resolution of the Board of Directors. Within its discretion, the Board of Directors may establish additional policies and procedures with respect to disbursements from the Association.

Section 7.3 Deposits: All funds of the Association shall be deposited from time to time to the credit of the Association in such bank as the Board of Directors may select.

Section 7.4 Gifts: The Board of Directors may accept on behalf of the Association any contribution, gift, public or community funds and donations, bequest or devise for the general purposes or for any special purpose of the Association.

Section 7.5 Loans: No loans shall be contracted on behalf of the Association and no evidences of indebtedness shall be issued in its name unless authorized by a resolution of the Board of Directors. Such authority may be general or specific in nature and scope. Notwithstanding the foregoing, no loan, guaranty, or other form of security shall be made or provided by the Association to or for the benefit of any of its directors, officers, or employees. Within its discretion, the Board of Directors may establish additional policies and procedures with respect to the Association's debt.

ARTICLE 8

BOOKS AND RECORDS

Section 8.1 Maintenance of Books and Records and Financial Review: The Association shall keep books and records as required by Article 16 of the Nonprofit Corporation Act. The Association may cause to be adopted procedures for such level of financial review and compilation of the Association as the Board of Directors may determine appropriate, which may include an audit or some lesser level of review.

Section 8.2 Availability: The books and records of the Association shall be available for inspection by the members and their attorneys and accountants pursuant to the terms and conditions of Article 16 of the North Carolina Nonprofit Corporation Act.

Section 8.3 Fiscal Year: The fiscal year of the Corporation shall be fixed by the Board of Directors.

Section 8.4 Seal: The Board of Directors of the Association shall provide a corporate seal with the name of Association inscribed thereon.

ARTICLE 9

AMENDMENTS TO BYLAWS

Except as may be otherwise provided by the North Carolina Nonprofit Corporation Act, these Bylaws may be amended or repealed and new bylaws may be adopted by the Board of Directors. The Members are not entitled to vote on amendments to the Bylaws. The Association

shall provide at least five (5) days written notice of any meeting of directors at which an amendment to the Bylaws is to be voted upon, and such notice shall state that the purpose, or one of the purposes, of the meeting is to consider a proposed amendment to the Bylaws and shall contain or be accompanied by a copy or summary of the amendment or state the general nature of the amendment. Any amendment to the Bylaws shall be approved by a majority of the directors in office at the time that such amendment is adopted.

ARTICLE 10

INDEMNIFICATION

The Association shall indemnify, to the fullest extent permitted by law and this Article, any person who is or was a party or is threatened to be made a party to any threatened, pending, or completed action, suit, or proceeding (and any appeal therein), whether civil, criminal, administrative, arbitrative, or investigative, and whether brought by or on behalf of the Association, by reason of the fact that such person is or was a director or officer of the Association, or is or was serving at the request of the Association as a director, officer, partner, trustee, employee, or agent of another Association, partnership, joint venture, trust, or other enterprise or as a trustee or administrator under an employee benefit plan, or arising out of such party's activities in any of the foregoing capacities, against all reasonable liability and litigation expense, including reasonable attorney fees; PROVIDED, HOWEVER, THAT the Association shall not indemnify any such person against liability or expense incurred on account of such person's activities which were at the time taken known or believed by such person to be clearly in conflict with the best interests of the Association or if such person received an improper personal benefit from such activities. The Association likewise shall indemnify any such person for all reasonable costs and expenses (including attorney fees) incurred by such person in connection with the enforcement of such person's right to indemnification granted herein.

The Association shall pay all reasonable expenses incurred by any claimant hereunder in defending a civil or criminal action, suit, or proceeding as set forth above in advance of the final disposition of such action, suit, or proceeding upon receipt of and undertaking by or on behalf of such claimant to repay such amount unless it ultimately shall be determined that such claimant is entitled to be indemnified by the Association against such expenses.

The Board of Directors of the Association shall take all such action as may be necessary and appropriate to authorize the Association to pay the indemnification required by this Bylaw, including without limitation, a determination by a majority vote of disinterested directors (a) that the activities giving rise to the liability or expense for which indemnification is requested were not, at the time taken, known or believed by the person requesting indemnification to be clearly in conflict with the best interests of the Association, and (b) that the person requesting indemnification did not receive an improper personal benefit from the activities giving rise to the liability or expense for which indemnification is requested.

Any person who at any time after the adoption of this Bylaw serves or has served in any of the aforesaid capacities for or on behalf of the Association shall be deemed to be doing or

to have done so in reliance upon, and as consideration for, the right of indemnification provided herein. Such right shall inure to the benefit of the legal representatives of any such person and shall not be exclusive of any other rights to which such person may be entitled apart from the provision of this Bylaw.

ARTICLE 11

NOTICES

Except as specifically provided otherwise in these Bylaws or the or the Nonprofit Corporation Act, all notices, demands, bills, statements or other communications shall be in writing and shall be deemed to have been duly given if delivered personally or sent by United States mail, postage prepaid, or if notification is of a default or lien, sent by registered or certified United States mail, return receipt requested, postage prepaid: (a) if to an Member, at the address which the Member shall designate in writing and file with the Secretary and (b) if to the Board of Directors, at the Association's principal office.