

BY-LAWS
OF
HERITAGE MOUNTAIN ESTATES
PROPERTY OWNERS ASSOCIATION, INC.

ARTICLE I

NAME AND LOCATION. The name of the corporation is HERITAGE MOUNTAIN ESTATES PROPERTY OWNERS ASSOCIATION, INC. hereinafter referred to as the "Association". The principal office of the Association shall be located at Otto, North Carolina 28763, County of Macon, or at such other place as may be designated by the Board of Directors.

ARTICLE II
DEFINITIONS

Section 1. "Association" shall mean and refer to Heritage Mountain Estates Property Owners Association, Inc. its successors and assigns.

Section 2. "Properties" shall mean and refer to that certain subdivision of real property known as Heritage Mountain Estates, in Smithbridge Township, Macon County, North Carolina, and such additions thereto as may hereafter be brought within the jurisdiction of the Association.

Section 3. "Common Area" shall mean streets, utilities, and all real property maintained by the Association for the common use and enjoyment of the Owners.

Section 4. "Lot" shall mean and refer to any plot of land shown upon any recorded or unrecorded subdivision map of the Properties with the exception of the Common Area real estate. Ownership of more than one lot shall not be considered a single "lot" for voting purposes and each lot shall be assessed separately for Association purposes.

Section 5. "Owner" or "member" shall mean and refer to the record owner, whether one or more persons or entities, of the fee simple title to any Lot which is a part of the Properties, including contract sellers, but excluding those having such interest merely as security for the performance of an obligation.

Section 6. "Member" or "owner" shall mean and refer to those persons entitled to membership as hereinafter provided in the Declaration.

ARTICLE III MEETING OF MEMBERS

Section 1. Annual Meetings. The annual meeting of the members shall be held on the Saturday of Labor Day weekend, and each subsequent regular annual meeting of the members shall be held on the same Saturday of Labor Day weekend at a time and place to be designated in advance by the Board.

Section 2. Special Meetings. Special meetings of the members may be called at any time by the president or by the Board of Directors, or upon written request of 15 members who are entitled to vote.

Section 3. Notice of Meetings. Written notice of each meeting of the members shall be given by, or at the direction of, the secretary or person authorized to call the meeting, by mailing a copy of such notice at least 15 days before such meeting to each member entitled to vote, addressed to the member's address last appearing on the books of the Association, or supplied by such member to the Association for the purpose of notice. Such notice shall specify the place, day and hour of the meeting, and, in the case of a special meeting, the purpose of the meeting.

Section 4. Quorum. The presence at the meeting of members entitled to cast of one-tenth (1/10th) of the votes of the

membership shall constitute a quorum for any action except as otherwise provided in the Articles of Incorporation, or these By-Laws. If, however, such quorum shall not be present or represented at any meeting, the members entitled to vote thereat shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum as aforesaid shall be present or be represented.

Section 5. Proxies. At all meetings of members, each member may vote in person or by proxy. All proxies shall be in writing and filed with the secretary. Every proxy shall be revocable and shall automatically cease upon conveyance of his Lot by the member.

ARTICLE IV

BOARD OF DIRECTORS: SELECTION: TERM OF OFFICE

Section 1. Number. The affairs of this Association shall be managed by a Board of not less than three (3) nor more than nine (9) directors, who shall be members of the Association. There shall be seven (7) members of the initial Board of Directors.

Section 2. Term of Office. At the first annual meeting of the members shall elect seven (7) directors for a term of one (1) year, and at each annual meeting thereafter the members shall elect, or re-elect, the new directors for the next term of one (1) year. The term of office shall begin immediately following each annual meeting.

Section 3. Removal. Any director may be removed from the Board, with cause, by a majority vote of the members of the Association. In the event of death, resignation or removal of a director, his successor shall be selected by the remaining members of the Board and shall serve for the unexpired term of his predecessor.

Section 4. Compensation. No director shall receive compensation for any service he may render to the Association. However, any director may be reimbursed for his actual expenses incurred in the performance of his duties.

Section 5. Action Taken Without a Meeting. The directors shall have the right to take any action in the absence of a meeting which they could take at a meeting by obtaining the approval of all the directors. Any action so approved shall have the same effect as though taken at a meeting of the directors.

Section 6. Who May Serve As A Director. Only owners shall be eligible to serve as a director.

ARTICLE V

NOMINATION AND ELECTION OF DIRECTORS

Section 1. Nomination. Nomination for election to the Board of Directors shall be made by a Nominating Committee. Nominations may also be made from the floor at the annual meeting. The Nominating Committee shall consist of a Chairman, who shall be a member of the Board of Directors, and two or more members of the Association. The Nominating Committee shall be appointed by the Board of Directors prior to each annual meeting of the members, to serve from the close of such annual meeting until the close of the next annual meeting and such appointment shall be announced at each annual meeting. The Nominating Committee shall make as many nominations for election to the Board of Directors as it shall in its discretion determine, but not less than the number of vacancies that are to be filled. Such nominations may be made from among members.

Section 2. Election. Election to the Board of Directors shall be by signed written ballot. At such election a member or a proxy may cast, in respect to each vacancy, one vote. The persons receiving the largest number of votes shall be elected. Cumulative voting is not permitted.

ARTICLE VI
MEETINGS OF DIRECTORS

Section 1. Regular Meetings. Regular meetings of the Board of Directors shall be held quarterly, without notice, or at such place and hour as may be fixed from time to time by resolution of the Board.

Section 2. Special Meetings. Special meetings of the Board of Directors shall be held when called by the president of the Association, or by any two directors, after not less than three (3) days notice to each director.

Section 3. Quorum. A majority of the number of directors shall constitute a quorum for the transaction of business. Every act or decision done or made by a majority of the directors present at a duly held meeting at which a quorum is present shall be regarded as the act of the Board.

ARTICLE VII
POWERS AND DUTIES OF THE BOARD OF DIRECTORS

Section 1. Powers. The Board of Directors shall have power to:

(a) adopt and publish rules and regulations governing use of the Common Area and facilities, the roadway, and the compliance of members and their guests, with their Deed Restrictions, and to establish penalties for the infraction thereof;

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

(c) exercise for the Association all powers, duties and authority vested in or delegated to this Association and not reserved to the membership by other provisions of these By-Laws or the Articles of Incorporation, or the restrictions in various deeds;

(d) declare the office of a member of the Board of Directors to be vacant in the event such member shall be absent from three (3) consecutive regular meetings of the Board of Directors without excuse; and

(e) employ a manager, an independent contractor, or such other employees as they deem necessary, and to prescribe their duties.

Section 2. Duties. It shall be the duty of the Board of Directors to:

(a) cause to be kept a complete record of all its acts and Association affairs and to present a statement thereof to the members at the annual meeting of the members, or at any special meeting when such statement is requested in writing by at least fifteen (15) of the members who are entitled to vote;

(b) supervise all officers, agents and employees of this Association, and to see that their duties are properly performed;

(c) fix the amount of the annual assessment against each Lot at least sixty (60) days in advance of each annual assessment period;

(d) send written notice of each assessment to every Owner subject thereto at least sixty (60) days in advance of each annual assessment period; and

(e) foreclose the lien against any property for which assessments are not paid within ten (10) months following the due date.

(f) cause all officers or employees having fiscal responsibilities to be bonded, as it may deem appropriate;

(g) cause the Common Area to be maintained; and

(h) such other acts as are necessary to promote the purpose for which the Association was formed.

ARTICLE VIII

OFFICERS AND THEIR DUTIES

Section 1. Enumeration of Offices. The officers of this Association shall be a president, a vice-president, a secretary, and a treasurer, and such other officers as the Board may from time to time by resolution create. All officers shall be members of the Board of Directors.

Section 2. Election of Officers. The election of officers shall take place at the first meeting of the Board of Directors following each annual meeting of the members.

Section 3. Term. The officers of this Association shall be elected annually by the Board and each shall hold office for one (1) year unless he shall sooner resign, or shall be removed, or otherwise disqualified to serve.

Section 4. Special Appointments. The Board may elect such other officers as the affairs of the Association may require, each of whom shall hold office for such period, have such authority, and perform such duties as the Board may, from time to time, determine.

Section 5. Vacancies. A vacancy in any office may be filled by appointment by the Board. The officer appointed to such vacancy shall serve for the remainder of the term of the officer he replaces.

Section 6. Multiple Offices. The offices of secretary and treasurer may be held by the same person. No person shall simultaneously hold more than one of any of the other offices except in the case of special offices created pursuant to Section 4 of this Article.

Section 7. Duties. The duties of the officers are as follows:

President

(a) The president shall preside at all meetings of the Board of Directors; shall see that orders and resolutions of the Board are carried out and shall co-sign all checks and promissory notes.

Vice-President

(b) The vice-president shall act in the place and stead of the president in the event of his absence, inability or refusal to act, and shall exercise and discharge such other duties as may be required of him by the Board.

Secretary

(c) The secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board and of the members; serve notice of meetings of the Board and of the members; keep appropriate current records showing the members of the Association together with their addresses, and shall perform such other duties as required by the Board.

Treasurer

(d) The treasurer shall receive and deposit in appropriate bank accounts all monies of the Association and shall disburse such funds as directed by resolution of the Board of Directors; shall co-sign all checks and promissory notes of the Association; keep proper books of account; and shall prepare an annual budget and a statement of income and expenditures to be presented to the membership at its regular annual meeting, and deliver a copy of each to the members.

ARTICLE IX

COMMITTEES

The Association shall appoint a Nominating Committee, as provided in these By-Laws. In addition, the Board of Directors shall appoint other committees as deemed appropriate in carrying out its purpose.

ARTICLE X

BOOKS AND RECORDS

The books, records and papers of the Association shall at all times, during reasonable business hours, be subject to inspection by any member. The Articles of Incorporation and the By-Laws of the Association shall be available for inspection by any member at the principal office of the Association, where copies may be purchased at reasonable cost.

ARTICLE XI

ASSESSMENTS

As more fully provided herein, each member is obligated to pay to the Association annual and special assessments which are secured by a continuing lien upon the property against which the assessment is made. Any assessments which are not paid when due shall be delinquent. If the assessment is not paid within ten (10) months after the due date, the assessment shall bear interest from the date of delinquency at the rate of ten (10%) percent per annum, and the Association may bring an action at law against the Owner personally obligated to pay the same or foreclose the lien against the property, and interest, costs, and reasonable attorney's fees of any such action shall be added to the amount of such assessment. No Owner may waiver or otherwise escape liability for the assessments provided for herein by nonuse of the Common Area or abandonment of his Lot.

ARTICLE XII

CORPORATE SEAL

The Association shall not have a corporate seal.

ARTICLE XIII

AMENDMENTS

Section 1. These By-Laws may be amended, at a regular or special meeting of the members, by a vote of a majority of a quorum of members present in person or by proxy.

Section 2. In the case of any conflict between the Articles of Incorporation and these By-Laws, the Articles shall control.

ARTICLE XIV
MISCELLANEOUS

(a) The fiscal year of the Association shall begin on the first day of January and end on the 31st day of December of every year, except that the first fiscal year shall begin on the date of incorporation and end on the 31st day of December.

(b) Additional residential property may be annexed to the Association with the consent of sixty (60%) percent of the owners.

Approved 4/18/92

**AMENDMENTS TO THE BY-LAWS
OF
HERITAGE MOUNTAIN ESTATES
PROPERTY OWNERS ASSOCIATION, INC.**

*Article III, Section 1, Page 2:

MEETING OF MEMBERS

The annual meetings shall be held on the Saturday of Labor Day weekend and shall be held on the same day of the same month of each year thereafter, at the hour of 2:00 p.m.

*Article IV, Section 2, Page 3:

BOARD OF DIRECTORS: SELECTION: TERM OF OFFICE

The term of office shall begin immediately following the election at each annual meeting.

MEETING OF DIRECTORS

*Article VI, Section 1, Page 5:

Regular meetings of the Board of Directors shall be held quarterly on the second Tuesday of each quarter, or at such place and hour as may be fixed from time to time by resolution of the Board.

IMPACT FEES

Article XV:

Property owners building new homes, making additions or other improvements to their property requiring the use of heavy equipment will be assessed an impact fee of \$1,500 to cover the cost of repairing the roads damaged during the construction. Additionally, any road repair expense beyond the initial \$1,500 will be the full responsibility of the property owner. This fee will be refunded once the construction period is finished provided there has not been any damage to the roads.

Impact funds will be deposited to a separate interest bearing account (Heritage Mountain Estates POA- Impact Fees Account) and each deposit will be fully documented. Interest will be credited to the property owner when the fee is refunded, or credited towards the additional cost to repair the road, as applicable.