

BY-LAWS

OF

FAIR MOUNTAIN ACRES PROPERTY OWNERS ASSOCIATION, INC.

ARTICLE I - PLAN OF OWNERSHIP

SECTION 1. Lot Ownership. The property located in Watauga County, State of North Carolina, and more particularly described in the plat recorded in Map Book 12, Page 182, Watauga County, North Carolina, Public Registry has been previously submitted to and restricted by the Declaration of Restrictions for Fair Mountain Acres Subdivision, recorded in Record Book 249, Page 849, Watauga County, North Carolina, Public Registry, for each of the thirty (30) lots shown on said plat.

SECTION 2. Formation of Association. **Fair Mountain Acres Property Owners Association, Inc.** (hereinafter called the "Association") is a North Carolina Non-Profit Corporation which has been formed for the purpose of promoting the health, safety and welfare of persons or firms who may purchase lots within said subdivision and more specifically for the purpose of maintaining the roads through said subdivision.

SECTION 3. Applicability of By-Laws. The provisions of these By-Laws are applicable to all affairs of this Association and to the property of the subdivision, which shall include any property which may subsequently become subject to the Declaration of Restrictions for **Fair Mountain Acres Subdivision** recorded in Record Book 249, Page 849, Watauga County, North Carolina, Public Registry. The term "property" shall include the roads and any property which may be purchased by the Association and any easements, rights and appurtenances belonging to the original developer/owners or property owners pursuant to the Declaration of Restrictions recorded in Record Book 249, Page 849, Watauga County, North Carolina, Public Registry. All present and future owners, mortgagees, lessees and occupants of all lots in the subdivision are subject to the Declaration of Restrictions, the Articles of Incorporation of this Association, these By-Laws and rules and regulations made pursuant hereto and any amendment or amendments to any of said documents made from time to time hereafter. The acceptance of a deed or the entering into of a lease or the act of occupancy of any lot in the subdivision shall constitute an agreement that these By-Laws and any rules and regulations made pursuant hereto and the provisions of the Declaration of Restrictions and said Articles, as they may be amended from time to time, are accepted, ratified, and will be complied with.

ARTICLE II - MEETINGS AND VOTING

SECTION 1. Place of Meetings. All meetings of this Association shall be held at the property or at such other place either within or without the State of North Carolina, as shall be determined by the Board of Directors of this Association (hereinafter called the "Board").

SECTION 2. Organizational Meeting. The initial meeting of this Association to organize and elect the initial Board shall be held no later than February 10, 1999.

SECTION 3. Annual Meetings. Annual meetings of this Association shall be held at such times and places as may be designated by the Board and specified in the notice of such meeting, for the purpose of electing members of the Board and for transaction of such other business as may be properly brought before the meeting.

SECTION 4. Substitute Annual Meeting. If the annual meeting shall not be held on the day designated, a substitute annual meeting may be called in accordance with the provisions of SECTION 5 of this Article. A meeting so called shall be designated for all purposes as the annual meeting.

SECTION 5. Special Meeting. After the organizational meeting, special meetings of this Association may be called at any time by the Board or upon the written consent of a majority of voting Lot Owners, as later defined herein.

Page -1-

SECTION 6. Notice of Meetings. Written or printed notice stating the place, day and hour of the meeting shall be delivered or mailed not less than ten (10) days nor more than sixty (60) days before the date thereof, to each person entitled to vote at such meeting. In the case of an annual or substitute annual meeting, the notice of meeting need not specifically state the business to be transacted thereat. In the case of a special meeting the notice of meeting shall specifically state the purpose or purposes for which the meeting is called. When a meeting is adjourned for thirty (30) days or more, notice of the adjourned meeting shall be given as in the case of an original meeting. When a meeting is adjourned for less than thirty (30) days in any one adjournment, it is not necessary to give any notice of the adjourned meeting other than by announcement at the meeting at which the adjournment is effective.

SECTION 7. Quorum. The presence in person or by proxy at any meeting of the voting members (as defined in SECTION 8 of this Article) having a majority of the total votes shall constitute a quorum. Unless otherwise expressly provided herein, any action may be taken at any meeting of this Association at which a quorum is present upon the affirmative vote of the voting members having a majority of the total votes present at such meeting. If there is no quorum at the opening of the meeting, such meeting may be adjourned from time to time by the vote of a majority of the voting members present, either in person or by proxy; and at any adjourned meeting at which a quorum is present any business may be transacted which might have been transacted at the original meeting. The voting members at a meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough voting members to leave less than a quorum.

SECTION 8. Voting Rights.

- a) Except as provided in subparagraph b) hereof, there shall be one person with respect to each Lot in the Subdivision who shall be entitled to vote at any meeting of the Association. Such person shall be known and hereafter referred to as a "voting member." Such voting member may be the owner or one or more of the group composed of all of the owners of a Lot, or may be some other person designated by such owner or owners to act as proxy on his or their behalf and who need not be an owner. Such actual notice to the Board of the death or judicially declared incompetence of any designator, or by written notice to the Board by the owner or owners. Cumulative voting is not allowed.

- b) Lot Owners who own only one buildable lot that consists of more than one lot or a combination of lots (such as lots 28 and 29, and lots 26 and 27), have only one vote and are subject to only one annual and/or special assessment. Lot Owners who own two or more buildable lots which are either improved or unimproved, adjacent or non-adjacent, shall have one vote and one annual and/or special assessment for each lot owned. Any remaining unsold and/or undeveloped lots of the original Developers/Owners (Laurel Creek Incorporated, Inc.) shall have no votes, annual and/or special assessments until such lots are sold, at which time each new Lot Owner will have one vote and one annual and/or special assessments for the lot which they purchased.

SECTION 9. Waiver of Notice. Any Lot Owner at any time may waive notice of any meeting of this Association in writing, and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a Lot Owner at any meeting of this Association shall constitute a waiver of notice by him of the time and place thereof, except where a Lot Owner attends a meeting and indicates immediately upon the meeting's being called to order that his sole purpose of attending is to object to the transaction of business because the meeting has not been lawfully called.

SECTION 10. Informal Action by Lot Owners. Any action which may be taken at a meeting of this Association, except removal of a member of the Board, may be taken without a meeting by

Page -2-

written approval, signed by voting members having the voting power required to pass such action at a meeting. Such approval shall be filed with the Secretary of this Association and kept in the Minute Book of this association.

ARTICLE III - BOARD OF DIRECTORS

SECTION 1. General Powers. The business and property of the Association shall be managed and directed by the Board or by such Executive Committees as the Board may establish pursuant to these By-Laws.

SECTION 2. Number, Term and Qualification. The number of Directors of this Association shall be three (3). **The initial Board, the members of which shall serve until their successors are duly elected and qualified, shall be Donald M. Calhoun, Merle D. Baker, and G. Wayne Bass.** Each Director shall hold office for a period of one year or until his death, resignation, retirement, removal, disqualification, or his successor is elected and qualified. The Board may declare the office of a member absent from three consecutive meetings of the Board to be vacant. Each member of the Board shall be one of the owners or co-owners of a Lot or a spouse of an owner or co-owner; provided, however, that in the event an owner is a corporation, partnership, trust or other legal entity other than a natural person or persons, then any officer or director of such corporation, partner of such partnership, beneficiary of such trust or manager of such other legal entity, shall be eligible to serve as a member of the Board.

SECTION 3. Election of Directors. Except as otherwise provided in Sections 2 and 5 of this Article, the Directors shall be elected initially at the Organizational Meeting and thereafter at the Annual Meeting of this Association; and those persons who receive the highest number of votes shall be deemed to have been elected.

SECTION 4. Removal. Directors may be removed from office with or without cause by affirmative vote of the Lot Owners having a majority of the total votes entitled to vote at an election of directors. If any directors are so removed, new directors may be elected at the same meeting.

SECTION 5. Vacancies. A vacancy occurring in the Board of Directors, including directorships not filled by the Lot Owners, may be filled by a majority of the remaining directors, though less than a quorum, or by the sole remaining director; but a vacancy created by an increase in the authorized number of Directors shall be filled only by election at an annual meeting or a special meeting of this Association called for that purpose. Voting members may elect a Director at any time to fill any vacancy not filled by the Directors.

SECTION 6. Compensation. Directors shall receive no compensation for their services unless expressly allowed by the Board at the direction of the Lot Owners having two-thirds (2/3) of the total votes.

SECTION 7. Executive Committees. The Board may by resolution designate two or more directors to constitute an Executive Committee, which committee to the extent provided in such resolution shall have and may exercise all of the authority of the Board in the management of the Association, including the right to make all decisions previously reserved or delegated to the original Developers/Owners of Fair Mountain Acres in the Declaration of Restrictions recorded in Record Book 249, Page 849, Watauga County, North Carolina, Public Registry, or as may be amended from time to time.

SECTION 8. Powers and Duties. The Board shall have the powers and duties necessary for the administration of the affairs of the Association and may do all such acts and things, except such acts as by law or by the Declaration of Restrictions or by these By-Laws may not be delegated to the Board. Such powers and duties of the Board shall include, but shall not be limited to, the following:

- a) Operation, care, upkeep, maintenance, or paving of the subdivision roads including easement rights-of-way through or to the subdivision until such time as the Department of Transportation of the State of North Carolina may take over said roads.
- Page -3-
- b) Preparation of a Budget and determination of the common expenses required for the affairs of the Association, including, without limitation, the maintenance of roads and contracting for collection of garbage, for fire and security protection or for any other services or facilities that the members of the Association shall deem in the best interest of the Association.
 - c) Collection of annual and/or special assessments from the Lot Owners.

- d) Employment and dismissal of the personnel necessary for the maintenance and operation of the common areas and facilities.
- e) With the approval of the Lot Owners having the majority of the total votes, the adoption and amendment of such reasonable Rules and Regulations as it may deem advisable for the maintenance, conservation, and beautification of the subdivision, and for the health, comfort, safety, and general welfare of the owners and occupants of the subdivision. Written notice of such rules and regulations shall be given to all owners and occupants and the entire subdivision shall at all times be maintained subject to such Rules and Regulations.
- f) Opening of bank accounts on behalf of the Association and designating the signatories required thereon.
- (g) Doing all things necessary in order to carry out the purpose and intent of the Declaration of Restrictions recorded in Record Book 249, Page 849, Watauga County, North Carolina, Public Registry, or as may be amended from time to time.

ARTICLE IV - MEETINGS OF DIRECTORS

SECTION 1. Organizational Meeting. The first meeting of the members of the Board shall immediately follow the Organizational Meeting of this Association (as provided in Section 2 of Article II). No notice shall be necessary to the newly elected members of the Board in order to legally constitute such meeting, providing a quorum shall be present.

SECTION 2. Regular Meetings. A regular meeting of the Board shall be held immediately after, and at the same place as the Annual Meeting or substitute annual meeting of this Association. In addition, the Board may provide by resolution the time and place either within or without the State of North Carolina, for the holding of a regular meeting of the Board.

SECTION 3. Special Meetings. Special meetings of the Board may be called by the request of a majority of the Directors. Such meetings may be held either within or without the State of North Carolina.

SECTION 4. Notice of Meetings. Regular meetings of the Board may be held without notice. The person or persons calling a special meeting of the Board shall, at least two days before the meeting, give notice thereof by any usual means of communication. Such notice need not specify the purpose for which the meeting is called.

SECTION 5. Waiver of Notice. Any member of the Board may at any time waive notice of any meeting of the Board in writing, and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a member of the Board at any meeting of the Board shall constitute a waiver of notice by him of the time and place thereof, except where a director attends the meeting and announces immediately upon the meeting's being called to order that he is attending for the sole purpose of objecting to the transaction of any business because the meeting was not lawfully called. If all of the members of the Board are present at any meeting of the Board, and no objection is made, no notice shall be required and any business may be transacted at such meeting.

SECTION 6. Quorum. A majority of the number of Directors fixed by these By-Laws shall be required for and shall constitute a quorum for the transaction of business at any meeting of the Board.

SECTION 7. Manner of Acting. Except as otherwise provided in this Section, 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.

Page -4-

A vote of a majority of the number of Directors fixed by the By-laws shall be required to adopt a resolution establishing an Executive Committee.

SECTION 8. Organization. Each meeting of the Board shall be presided over by the President of the Board, and in the absence of the President, by any person selected to preside by vote of the majority of the Directors present. The Secretary, or in his absence, an Assistant Secretary, or in the absence of both the Secretary and the Assistant Secretary any person designated by the Chairman of the meetings, shall act as Secretary of the meeting.

SECTION 9. Informal Action of Directors. Action taken by a majority of the Directors without a meeting is nevertheless Board action if written consent to the action in question is signed by all of the Directors and filed with the minutes of the proceedings of the Board, whether done before or after the action so taken.

SECTION 10. Minutes. The Board shall keep minutes of its proceedings.

SECTION 11. Liability of the Board. The members of the Board shall not be liable to the Lot Owners for any mistake of judgment, negligence, or otherwise except for their own individual willful misconduct or bad faith. The Lot Owners shall indemnify and hold harmless each of the members of the Board against all contractual liability to others arising out of contracts made by the Board on behalf of the Association unless any such contract shall have been made in bad faith or knowingly contrary to the provisions of the Declaration or these By-Laws. Said indemnity obligation, and all costs reasonably incurred in enforcing it, including reasonable attorneys' fees, shall be secured by a lien in favor of the Board and each of its members individually identical to that provided in connection with the annual assessed fees. It is intended that the members of the Board shall have no personal liability with respect to any contract made by them on behalf of the Association, except to the extent they are Lot Owner(s). It is also intended that the liability of any Lot Owner arising out of any contract made by the Board or out of the aforesaid indemnity in favor of the members of the Board shall be limited to such proportion of the total liability thereunder as his part of the annual assessed fees bears to the total annual assessed fees of all of the Lot Owners. Every agreement made by the Board or by the managing agent on behalf of the Association shall provide that the members of the Board, or the managing agent, as the case may be, are acting only as agents for the Lot Owners and shall have no personal liability thereunder (except as Lot Owners), and that each Lot Owner's liability thereunder shall be limited to such proportion of the total liability thereunder as his part of the annual assessed fees bears to the total annual assessed fees of all Lot Owners.

ARTICLE V - OFFICERS

SECTION 1. Number. The principal officers of the Association shall consist of a President, a Secretary, a Treasurer and such Vice Presidents, Assistant Secretaries, Assistant Treasurers and other officers as the Board may from time to time elect. Any two or more offices may be held by the same person except the offices of President and Secretary. **The initial officers of the Association are G. Wayne Bass, President; Merle D. Baker, Vice President; and Donald M. Calhoun, Secretary.**

SECTION 2. Election and Term. The officers of the Association shall be elected by and from among the Board. Such elections may be held at the regular annual meeting of the Board.

Each officer shall hold office for a period of one year or until his death, resignation, retirement, removal, disqualification, or his successor is elected and qualified.

SECTION 3. Removal. Any officer or agent elected or appointed by the Board may be removed by the Board with or without cause; but such removal shall be without prejudice to the contract rights, if any, of the person so removed.

SECTION 4. Compensation. No officer shall receive any compensation from the Association for acting as such.

SECTION 5. President. The President shall be the principal executive officer of the Association and, subject to the control of the Board, shall supervise and control the management of the Association. The President shall when present preside at all meetings of the Board and of this

Page -5-

Association and shall, in general, perform all duties incident to the office of President and such other duties as may be prescribed from time to time by the Board.

SECTION 6. Vice President. The Vice President and if there be more than one, the Vice Presidents designated by the Board shall, in the absence or disability of the President, have the powers and perform the duties of said office. In addition, each Vice President shall perform such other duties and have such other powers as shall be prescribed by the President.

SECTION 7. Secretary. The secretary shall keep accurate records of the acts and proceedings of all meetings of this Association and its Directors. He shall give, or cause to be given, all notices required by law and by these By-Laws. He shall have general charge of the minute books and records of both this Association and the Board. He shall sign such instruments as may require his signature, and shall, in general, perform all duties incident to the Office of the Secretary and such other duties as may be assigned him from time to time by the President or by the Board.

SECTION 8. Treasurer. The Treasurer shall have custody of all Association funds and securities and shall receive, deposit or disburse the same under the direction of the Board. He shall keep full and accurate accounts of the finances of the Association and shall prepare a statement of the Association's assets and liabilities as of the close of each fiscal year, and of the results of its operations and of changes in surplus for such fiscal year, all in reasonable detail, to be prepared and distributed to all Lot Owners and members of the Board on or before the 15th day of the third month following the close of each fiscal year. The statement so filed shall be kept available for inspection by any Lot Owner for a period of three (3) years. The Treasurer shall also file all reports and returns required by Federal, State or local law and shall generally perform all other duties as may be assigned to him from time to time by the President or the Board.

SECTION 9. Assistant Secretaries and Treasurers. The Assistant Secretaries and Assistant Treasurers, if any, shall, in the absence or disability of the Secretary or the Treasurer, respectively, have all of the powers and perform all of the duties of those officers, and they shall in general perform such other duties as shall be assigned to them by the Secretary or the Treasurer, respectively, or by the President.

ARTICLE VI - COMMON CHARGES

As more fully described in the Declaration of Restrictions, each member is obligated to pay to the Board annual and special assessments which are secured by a lien upon the Lot or Lots owned by said member. Any assessments not paid when due shall be delinquent.

Subdivision annual dues, assessments, road maintenance fees, and charges, together with interest at the legal rate, costs, and reasonable attorneys fees shall be a charge on the land and shall constitute a continuing lien upon the property against which each assessment is made. Each such assessment, together with interest, costs, and reasonable attorneys fees, shall also be the personal obligation of the person who was the owner of such property at the time when the assessment fell due. However, the personal obligation for delinquent assessments shall not pass to successors in title (other than as a continuing lien on the land) unless expressly assumed by such successor.

In the event any charges or assessments remain unpaid by a Subdivision Lot Owner for thirty (30) days after the due date specified on an invoice mailed by or on behalf of the Property Owners Association or its agent, a lien may be filed. Pursuant to N.C.G.S. 47A-22 and 44-38, the Fair Mountain Acres Property Owners Association may file with the Watauga County Clerk of Court a notice of the lien created thereby, and may bring an action at law against the lot owner personally obligated to pay the same and/or foreclose the lien against the lot subject to the unpaid assessment or charge. Any foreclosure conducted pursuant to this paragraph shall comply fully with the North Carolina procedures for judicial foreclosure and other relevant statutes.

No Lot Owner may waive or otherwise escape liability for the assessments provided for herein by non-use of the Common Areas or abandonment of his Lot.