

HEARTHSTONE RIDGE PROPERTY OWNERS ASSOCIATION BY-LAWS

ARTICLE 1 – GENERAL

1.01 NAME. The name of the corporation is Hearthstone Ridge Property Owners Association, Inc. a non-profit North Carolina Corporation herein called "Association".

1.02 MEMBERSHIP. As provided in the North Carolina Planned Community Act, N.C.G.S 47F-1-101 et seq., an Owner of a Lot shall become a Member of the Association upon title to the Lot and shall remain a Member for the entire period of Ownership. If title to a Lot is held by more than one person, there shall be only one (1) Membership and one (1) vote per Lot. Membership shall be transferred automatically by sale of the Lot and may be transferred only in connection with the transfer of title.

1.03 VOTING. Each Lot shall be entitled to one (1) vote which may be cast in accordance with the terms herein. A vote may be cast by the Owner or by a lawful proxy as provided below in the latest dated affirmed covenants and restrictions of the Hearthstone Ridge Property Owners Association hereafter referred to as the "Declaration". When more than one person owns a Lot, the Owners will select a voting Member and submit an Association Certificate of Appointment of Voting Representative. In no event shall more the one (1) vote be cast with respect to any Lot. Owners of contiguous Lot(s) will have one (1) vote for each deeded grouping of contiguous Lots.

1.04 SUSPENSION OF VOTING RIGHTS. The Board may suspend voting rights, election to the Board of Directors, and all rights to use the Association's common areas, of any Member during any period of time that the member is delinquent as to any assessments, dues, fees, or charges levied against a lot. Such member will be referred to as a Member "not-in-good-standing". Should the member own more than one lot but is delinquent on only one, then the member shall retain voting rights on any lot on which the member is not delinquent.

1.05 MAJORITY. Unless otherwise specifically stated, the words "majority vote" shall mean more than fifty (50) percent of the eligible votes of the Association, by ballot, represented at any meeting in person, or by proxy. Unless otherwise provided in the Declaration or these Bylaws, all decisions shall be by majority vote.

1.06 The Association shall have the responsibility of administering the Planned Community, establishing the means and methods of collecting the contributions to common expenses, arranging for the management of the Planned Community, enforcing the Declaration and these Bylaws, and performing all of the other acts that may be required to be performed by the Association by the Planned Community Act and the Declaration. The Association shall amend and supplement the system of administration, the Declaration and these Bylaws as may be required from time to time and perform all other duties or acts required or permitted under the Planned Community Act. Except as to those matters which either the Planned Community Act, the Declaration, these Bylaws or the North Carolina Nonprofit Corporation Act specifically require to be performed by the vote of the Association, the administration of the foregoing responsibilities shall be performed by the Board of Directors, as is particularly set forth below.

ARTICLE 2 – MEETINGS

2.01 ANNUAL MEETINGS. The regular annual meeting of the Members of the Association shall be held on the second Saturday of October at a time and place designated by the Board of Directors in accordance with paragraph 10 of the covenants. Should the required quorum not be present subsequent annual meeting(s) shall be ordered in accordance with paragraph 10 of the covenants.

2.02 SPECIAL MEETINGS. Special Meetings for any purpose may be called at any time by the President and shall be called upon the request of a majority of the Board of Directors or upon written request of Lot Owners having ten (10) percent of the votes in the Association.

2.03 NOTICE OF MEETINGS. It shall be the duty of the Board Secretary to mail or to cause to be delivered to the Lot Owners a notice of the Annual Meeting or Special Meeting of the Association at least thirty (30) days and not more than forty-five (45) days prior to the Annual or Special Meeting. The notice of the meeting must state the time and place of the meeting and items on the agenda including the general nature of any proposed amendment to the Declaration or Bylaws, any budget changes, or any proposal to remove a Board director or officer. In the case of a Special Meeting, the notice of the meeting shall state specifically the purpose or purposes for which the meeting is called. Notice shall be mailed to each owner of record at his/her lot unless owner has previously designated, in writing, another address to which mail is to be directed. The mailing of a notice of meeting, as provided in this section, shall be considered adequate service of notice.

2.04 QUORUM. The presence of the Owners entitled to cast more than fifty (50) per cent of the eligible votes of the Association, in person or by proxy, shall constitute a quorum, unless some other quorum is required for a specific reason.

2.05 ADJOURNMENT. Any meeting of the Owners may be adjourned at any time by the President of the Board or a Board Member or by vote of the Owners holding the majority of the votes represented at such meeting regardless of whether a quorum is present. Any business which could be transacted properly at the original session of the meeting may be transacted at an adjourned session and no additional notice of such adjourned session shall be required.

2.06 PROXY. Any Member entitled to vote may do so by written proxy duly executed by the Member setting forth the meeting at which the proxy is valid. A Member may only designate another Member (in good standing) of the Association or family member living in Hearthstone Ridge to act as Member's proxy. To be valid, a proxy must be filed with the Secretary prior to the opening of the meeting for which it is to be used and must be dated as well as signed. A filed proxy is valid for eleven (11) months following the filing date of the document. No proxy shall be revocable except by written notice delivered to the Association Secretary before the meeting, or, if at the meeting, to the person presiding.

2.07 VOTES BY WRITTEN BALLOT. In accordance with Section 55A-7-08 of the North Carolina Nonprofit Corporation Act, any action that may be taken at any Annual Meeting, Regular Meeting, or Special Meeting of the members may also be taken without a meeting if the Board of Directors deliver by mail, a written ballot to every Member entitled to vote on the matter.

2.08 CONDUCT OF BUSINESS. Robert's Rules of Order (latest edition) shall govern the conduct of the meeting when not in conflict with the Declaration, Articles of Incorporation, these Bylaws, or any ruling made by the person presiding.

ARTICLE 3 – BOARD OF DIRECTORS

3.01 COMPOSITION. The affairs of the Association shall be governed by a Board of Directors. The number of Board of Director members shall be equal to the number stated in paragraph 6-a) of the covenants. Each director shall be a deeded Owner; however, only one deeded owner may serve on the Board at the same time.

3.02 ELECTION AND TERM OF OFFICE. Directors shall be elected by written ballot of Association members. Said ballots to then be opened and counted following the deadline for receipt by two non-elected members of the community and the election results ratified by the Board of Directors at that time. Those persons receiving the most votes shall be elected to the number of positions to be filled that year. The resulting board members will then determine who fills the specific position of President, Vice President, Secretary, Treasurer and Alternate (*per 47F-3-103-e and 55A-8-40 (a) (b)*). The term of office of a director shall be two (2) years commencing from the date of election. Election of the directors shall be staggered as prescribed in paragraph 6-a) of the covenants.

3.03 NOTIFICATION OF INTENT. Any Member of the Association current in his/her payment of annual or special assessments and a deeded Owner shall be eligible to serve as a Board director. Letter of Intent forms outlining the number of Board positions open that year shall be distributed to Association members by the Board Secretary a minimum of 45 days in advance of the date of elections. Members seeking election must submit the Letter of Intent form to run for office to the Board Secretary no later than the deadline date shown on the election notice.

3.04 REMOVAL OF A DIRECTOR. At any regular or special meeting of the Association duly called at which a quorum is present, any one or more members of the Board of Directors may be removed, with or without cause, by at least a sixty-seven (67) percent vote of all deeded lot owners. Any director whose removal has been proposed by the Members shall be given at least ten (10) days'

notice of the calling of the meeting, the purpose thereof, and shall be given an opportunity to be heard at the meeting. Additionally, any member of the Board of Directors who has been absent without an excuse from three (3) consecutive Board meetings may be removed from the Board by the vote of a majority of the Board members present, a quorum of the Board present.

3.05 VACANCIES. Vacancies on the Board of Directors, caused by any reason, shall be filled by a vote of the majority of the remaining directors, at any meeting of the Board of Directors. Each person so selected to fill the unexpired portion of the term shall serve as a Director until a successor shall be elected on the next Association election date.

3.06 COMPENSATION. No member of the Board of Directors shall receive any compensation from the Association for acting as such. Each director, upon approval of the Board, shall be reimbursed for reasonable out-of-pocket expense incurred and paid by him/her on behalf of the Association.

3.07 ORGANIZATIONAL MEETING. The first meeting of a newly elected Board shall be held within ten (10) days of election at such time and place as may be determined by the directors for the purpose of organizing the Board of Directors for the next year.

3.08 BOARD OF DIRECTOR MEETINGS. Meetings of the Board of Directors shall be held at such time and place as shall be determined from time to time by the Board. Meetings of the Board may be held via conference call as long as all directors attending can hear each other. Board of Director Meetings are not required to be open to Members of the Association. Minutes of such meetings are required but do not have to be distributed to the Members of the Association. A Member of the Association in good standing has the right to review minutes of any meeting of the Board of Directors. An Association Member may petition to appear before the Board of Directors at the next scheduled meeting for the purpose outlined in the petition. An agenda shall be developed for each Meeting of the Board of Directors and distributed to directors a minimum of ten (10) days prior to the day of the meeting. The Board of Directors may only vote on or take action on those items listed on the agenda.

a) AGENDA ITEMS shall be limited to normal business concerning the standard operation of the Association, reports from committees, recommendations from legal counsel, and any other matters that require the attention of the Board of Directors. The meeting agenda format and sequence shall be as follows:

- Call to Order
- Establish Quorum
- Acceptance of previous Meeting Minutes
- Treasurer's Report
- Officer Reports
- Committee Reports
- Old Business (listed)
- New Business (listed)
- Next Meeting Notification
- Adjournment
- Executive Session (if required)

3.09 EXECUTIVE SESSION. If a Member has an issue that requires one-on-one discussions with the Board concerning financial or other issues of a personal matter, the Member can request an executive session with the Board of Directors. If the Directors believe there is a matter concerning an individual and deemed a privacy matter, the Board of Directors may go into executive session following a regular meeting to discuss the issue. Minutes of the session are required but held in privacy by the Board Secretary to maintain a record of the decisions made during the executive session.

3.10 OPEN BOARD MEETINGS. An annual meeting to be held the second Saturday of October is required by G.S. 47F but at the option of the Board, open meetings may be held quarterly (January, April, and July) at which time Members of the Association may share their concerns on any item on the meeting agenda. All agenda items for open meetings shall be posted on the Community Bulletin Boards located at each Postal kiosk and the Association website ten (10) days prior to the meeting date. Members may address the Board of Directors for a maximum of three (3) minutes per person per meeting during the Members' Comments section on the agenda unless granted otherwise by the Board of Directors. Members present do not have a vote at the Board of Directors meetings. Members have a vote (per section 1.03) on matters brought forth on the agenda of a Special Meeting or the Annual Meeting.

3.11 BOARD WORKING SESSIONS may be held when called by the President. No voting on any matter shall take place in such sessions. Minutes of the session are not required, but notes may be taken to maintain a record of the Board's work.

3.12 SPECIAL MEETINGS. Special Meetings can be called by the President on three (3) days' notice to each director given by mail, in person, by telephone, and/or electronic methods which notice shall state the time, place, and purpose of the meeting. Special Meetings of the Board of Directors may be called by the Vice President, Secretary, or Treasurer in like manner and by like notice upon the written request of at least two (2) directors.

3.13 CONDUCT OF MEETINGS. The President shall preside over all meetings of the Board of Directors. The Secretary shall keep a minute book recording, therein, all resolutions adopted by the Board of Directors and a record of all transactions and proceedings occurring at such meetings. Robert's Rules of Order (latest edition) shall govern the conduct of the meetings of the Board of Directors when not in conflict with the Planned Community Act, Declarations, the Articles of Incorporation, these Bylaws and any ruling made by the person presiding over the meeting. A majority of the directors present at the meeting shall constitute a quorum. A decision of the Board of Directors shall be by a majority of those directors present at a duly called meeting. The President may vote on all items brought before the Board of Directors.

3.14 ACTION WITHOUT MEETING. Any action of the Board of Directors required or permitted to be taken at any meeting may be taken without meeting if all the members of the Board of Directors shall individually or collectively consent in writing or by electronic methods to such action. Such written or electronic transmitted consent or consents shall be filed with the names of the Board of Directors. Any action taken without a meeting must be unanimously agreed upon by the Board and written consent to the action by all directors must be filed with the minutes of the Board of Directors.

3.15 POWERS AND DUTIES. The Board of Directors shall manage the affairs of the Association and shall have all the authority and duties necessary for the administration of the Planned Communities and may do all such acts and things as are not in conflict with the Declarations, Articles of Incorporation, or these Bylaws directed to be done and exercised exclusively by the Association Members. The Board of Directors shall have the authority to adopt, modify, and repeal such reasonable rules and regulations as it deems necessary and appropriate for the governance of the Planned Community or the administration of the affairs of the Association and to impose sanctions for violations thereof including without limitation, monetary fines. Such authority and duties shall include but not be limited to:

- a. Adopt rules and regulations to implement the Declaration and the Association's Bylaws.
- b. Enforce the Declaration, the Bylaws, its Rules and Regulations.
- c. Create one or more committees of the Board and appoint members to serve on them.
- d. Delegate its authority to committees, officers, or employees.
- e. Prepare an up-to-date balance sheet and operating income statement for the Association and deliver a report to the membership.
- f. Establish and collect Special Assessments for capital improvements or other purposes.
- g. File liens against Lot Owners for non-payment of assessments.
- h. Receive complaints regarding violations of the Declaration, the Bylaws, or the Rules and Regulations.
- i. Hold hearings to determine whether to discipline Owners who violate the Declaration, the Bylaws, or the Rules and Regulations in accordance with N.C.G.S. § 47F-3-107.1.
- j. Give reasonable notice to all Lot Owners of annual meeting.
- k. Hold meetings of the Board.
- l. Manage and maintain all of the Common Areas.
- m. Pay all taxes on the Common Areas.
- n. Pay the cost of liability insurance and casualty insurance on the Common Areas and directors and officers insurance coverage for members of the Board.
- o. Grant variances for extenuating circumstances.

3.16 MANAGEMENT AGENT. The Board of Directors may employ for the Planned Community a professional management agent or agents, compensation for which will be established by the Board of Directors to perform such duties and services as the Board of Directors shall authorize. Any management contract shall contain a termination clause permitting termination without cause and without penalty upon no more than thirty (30) days written notice.

3.17 ADDITIONAL COMMITTEES. The Board of Directors may establish such committees as it deems desirable. The Board shall elect the chairperson and approve members of each committee established.

ARTICLE 4 – OFFICERS

4.01 DESIGNATION. The officers of the Association shall consist of a President, a Vice President, a Secretary, a Treasurer, and an Alternate Director per paragraph 6-a) of the Covenants.

4.02 ELECTION OF OFFICERS. The officers of the Association shall be assigned by the Board of Directors at the first meeting of the Board of Directors following each Annual Meeting of the Association and shall hold office at the pleasure of the Board of Directors and until a successor is elected. A member of the Board of Directors may serve only three (3) consecutive terms in the same position.

4.03 REMOVAL OF AN OFFICER. Upon affirmative vote of a majority of the members of the Board of Directors, any officer may be removed either with or without cause and a successor elected by the Board of Directors.

4.04 PRESIDENT. The President shall be the chief executive officer of the Association and recorded as such with the North Carolina Secretary of State's Office upon election by the Board of Directors. He/she shall preside at all meetings of the Association and Board of Directors. The President shall have all the general authority and duties which are incident to the office of the president of a corporation organized under the North Carolina Nonprofit Corporation Act.

4.05 VICE PRESIDENT. The Vice President shall act in the President's absence and shall have all powers, duties, and responsibilities provided for the President when so acting.

4.06 SECRETARY. The Secretary shall keep the minutes of all meetings of the members and of the Board of Directors and shall have charge of such books and papers as the Board of Directors may direct and shall, in general, perform all duties incident to the office of the secretary of a corporation organized in accordance with North Carolina law.

4.07 TREASURER. The Treasurer shall have the responsibility for the Association's funds and securities and shall be responsible for keeping full and accurate financial records and books of account showing all receipts and disbursements, for preparing all required financial statements and tax returns, and for the deposit of all monies and other valuable effects in the name of the Association or the managing agent in such depositories as may from time to time be designated by the Board of Directors. Furthermore, the Treasurer shall cause an annual audit or review of the Association's books as directed by the Board or the Association pursuant to Article 6, Section 6.06 of these Bylaws. The Treasurer may sign checks up to \$500.00. All checks over \$500.00 must have the signature of two (2) officers. The Treasurer may pay bills electronically, provided a confirmation is printed out and attached to the bill. The Treasurer may transfer funds from one bank account to another, within the same bank, with the permission of a majority of Board Members. The total encumbrance incurred by the Association that may be approved by any single officer is \$1,000. All encumbrances incurred by the Association in excess of \$1,000 must be approved in writing and signed by at least three (3) officers and the approval must be kept by the Treasurer along with other records.

4.08 AMENDMENTS to DECLARATION and BYLAWS. The Board of Directors shall prepare and the President shall execute, certify, and record amendments to the Declaration and Bylaws on behalf of the Association. The Secretary shall attest to such execution and certification.

ARTICLE 5 - INDEMNIFICATION of OFFICERS and DIRECTORS

5.01 The Association shall indemnify every officer and director against any and all expenses, including legal fees, reasonably incurred by or imposed upon such officer or director in connection with any action, suit, or other proceeding (including settlement of any such action, suit, or proceeding, if approved by the then Board of Directors) to which he or she may be made a party by reason of being or having been an officer or director, whether or not such person is an officer or director at the time such expenses are incurred. The officers and directors shall not be liable for any mistake of judgment, negligent or otherwise, except for their own individual willful misfeasance or malfeasance. The officers and directors shall have no personal liability with respect to any contract or other commitment made by them, in good faith, on behalf of the Association (except to the Association), and the Association shall indemnify and forever hold each such officer and director free and harmless against any and all liability to others on account of any such contract or commitment. Any right to indemnification provided for herein shall not be exclusive of any other rights to which any officer or director, or former officer or director, may be entitled. The Association shall, as a common expense, maintain adequate general liability and, if obtainable, officers' and directors' liability insurance to fund this obligation, and the insurance shall be written as provided in the Declaration.

ARTICLE 6 - MISCELLANEOUS

6.01 NOTICES. Unless otherwise provided in these Bylaws, all notices, demands, bills, statements, or other communications under these Bylaws shall be in writing and shall be deemed to have been duly given if delivered personally, by United States mail via pre-paid first class postage or electronic email if Members so choose to:

- a. a Lot Owner, at the address which the Lot Owner has designated in writing and filed with the Secretary, or, if no such address has been designated, at the address of the Lot of such Owner;
or
- b. the Association, the Board of Directors, or the managing agent, at the principal office of the Association or the managing agent, if any, or at such other address as shall be designated in accordance with subsection (a) hereof.

6.02 SEVERABILITY. The invalidity of any part of these Bylaws shall not impair or affect in any manner the validity, enforceability, or effect of the balance of the Declaration or these Bylaws.

6.03 CAPTIONS. The captions herein are inserted only as a matter of convenience and for reference and in no way define, limit, or describe the scope of these Bylaws or the intent of any provision thereof.

6.04 GENDER and GRAMMAR. The use of the masculine gender in these Bylaws shall be deemed to include the feminine gender, and the use of the singular shall be deemed to include the plural, whenever the context so requires.

6.05 FISCAL YEAR. The fiscal year shall be the calendar year unless changed by resolution of the Board of Directors.

6.06 AUDIT. A review of the accounts of the Association shall be made annually by two non-Board members (spouses of Board members cannot participate in the audit) in the manner directed by the Board and the results shall be communicated to each of the members. However, after having received the Board's review at the annual meeting, the Owners may, by a majority of the total Association vote, require that the accounts of the Association be audited as a common expense by an independent accountant or certified public accountant.

6.07 CONFLICTS. The North Carolina Planned Community Act (G.S. 47F), the North Carolina Non-Profit Act (G.S. 55A), the Declaration, these Bylaws, and Board Resolutions, shall control, in that order, in the event of conflicts between various governing documents.

6.08 AMENDMENTS. These Bylaws may be amended by the affirmative vote, written consent, or any combination of affirmative vote and written consent of the members holding 2/3 of the total votes entitled to be cast on the amendment. Notice of any meeting at which an amendment will be considered shall state that fact and the subject matter of the proposed amendment.

6.09 NET EARNINGS PROVISION. No part of the net earnings of the Corporation shall inure to the benefit of or be distributable to, its members, directors, officers, or other private persons except that the Corporation shall be authorized and empowered to pay reasonable compensation for services rendered and to make payments and distributions in furtherance of purposes in the articles of incorporation.

6.10 POLITICAL ACTIVITIES. No substantial part of the activities of the Corporation shall be the carrying on of propaganda or otherwise attempting to influence legislation, and the Corporation shall not participate in or intervene in (including the publishing or distribution of statements) any political campaign on behalf of or in opposition to any candidate for public office.

IN WITNESS WHEREOF, the undersigned Board Members of Hearthstone Ridge Property Owners Association, Inc. hereby certify that the above Bylaws of Hearthstone Ridge Property Owners Association, Inc. are duly adopted by the Association and its membership in accordance with and pursuant to the Declaration and the laws of North Carolina.

This 8th day of July, 2017.

Hearthstone Ridge Property Owners Association, Inc.

Dennis F. Nicholson 7/8/17
Dennis Nicholson Board Member

W^m Doll 7/11/17
William Doll Board Member

Alvin Bly 7-14-2017
Alvin Bly Board Member

Christine Roussakies Board Member

Beverly Bohle 7/11/17
Beverly Bohle Board Member

North Carolina

Butterford County

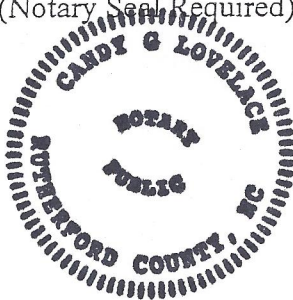
I, Candy B. Lovelace, a Notary Public for said County and State do hereby certify that Dennis Nicholson personally appeared before me this day and acknowledged the due execution of the foregoing instrument.

Witness my hand and official seal, this the 18th day of July, 2017.

Candy B. Lovelace
Notary Public Signature

My Commission expires: 7-17-2021

(Notary Seal Required)



North Carolina

Rutherford County

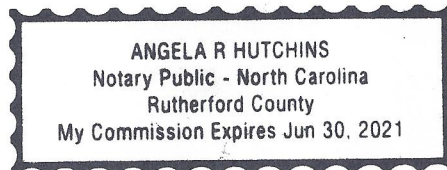
I, Angela R Hutchins, a Notary Public for said County and State do hereby certify that William Doll personally appeared before me this day and acknowledged the due execution of the foregoing instrument.

Witness my hand and official seal, this the 11 day of July, 2017.

Angela R Hutchins
Notary Public Signature

My Commission expires: June 30 2021

(Notary Seal Required)



North Carolina

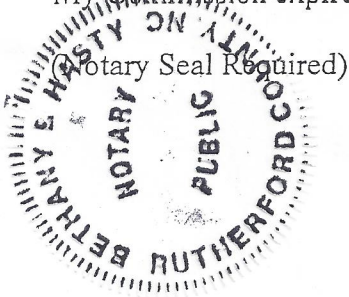
Rutherford County

I, Bethany B Hasty, a Notary Public for said County and State do hereby certify that Alvin Bly personally appeared before me this day and acknowledged the due execution of the foregoing instrument.

Witness my hand and official seal, this the 14th day of July, 2017.

Bethany B Hasty
Notary Public Signature

My Commission expires: 03/03/18



North Carolina

Rutherford County

I, Angela R Hutchins, a Notary Public for said County and State do hereby certify that Beverly Bohle personally appeared before me this day and acknowledged the due execution of the foregoing instrument.

Witness my hand and official seal, this the 11 day of July, 2017.

Angela R Hutchins
Notary Public Signature

My Commission expires: June 30 2021

(Notary Seal Required)

