

BY-LAWS
OF
VILLAGE COMMONS ASSOCIATION, INC.
PINE MOUNTAIN LAKES

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ARTICLE I

DEFINITIONS

Section 1. "Commons": the Village Commons Association, Inc. a non-profit corporation organized and existing under the laws of the State of North Carolina;

Section 2. "Declaration": The Pine Mountain Lakes Declaration of Covenants and Restrictions filed by South Mountain Properties, Inc., and Pine Mountain Lakes Property Owners Association, Inc., and Village Commons Association, Inc., in the office of the Register of Deeds of Burke County, North Carolina, on the 26th day of April, 1973, and there recorded in Book 430, page 278, "Declaration" shall further include (a) all future modifications and amendments to the same which shall be duly filed of record in the county in which the affected real property shall be located, and (b) to the same Pine Mountain Lakes Declarations of Covenants and Restrictions, together with duly recorded future modifications and amendments thereto, if duly filed and recorded in the office of the Register of Deeds of another county or counties of North Carolina adjoining Burke County;

Section 3. "Association": The Pine Mountain Lakes Property Owners Association, a non-profit corporation organized and existing under the laws of the State of North Carolina and having general jurisdiction over PML Properties;

Section 4. "The PML Properties": The real estate described in the Declaration and such additions thereto as may hereafter be brought within the jurisdiction of the Association as provided in the Declaration;

Section 5. "Village Interest": A Country House Unit Site together with a right of use and enjoyment in the Village Commons;

Section 6. "Village": A tract lying within the boundaries of the PML Properties and denominated upon a descriptive recorded Map as a named Village within the boundaries of which Country House Unit Sites shall be platted and described;

Section 7. "Country House Unit Site": A numbered parcel of land consisting of not less than 2,000 nor more than 2,500 square feet, more or less, of horizontally measured ground space within a closed boundary and lying within the boundaries of a Village, said parcels to be grouped in Clusters of not less than three (3) nor more than six (6) parcels, and upon which no structure other than a Country House shall be constructed;

Section 8. "Cluster": A group of not less than three (3) nor more than six (6) adjoining or connected Country House Unit Sites;

Section 9. "Village Commons": All of the real property located within the boundaries of the Village and not encompassed within the boundaries of Country House Unit Sites situate therein, the same being dedicated to Village Commons Association, Inc., for the use, benefit, and enjoyment of owners of Country House Unit Sites within the Village and being inclusive of any Country House Unit Sites within the Village which Developer might dedicate as a part of the Village Commons;

Section 10. "Developer": South Mountain Properties, Inc., a North Carolina corporation;

Section 11. "Country House": A Single Family Attached Dwelling located upon a Country House Unit Site and attached to one or more like structures.

Section 12. "Village Division": Unincorporated administrative division of the Commons having jurisdiction only in the singular Village for which it is established;

Section 13. "Certificate of Ownership": A written document in recordable form, running from the Developer, as Grantor, to a purchaser, as Grantee, wherein it is duly evidenced and recited that the purchaser is the lawful owner of the fee title in and to a Country House Unit Site not yet partitioned to him, which document shall be delivered to the purchaser of a Country House Unit Site after he satisfies payment of the purchase price thereof and prior to delivery of a deed conveying a designated Country House Unit Site to him;

Section 14. "Owner": Any person or entity, including the Developer, owning fee simple title to a Village Interest, whether by deed of conveyance or Certificate of Ownership; this term shall also include any person or entity who has contracted to purchase a Village Interest from Developer pursuant to a lawful written agreement with Developer.

ARTICLE III

MEMBERSHIP

(1) Members: (a) Every person or entity who is the record owner of the fee interest in a Village Interest (either under deed or Certificate of Ownership) which is subject to assessment by either or both of this corporation and the Association and who shall have paid the Developer in full for the purchase price of the Village Interest shall be a Class A member of this corporation; provided, however, that any party who holds title to such interest or interests (except the Developer) only as security for the performance of an obligation shall not be a member in any category.

(b) South Mountain Properties, Inc. (hereinafter referred to as "Developer"), its successors and assigns, shall be a Class B member of this corporation so long as it shall be the record owner of the fee interest in any Village Interest offered for sale by Developer.

The Developer shall be a member of this corporation until it shall have been paid in full for every such Village Interest situate within the PML Properties which it shall sell.

(2) Associate Members: Every person or entity who has (a) entered into a contract with Developer for the purchase of a Village Interest which shall be subject to assessment by either or both of this corporation and the Association, and (b) has not paid the Developer in full for the purchase price of said Village Interest shall be an associate member of the corporation.

An associate member shall have all of the privileges of a member except the right to vote. The associate membership shall be terminated in the event of rescission of the above said contract to purchase.

ARTICLE IV

VOTING RIGHTS

(1) Class A: Class A members, as defined by Article III(1)(a) above, shall be entitled to one (1) vote for each Village Interest which said member owns of record under either a deed or Certificate of Ownership and which is subject to the assessments mentioned in Article IV; provided, however, that in the event more than one party owns said singular interest the vote relating to the same shall be exercised as they shall determine among themselves, but in no event shall more than one (1) vote be cast with respect to each said Village Interest;

(2) Class B: The Class B member, as defined by Article III(1)(b) above, shall be entitled to ten (10) votes for each Village Interest which it owns of record and which is subject to the assessments mentioned in Article III, whether or not the assessments have commenced, until such time as it shall cease to be record owner thereof or shall have been paid in full the purchase price for the same, except as to Article VI, Section 12.

The Class B member shall continue to have said voting rights even in the event it shall:

- (a) contract to sell the Village Interest to which the voting rights attach, or,
- (b) shall cause the same to be subject to a mortgage or deed of trust.

ARTICLE V

ENJOYMENT OF VILLAGE COMMONS

Each voting member shall be entitled to the non-exclusive enjoyment of the Village Commons within the Village in which said member owns a Village Interest, as provided by the Village Declaration.

The Commons shall have the right and authority to make such rules and regulations as shall be appropriate governing the mutual and non-exclusive use of the Village Commons only by those parties owning or lawfully occupying Country House Unit Sites within the Village to which the Village Commons shall attach.

ARTICLE VI

COMMONS PURPOSES AND POWERS

The Commons has been organized and will be administered for the purposes of promoting the health, safety and welfare of owners and occupants of properties within all of the Villages, whether now existent and of record or hereinafter established and added of record, and, to that end, to:

Section 1. Exercise all of the powers and privileges and to perform all of the duties and obligations of the Commons as set forth in the Declaration as the same shall now exist and shall hereafter be modified or amended, said Declaration being incorporated herein as if fully set forth;

Section 2. Cooperate and join with the Association in those endeavors which shall be beneficial to the Villages;

Section 3. Provide for the preservation, improvement, maintenance, and beautification of the Village Commons areas;

Section 4. See to the compliance with and enforcement of the Declaration as it relates to Villages and to Village Interests;

Section 5. Fix, levy, collect and, by any lawful means, enforce payment of all Commons charges, dues, and assessments accruing pursuant to the Declaration and By-Laws and Rules and Regulations of the Commons;

Section 6. Provide for services peculiar to the Villages and not otherwise provided by the Association or some other entity;

Section 7. Establish and provide for the organization and administration of a separate unincorporated Village Division for each Village, each of which shall have those authorities set forth in Declaration PART THREE, ARTICLE II, Section 4 and shall be administered by an Executive Committee having 5 members and elected annually by the majority of

Owners of Village Interests in the respective Village (exclusive of the Developer) who holds title thereto by deed of conveyance;

Section 8. Pay all expenses incurred in connection with the conduct of the business and affairs of the Commons;

Section 9. Provide, through utilization of charges, dues, and assessments fixed by the Declaration or by the Commons or a Village Division for the uniform exterior maintenance appearance of adjacent and contiguous Country Houses constructed in the Villages, the same to be accomplished in accordance with the Declaration;

Section 10. Pursuant to the Declaration, provide for, supervise, and control maintenance and improvement of the Village Commons;

Section 11. Do and perform all other matters and things not inconsistent with the laws of the State of North Carolina, the requirements of the Association, and the Declaration which will promote the common benefit and enjoyment of the Owners and occupants of Village Interests;

Section 12. If authorized by majority vote of the Class A Members only, act as rental agent for Class A Members.

ARTICLE VII

CORPORATION AS AGENT OF OWNERS

Pursuant to the Declaration and the further amendments and modifications thereto of record, this corporation shall be deemed to be the lawful agent and attorney-in-fact of and for those persons or entities who shall be Owners of any Village Interests for the following purposes:

(1) To grant and dedicate such easements, rights-of-way, or rights of encroachment in, over, across or under the Village Commons areas as the corporation shall, by action of its Board of Directors, determine to be necessary or appropriate for the development, protection, or extension of beneficial services to the Villages or to other areas of the PML Properties.

(2) To contract for or otherwise procure and obtain such services or materials as the corporation shall, by action of its Board of Directors, determine to be necessary or appropriate for application to any one or more Country Houses which an Owner shall have in any one or more Villages to ensure the uniform exterior maintenance and repair of the same, in which event the Owner shall be liable for payment of the price thereof to the extent not defrayed by the funds of the Commons, or a Village Division, allotted for that purpose, all as provided in the Declaration.

* * *

Execution of any document by the corporation or any commitment made by the corporation for the purposes set forth in this Article VII shall constitute, for the purpose of Article VII(1), the act of all parties having an interest in the affected Village Commons area; and, for the purposes of Article VII(2), the act of the Owner or Owners whose specified Village Interest is affected.

ARTICLE VIII

ADDITIONS OF VILLAGES AND MEMBERSHIPS

Further Villages may be added to and encompassed within the PML Properties, either within the existing bounds thereof or within the bounds of properties hereinafter acquired, only in accordance with the Declaration. In such event, the jurisdictions, functions, duties, memberships, and associate memberships of this corporation shall extend to said additional Villages and to the Owners thereof as defined in the Declaration and herein.

ARTICLE IX

BOARD OF DIRECTORS

Section 1. The affairs of the corporation shall be managed by a Board of five (5) Directors, who need not be members of the corporation. A change in the number of directors shall be made only by amendment to these By-Laws. Directors shall be elected for a term of six (6) years and until their respective successors are elected and qualified; provided, however, that one of the initial directors shall serve four (4) years, two shall serve five (5) years, and two shall serve six (6) years as determined by drawn lots; their respective elected successors shall each serve terms of six (6) years. Any vacancy occurring in the initial or any subsequent Board of Directors shall be filled at any meeting of the Board of Directors by the affirmative vote of a majority of the remaining Directors. Any Director elected to fill a vacancy shall serve as such until the expiration of the term of the director whose position he was elected to fill.

ARTICLE X

BOARD OF DIRECTORS: ELECTION PROCESS

The nomination and election of the Board of Directors shall be as follows:

Section 1. Election of Board of Directors shall be by written ballot as hereinafter provided. At such election each voting member may cast votes in accordance with the provisions of Article IV "For" or "Against" the person or persons nominated for the vacancy to be filled. If the votes are cast "For" and also "Against" the same person, it shall not be counted.

Section 2. Nominations for election to the Board of Directors shall be made by a Nominations Committee which shall be one of the Standing Committees of the Commons.

Section 3. The Nominating Committee shall consist of three members of the Board of Directors, appointed by the Board of Directors, and one member of the Nominating Committee shall be designated by the Board of Directors as Chairman. The Nominating Committee shall be appointed as soon as the Board of Directors shall deem appropriate, and shall serve until a successor Nominating Committee shall be appointed by the Board of Directors.

Section 4. 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 or non-members as the Nominating Committee shall determine. Nominations shall be placed on a written ballot as provided in Section 5 and shall be made in advance of the time fixed in Section 5 for the mailing of such ballots to voting members.

Section 5. All elections to the Board of Directors shall be made on written ballot which shall (1) describe the vacancies to be filled; (2) set forth the names of those nominated by the Nominating Committee for such vacancies with spaces opposite each name with the words "For" and "Against". Such ballots shall be prepared and mailed by the Secretary to the voting members at least seven (7) days in advance of the date designated by the Board of Directors as the date for the election. The date of the election shall ordinarily be ten (10) days prior to the date of the annual meeting, but may be held at any time selected by the Board of Directors, and the term of office of a Director shall be for six (6) years, or until his successor shall have been elected and shall have qualified; the term shall expire upon the date of the annual meeting of members six (6) years after his election, unless a successor shall not have been elected and shall not have qualified, and in such event, he shall continue to serve until his successor is elected and shall qualify. The same shall apply to the Directors designated in the Articles of Incorporation.

Section 6. Each voting member shall receive one ballot to be mailed by the Secretary, with a return envelope addressed to the President.

Section 7. Upon receipt of each ballot returned, the President shall place same in a safe place and upon the date designated by the Board of Directors as the date of the election shall open the ballots and count same in the presence of two other Directors appointed by the Board of Directors who, with the President, shall constitute the Election Committee. In the event two or more persons have been nominated for a vacancy, the person receiving the greater number of affirmative votes shall be declared elected. In the event only one person shall have been nominated for a vacancy, such person must receive an affirmative vote on more than one-half of the total valid ballots cast to fill the particular vacancy. If the contrary occurs such fact shall be reported to the Nominating Committee and the Nominating Committee shall forthwith nominate one or more persons to fill the vacancy, or vacancies, not filled at the election. The new names or name shall be placed upon a ballot and the same procedure aforesaid shall be carried out promptly. A "write in" vote or votes shall be deemed a proper nomination and an affirmative vote for the person designated on the ballot and shall be counted in any election of Directors.

ARTICLE XI

POWERS AND DUTIES OF THE BOARD OF DIRECTORS

Section 1. The Board of Directors shall have power:

- (a) To call special meetings of the members whenever it deems necessary and it shall call a meeting at any time upon written request of the members, as provided herein.
- (b) To appoint and remove at pleasure all officers, agents and employees of the Commons, prescribe their duties, fix their compensation, and require of them such security or fidelity bond as it may deem expedient. Nothing contained in these By-Laws shall be construed to prohibit the employment of any Member, Officer or Director of the Commons in any capacity whatsoever. Such duties as are provided in this subparagraph (b) may be delegated by the Directors to a specific Director who shall report his actions to the Board of Directors from time to time.
- (c) To establish, levy and assess, and collect the Commons assessments or charges as provided in the Declaration.
- (d) To adopt and publish rules and regulations governing the use of the Village Commons.
- (e) To exercise, for the Commons, all powers, duties, and authority vested in or delegated thereto, except those reserved to members by the Declaration and Articles of Incorporation.

(f) To adopt and publish uniform rules and regulations governing the establishment, authority, and administration of a separate unincorporated Village Division of this corporation for each Village coming under the jurisdiction of this corporation by virtue of the Declaration or any Part thereof, the membership of said Village Divisions to be comprised solely of Owners of property within the Village over which the same shall have jurisdiction, and who hold title thereto under a deed of conveyance.

Section 2. It shall be the duty of the Board of Directors;

(a) To cause to be kept a complete record of all its acts and corporate affairs and to present a statement thereof to the members at the annual meeting of the members or at any special meeting when such is requested in writing by the membership herein.

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

(c) In accordance with the Part Three, Article II of the Declaration:

(1) To fix and levy the amount of the assessment against each Village Interest for each assessment period, the same to be fixed not less than thirty days prior to the assessment period;

(2) To prepare a roster of the Village Interests and assessments applicable thereto which shall be kept in the office of the Commons and shall be open to inspection by any member;

(3) To send written notice of each assessment to every party subject thereto.

(d) To issue, or to cause an appropriate officer to issue, upon demand by any person, a certificate setting forth whether any assessment has been paid. Such certificate shall be conclusive evidence of the satisfaction of any assessment therein stated to have been paid.

(e) To maintain and improve the collective Village Commons in conformity with the Declaration and the Articles of Incorporation.

ARTICLE XII

DIRECTORS MEETING

Section 1. A regular meeting of the Board of Directors shall be held on the second Monday of each third month at 10 a.m. provided that the Board of Directors may, by resolution, change the day, hour and regularity of holding such regular meeting.

Section 2. Notice of such regular meeting is not required. If the day for the regular meeting shall fall upon a holiday, the meeting shall be held at the same hour on the first day following which is not a holiday, and no notice thereof need be given.

Section 3. Special meetings of the Board of Directors shall be held when called by an officer of the Commons or by any two directors after not less than three (3) days' notice to each Director.

Section 4. The transaction of any business at any meeting of the Board of Directors, however called and wherever held, shall be as valid as though made at a meeting duly held after regular call and notice if a quorum is present, provided that either before or after the meeting, each of the directors not present signs a written waiver of notice, a consent to the conduct of such meeting, or an approval of the minutes thereof. All such waivers, consents or approvals shall be filed with the corporate records and made a part of the minutes of the meeting.

Section 5. The majority of the Board of Directors shall constitute a quorum thereof.

ARTICLE XIII

OFFICERS

Section 1. The officers shall be a president, one or more vice-presidents, a secretary, one or more assistant secretaries, and a treasurer. The president and vice-president shall be members of the Board of Directors. The offices of secretary and treasurer and president and treasurer may be held by the same person. The Board may elect such other officers as the affairs of the Commons 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 2. The officers shall be chosen by majority vote of the directors.

Section 3. All officers shall hold office during the pleasure of the Board of Directors.

Section 4. The president shall preside at all meetings of the Board

of Directors, shall see that orders and resolutions of the Board of Directors are carried out, and sign all notes, leases, mortgages and deeds.

Section 5. A vice-president designated by the Board as executive vice-president shall perform all the duties of the president in his absence.

Section 6. The secretary shall be ex-officio secretary of the Board of Directors, shall record the votes and keep the minutes of all proceedings in a book to be kept for that purpose. He shall sign all certificates of membership. He shall keep the records of the Commons. He shall record in a book kept for that purpose the names of all members of the Commons together with their addresses as registered by such members.

Section 7. The treasurer shall receive and deposit in appropriate bank accounts all moneys of the Commons and shall disburse such funds as directed by the Board of Directors; provided, however, that a resolution of the Board of Directors shall not be necessary for disbursements made in the ordinary course of business conducted within the limits of a budget adopted by the Board. The treasurer shall sign all checks and notes of the Commons, provided, that such notes shall also be signed by the president or a vice president.

Section 8. The treasurer shall keep proper books of account and cause an annual audit of the Commons books to be made at the completion of each fiscal year. He shall prepare an annual budget and an annual balance sheet statement and the budget and balance sheet statement shall be presented to the membership at its regular annual meeting.

ARTICLE XIV

COMMITTEES

Section 1. The standing Committees of the Commons shall be:

The Nominations Committee
The Audit Committee
The Village Environmental Control Committee

Unless otherwise provided herein, each committee shall consist of a Chairman and two or more members and shall include a member of the Board of Directors. The committees shall be appointed by the Board of Directors prior to each annual meeting 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 such annual meeting. The Board of Directors may appoint such other committees as it deems desirable.

Section 2. The Nominations Committee shall have the duties and functions described in Article X.

Section 3. The Audit Committee shall supervise the annual audit of the books and records of the Commons and approve the annual budget and financial statement to be presented to the membership at its regular annual meeting.

The treasurer shall be an ex-officio member of this committee.

Section 4. The Villages Environmental Control Committee shall determine, subject to the approval of the Board of Directors, the schedule pursuant to which Country House clusters shall be painted or otherwise have the exterior refinished, act as liaison with the Environmental Control Committee of the Association relative to the approval of designs and plans for the construction of Country Houses; report to the Board of Directors such activities or occurrences as may adversely affect the value and integrity of Village Interests, along with its recommended corrective actions; supervise enforcement of the Declaration as it affects Villages; and advise the Board of Directors concerning the maintenance of and rules and regulations pertaining to the various Village Commons.

Section 5. It shall be the duty of each committee to receive complaints from members on any matter involving Commons functions, duties, and activities within its field of responsibility. It shall dispose of such complaints as it deems appropriate or refer them to such other committee, director or officer of the Commons as is further concerned with the matter presented.

ARTICLE XV

MEETINGS OF MEMBERS

Section 1. The regular annual meeting of the members shall be held on the second Monday of the month of June in each year, at the hour of 10 a.m. If the day for the annual meeting of the members shall fall upon a holiday, the meeting will be held at the same hour on the first day following which is not a holiday.

Section 2. Special meetings of the members for any purpose may be called at any time by the President, the Executive Vice-President, the Secretary or Treasurer, or by any two or more members of the Board of Directors, or upon written request of the members who have a right to vote one-fourth of all of the votes of the entire membership or who have a right to vote one-fourth of the votes of the Class A membership.

Section 3. Notice of any meetings shall be given to the members by the Secretary. Notice may be given to the member either personally, or by sending a copy of the notice through the mail, postage thereon fully

prepaid to his address appearing on the books of the Commons. Each member shall register his address with the Secretary, and notices of meetings shall be mailed to him at such address. Notice of any meeting regular or special shall be mailed at least six (6) days in advance of the meeting and shall set forth in general the nature of the business to be transacted, provided, however, that if the business of any meeting shall involve an election governed by ARTICLE X or any action governed by the Articles of Incorporation or by the Declaration applicable to the Villages, notice of such meeting shall be given or sent as therein provided.

Section 4. The presence at the meeting of members, personally or by proxy, entitled to cast one-tenth (1/10) of the votes of each class of membership shall constitute a quorum for any action governed by these By-Laws. Any action governed by the Articles of Incorporation or by the Declaration applicable to the Villages shall require a quorum as therein provided.

ARTICLE XVI

PROXIES

Section 1. At all corporate meetings of members, each member may vote in person or by proxy.

Section 2. All proxies shall be in writing and filed with the Secretary. No proxy shall extend beyond a period of eleven (11) months, and every proxy shall automatically cease upon sale by a member of his Village Interest.

ARTICLE XVII

BOOKS AND PAPERS

Section 1. The books, records and papers of the Commons shall at all times, during reasonable business hours, be subject to the inspection of any member.

ARTICLE XVIII

CORPORATE SEAL

The Commons shall have a seal containing these words: "Village Commons Association, Inc.. Seal. 1973. State of North Carolina."

ARTICLE XIX

AMENDMENTS

Section 1. These By-Laws may be amended at any regular or special meeting of the Board of Directors by a vote of a majority of a quorum present and voting, provided that those provisions of these By-Laws which are governed by the Articles of Incorporation of the Commons may not be amended except as provided in the Articles of Incorporation or applicable law; and provided further that any matter stated herein to be or which is in fact governed by the Declaration applicable to the Villages may not be amended except as provided in such Declaration.

Section 2. In the case of any conflict between the Articles of Incorporation and these By-Laws, the Articles shall control; and in the case of any conflict between the Declaration applicable to the Villages, the Declaration shall control.

Duly adopted and ratified by the Board of Directors of Village Commons Association, Inc., this 26th day of April, 1973.

/s/ G. Robert Livsey, Jr.
Chairman of Board

/s/ Thomas M. Starnes
Secretary