

BY-LAWS

MILL RIDGE PROPERTY OWNERS' ASSOCIATION, INC.

229 Clubhouse Drive, Banner Elk, NC 28604

(Including all amendments adopted September 2018 or before)

ARTICLE I. NAME:

This corporation is organized under Chapter 55A of the General Statutes of North Carolina, and shall be a non-profit organization known as Mill Ridge Property Owners' Association, Inc. (hereinafter referred to as the "Association")

ARTICLE II. PURPOSES:

The objects or purposes for which the Association is organized are:

- (A) To provide for its members, to the greatest extent reasonably possible, a high-quality living environment within Mill Ridge Subdivision (the Subdivision) at a reasonable cost and in harmony with the health and beauty of the environment and to promote the health, safety and welfare of the members (as the term "members" is hereinafter defined) of this Association.
- (B) To acquire, own, build, maintain, regulate, and operate for the use and benefit of its Members, common recreational amenities, including but not limited to, parks, playgrounds, tennis courts, swimming pools, fishing facilities, clubs, and lodges within or without the boundaries of the Mill Ridge Subdivision at Foscoe, Watauga County, North Carolina, and to own, acquire, build, operate, regulate and maintain within the subdivision of Mill Ridge grounds, green areas, foot paths, trails, roads, streets and sidewalks.
- (C) To acquire, own, build, maintain and operate for the primary use and benefit of its members water and sewer utility systems, including sewage disposal plant, outfall lines, sewer mains and laterals; deep wells, water and sewer pumping equipment, water mains, lines, laterals, reservoirs, water storage facilities of every kind and description, including stand pipes. In operation of its water and sewer systems equipment, the Association by and through its Board of Directors, shall have the right and authority to do each and every act and thing deemed necessary, requisite or desirable in the operation and maintenance of said systems, including the full authority to contract with North Carolina Environmental Management Commission, an Agency of the State of North Carolina, for the operation and maintenance of its waste disposal system in accordance with the terms and conditions promulgated by the said Environmental Management Commission, and to execute Operational Agreement, through its proper officers, pursuant to the provisions of G.S. §143-215.1.
- (D) To acquire, own, build, operate and maintain common facilities for the collection and disposal of garbage and trash; to contract and arrange for the collection disposal of garbage and/or trash for the benefit of the members of the Association, and for such other services or facilities that may be necessary, requisite or desirable in furtherance of the health, safety and welfare of its members.

(E) To purchase, receive, lease, rent, take by gift, devise, bequest or otherwise, or to acquire, hold, improve, subdivide, use, grant easements within, and otherwise deal in and with real or personal property or any interest therein, situate in Mill Ridge Subdivision or elsewhere within or without North Carolina; to build, construct, improve, own, hold, lease and deal in all kinds of buildings, commercial, residential or manufacturing, all in furtherance of the principal purposes of the Association.

(F) In order for the Association to promulgate, conduct and carry on its purposes, said Association shall have full authority through its Board of Directors and subject to ratification by the Members, to determine and fix assessments, dues or charges (collectively "assessments") to be levied against the Members of the Association; to collect such charges, dues or assessment when due; the same shall become a lien against the real estate situate in the Mill Ridge Subdivision belonging to such delinquent member, and said lien shall attach to the real estate of the delinquent member when notice of such delinquency and notice of lien is filed in the office of the Clerk of Superior Court of Watauga County, North Carolina.

(G) To do and perform any other thing, and to engage in any and all other kinds and types of activities which may be legally done and performed by the Association as a nonprofit corporation to promote the health, safety and welfare of its members; provided, however, the Association shall exercise all such powers in furtherance of the exempt purposes of the kind and types of nonprofit organization set forth in Section 501 of the Internal Revenue Code of 1954, as amended, and the regulation promulgated pursuant thereto, and provided further that this Association is not organized for pecuniary profits, directly or indirectly, to its members; nor shall it have capital stock or any power to issue certificates of stock, or to declare or pay dividends, and no part of the net profits of this Association, if it has profits, shall inure to the benefit of any of its members. The Association may, however, pay reasonable compensation to its members, directors or officers for services rendered and performed to this corporation.

ARTICLE III. OFFICES:

SECTION 1: The principal office of the Association shall be located at Mill Ridge Subdivision, 229 Clubhouse Drive, Banner Elk, in Watauga County, North Carolina, 28604.

SECTION 2: The registered office of the Association required by law to be maintained in the State of North Carolina may be different from the principal office.

SECTION 3: The Association may have other offices at such other places within the State of North Carolina as the Board of Directors may, from the time to time, determine, or as the affairs of the Association may require.

ARTICLE IV. MEMBERSHIP:

SECTION 1: The Association shall have two classes of membership, Regular and Associate.

SECTION 2: Regular Membership: Every person, firm or corporation owning an interest in real estate within the Subdivision, including all that land which has been developed as a subdivision by Mill Ridge Developers, Inc., near the village of Foscoe in Watauga County, North Carolina, and which is now or which may hereafter be platted of record as a section of that Subdivision in the office of Register of Deeds of

Watauga County, North Carolina, shall, by virtue of that ownership interest, be a Regular Member (or "Member") of the Association; subject, however, to the Declaration of Restrictions for the Subdivision, the Association's Articles of Incorporation, these By-laws, and the rules and regulations of the Association, and all applicable laws. Membership shall be automatic upon acquiring an ownership interest and shall be appurtenant to such ownership.

The phrase "owning an interest in real estate" shall be construed to include a beneficial interest acquired by virtue of an installment contract to purchase or by trustee's deed, but shall exclude those persons, firms or corporations having an interest solely by virtue of deed of trust or other security instrument, or by any claim of lien.

Owning an interest in real estate as that term is above defined is a requirement of regular membership in this Association, and regular membership in the Association shall be subject to the provisions of the Articles of Incorporation and the By-laws of the Association, the Declaration of Restrictions for the Subdivision and all rules and regulations promulgated by the Board of Directors, as the same may be amended from time to time, and the timely payment of the assessments, dues and charges as the same may become due and collectible. When a member is divested of all interest in real estate within the Mill Ridge Subdivision, regular membership of such person, firm or corporation in this corporation shall terminate forthwith. POA Regular Membership is appurtenant to the ownership of Subdivision property and is not transferable.

SECTION 3: Associate Membership: The Association may have Associate Members who own neighboring real property outside of the Subdivision but are served by Association-provided utilities and/or Road maintenance services. Such Associate Members shall enjoy such rights, privileges and benefits as may be provided in these By-laws or by the Board of Directors from time to time. Associate Membership shall be subject to the provisions of the Articles of Incorporation, the By-laws and all rules and regulations promulgated by the Board of Directors, as the same may be amended from time-to-time, and shall be conditioned upon the timely payment of all assessments, dues and charges attendant to associate membership, as the same may become due and collectible. Associate Members, however, shall have no voting rights at any membership meeting, and shall be ineligible to hold any elected office in the Association or to serve on the Board of Directors. Ownership of an interest in real estate in the Mill Ridge Subdivision shall not be prerequisite to membership in the Association as an Associate Member. Associate Members shall be eligible to serve on all Association committees.

SECTION 4: Any Member of this Association who fails to comply with any of the provisions of the Mill Ridge Declaration of Restrictions, as amended; the rules and regulations promulgated by the Board of Directors, the Association's Articles of Incorporation, or these By-laws may be subjected to a fine and/or suspension of Membership privileges (other than the right of access to or from the members property) for a reasonable period after being provided with a disciplinary hearing (and the requisite written notice of the hearing and the opportunity to be heard) conducted in compliance with N.C.G.S. §47F-3-107.1.

SECTION 5: All Association members in good standing whether Regular or Associate, may be issued a membership card or other evidence of membership in such form as determined by the Board of Directors. Upon suspension, such suspended member shall immediately surrender up to the Association the membership card or other evidence of active membership, and all rights, privileges and benefits of membership shall remain suspended for the period defined by the Board of Directors.

ARTICLE V. MEETING OF MEMBERS:

SECTION 1: All meetings of the membership shall be held either in the clubhouse at Mill Ridge; or at such other place within Avery or Watauga County as determined by the Board of Directors from time to time; unless otherwise designated in the notice of the meeting, said meeting shall be held in the clubhouse at Mill Ridge. The rules contained in Roberts Rules of Order shall govern all membership meetings in all cases to which they are applicable and in which they are not inconsistent with the Articles of Incorporation and by-laws of the Association.

SECTION 2: Annual meetings of the membership shall be held at 1:00 o'clock p.m. on the second Sunday in September of each year or on an alternate date approved by the Board of Directors, for the purpose of election of Directors of the Association, presenting the Annual Budget for consideration by the members, and for the transaction of such other business as may be properly brought before the meeting. Notice of the annual meeting of members shall be provided as required by the North Carolina Planned Community Act (the "PCA").

SECTION 3: A special meeting of members may be called at any time by the President, a majority vote of the Board of Directors of the Association, or by any member pursuant to the written request of not less than 10% of the members entitled to vote at the meeting.

SECTION 4: Written or printed notice stating the time and place of any special or alternate annual meeting of members shall be given not less than ten or more than sixty days before the date thereof, either by personal delivery, by U. S. mail, or (with the member's prior written consent) by electronic communication including but not limited to FAX, e-mail or telephone. This notice will be sent to each such member entitled to vote at such meeting. In case of an alternate annual meeting date, the notice of meeting need not specifically state the business to be transacted thereat unless it is a matter other than elections of directors or the vote on the budget on which the vote of the members is expressly required by the provisions of these By-laws or by other applicable law. In case of a special meeting, the notice of the special meeting shall specifically state the purpose or purposes for which the meeting is called. When a meeting is adjourned (that is, suspended without being completed) for thirty days or more, notice of the adjourned meeting shall be given as in case of a substitute annual meeting or special meeting. When the meeting is adjourned for less than thirty 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 taken. Requirements of mail-in ballots shall be observed.

SECTION 5: At any annual or special meeting of members properly called, the participation of members entitled to cast in the aggregate at least 10% of the votes allocated within the Association, and appearing either in person, by written proxy, or by mail-in ballot, shall constitute a quorum. If there is no quorum at the opening of the meeting of members, the vote of the members to ratify the budget adopted by the Board of Directors may nonetheless proceed and other matters may be discussed, but other votes of members requiring a quorum may not take place. In such case, the meeting may be adjourned by a vote of the majority of members voting on the motion to adjourn, and the quorum requirement at the next meeting shall be one-half (1/2) of the quorum requirement applicable to the meeting adjourned for lack of a quorum. This provision shall continue to reduce the quorum by fifty percent (50%) from that required at the previous meeting, as previously reduced, until such time as a quorum is present and business can be conducted. 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 membership, at a meeting at which a quorum is present, may continue to do business until adjournment, notwithstanding the withdrawal of enough members to leave less than a quorum.

SECTION 6: All Regular Members in good standing (defined as neither delinquent in the payment of any assessments obligation owed to the Association nor then suspended from exercising membership privileges for non-compliance with the Declaration of Restrictions, The Association's Articles of Incorporation, these By-laws and all the rules and regulations of the Association) shall be entitled to cast three votes for each improved real estate lot or unit subject to assessments and owned by such member and/or one vote for each unimproved real estate lot subject to assessments owned by such member on all matters requiring membership action at any regular or special meeting of members, subject to limitations as provided in Section 8 of Article V, entitled "Meeting of Members". For the purpose of voting, joint owners of real estate unit (either by the entireties, tenants in common or otherwise) shall be treated as a single owner, and such joint owners shall designate one of their number or proxy to cast the votes to which such owners are entitled. Any Mill Ridge lots owned by the original Ridge Community Investors or their heirs are not subject to assessment until they are sold or developed for residential use. As such, they are "exempt" and have no vote.

SECTION 7: Candidates for Director will be nominated by the Nominating Committee (see By Law XI-3) or as otherwise specified in these By-laws. All nominees must be assessment-paying members in good standing of the POA for at least 1 year prior to July 15 of the year nominated.

SECTION 8: Candidates for Director, with their prior consent, may also be nominated by a petition signed by at least three members in good standing. The candidate's name will be included on the printed ballot if the petition is delivered to the nominating committee (see By-law XI-3), no later than July 15.

ARTICLE VI. DIRECTORS:

Preamble - To become a member of the Association's Board of Directors, one must be a Regular Member in good standing who is interested in, and committed to, being an active and participating Director. He or she is expected to attend the Board meetings and also spend the necessary time investigating and working on the assigned committee work. A Director whose circumstances change so that he or she is unable to carry out his or her duties for an extended period should resign so that he or she can be replaced by an active Director.

Each Director must guard against even the appearance of, and must disclose, prior to Board consideration, any existence of or known potential for, a conflict of interest between that Director's personal or business interests, and the Director's considering the matter as a fiduciary of and to the Association. A Director with an identified conflict of interest may participate, to the degree it would be helpful to the Board, in the Board's discussions of the issue, but shall recuse himself or herself from both any vote on any issue relating to the conflict and from any deliberations by the Board on such vote.

SECTION 1: The Association's business and affairs shall be managed by a Board of Directors, or by such executive committees as the Board of Directors may establish pursuant of these By Laws.

SECTION 2: The number of Directors of the Corporation shall be nine (9) to be elected and hold office on a rotating basis, as follows: The regular membership, at each annual meeting of members shall elect three (3) Directors for a three-year term and any other Directors needed to complete any other vacated and unexpired Director positions for the remainder of each scheduled term. Each Director shall hold office until his or her death, resignation, retirement, removal, disqualification, or until his or her successor is elected and qualifies. Directors shall be Regular Members of the Association either individually or as an agent of a Regular corporate member.

SECTION 3: Except as provided in SECTION 5 of this Article VI, the Directors shall be elected at the annual meeting of membership, and those persons who receive the highest number of votes shall be deemed to have been elected. To provide for voting by all members the Board of Directors shall provide for mail-in ballots to be sent with the notice of the annual meeting. All mail-in ballots must be received by the Association by the last business day preceding the annual meeting.

A preliminary tally of mail-in ballots will expedite the vote count during the Annual Meeting. Such a tally can only take place after the last mail delivery on Friday or on Sunday AM. Additional ballots hand-delivered at the Annual Meeting would be added to the preliminary tally for a final vote count. A Member in good standing will be selected from the attendance at the Annual Meeting to help with the Final Vote Certification. No person on the Ballot for Directors may participate in the vote count.

SECTION 4: Directors may be removed from office with or without cause by a vote of the majority of the then-serving Directors or by a majority of members entitled to vote at any election of Directors. If any Director be so removed, a new Director may be elected at the same meeting, however, in any year that balloting by mail is authorized by the Board of Directors, any new Directors to be elected by the Members, shall also be elected by balloting. Directors subject to being removed by the Members shall serve, if they agree to do so, until their successors are duly elected and qualified.

SECTION 5: A vacancy occurring in the Board of Directors may be filled by a majority of the remaining Directors, though less than a quorum, or by the sole remaining Directors, but a vacancy created by an increase in the authorized number of Directors shall be filled only by election at an annual meeting of membership or at a special meeting of membership called for that purpose. The membership may elect a Director at a special meeting to fill any vacancy not filled by the Directors.

SECTION 6: The Board of Directors shall not compensate directors for their services as such, but may provide for the payment or reimbursement of all expenses reasonably incurred by directors attending regular and special meetings of the Board.

SECTION 7: The Board of Directors may delegate decision-making authority to the Executive Committee under the circumstances specified in Article XI, Section 1(A) of these By-laws.

SECTION 8: Indemnification against Liability. The Association shall indemnify and hold harmless each person who shall serve at any time hereafter as a director or officer of the Association from and against any and all claims and liabilities to which such person shall become subject by reason of his or her having heretofore or hereafter been a director or officer of the Association, or by reason of any alleged to have been heretofore or hereafter taken or committed by him or her as such director or officer, and shall reimburse such person for all legal and other expenses reasonably incurred by him or her in connection

with any such claim or liability; provided, however, no such person shall be indemnified against or reimbursed for any expense incurred in connection with any claim or liability arising out of his or her own negligence, unlawful conduct or illegal act. The rights accruing to any person under the foregoing provision of this Section shall not exclude any other rights to which he or she may be lawfully entitled; nor shall anything herein contained restrict the right of the corporation to indemnify or reimburse such person in any proper case, even though not specifically herein provided for.

The Association, its directors, officers, employees and agents shall be fully protected in taking any action or making any payment under this SECTION 8 of Article VI, entitled "Directors" or in refusing so to do, in reliance upon the advice of counsel.

SECTION 9: A Director who is absent for three regular Board meetings in a year may be removed for cause at any Board meeting with a duly constituted quorum by a majority vote of the other members of the Board who are present.

SECTION 10: Only one director may be elected from among the co-owners of any Mill Ridge property owned by more than one individual, or by an entity. e.g. co-owning husband or wife - but not both - can serve as a director; only one member of a group ownership can serve as a director; only one agent of a corporation or other business entity owning one or more pieces of Mill Ridge property can serve as a Director (effective September 1990).

ARTICLE VII. MEETINGS OF DIRECTORS:

SECTION 1: A regular meeting of the Board of Directors shall be held immediately after and at the same place as the annual meeting of members. At this meeting the Board shall elect its officers. In addition, the Board of Directors may provide, by resolution, the time and place, either within or outside of Mill Ridge, for the holding of additional regular meetings. The rules contained in Roberts Rules of Order shall govern all meetings of Directors in all cases to which they are applicable and in which they are not inconsistent with the Articles of Incorporation and bylaws of this Association.

SECTION 2: Special meetings of the Board of Directors may be called by/or at the request of the President, or any three directors. Such meetings may be held either in person at a designated location within the state of North Carolina or else telephonically or by video conferencing or by a combination of an in-person and telephonic or videoconferencing meeting so long as all Directors participating can hear one another speak so that a meaningful discussion can take place.

SECTION 3: Regular meetings of the Board of Directors shall be held as scheduled without formal notice. The Board of Directors shall, at least seventy-two (72) hours prior to a special meeting, be given notice thereof by any of the usual means of communication, including electronic communication. Such notice shall specify the purpose for which the meeting is called. Attendance by a Director at a meeting shall constitute a waiver of notice of such meeting, except where a Director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called.

SECTION 4: A majority of then-serving Directors, which majority shall total Seven ⁵ ~~(7)~~ or more directors if the Board has no vacant positions shall constitute a quorum for the transaction of business at any meeting of the Board of Directors. A Director will lose his or her right to vote and participate in any

Directors meeting if his or her dues and assessments are past-due at the time of the meeting.

SECTION 5: Except as otherwise provided in this section, the action approved by the majority of the Directors present at any meeting at which a quorum is present shall be an official act of the Board of Directors. The vote of a majority of Directors then holding office shall be required to adopt a resolution constituting an executive committee, or to adopt, amend or repeal a by-law or to adopt a resolution dissolving the Association. Vacancies in the Board of Directors may be filled as provided in ARTICLE VI.

SECTION 6: Action taken by Directors then holding office 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. This action may be accomplished using electronic communication if that is more expedient.

ARTICLE VIII. OFFICERS:

SECTION 1: The officers of the Association shall consist of a President, a Vice President, a Secretary, a Treasurer, and such assistant secretaries, assistant treasurers, and other officers as the Board of Directors may, from time to time, elect. Any two or more offices may be held by the same person, except the offices of President and Vice-President, President and Secretary or Vice-President and Secretary.

SECTION 2: The officers of the Association shall be elected by the Board of Directors. Such election may be held at any regular or special meeting of the Board. Each officer shall hold office until his or her death, resignation, retirement, removal, disqualification, or until his or her successor is elected and qualifies.

SECTION 3: Any officer or agent elected or appointed by the Board of Directors may be removed by the Board with or without cause by a majority vote at any meeting of the Board of Directors at which quorum is present.

SECTION 4: All Directors and elected officers of the Association shall perform their duties as unpaid volunteers but shall be entitled to reimbursement of expenses reasonably and necessarily incurred in the course and scope of their duties, so long as such reimbursement is reviewed and approved before disbursement by either the Treasurer, the President if reimbursement is to the Treasurer, or the Board of Directors.

SECTION 5: The President (i) shall be the presiding officer of the Association and subject to the control of the Board of Directors, he or she shall supervise and coordinate the management of the Association in accordance with these By Laws. (ii) shall, when present, preside at all meetings of the Board of Directors and meetings of the members. (iii) when authorized by the Board, shall sign, with or without any other properly attesting officer, any deeds, mortgages, bonds, contracts and other instruments which may be lawfully executed on behalf of the Association, except where required or permitted by law to be otherwise signed and executed, and, (iv) in general, shall perform all duties incident to the office of President and such other duties as may be prescribed by the Board of Directors from time to time.

SECTION 6: The Vice-President, shall, in the absence or disability of the President, perform the duties and exercise the powers of that office. In addition, he or she shall perform such other duties and have such powers, as the Board of Directors shall prescribe.

SECTION 7: The Secretary shall keep, or cause to be kept at the principal office of the Association, or such other place as the Board may order, a Book of Minutes of all meetings of the Board and of Association Members, or a duplicate thereof. The Book of Minutes shall include the time and place of meeting held, whether regular or special notice thereof given. The names of those present at Board meetings and the number of Members present or represented at Members' meetings, and the proceedings thereof shall also be included. Upon approval of the minutes of any meeting of the Board or of the Membership of the Association, the Secretary shall certify the minutes and any copies thereof, as true and accurate.

The Secretary shall keep or cause to be kept, at the principal office or such other place as the Board may order, the membership roll or register. The Secretary shall give or cause to be given, notice of all the meetings of the Members and of the Board required by law or by these By-laws to be given; and shall have other such powers and perform such other duties as may be prescribed by the Board. Absent other arrangements approved by the Board, the Secretary shall be the officer charged with supervising, and assuring the integrity of all elections and other votes by the Members.

SECTION 8: The Treasurer (i) shall keep or cause to be kept accurate accounts of the finances of the Association in books and/or databases or spreadsheets especially provided for that purpose; (ii) shall serve as Chair or Vice-Chair of the Finance Committee; (iii) shall prepare or cause to be prepared and certify a true statement of assets and liabilities as of the close of each fiscal year, and of the results of its operation, all in reasonable detail, to be made and filed at the principal office of the corporation within a reasonable time after the end of each fiscal year. The statement so filed shall be kept available for inspection by any Regular Member for a period of five years; (iv) shall also over-see all funds belonging to the Association, and shall receive, deposit and disburse or cause to be received, deposited, and/or disbursed all such funds under the direction of the Board of Directors, and, (v) in general, shall perform all duties incident to his or her office, such as working with the Finance Committee to develop the Annual Operating Budget for review and approval by the Board of Directors; and such other duties as may be assigned to him or her from time to time by the President or by the Board of Directors. Any of the duties and responsibilities of the Treasurer may be delegated with the approval of the President or Board of Directors to an Assistant Treasurer or other agent.

SECTION 9: The Assistant Secretaries and Assistant Treasurers, if any, need not be members of the Association, may also serve as paid employees of the Association, shall be appointed by, and serve at the pleasure of, the Board of Directors, authorized in the absence or disability of the Secretary or Treasurer, respectively, perform the ministerial duties, such as attesting officer's signatures, certifying copies as true and accurate copies of the original documents, and other routine services rendered as an accommodation to the Board of Directors and to the elected officers of the Association.

SECTION 10: Any elected Director may be authorized to certify the results of any vote of the membership.

ARTICLE IX. CONTRACTS, LOANS AND DEPOSITS:

SECTION 1: The Board of Directors, by resolution, may authorize any officer or officers, agent or agents, to enter into any contract or execute and deliver any instrument on behalf of the Association, and such authority may be general or confined to specific instances.

SECTION 2: No loans shall be contracted on behalf of the Association, and no evidences of indebtedness shall be issued in its name unless authorized by resolution of the Board of Directors. Such authority may be general or confined to specific instances.

SECTION 3: All checks, drafts or other orders for the payment of money issued in the name of the Association from time to time shall be determined by the resolution of the Board of Directors.

SECTION 4: All funds of the Association not otherwise employed, shall be deposited from time to time to the credit of the Association in such depositories as the Board of Directors shall direct.

SECTION 5: The Board of Directors is authorized to obligate the Association to contract for budgeted expenditures without monetary limit or for non-budgeted expenditures of up to \$25,000. Any non-budgeted expenditure over \$25,000, if of a non-emergency nature, shall require notification of expenditure to the full membership and the opportunity for comment and approval at a called meeting of members.

ARTICLE X. BUDGET, ASSESSMENTS, DUES, CHARGES, and SUSPENSION:

SECTION 1: The Board of Directors shall prepare, or cause to be prepared, annually an Operating Budget setting forth therein in reasonable detail estimated expenditures for the then current budget year and after taking into consideration other estimated income, determining the assessments, dues, or charges to be levied against the membership. Such budget shall first be adopted by the Board of Directors, and within thirty (30) days thereafter, a summary of the Board-approved Budget shall be provided to the members with a notice of meeting for their vote to ratify or reject the budget in compliance with N.C.G. S. §47F-3-103(c) which notice shall disclose that the Members may ratify the budget without a quorum. If the Board-Approved Budget is not rejected by the Members by a majority of all the votes allocated within the Association, then it shall become the budget of the Association. Such assessments, dues or charges as levied by the Board of Directors shall be paid by the Members in such manner and at such time as determined by the Board of Directors.

SECTION 2: To receive Mill Ridge services (e.g. water & sewer), non-member lots must pay an initiation fee to be established at a rate determined by the Board of Directors from time to time and presently \$12,500.00. Member Lots must be current in their assessments, dues, or charges to receive these services.

If member lots are not current in their assessments, sums due shall also include costs incurred to disconnect and thereafter re-connect any properties for which assessments are past due, cutting off from water and sewer facilities. In addition to the right of the Association to suspend a Member's receipt of Association-provided utilities services and use privileges for the common amenities for non-payment of assessments, dues, and charges within thirty (30) days' notice period, such unpaid assessments, dues and charges shall become a lien against any real estate in the Mill Ridge Subdivision belonging to such delinquent member, and said lien shall attach to the real estate of the delinquent member when notice of such delinquency and notice of lien is filed in the office of the Clerk of Superior Court of Watauga County, North Carolina, and may be reduced to judgement and the lien foreclosed in like manner to a foreclosure of a deed of trust under power of sale as by law provided.

Member lots in arrears for non-payment of dues will be charged the amount of dues unpaid plus interest as stated in the Policy for Past Assessments Overdue.

SECTION 3: In addition to the right of the Board of Directors to assess members for the purpose of funding the Association's operating budget, the Board of Directors shall also have the right and power to include the assessment of members' items for debt service and reasonable contingencies. The Board of Directors shall not, however, have any right, authority or power to assess members for the purpose of creating a surplus.

SECTION 4: Regular Members whose property has deteriorated so as to become either unsafe or else an aesthetic detriment to the appearance of the Subdivision (see Declaration of Restrictions Section 5, (g)) will be notified in writing by first class US mail. The Member's failure to complete the required repairs or maintenance or to respond to the Board within 45 days will result in the Association making the improvements and adding the associated costs as a special assessment to the Member's Mill Ridge account. Failure to pay this expense may result in suspension of Mill Ridge services.

SECTION 5: No vehicle, personal property, or permanent improvements shall be stored, maintained, installed, or constructed within the right-of-way of any platted subdivision road. Any obstruction of any such right-of-way may be summarily removed at the obstructing owner's expense. Any request for a variance or other curative action as to improvements within a right-of-way but not obstructing vehicular traffic or creating a safety hazard shall be considered by, and granted or denied in the discretion of, the Association acting through its Architectural Review Committee and/or its Board of Directors.

SECTION 6: : The owners of any town home or other multi-family units not part of a condominium shall be responsible for maintaining their property so as to prevent any unclean, unsightly, or unkempt condition of the buildings or grounds on that owner's lot that would decrease the beauty of the neighborhood as a whole or a specific area. The Association or its assignee must approve any painting or repainting of the exterior of any such unit.

ARTICLE XI. COMMITTEES:

SECTION 1: The Board of Directors may, by resolution, name and establish such committees, standing or otherwise, as the Board shall determine, and any such committee shall have and perform such powers and duties as provided in such resolution or thereafter assigned to the committee by the President or by the Board of Directors from time to time. The standing committees of the Association shall include but not be limited to the following: Executive, Finance, Legal, Roads/ Water Drainage, Water/Sewer, Architectural Review, Insurance, and Personnel.

- A. Executive Committee. The Committee shall consist of 4 Directors: President, Vice-President, Chairperson of the Legal Committee, and one at-large Board Member to be elected annually by the Board of Directors. The Executive Committee, when action is required between Board Meetings, may exercise all of the authority of the Board, consistently with any previous decisions of the Board and also to the extent that the Board may specifically authorize by majority vote at a regular or special meeting with a quorum present or by unanimous written consent (including any electronic submissions or mail) to the action in question. Any such actions by the Executive Committee shall constitute official acts of the Board of Directors, and the Committee's minutes

shall be provided to be filed with the official minutes of the proceedings of the Board.

- B. Finance Committee The Committee shall be responsible for drafting for the Board's review the proposed Annual Operating Budget at the beginning of the budget year as well as A Statement of Assets and Liabilities at the end of the fiscal year; for reviewing and recommending to the Board the institutions and terms for the Association's banking and any investment accounts, and for otherwise performing discernment and making recommendations to the Board as to any issues of a financial nature.
- C. Legal Committee The Committee shall consider and perform, in consultation with legal counsel , discernment and offer recommendations to the Board of Directors about (i) any proposed changes to any of the Association's governing documents, including, but not limited to, the Declaration of Restrictions, the Articles of Incorporation, the By-laws, Rules and Regulations, and any Board-adopted Policy statements; (ii) any other issues of a legal nature.
- D. Roads/Storm Drainage
- E. Water/Sewer
- F. Architectural Review
- G. Insurance
- H. Personnel Committee

SECTION 2: The Committee Structure. The Board of Directors shall appoint a Chairperson for each Committee and each committee shall, from its membership, name such assistant chairmen and secretaries as the committee shall determine, and the committee officials shall do and perform such duties and responsibilities as are incident to their respective offices.

SECTION 3: The President shall appoint a Nominating Committee of at least three members no later than three months prior to the annual meeting. The nominating committee will nominate potential candidates for the positions of Director subject to election at the Annual Meeting. The nominating committee will see that proper ballots are prepared showing their selections for the position of Director. Individuals nominated by petition (By-Law V-8) will be so designated on the ballot.

ARTICLE XII. GENERAL PROVISIONS:

SECTION 1: The corporate seal of the Association shall consist of two concentric circles between which is the name of the Association and in the center of which is inscribed in upper caps "SEAL"; such seal as impressed on the margin hereof, is hereby adopted as the corporate seal of the Association.

SECTION 2: Whenever any notice is required to be given to any member or director under the provisions of Chapter 55A of the General Statutes of North Carolina, or any other law of this state, or under the provisions of the Charter or By Laws of this corporation, a waiver thereof in writing signed by the person therein, shall be equivalent to the giving of such notice.

SECTION 3: Unless otherwise ordered by the Board of Directors, the fiscal year of the corporation shall be from July 1 to June 30 of each year. This will allow the preparation of the Final Assets and Liabilities Report to be ready for the Annual Meeting in September. The "Budget Year" will be from October 1 to September 30 each year.

SECTION 4: The primary purpose of this Association is to provide for the health, security and welfare of the property owners in the Mill Ridge Subdivision, and their guests, and to that end this Association may do and perform each and every act that it may legally do and perform in the furtherance of said primary purpose; subject to the provisions of Chapter 55A of the General Statutes of North Carolina, its Articles of Incorporation, and these By Laws.

SECTION 5: The Board by simple majority vote at any Board meeting with a duly constituted quorum may amend the By-laws for the sole purpose of rendering them compliant with applicable law, including but not limited to, the provisions of the North Carolina Planned Community Act (Chapter 47F of the North Carolina General Statutes) and the North Carolina Nonprofit Corporation Act (Chapter 55A of the North Carolina General Statutes).

The Members may adopt new By-laws or amend or rescind these By-laws by a simple majority of the votes entitled to be cast by the members present in person or by proxy at any meeting of the Members with a duly constituted quorum; at a meeting for which the notice of meeting both stated that the purpose, or one of the purposes of the meeting, is to consider the proposed amendment(s) and also contained a copy or summary of the amendment(s).

SECTION 6: As provided in the Articles of Incorporation, none of the profits of the Association, if any, shall inure to the benefit of any of its members, and upon the liquidation of the Association, its assets shall be distributed in accordance with the provisions of Chapter 55A of the General Statutes of North Carolina as the same may be amended from time to time.