

BY - LAWS

of

HERITAGE HILLS RECREATION CLUB, INC.

(as amended January, 2009)

ARTICLE I
Name and Offices

Section 1. Name:

The name of this corporation is Heritage Hills Recreation Club, Inc., (hereinafter referred to as "Corporation".)

Section 2. Principal Office:

The principal office of the Corporation shall be located at the residence of the President of the Corporation.

Section 3. Registered Office and Registered Agent:

The registered office of the Corporation shall be located at the offices of the attorney for the Corporation.

ARTICLE II
Purposes

Section 1. General Purpose:

The purpose of the Corporation shall be to own, operate and maintain the Heritage Hills swimming pool, pool building, tennis courts, adjacent property, and any other property which may be acquired by the Corporation, as social and recreational facilities.

Section 2. Exclusive Purposes:

The Corporation shall be organized exclusively for pleasure, recreation and other non-profitable purposes within the meaning of Section 501(c)(7) of the Internal Revenue Code or successor provisions thereof.

ARTICLE III
Members

Section 1. Classes:

The Corporation shall consist of two (2) classes of membership, which are family and individual. Each of these classes consist of four tiers, as follows: (1) tennis; (2) member for one through ten years; (3) member for eleven or more years; (4) member for 16 years or more with the condition that one primary member is 60 years or older. Individual

memberships confer membership rights and responsibilities on one person (18 years old or older); family memberships include all members of the same household at the same address. The Board of Directors may establish procedures for changing any existing membership from one class to another. The Board of Directors may, at its discretion, grant membership to a person or persons upon special application. The Board of Directors may, at its discretion, create a special membership, upon application, on a year-to-year basis. The Board of Directors may limit membership acceptance, if the Board determines that it is in the best interest, safety and welfare of the current membership. The Board will then set specific procedures for membership acceptance and communicate this to interested persons. In the event of dissolution of a household within a family membership, the Board may waive the initiation fee for members of the family, who apply for a new and separate membership.

Section 2. Election of Members:

Members shall be elected by the Board of Directors. An affirmative vote of the majority of the Directors present at a regular meeting shall be required for election. The membership year shall run concurrently with the fiscal year as provided in Article XII. HHRC does not discriminate on the basis of race, religion, gender, age, physical characteristics, military service, marital status, sexual orientation, national origin, disability, pregnancy, parental status, political affiliation, or any other factor determined to be discriminatory by the federal government.

Section 3. Voting Rights:

Each membership shall be entitled to one vote which may be applied to each matter submitted to a vote of the membership, provided that voting rights have not been suspended as described in Article XV, Section 2.

Section 4. Termination of Membership:

- a. Expulsion: The Board of Directors, by affirmative vote of two-thirds (2/3) of all of the members of the Board, may expel a member for cause, as defined by the Board of Directors after notice to the member of a hearing, where said member may have an opportunity to be heard on the issues. Any member so expelled after less than twelve (12) months of membership shall be entitled to receive from the Corporation a rebate of one-half (1/2) of the initiation membership fee paid by the member. No rebate will be available after twelve (12) months of membership.
- b. Automatic: Any member who has neither paid annual dues nor been granted a "Waiver

of Dues" after any due date announced for the payment of dues may have his/her membership terminated.

Section 5. Resignation:

Any member may resign by filing a written resignation with the Secretary, but such resignation shall not relieve the member of the obligation to pay any dues, assessment or other charges theretofore accrued and unpaid. In the event of resignation of a member, the Corporation shall not be under any obligation to rebate any portion of the initiation membership fee, annual dues, or other payments made to HHRC.

Section 6. Transfer of Membership:

Membership in this Corporation is not transferable or assignable.

Section 7. Rental or Lease of Facilities:

The Board of Directors may rent or lease to non-members specified facilities of the Corporation upon approval by at least two-thirds (2/3) of all of the Board. The Board may require that specific conditions be met by the lessee prior to the leasing of the facilities.

ARTICLE IV

Meetings of Members

Section 1. Annual Meeting:

An Annual Meeting of the members shall be held at a time so designated by the Board for the purpose of electing Directors and for the transaction of other business. The date, time, and place for the Annual Meeting shall be set by the Board of Directors, subject to the notice hereinafter provided.

Section 2. Special Meetings:

Special Meetings of the members may be called by the President, the Board of Directors, or not less than one-tenth (1/10) of the members having voting rights.

Section 3. Notice of Meetings:

Written or printed notice stating the place, date and time of any meeting of members shall be delivered either personally, by mail, or electronic mail to each member entitled to vote at such meeting not less than ten (10) or more than thirty (30) days before the day of such meeting, by or at the direction of the President or the Secretary or the officers or persons

calling the meeting. This notice shall communicate the information on the options of proxy voting (see below) for the meeting. In the event of a special meeting, such notice shall recite the purpose of such meeting in conformity with the requirements of Chapter 55A of the General Statutes of North Carolina.

Section 4. Informal Action by Members:

Any action required by law to be taken at a meeting of the members, or any action which may be taken at a meeting of members, may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the members entitled to vote with respect to the subject matter thereof.

Section 5. Quorum:

The members holding one-fourth (1/4) of the votes which may be cast at any meeting shall constitute a quorum at such a meeting.

Section 6. Proxies:

At any meeting of members, a member is entitled to vote by proxy executed in writing, including electronic format, by the member or by his or her duly authorized attorney-in-fact. No proxy shall be valid after eleven (11) months from the date of its execution unless otherwise provided in the proxy.

ARTICLE V

Board of Directors

Section 1. General Powers:

The affairs of the Corporation shall be managed and controlled by its Board of Directors. All the corporate powers, except such as are otherwise provided for in these by-laws and in the laws of the State of North Carolina, shall be and are hereby vested in and shall be exercised by the Board of Directors.

Section 2. Number, Tenure and Election:

The number of Directors shall be nine (9).

- a. A directorship or position on the Board of Directors may be held jointly or shared by two or more members who meet the membership qualifications of Article V, Section 3. Such a jointly held or shared position will be construed as a single directorship and

entitled to a single vote in any Board deliberation where a quorum or vote is required. A vacancy of the position will exist only when both members resign or are removed from the Board.

- b. The initial Board of Directors has been appointed by the incorporators in the Articles of Incorporation. One-third (1/3) of the initial members of the Board of Directors shall serve for a term of one year; one-third (1/3) for two years; and one-third (1/3) for three years. Their successors shall be elected for a term of three (3) years by the members of the Corporation at the Annual Meeting. Members of the Board of Directors shall take office following the Annual Meeting at which they are elected.
- c. Members of the Corporation, by secret ballot, shall cast one (1) vote for each vacancy existing on the Board of Directors. The persons who receive the highest votes shall be elected.

Section 3. Qualifications:

Directors must be members of the Corporation at the time of their election and must remain members in good standing throughout their tenure.

Section 4. Resignation:

Any Director may resign at any time by giving written notice of such resignation to the Board of Directors.

Section 5. Removal:

A Director may be removed by a majority of members of the Corporation present and voting at the Annual Meeting or at a special meeting called for this purpose.

Section 6. Regular Meetings:

A regular meeting of the Board of Directors shall be held without other notice than this By-law, immediately after, and at the same place as, the Annual Meeting of the members. The Board of Directors may provide by resolution the time and place for the holding of additional regular meetings of the Board without other notice.

Section 7. Special Meetings:

Special meetings of the Board of Directors may be called by the President, or at the request of any five (5) Directors. The person or persons authorized to call special meetings of the Board may fix the place for holding any special meeting of the Board called by them.

Section 8. Open Meetings:

All meetings of the Board of Directors will be open to the membership with the exception of meetings, or portions thereof, which may justify a closed meeting.

Section 9. Notice:

Notice of any special meeting of the Board of Directors shall be given at least two (2) days previously thereto by written notice delivered personally or sent by mail or electronic communication to each Director at his address as shown on the records of the Corporation. Any Director may waive notice of any meeting. The attendance of a Director at any 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 or convened.

Section 10. Quorum:

A majority of the Board of Directors shall constitute a quorum for the transaction of business at any meeting of the Board; but if less than a majority of the Directors are present at said meeting, a majority of the Directors present may adjourn the meeting without further notice.

Section 11. Manner of Acting:

The act of a majority of the Directors present at the meeting at which a quorum is present shall be the act of the entire Board of Directors, unless a greater number is required by law or by these By-laws.

Section 12. Vacancies:

If a vacancy occurs on the Board during the year, it shall be filled by appointment by the Board. A Director appointed to fill a vacancy shall serve in the position for the unexpired term of his/her predecessor in office.

Section 13. Board Member Compensation:

Any or all members of the Board of Directors may receive Director's fees through a reasonable reduction in annual dues, upon approval of at least two-thirds (2/3) of all of the Board of Directors. Members of the Board may also be reimbursed for any actual and reasonable expenses incurred on behalf of the Corporation.

Section 14. Duties:

The Directors shall review, approve and revise annual budgets and have the power to determine the amount to be expended and to authorize the distribution of money for carrying out the purposes for which the Corporation is organized. They shall have broad discretion as to such disbursements, provided that such disbursements shall cover necessary administrative and other expenses and such other disbursements as shall be in furtherance of the purposes of the Corporation. The Board shall annually adopt a program of activities, a budget, and a schedule of dues and assessments for the following year or as necessitated during a current year. The Board shall retain such personnel as may be required for the operation of the programs adopted as herein provided and to fulfill the purposes of the Corporation or may, in its discretion, contract for such services as may be required.

Section 15. Activities Reports:

Each Director, or a representative of said Director, shall present the business activities of his or her position since the last Board meeting to the Board of Directors at each regular meeting.

ARTICLE VI
Committees

Section 1. Committees of Directors:

The Board of Directors, by resolution adopted by a majority of the Directors in office, may establish one or more committees, each of which shall be chaired by one or more Directors and comprised of other volunteer members. The committees, to the extent provided in said resolution, shall have and may exercise the authority of the Board in the management of the Corporation; but the authority shall not operate to relieve the Board, or any individual Director, of any responsibility imposed upon it or him/her by law.

Section 2. Nominating Committee:

At least two (2) months prior to the Annual Meeting, the Board of Directors may appoint a nominating committee to consist of at least three (3) members, none of whom are members of the Board of Directors. The nominating committee shall provide a slate of nominees for each of the vacancies on the Board. This slate shall be included with the notice of the Annual Meeting.

Section 3. Other Committees:

Other committees not having and exercising the authority of the Board of Directors in the management of the Corporation may be designated by a resolution adopted by a majority of the Directors present at any meeting at which a quorum is present. Except as otherwise provided in such resolution, members of such committee shall be members of the Corporation, and the President of the Corporation shall appoint the members thereof. Any member thereof may be removed by the person or persons authorized to appoint such member, whenever in his or her judgment the best interests of the Corporation shall be served by such removal.

Section 4. Terms of Office:

Each member of a committee shall continue as such until his/her successor is appointed, unless the committee terminates, or unless such member is removed from the committee, resigns from the committee or discontinues membership in the Corporation.

Section 5. Vacancies:

Vacancies in the membership of any committee may be filled by appointments made in the same manner as provided in the original appointments.

Section 6. Quorum:

Unless otherwise provided in the resolution of the Board of Directors designating a committee, a majority of the whole committee shall constitute a quorum, and the act of a majority of the members present at a meeting at which a quorum is present shall be the act of the committee as a whole.

Section 7. Rules:

Each committee may adopt rules for its own government not inconsistent with these By— laws or with rules adopted by the Board of Directors.

Section 8. Committee Reports:

The Chairperson or a representative of each committee shall present a report of the business activities of the committee to the Board of Directors since the last Board meeting.

ARTICLE VII

Officers

Section 1. Officers:

The officers of the Corporation shall be a President, Vice-President, both of whom shall be members of the Board of Directors, a Secretary, a Treasurer, and such other officers as may be elected in accordance with the provisions of this article. The Board of Directors may elect or appoint or remove such other officers, including one or more Assistant Secretaries and one or more Assistant Treasurers, as it shall deem desirable, such officers to have the authority and perform the duties prescribed, from time to time, by the Board of Directors. No person shall hold more than one office at any one time.

Section 2. Election and Term of Office:

The officers of the Corporation shall be elected annually by the Board of Directors following the regular Annual Meeting. New offices may be created and filled at any meeting of the Board of Directors. Each officer shall hold office until his successor shall have been duly elected and shall have qualified.

Section 3. Removal:

Any officer elected or appointed by the Board of Directors may be removed by a vote of two-thirds (2/3) of the Board of Directors whenever in its judgment, the best interests of the Corporation would be served thereby. Such removal shall be without prejudice to the contract rights, if any, of the officer so removed.

Section 4. Vacancies:

A vacancy in any office because of death, resignation, removal, disqualification, or otherwise may be filled by the Board of Directors for the unexpired portion of the term.

Section 5. President:

The President shall be the principal executive officer of the Corporation and shall in general supervise and control all of the business and affairs of the Corporation. He or she shall preside at all meetings of the members and of the Board of Directors. He or she may sign, with the Secretary or any other proper officer of the Corporation authorized by the Board of Directors, any deeds, mortgages, bonds, contracts, or other instruments which the Board of Directors has authorized to be executed except in cases where the signing and execution

thereof shall be expressly delegated by the Board of Directors or these By—laws or by statute to some other office or agent of the Corporation, and in general, he or she shall perform all duties incident to the office of President and such other duties as may be prescribed by the Board of Directors.

Section 6. Vice-President:

In the absence of the President or in the event of his/her inability or refusal to act, the Vice-President shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President. Any Vice-President shall perform such other duties as from time to time may be assigned to him/her by the President or by the Board of Directors.

Section 7. Treasurer:

If required by the Board of Directors, the Treasurer shall qualify for a bond for the faithful discharge of his/her duties in such sum and with such surety or sureties as the Board of Directors shall determine. He/she shall have charge and custody of and be responsible for all funds and securities of the Corporation, receive and give receipts for monies due and payable to the Corporation from any source whatsoever, and deposit all such monies in the name of the Corporation in such banks, trust companies, or other depositories as shall be selected in accordance with these By—laws, and in general perform all the duties incident with the office of Treasurer and such other duties as from time to time may be assigned to him/her by the President or by the Board of Directors.

Section 8. Secretary:

The Secretary shall keep the minutes of the meetings of the members and of the Board of Directors in one or more books provided for that purpose; see that all notices are duly given in accordance with the provisions of these By—laws or as required by law; be custodian of the corporate records and of the seal of the Corporation and see that the seal of the Corporation is affixed to all appropriate documents, the execution of which on behalf of the Corporation under its seal is duly authorized in accordance with the provisions of these By—laws; keep a register of the post office address of each member which shall be furnished to the Secretary by such member; and in general perform all duties incident to the office of Secretary and such other duties as from time to time may be assigned to him or her by the President or by the Board of Directors.

Section 9. Assistant Treasurers and Assistant Secretaries:

If required by the Board of Directors, the Assistant Treasurers shall qualify for a bond for the faithful discharge of their duties in such sums and with such sureties as the Board of Directors shall determine. The Assistant Treasurers and Assistant Secretaries, in general, shall perform such duties as shall be assigned to them by the Treasurer or the Secretary or by the President or the Board of Directors.

Section 10. Officer Compensation:

The Treasurer and Secretary of the Corporation may be compensated for their services through a reasonable reduction in annual dues if they are not members of the Board of Directors, upon the approval of two-thirds (2/3) of the Board of Directors. Such officers may also be reimbursed for any actual and reasonable expenses incurred on behalf of the Corporation.

ARTICLE VIII

Control of Criminal Acts

Any member of the Board of Directors and any of its designated agents shall be authorized to request aid from appropriate law enforcement agencies for the purpose of controlling any violations of criminal law, which shall include both state and federal statutes.

ARTICLE IX

Agents and Representatives

The Board of Directors may appoint such agents and representatives of the Corporation with such powers and to perform such acts or duties on behalf of the Corporation as the Board of Directors may see fit as may be consistent with these By-laws, to the extent authorized or permitted by law.

ARTICLE X

Contracts, Checks, Deposits and Funds

Section 1. Contracts:

The Board of Directors may authorize any officer or officers, agent or agents of the Corporation to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Corporation and such authority may be general or confined to specific instances.

Section 2. Checks, Drafts, etc.

All checks, drafts, or orders for the payment of money, notes or other evidences of

indebtedness issued in the name of the Corporation shall be signed by such officer or officers, agent or agents of the Corporation and in such manner as shall be determined by resolution of the Board of Directors. In the absence of such determination by the Board of Directors, such instruments shall be signed by the Treasurer.

Section 3. Deposits:

All funds of the Corporation shall be deposited to the credit of the Corporation in such banks, trust companies, or other depositories as the Board of Directors may select.

Section 4. Gifts:

The Board of Directors may accept on behalf of the Corporation any contribution, gift, bequest, or devise for the benefit of the Corporation, unless such gift has conditions which are inconsistent with the non-profit status of the Corporation.

ARTICLE XI

Books and Records

The Corporation shall keep correct and complete books and records of account and shall keep minutes of the proceedings of its members, Board of Directors, and committees having any of the authority of the Board of Directors, and shall keep at the registered or principal office a record giving the names and addresses of the members entitled to vote. All books and records of the Corporation may be inspected by any member, or his/her agent or attorney, for any proper purpose at any reasonable time, after appropriate notice is given by the member to the Board of Directors.

ARTICLE XII

Fiscal Year

The fiscal year of the Corporation shall begin on the first day of October and end on the last day of September in each year.

ARTICLE XIII

Membership Fee

The Board of Directors shall establish the amount of the initial membership fee for each class of membership. Payment of this fee is a condition of membership in this Corporation. The membership fee is non—refundable except as provided in Article III, Section 4.

ARTICLE XIV

Dues and Membership Requirements

Section 1. Dues:

The Board of Directors may determine the amount of annual dues payable to the Corporation by members of each tier within each class of membership. Dues shall be payable in such amount and in such manner as may be determined by the Board of Directors.

Section 2. Default and Termination of Membership:

When any member of the Corporation shall default in the payment of annual dues for a period of thirty (30) days from the date such dues becomes payable, his/her membership may thereupon be terminated by the Board of Directors in the manner provided in Article III, Section 4; or the Board of Directors may, in its discretion, terminate use of the facilities of the Corporation by such member and/or the member's voting rights until such time as all dues are paid.

Section 3. Waiver of Dues:

A member in good standing shall, upon approval of the Board of Directors, be permitted to waive the payment of dues and the use of the facilities of the Corporation for one (1) year without jeopardizing his/her membership in the Corporation. After the one (1) year waiver, the member shall pay the next year's annual dues or his/her membership may be terminated.

Section 4: Additional Requirements:

The Board of Directors may establish additional requirements for membership, such as volunteer hours or in lieu thereof, additional payment for these hours. Any volunteer hours earned shall be applied to the membership year in which they were earned.

ARTICLE XV

Seal

The Board of Directors shall utilize the corporate seal when necessary, which shall be in the form of a circle and shall have inscribed thereon the name of the Corporation and the words "Corporate Seal 1976".

ARTICLE XVI
Waiver of Notice

Whenever any notice is required to be given under the provisions of Chapter 55A of the General Statutes of North Carolina or under the provisions of the Articles of Incorporation or the By-laws of the Corporation, a waiver thereof in writing signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.

ARTICLE XVII
Amendment to By-Laws

These By-Laws may be altered, amended or repealed and new By-Laws may be adopted by a majority of the members of the Corporation present or voting at the Annual Meeting or at any special meeting upon at least ten (10) days written notice of intention to alter, amend, repeal, or to adopt new By—Laws at such meeting.

ARTICLE XVIII
General Provisions

Section 1. Removal of Chairperson:

Any agent or committee chairperson may be removed from such office or position by the Board of Directors whenever in the judgment of a majority of the Directors, the interests of the Corporation will be served thereby.

Section 2. Non-payment of Dividends, Profits:

No part of the assets, property or net earnings of the Corporation shall be paid to or in any way inured by any Director of the Corporation as profits or dividends. A Director may only receive compensation for Director’s services during his or her tenure on the Board of Directors.

Section 3. Annual Financial Audit:

An annual audit of the financial statements and books of the Corporation shall be made by a properly accredited certified public accountant or by an auditing committee appointed by the Board of Directors. The results of this audit will be presented by the President to the general membership at the Annual Meeting. Moreover, an annual financial statement based on this

audit will be made available to the general membership at the Annual Meeting.

Section 4. Ratification of By-Laws:

These By-Laws shall become effective immediately upon ratification thereof by an affirmative vote of a majority of a quorum of the Board of Directors.