

BY-LAWS
OF
THE KNOLLS ON CLIFFDALE OWNERS ASSOCIATION
(A Non-Profit Corporation)

ARTICLE I
GENERAL

Section 1. The Name: The name of the corporation shall be The Knolls on Cliffdale Owners Association.

Section 2. The Principal Office: The principal office of the corporation shall 7670 Raeford Road, Fayetteville, Cumberland County, North Carolina, 28304, or at such other place as may be subsequently designated by the Board of Directors.

Section 3. Definition: As used herein, the term "corporation" may be used interchangeably with and shall be the equivalent to "Association" as defined in the Declaration of Covenants, Conditions and Restrictions recorded in Book 8746, Page 575, as the same may be amended from time to time, (herein called the "Declaration") shall be applicable herein, unless otherwise defined herein.

ARTICLE II
MEMBERSHIP

Section 1. Definition: Each owner shall be a member of the corporation, and membership in the corporation shall be limited to owners of lots in The Knolls on Cliffdale, shown on plat in Plat Book 129, Page 116, and additional lots which may be annexed from time to time into said subdivision (said subdivision and additional annexed properties hereinafter collectively referred to as the "Subdivision").

Section 2. Transfer of Membership: Membership in the corporation may be transferred only as an incident to the transfer of the transferor's lot in the Subdivision.

ARTICLE III
MEETINGS OF MEMBERSHIP

Section 1. Place: All meetings of the corporate membership shall be held at Fayetteville, North Carolina, or at such other place as may be stated in the notice.

Section 2. Annual Meeting:

A. The first annual meeting of the members shall be held within one (1) year from the

date of incorporation of the Association, and each subsequent regular annual meeting of the members shall be held on the same day of the same month of each year thereafter. If the day for the annual meeting of the members is a legal holiday, the meeting will be held at the same hour on the first day following which is not a legal holiday.

B If the regular annual meeting shall not be held on the day designated by these By-Laws, a substitute annual meeting may be called in accordance with the provisions of this Article. A meeting so called shall be designated and treated for all purposes as the annual meeting.

C. All annual meetings shall be held at such hour as is determined by the Board.

D At the annual meeting, the members shall elect the new members of the Board of Directors and transact such other business as may properly come before the meeting.

E. Written notices of the annual meeting shall be served upon or mailed to each member entitled to vote thereafter at such address as appears on the books of the corporation, at least ten (10) but not more than fifty (50) days prior to the meeting. Each member shall notify the Secretary of any address change, and the giving of said notice shall be in all respects sufficient if sent to the address of the member which is then on file with the Secretary.

Section 3. Membership List: At least ten (10) but not more than fifty (50) days before every election of directors, a complete list of members entitled to vote at said election, with residence of each, shall be prepared by the Secretary. Such list shall be produced and kept for said ten (10) days prior to and throughout the election at the office of the corporation, and shall be open to examination by any member throughout such time.

Section 4. Special Meetings:

A. Special Meetings of the members, for any purpose or purposes not prescribed by statute, the Articles of Incorporation, or these By-Laws, may be called by the Board or at the request, in writing, of twenty-five (25%) percent of the membership. Such request shall state the purpose or purposes of the proposed meeting.

B. Written notice of a Special Meeting of members, stating the time, place and object thereof, shall be served upon or mailed to each member entitled to vote thereat, at such address as appears on the books of the corporation, at least ten (10) days before the meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States Mail, postage prepaid, addressed to the member at such address as appears on the records of members of the Association.

C. Business transacted at all special meetings shall be confined to the objects stated in the notice thereof.

Section 5. Quorum: Over fifty (50%) percent of the total number of members of the corporation, present in person or represented by written proxy, shall be requisite to and shall constitute a quorum at all meetings of the members for the transaction of business, except as

otherwise provided by the Declaration. If, however, such quorum shall not be present or represented at any meeting of the members, the members entitled to vote thereat, present in person or represented by written proxy, shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented. The quorum requirement at the next meeting shall be one-half 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.

Section 6. Vote Required to Transact Business: When a quorum is present at any meeting, a majority of the votes cast, in person or represented by written proxy filed with the Secretary in advance of the meeting, shall decide any question brought before the meeting, unless the question is one upon which, by express provision of the statutes, the Declaration or these By-Laws, a different vote is required, in which case such express provision shall govern and control the decision of such question. There shall be no cumulative voting.

Section 7. Right to Vote: At any meeting of the members, every owner having the right to vote shall be entitled to vote in person or by proxy. Such proxy shall only be valid for such meeting or subsequent adjourned meetings thereof. If more than one (1) person or entity owns a lot, they shall file a certificate with the Secretary naming the person authorized to cast votes for said lot. If same is not on file the vote of any co-owner present who is acceptable to other co-owners of that lot present shall be accepted as the vote of all co-owners. Any legal entity which is an owner shall have the right to membership in the corporation.

Section 8. Waiver and Consent: Whenever the vote of members at a meeting is required or permitted by any provision of the statutes, the Declaration, or these By-Laws to be taken in connection with any action of the corporation, the meeting and vote of members may be dispensed with if all members who would have been entitled to vote upon the action of such meeting if such meeting were held shall consent in writing to such action being taken.

Section 9. Order of Business: The order of business at annual members' meetings and as far as practical at other members' meetings, will be:

- A. Roll call and certification of proxies;
- B. Proof of notice of meeting or waiver of notice;
- C. Reading of minutes of prior meetings;
- D. Officers' report;
- E. Committee reports;
- F. Approval of budget;

- G. Election of directors;
- H. Unfinished business;
- I. New business;
- J. Adjournment.

Except as herein provided, Robert's Rules of Order shall be applicable to the conduct of all meetings.

ARTICLE IV BOARD OF DIRECTORS

Section 1. Number and Term: The number of directors which shall constitute the whole Board of Directors (the "Board") shall be three (3). During the period of declarant control, directors need not be members; thereafter, however, the majority shall be members. Within the limits above specified, the number of directors shall be determined by the members at the annual meeting; the directors shall initially be elected to serve staggered terms. They shall serve until their successors shall be elected and shall qualify. Thereafter, each director shall be elected for a term of two (2) years.

Section 2. Vacancy and Replacement: If the office of any director becomes vacant by reason of transfer of ownership, death, resignation, retirement, disqualification, removal from office or otherwise, a majority of the remaining directors, though less than a quorum, at a special meeting of directors duly called for this purpose, shall choose a successor or successors, who shall hold office for the unexpired term in respect to which such vacancy occurred.

Section 3. Removal: Directors may be removed with or without cause, by an affirmative vote of a majority of the total membership.

Section 4. Intentionally Omitted.

Section 5. Powers and Duties: The property and business of the corporation shall be managed by the Board, which may exercise all corporate powers not specifically prohibited by the statute, the Articles of Incorporation or the Declaration. The powers of the Board shall specifically include, but not be limited to the following:

- A. To make and collect regular and special assessments and establish the time within which payment of same are due.
- B. To use and expend the assessments collected to maintain, care for and preserve the common areas.
- C. To enter into and upon the lots when necessary and at as little

inconvenience to the owner as possible in connection with such maintenance, care and preservation.

D. To insure and keep insured common areas and facilities of the project in the manner set forth in the Declaration against public liability, and to purchase such other insurance as the Board may deem advisable, including insurance against Directors' liability.

E. To collect delinquent assessments by suit or otherwise, abate nuisances and enjoin or seek damages from owners for violations of these By-Laws and the terms and conditions of the Declaration.

F. To employ and compensate such personnel as may be required for the maintenance and preservation of the property.

G. If any lessee, renter or guest fails to comply with the terms of the Declaration, then to terminate any written or oral lease or rental agreement; and to remove from a lot, such lessee, renter or guest.

H. To propose and adopt an annual budget for the property.

Section 6. Liability: The directors shall not be liable to the owners except for their own individual willful misconduct, bad faith, or gross negligence.

Section 7. Compensation: Neither directors nor officers shall receive compensation for their services as such, provided that the corporation may budget such sums as it may deem appropriate for direct reimbursement of actual expenses incurred by the directors or officers in behalf of the corporation.

Section 8. Meetings:

A. The first meeting of each Board newly elected by the members shall be held immediately upon adjournment of the meeting at which they were elected, provided a quorum shall then be present, or as soon thereafter as may be practicable. The annual meeting of the Board shall be held at the same place as the general members' meeting, and immediately before of after the adjournment of same.

B. Special meetings shall be held whenever called by the direction of the President or a majority of the Board. The Secretary shall give notice of each special meeting either personally, by mail or telegram, at least three (3) days before the date of such meeting, but the directors may, in writing, waive notice of the calling of the meeting, before or after such meeting.

C. A majority of the Board shall be necessary and sufficient at all meetings to constitute a quorum for the transaction of business, and the act of a majority present at any meeting at which there is a quorum shall be the act of the Board. If a quorum shall not be present at the meeting, the directors then present may adjourn the meeting without notice other than

announcement at the meeting until a quorum shall be present.

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

Section 9. Order of Business: The order of business at all meetings of the Board shall be as follows:

- A. Roll call;
- B. Proof of notice of meeting or waiver of notice;
- C. Reading of Minutes of last meeting;
- D. Consideration of communications;
- E. Elections of necessary directors and officers;
- F. Reports of officers and employees;
- G. Reports of committees;
- H. Unfinished business;
- I. Original resolutions and new business;
- J. Adjournment.

Section 10. Annual Statement: The Board shall present, no less often than at the annual meeting, a full and clear statement of the business and condition of the corporation, including a report of the operating expenses of the corporation and the assessments paid by each member.

ARTICLE V OFFICERS

Section 1. Executive Officers: The executive officers of the corporation shall be a President, Secretary, and Vice President and Treasurer; all of whom shall be elected annually by the Board from the membership; provided, however, that during the period of declarant control, the executive officers need not be members. If the Board so determines, there may be more than one (1) Vice President. Any or all officers may also be directors of the corporation.

Section 2. Subordinate Officers: The Board may appoint such other officers and agents from the membership as they may deem necessary, who shall have such authority and perform

such duties as from time to time may be prescribed by said Board.

Section 3. Tenure of Officers: Removal: All officers shall be subject to removal, with or without cause, at any time by action of the Board. The Board may delegate powers of removal of subordinate officers and agents to any officer.

Section 4. The President:

A. The President shall preside at all meetings of the members and directors; he shall have general and active management of the business of the corporation; he shall see that all orders and resolutions of the Board are carried into effect; he shall execute bonds, mortgages, deeds of trust and other contracts requiring a seal, under the seal of the corporation.

B. He shall have general superintendence and direction of all the other officers of the corporation, and shall see that their duties are performed properly.

C. He shall submit a report of the operations of the corporation for the fiscal year to the directors whenever called for by them, and to the members at the annual meeting, and from time to time shall report to the Board all matters within his knowledge which the interest of the corporation may require to be brought to their notice.

D. He shall be an ex-officio member of all committees, and shall have the general powers and duties of supervision and management usually vested in the office of the President of a corporation.

Section 5. The Secretary:

A. The Secretary shall keep the minutes of the members and of the Board's meetings in one or more books provided for that purpose.

B. He shall see that all notices are fully given in accordance with the provisions of these By-Laws or as required by law.

C. He shall be custodian of the corporate records.

D. He shall keep a register of the post office address of each member, which shall be furnished to the Secretary by each member.

E. In general, he shall perform all duties incidental to the office of Secretary and such other duties as from time to time may be assigned to him by the President or by the Board of Directors.

Section 6. The Vice President: The Vice President shall be vested with all the powers and required to perform all the duties of the President in his absence, and such other duties as may be prescribed by the Board.

Section 7. The Treasurer:

A. He shall keep full and accurate accounts or receipts and disbursements in books belonging to the Corporation, and shall deposit all monies and other valuable effects in the name and to the credit of the corporation, in such depositories as may be designated by the Board.

B. He shall disburse the funds of the corporation as ordered by the Board, taking proper vouchers for such disbursements, and shall render to the President and directors, at the regular meetings of the Board, or whenever they may require it, an account of all his transactions as Treasurer and of the financial condition of the corporation. Such records shall be open to inspection by members at reasonable times.

C. He may be required to give the corporation, at the corporation's cost, a bond in a sum and with one or more sureties satisfactory to the Board, for the faithful performance of the duties of his office, and the restoration to the corporation, in case of his death, resignation or removal from office, of all books, papers, vouchers, money or other property of whatever kind in his possession belonging to the corporation.

D. He shall maintain a register for the names of any mortgage holders or lien holders on units who have requested in writing that they be registered and to whom the corporation will give notice of default in case on non-payment of assessments. No responsibility of the corporation is assumed with respect to said register except that it will give notice of default of any owner in his obligations to the corporation to any registered mortgagee or lienor therein, if so requested by said mortgagee or lienor.

E. With the approval of the Board, he shall be authorized to delegate all or part of his responsibilities to competent accounting, collection or management personnel, pursuant to written definition of the responsibilities delegated to, and the condition of performance imposed upon, such personnel; but, in such event, the Treasurer shall retain supervisory responsibilities.

Section 8. Vacancies: If the office of any director or officer becomes vacant by reason of death, resignation, disqualification or otherwise, the remaining directors, by a majority vote of the remaining directors provided for in these By-Laws, may choose a successor or successors who shall hold office for the unexpired term.

Section 9. Resignations: Any director or officer may resign his office at any time, such resignation to be made in writing, and to take effect from the time of its receipt by the Board of Directors, unless some later time be fixed in the resignation, and then from that date. The acceptance of a resignation by the Board shall not be required to make it effective.

ARTICLE VI
NOTICES

Section 1. Definition: Whenever under the provisions of the statutes, the Declaration,

the Articles of Incorporation, or these By-Laws, notice is required to be given to any director or member, it shall not be construed to mean personal notice, but such notice may be given in writing by mail, by depositing the same in a post office or letter box in a postpaid, sealed envelope, addressed as appears on the books of the corporation.

Section 2. Service of Notice - Waiver: Whenever any notice is required to be given under the provisions of the statutes, the Declaration, the Articles of Incorporation, or these By-Laws, 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 the equivalent thereof.

Section 3. Address: The address for notice of the corporation shall be that of the Registered Agent for service of process on the corporation.

ARTICLE VII FINANCES

Section 1. Fiscal Year: The fiscal year shall be January 1 through December 31.

Section 2. Checks: All checks or demands for money and notes of the corporation shall be signed by any one of the following officers: President, Secretary, Vice President or Treasurer, or by such officer or officers or such other person or persons as the Board of Directors may from time to time designate.

Section 3. Determination of Assessments:

A. The Board shall determine from time to time the sum or sums necessary and adequate for the common expense of the property. At the annual meeting of the corporation, such budget shall be submitted to the members for approval. As approved, the budget shall constitute the basis for all regular assessments for common expenses against lot owners, which assessments shall be due and payable periodically as determined by the Board. Common expenses shall include expenses for the operation, maintenance, repair or replacement of the common areas and facilities, costs of carrying out the powers and duties of the corporation, all insurance premiums and expenses relating thereto, and any other expenses designated as common expense from time to time by the Board of Directors of the corporation.

B. The Board is specifically empowered on behalf of the corporation to make and collect assessments and to maintain, repair and replace the common areas and facilities of the properties. Funds for the payment of common expenses shall be assessed against the lot owners in the proportions or percentages of sharing common expenses provided in the Declaration. Assessments shall be payable periodically as determined by the Board.

C. Special assessments for common expenses not adequately funded through the regular assessments may be required by the Board and shall be levied and paid in the same manner as hereinbefore provided for regular assessments.

D. Special assessments against any owner for (1) any repair, maintenance or replacement undertaken in behalf of the owner pursuant to the Articles or the Declaration (2) any violation, as set forth in Article IV, Section 5k of the By-Laws or (3) any other valid purpose authorized by the Declaration, shall be levied at such times as is determined by the Board.

E. When the Board has determined the amount of any assessment, the Treasurer of the corporation (or the personnel to whom such authority has been delegated) shall mail or present a statement of the assessment to each of the assessed owners. All assessments shall be payable to the corporation, and upon request, the Treasurer or his designated agent shall give a receipt for each payment made.

F. The Board may enter into a management contract with third parties to whom the Board may delegate the power to levy and collect assessments approved by the Board or required by the Declaration.

G. All assessments not paid when due shall bear interest as set forth in the Declaration. If no rate is specified therein, said rate shall be twelve percent (12%) per annum.

Section 4. Excess of Assessments: In any year in which there is an excess of assessments received over amounts actually used or payable for the purposes described in these By-Laws and in the Declaration, such excess shall, unless otherwise determined by the Board of Directors of the Association, be deposited in a capital reserve account for use in replacement, repair or maintenance of the common areas and facilities of the Association.

ARTICLE VIII DEFAULT

Section 1. Enforcement of Lien for Assessments: In the event an owner does not pay any sums, charges, or assessments required to be paid to the corporation by the due date, the corporation, acting on its behalf or through its Board, may enforce its lien for assessments, or take such other action to recover the sums, charges of assessments to which it is entitled, in accordance with the Declaration and the statutes made and provided for both.

Section 2. Governmental Liens and Assessments: In the event that an owner fails to pay any tax or assessment lawfully assessed by any governmental subdivision within which the property is situated, by the date such tax or assessment is due, the Board may pay the same from the funds of the corporation and specifically assess such owner for the amount paid.

Section 3. Foreclosure: If the corporation becomes the owner of a lot by reason of foreclosure, it shall offer said lot for sale, and, at such time as a sale is consummated, it shall deduct from the proceeds of said sale, all sums of money due it for assessments and charges, all costs incurred in the bringing of the foreclosure suit, including reasonable attorney's fees, funds necessary to discharge any liens or mortgage of record, and any and all expenses incurred in the resale of the lot, which shall include but not be limited to advertising expenses, real estate brokerage fees and expenses necessary for the repairing and refurbishing of the lot in question. All monies remaining after deducting the foregoing items of expenses, costs and other deductions

shall be returned to the former owner of subject lot.

Section 4. Other Remedies: In the event of violation of the provisions of the Declaration as the same are defined in the Declaration, for thirty (30) days after notice from the Association to the lot owners to correct said violation, the corporation, on its behalf or by and through its Board of Directors, may bring appropriate action to enjoin such violation or may enforce the provisions of said Declaration, or may sue for damages, or take such other courses of action, or other legal remedy as it or they may deem appropriate.

Section 5. Legal Costs: In the event any legal action is brought against any owner and results in a judgment for the corporation, the owner shall pay the corporation's reasonable attorney's fees, costs of collection and court costs.

Section 6. Intent: Each owner, for himself, his heirs, successors and assigns, agrees to the foregoing provisions relating to default and abatement of nuisance, regardless of the availability of the other equally adequate legal procedures. It is the intent of all owners of lots to give to the corporation a method and procedure which will enable it at all times to operate on a business-like basis, to collect those monies due and owing it from the owners of lots, and to preserve each lot owner's right to enjoy his lot, free from unreasonable restraint and nuisance.

ARTICLE IX RULES AND REGULATIONS

In addition to the other provisions of these By-Laws, any Rules and Regulations (adopted by the Board), together with any subsequent changes shall govern, to the extent not inconsistent with these By-Laws and the Declaration, the use of the common area and the conduct of all owners, residents and guests, such Rules and Regulations shall be in effect until the first elected Board of Directors Meeting, at which time they shall be subject to such changes as may be deemed appropriate.

ARTICLE X JOINT OWNERSHIP

Membership may be held in the name of more than one owner. In the event ownership is in more than one person, all of the joint owners shall be entitled collectively to only one (1) voice or ballot in the management of the affairs of the corporation, and the vote may not be divided between plural owners.

ARTICLE XI INDEMNIFICATION

The corporation may indemnify any person made a party to an action by or in the right of the corporation to procure a judgment in its favor by reason of his being or having been a director or officer of the corporation, against the reasonable expenses including attorney's fees actually and necessarily incurred by him in connection with the defense or settlement of such action, or in connection with an appeal therein, except in relation to such matters as to which such director or

officer is adjudged to have been guilty of gross negligence of misconduct in the performance of his duty to the corporation.

ARTICLE XII AMENDMENT

Section 1. These By-Laws may only be altered, amended or added to at any regular or special meeting of the members; provided (1) that the notice of the meeting shall contain a full statement of the proposed amendment; (2) that the quorum requirement for such purposes shall be a majority of all the then members, in person or by proxy; (3) that there be an affirmative vote of a majority of a quorum of members present in person or by proxy. No amendment to these By-Laws shall be passed which would operate to impair or prejudice the rights and/or liabilities of any mortgagee.

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 and these By-Laws, the Declaration shall control.

ARTICLE XIII PERIOD OF DECLARANT CONTROL

Notwithstanding anything in these Bylaws to the contrary, during the Period of Declarant Control:


- A. The Association shall be governed by a Board of Directors consisting of three (3) persons who need not be Members;
- B. Declarant shall have the right to appoint and remove all three (3) persons on the Board and to appoint and remove all officers of the Association; and
- C. Declarant reserves the right to alter or amend these By-Laws without consent or joinder of the other Members.

ARTICLE XIV CONSTRUCTION

Wherever the masculine singular form of the pronoun is used in these By-Laws, it shall be construed to mean the masculine, feminine or neuter, singular or plural, wherever the context so requires. Should any of the covenants herein imposed be void or be or become unenforceable at law or in equity, the remaining provisions of this instrument shall nevertheless be and remain in full force and effect.

The foregoing were adopted as the By-Laws at the meeting of the Board of Directors held on the 21st day of Oct, 20 11.

THE KNOLLS ON CLIFFDALE OWNERS
ASSOCIATION

BY: 
Name:
Title: Secretary