

BY-LAWS
OF
KAREN LAKE TOWNHOMES, INC.
(A Non-profit Corporation)

ARTICLE I

GENERAL

Section 1. The Name: The name of the corporation shall be KAREN LAKE TOWNHOMES, INC.

Section 2. The Principal office: The principal office of the corporation shall be 1213 North Forest Drive, Fayetteville, Cumberland County, North Carolina, (Mailing address: P. O. Box 35113) 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 of KAREN LAKE TOWNHOMES, INC. (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 in the corporation shall be limited to owners of lots (lots also means units) in Karen Lake Townhomes.

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 Karen Lake Townhomes.

ARTICLE III

MEETINGS OF MEMBERSHIP

Section 1. Place: All meetings of the corporate membership shall be held at 1213 North Forest Drive, Fayetteville, North Carolina, or at such other place as may be stated in the notice.

Section 2. Annual Meetings:

a. The annual meeting of members shall be held at the principal office of the corporation, or at such other place as the Board of Directors shall designate in the Notice of the meeting, in each year commencing in 1986; provided, however, that the initial annual membership meeting will not be held until the earlier of (1) the sale by Declarant, as defined in the Declaration, of all townhouse lots, or (2) notice by the Declarant. If neither (1) nor (2) has occurred within nine (9) months from the date of the incorporation of the Association, then, in that event, the initial Board of Directors shall hold the first annual meeting of the members and shall notify all members of the time and place of the meeting which shall be scheduled prior to the expiration of one year of the date of incorporation of the Association. The first directors and the officers

will hold office until the initial annual meeting.

b. Regular annual meetings subsequent to 1986 shall be held on the last Saturday in April in each year, if not a legal holiday, and if a legal holiday, then on the next secular day following unless otherwise determined by the Board.

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, but not more than fifty 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, but not more than fifty, 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 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 Certificate of Incorporation, or these By-Laws, may be called by upon the written request of twenty-five (25%) percent of the Class A membership. Such request shall state the purpose of 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 days before such 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: Fifty-one percent (51%) or more of the total number of members of the corporation, present in person or represented by written proxy, shall be required to and shall constitute a quorum for any meeting called for the purpose of taking any action authorized under the Declaration of Restrictions for Karen Lake Townhomes, as amended from time to time, or under these By-laws. Notice shall be sent to all members not less than thirty (30) days nor more than sixty (60) days in advance of the meeting. At the first such meeting called, the presence of members or of proxies entitled to cast fifty-one percent (51%) of all the votes of each

class of membership shall constitute a quorum. If the required quorum is not present at the initial meeting, the required quorum at the subsequent meeting shall be forty percent (40%) of all votes of each class of membership. No such subsequent meeting shall be held more than sixty (60) days nor less than twenty-four (24) hours following the preceding meeting.

If a 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 meeting, until a quorum shall be present or represented. At such adjourned or subsequent meeting, when a quorum is present or represented, any business may be transacted which might have been transacted at the meeting originally called. If adjournment extends past thirty (30) days, notice of the date on which the adjourned meeting is to be reconvened shall be given as herein provided for regular meetings.

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 applicable 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: Each owner of a Class A membership in good standing shall be entitled to one vote. The vote of the Class B membership shall be as prescribed in the Declaration. At any meeting of the members, every member having the right to vote shall be entitled to vote in person or entity own 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' meeting, 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 meeting;
- d. Officers' reports;

- 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 seven (7), each of whom need not be a member of the Association. At the first meeting following adoption of this amendment, three (3) directors shall be elected for a term of three (3) years and four (4) directors shall be elected for a term of two (2) years. Subsequent elections shall follow this pattern. Notwithstanding the foregoing, if the number of active board members shall fall below seven (7) due to death or resignation of one or more board members, the board nevertheless may continue to operate and function so long as there are at least five active members until such time as the vacant board positions may be filled by the board or until such time as the next scheduled election occurs.

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. First Board of Directors: The first Board shall consist of those persons named in the Articles of Incorporation who shall hold office and exercise all powers of the Board until the initial annual membership meeting, anything herein to the contrary notwithstanding; provided, any or all of said directors shall be subject to replacement in the event of resignation or death as above provided.

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 Certificate of Incorporation or the Declaration. The powers of the Board shall specifically include, but not be limited to the following:

- a. To determine, make and collect regular annual and special

assessments as described in the Covenants, Conditions and Restrictions 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 properties and common areas, except those portions thereof which are required to be maintained, cared for and preserved by the owners.

c. To purchase the necessary equipment and tools required in the maintenance, care and preservation referred to above.

d. 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.

e. To insure and keep insured the common areas and facilities of the project in the manner set forth in the Declaration against loss from fire and/or other casualty, and the lot owners against public liability, and to purchase such other insurance as the Board may deem advisable, including insurance against Directors' liability.

f. 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.

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

h. To make appropriate changes in the Rules and Regulations for the occupancy of the lots as may be deemed necessary. Changes not disapproved at the next meeting of the membership by a majority of the votes cast shall continue and be considered as approved by the membership from the date of such change or changes.

i. To acquire and/or rent and/or lease a Townhouse lot in the name of the corporation or a designee.

j. To contract for management of the Townhouse lot and to delegate to such other party all powers and duties of the corporation except those specifically required by the Declaration to have specific approval of the Board of membership.

k. To designate, as the Board deems appropriate, assigned parking spaces for each lot, visitors, service vehicles, and other vehicles.

l. To adopt Rules and Regulations pursuant to the By-Laws.

m. To impose a special assessment (against any owner), not to exceed one hundred dollars for each occurrence, for the violation by the owner or his guests of any rules or regulations adopted by the Board or the breach of any By-Law contained herein, or the breach of any provision of the Declaration. Such assessment shall be in addition to any costs incurred or to be incurred by the corporation as a result of the violation of the rule, regulation, By-Law, or provision.

n. 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, tenant or guest.

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

p. To recommend one or more rental agents in accordance with the Declaration.

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 or 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 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/Treasurer; all of whom shall be elected annually by the Board from the Membership. No two offices may be united in one person. If the Board so determines, there may be more than one 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 Superintendent 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 members 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 and of the seal of the corporation and shall see that the seal of the corporation is affixed to all documents, the execution of which on behalf of the corporation under its seal is duly authorized with the provisions of these By-Laws.
- d. He shall keep a register of the post office address of each member, which shall be furnished to the Secretary by such 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/Treasurer:

- a. The Vice President and Treasurer 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.
- b. He shall keep full and accurate accounts of 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.
- c. 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.
- d. 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.
- e. He shall maintain a register for the names of any mortgage holds 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 of non-payment of assessments. The owners of each unit will provide to the Treasurer the name and address of the lender to whom the owner is making payments. 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.
- f. 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 7. Vacancies: If the office of any director or officer becomes vacant by reason of death, resignation, disqualification or other wise, 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. If the number of directors falls below three, a special members' meeting shall be called for the purpose of filling such vacancies in the Board of Directors.

Section 8. 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 late 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 Certificate 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 Certificate 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 the calendar year.

Section 2. Checks: All checks or demands for money and notes of the corporation shall be signed by two individuals, one of whom must be an Officer or Director.

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. 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 regular assessments for common expenses against lot owners. Assessments shall be due and payable periodically as determined by the Board. Common expenses shall include expenses for the maintenance, repair or replacement of the common areas and the costs of carrying out the powers and duties of the corporation, insurance premiums and expenses relating thereto, and any other expense 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. 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. Special assessments may not be levied, however, without the vote of a majority of the votes of the members of all classes.

d. Special assessments against any owner for: (i) any repair, maintenance or replacement undertaken in behalf of the owner pursuant to Article V, Section 4. of the Declaration; (ii) any violation, as set forth in Article IV, Section 5. of the By-Laws, or (iii) 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 Vice President/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 Vice President/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 at the rate of eighteen (18%) per annum. Furthermore, an administrative fee of \$20.00 shall be due on any assessment not paid within ten (10) days of the date due.

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.

Section 5. Non-Profit Corporation: The seal of the corporation shall have inscribed thereon the name of the corporation, the year of its organization, and the words "Non-Profit". Said seal may be used by causing

it or a facsimile thereof to be impressed, affixed, reproduced or otherwise.

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 or 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 the property is situated, by any governmental subdivision within 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 specially assess such owner for the amount paid. The Board may include in the special assessment, a penalty of five (5%) percent of the tax paid on behalf of the owner.

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 mortgages of record, and any and all expenses incurred in the liens or mortgages 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 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