

ORIGINAL

AMENDED and RESTATED BYLAWS OF COLVARD FARMS HOMEOWNERS ASSOCIATION, INC.

ARTICLE I

Offices

Section 1 Principal Office: The principal office of the Corporation shall be located in Chatham County, North Carolina. The Corporation may have such other offices as the Board of Directors may determine from time to time.

Section 2 Registered Office: The registered office of the Corporation required by Law to be maintained in the State of North Carolina may be identical with the principal office and may be changed from time to time by the Board of Directors.

ARTICLE II

Definitions

Section 1 Corporation: Corporation shall mean Colvard Farms Homeowners Association, Inc., its successors and assigns.

Section 2 Declaration: Declaration shall mean that certain Declaration of Covenants, Conditions and Restrictions of Colvard Farms Subdivision recorded in Book 920, Page 978, Chatham County, North Carolina Registry, as the same may be amended, modified or supplemented from time to time.

Section 3 Other Defined Terms: Other capitalized terms used herein but not defined shall have the meaning ascribed to such terms in the Declaration.

ARTICLE III

Meetings of Members

Section 1 Place of Meetings: All meetings of Members shall be held at the principal office of the Corporation or at such other place as shall be designated in the notice of the meeting.

Section 2 Annual Meetings: The annual meeting of Members shall be held at such time and place as the Board of Directors shall determine.

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Section 3 Special Meetings: Special meetings of the Members may be called at any time by the President, Secretary, or Board of Directors of the Corporation, or by any Member pursuant to the written request of not less than twenty percent (20%) of the Members of record.

Section 4 Notice of Meetings: Written or printed notice stating the time, place, day, and hour of the meeting shall be delivered not less than ten (10) nor more than sixty (60) days before the date thereof, either personally, by Email, phone mail, or by United States Postal Service, by or at the direction of the President, Secretary, or other person calling the meeting, to each Member of record of the Corporation. Notice through the United States Postal Service shall be deemed given upon the mailing of same: In the case of an annual meeting, the notice of meeting need not specifically state the business to be transacted unless it is a matter upon which the vote of Members is expressly required by the provisions of the North Carolina Non-Profit Corporation Act. In the case of a special meeting, the notice of meeting shall specifically state the purpose or purposes for which the meeting is called.

Section 5 Voting Lists: A record of Members actually present at the meeting must show by alphabetical index, the name of each Member with the address, the effective date of each Membership, the number of votes to which each such Member is entitled, and the number of proxies this Member is entitled to vote.

Section 6 Quorum: Except as otherwise provided in the Articles, the Declaration, or these Bylaws, Members of the Corporation holding thirty percent (30%) of the votes of the Corporation, represented in person or by proxy, shall constitute a quorum at meetings of the Members. If there is not a quorum at the opening of the meeting of the Members, such meeting shall be adjourned to a future time. 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 Members at a meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of any Member to leave less than a quorum in attendance.

Section 7 Proxies: A Member may vote either in person or by one or more agents authorized by a written proxy executed by the Member or a duly authorized attorney-in-fact provided, however, that any such agent so authorized must be a Member. All proxies shall be in writing and filed with the secretary of the Corporation prior to the start of the meeting. A proxy shall not be valid after the expiration of eleven (11) months from the date of its execution unless the person executing it specifies therein the length of time for which it is to continue in force, or limits its use to a particular meeting. Every proxy shall be revocable.

Section 8 Voting: Except for the election of directors as hereinafter provided, and except for other specific exceptions provided in the Declaration, the Articles, or these Bylaws, a majority of the votes entitled to be cast by the Members present or represented by proxy on any matter in a meeting at which a quorum is present shall be the act of the Members on that matter.

Section 9 Voting by Mail: Any action that may be taken at any annual or special meeting of Members may be taken without a meeting if the Corporation delivers a written ballot to every

Member entitled to vote on the matter in accordance with North Carolina General Statute 55A-7-08 or the corresponding section of any future statute.

Section 10 Voting Rights: Members shall be all Owners of Lots. A Member shall be entitled to one (1) vote for each Lot owned by such Member. Provided, when two (2) or more Persons own or hold interests in any Lot, all such Persons shall be Members, and the one (1) vote for such Lot shall be exercised as they, among themselves, determine (including the division thereof into fractional votes), but in connection with any particular vote no more than one (1) vote shall be cast with respect to each Lot. In accordance with the North Carolina Planned Community Act and the Colvard Farms Declaration, a Member shall not be entitled to vote if their voting privilege has been suspended by the Board of Directors, until the violation or delinquency causing the suspension is cured.

For the purpose of determining Members entitled to notice of or to vote at any meeting of the Members or any adjournment thereof, or in order to make a determination of the Members for any other proper purpose, the Board of Directors shall fix in advance a date as the record date for any such determination of Members, such record date in any case to be not more than fifty (50) days and not less than twenty (20) days immediately preceding the date on which the particular action requiring such determination of Members is to be taken.

Section 11 Recording Devices: No recording devices of any kind, including audio, video, and still photography, may be used or operated during any annual or special meeting of Members unless by majority vote of the Members in attendance.

Section 12 Persons Entitled to Attend Meetings of Members: Members who are entitled to cast votes at an annual or special meeting of Members may attend such meeting and no other persons shall be permitted in attendance unless by invitation of the President, the Board of Directors or by majority votes of the Members in attendance.

ARTICLE IV

Directors

Section I General Powers: The business and affairs of the Corporation shall be managed by the Board of Directors pursuant to the Declaration, the Articles, or these Bylaws.

Section 2. Number, Term and Qualifications: The number of directors of the Corporation to be elected at the annual meeting of Members shall be three (3), the majority of whom shall be lot owners, with one Board member elected from Colvard Farms east, defined as all lots accessible only by roads that are east of Castlewood Drive, one Board member elected from existing Colvard Farms, defined as all lots accessible only by roads or driveways intersecting with Colvard Farms Road and that are West of Castlewood Drive, including the four lots on

Castlewood Drive, and one at-large Board member. Board membership by the eastern lots described above shall only become effective when there are 50 lots owned by prospective homeowners. In the event that no homeowners from either the West or East volunteer to be candidates for election to the Board, then the positions above will become at-large and such candidates may come from any part of Colvard Farms. The directors take office upon election. The term of office for each director shall be one year. Each director shall hold office until death, resignation, retirement, removal, disqualification, or a successor is elected and qualifies. Any natural person may serve as a director.

Section 3 Appointment and Election of Directors: Except as provided in Section 4 of this Article, the directors shall be elected at the annual meeting of the Members. Those persons who receive the highest number of votes shall be deemed to have been elected. If any Member so demands, election of directors shall be by secret ballot.

Section 4 Removal of Directors: Directors may be removed with or without cause by a majority vote of the Members entitled to vote at an election of directors. In the event of death, resignation, or removal of a director the successor shall be selected by the remaining Members of the Board and shall serve for the unexpired term of the predecessor.

Section 5 Chairperson: The Board of Directors shall elect the chairperson from their number at any meeting of the Board. The chairperson shall preside at all meetings of the Board of Directors and perform such other duties as may be directed by the Board.

Section 6 Compensation: The directors shall not compensate directors for their services as such but may provide for the payment of all expenses incurred by directors in performance of their duties as directors.

ARTICLE V

Meetings of Directors

Section 1 Regular Meetings: Regular meetings of the Board of Directors shall be held at such time and place and with such notice as shall be determined by resolution of a majority of the Directors.

Section 2 Special Meetings: Special meetings of the Board of Directors may be called by or at the request of the President or any two directors.

Section 3 Notice of Meetings: Regular meetings of the Board of Directors may be held without notice. The person or persons calling a special meeting of the Board of Directors shall, at least two days before the meeting, give notice thereof by any usual means of communication. Such notice need not 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 was not lawfully called.

Section 4 Quorum: A majority of the Board of Directors shall constitute a quorum for the transaction of business at any meeting of the Board of Directors.

Section 5 Manner of Acting: Except as otherwise provided by the Declaration, the Articles of Incorporation, or these Bylaws, the act of the majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.

Section 6 Informal Action by Directors: Action taken by a majority of the directors without a meeting is nevertheless Board action if 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.

ARTICLE VI

Duties of Directors

The Board of Directors of the Corporation shall have the duty to:

(1) Keep or cause to be kept a record of all its acts and affairs and to provide a summarized statement thereof to the Members no less than (10) nor more than sixty (60) days before the date of the annual meeting;

(2) Keep or cause to be kept a record of all the receipts and disbursements and to keep the record open for examination by any Member at any reasonable time;

(3) Cause to be performed annual financial statements, and each year to present a report of receipts and disbursements to each Member not less than ten (10) nor more than sixty (60) days before the date set for the annual meeting;

(4) Keep or cause to be kept a record of all rules and regulations adopted by the Board of Directors;

(5) Oversee, supervise, and set the compensation for all managers, officers, agents, employees, or other persons employed by the Corporation;

(6) Enforce all rules, regulations, restrictions, covenants, conditions, reservations, easements and administrative rules and regulations as are contained in the Declaration, the Articles, these Bylaws, or the rules and regulations adopted by the Board of Directors;

(7) Cause to be recorded any liens arising because of the nonpayment of assessments; to foreclose such liens or bring actions at law to collect the amount of indebtedness; and to take such other and further action as is required or allowed by the Declaration, the Articles, or these Bylaws to enforce the rules, regulations, restrictions, covenants, conditions, reservations, and easements contained in the Declaration, the Articles, these Bylaws, or the rules and regulations adopted by the Board of Directors;

(8) Procure and maintain all insurance required by the Declaration, the Articles, or these Bylaws;

(9) Maintain or cause to be maintained the Common Property and the Permanent Open Space, including but not limited to the recreation center, pool, tennis courts, and playground facilities;

(10) Fix the amount of assessments against each Lot and send written notice thereof to each Lot Owner;

(11) Provide adequate reserves to offset future common area expenditures requiring capital repair or replacement. Reserves shall be allocated in accordance with the latest Reserve Study performed by a local engineering firm qualified to perform HOA reserve studies. Reserves shall only be used for a non-Reserve Study purpose upon the affirmative vote of two thirds (2/3rds.) of the votes of the Corporation, represented in person or by proxy at a Special Meeting at which a quorum is present; provided, however, that the Board may use the reserves, without such a vote of the Members to address an emergency or urgent situation where, in the Board's determination, the safety or well-being of the community may be at risk, including but not limited to, a natural disaster such as tornado, hurricane, tropical storm, blizzard, forest fire, or a power outage preventing the delivery of potable water to Members; and

(12) Take such other and further action as is necessary, required or deemed desirable by the Board of Directors to administer its duties in accordance with the Declaration and these Bylaws.

ARTICLE VII

Powers of Directors

The Board of Directors shall have the authority to:

(1) Exercise for the Corporation, all powers, duties, and authority vested in or delegated to the Corporation by the Declaration, the Articles, or these Bylaws and not expressly reserved to the Members by the provisions of the Declaration, the Articles, or these Bylaws;

(2) Employ professional management services, managers, independent contractors, attorneys, accountants, bookkeepers, auditors, appraisers, janitors, and other personnel deemed necessary to administer the Corporation, and to prescribe their duties and agree on their compensation;

(3) Establish such Owners' committees as they deem expedient and prescribe the duties and method of selection of the Members of each such committee;

(4) Suspend the privileges and the voting rights of any Member found to be delinquent in payment of dues or assessments, after all attempts prescribed by law, the Declaration, the

Articles and these Bylaws have been made to rectify the situation;

(5) Do any other lawful act necessary, required or deemed desirable by the Board of Directors for the operation, management, and administration of the Corporation according to the Declaration, the Articles, these Bylaws, or the Administrative Rules and Regulations of the Corporation; and

(6) Adopt and publish rules and regulations and to establish penalties for the infraction thereof.

ARTICLE VIII

Officers and Offices

Section 1. Enumeration of Offices. The officers of the Association shall be a President and Vice President, a Secretary/Treasurer, and such other officers as the board may from time to time by resolution create. The officers need not be Members of the Association. The President and Vice President shall at all times be members of the Board of Directors.

Section 2. Election of Officers. The election of officers shall take place at the annual meeting of the Board of Directors.

Section 3. Term. The officers of the Association shall serve for a term as determined by the Board of Directors. (The designation of a specified term grants to the officer no contract rights, and the Board may remove the officer at any time prior to the termination of such term). If no term is specified, an officer shall hold office until said officer resigns, dies, or until said officer is removed in the manner provided in Section 5 below.

Section 4. Special Appointments. The Board of Directors may appoint such other officers as the affairs of the Association may require, each of whom shall hold office for such period, have such authority, and perform such duties as the Board of Directors may, from time to time, determine.

Section 5. Resignation and Removal. Any officer may be removed from office with or without cause by the Board of Directors. Any officer may resign at any time giving written notice to the Board of Directors, the President or the Secretary. Such resignation shall take effect on the date of receipt of such notice or at any later time specified therein, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 6. Vacancies. Any vacancy in any office may be filled by appointment by the Board of Directors. The officer appointed to such vacancy shall serve for the remainder of the term of the officer he replaces.

Section 7. Multiple Offices. The same individual may simultaneously hold more than one office in the Association.

Section 8. Duties. The duties of the officers are as follows:

President

(a) The President shall preside at all meetings of the Board of Directors; shall see that orders and resolutions of the Board of Directors are carried out; and shall sign all leases, mortgages, deeds, contracts and other written instruments on behalf of the Association.

Vice President

(b) The Vice President shall act in the place and stead of the President in the event of his absence, death, inability or refusal to act, and shall exercise and discharge such other duties as may be required of him by the Board of Directors.

Secretary/Treasurer

(c) The Secretary/Treasurer shall record the votes and keep the minutes of all meetings and proceedings of the Board of Directors; keep the corporate seal of the Association and affix it on all papers requiring said seal; serve notice of meetings of the Board of Directors; keep appropriate current records showing the officers and directors of the Association together with their addresses; receive and deposit in appropriate bank accounts all monies of the Association and shall disburse such funds as directed by resolution of the Board of Directors; shall sign all checks of the Association, keep proper books of account; cause an annual review of the Association books to be made.

HOA Committees

To assist the Board of Directors in its duty to cause the open space and common areas of the Association to be properly maintained and to act so as to maintain the property values of all homeowners, the Board has established two member committees. The chairperson of each committee is appointed by the Board. Generally, the chairperson will select the other members to carry out the committee's mission statement.

(1) Architectural Review Committee: The Architectural Review Committee (ARC) is authorized and empowered to consider and review any and all aspects of the construction of any improvements on a lot which may, in the reasonable opinion of the ARC and in accordance with the covenants, adversely affect the living enjoyment of one or more owners or the general value of the property or project. The ARC has a specific, nonexclusive right (but not obligation) to enforce the provisions contained in the covenants and/or to prevent any violation of the provisions contained in the covenants by a proceeding, through Board action, at law or in equity against the person or persons violating or attempting to violate any such provisions.

(2) Open Space Committee: The Open Space Committee (OSC) maintains or causes to be

maintained the Common Property and the Permanent Open Space of the Association as provided for in the Declaration including, but not limited to, preservation and replacement of the vegetation and landscaping, the upkeep and maintenance of nature trails, lighting, and the maintenance of roads. The committee recommends and manages the work of all its contractors.

ARTICLE IX

Management

The ultimate responsibility for the management of the Corporation shall be in the Board of Directors. Recognizing, however, that the directors are unlikely to be professionals in the management of a project of this scope, it is hereby provided that the Board of Directors may delegate their duties and discretions to a professional manager or to a professional management service. Provided, however, any contract, including a contract with a professional management service, entered into by the Corporation must contain a provision allowing the Corporation to terminate, without penalty or extra charge, the contract without cause upon thirty (30) days advance notice.

ARTICLE X

Rules and Regulations

The Directors may adopt rules and regulations consistent with the provisions of the Declaration, the Articles, and these Bylaws to govern the details of the administration of the Property.

Section 1, Late Payment of Assessments. This article deals with the late payment of annual assessments in accordance with the Colvard Farms Declaration and the North Carolina Planned Community Act. Annual Assessments are due and payable quarterly prior to 1 January, 1 April, 1 July, and 1 October. On the second of the month the charge is considered past due and, therefore, in default.

(a) Interest: In the event of default in the payment of any such assessment, the defaulting Owner shall be obligated to pay interest at the lesser of eighteen percent (18%) per annum or the highest lawful rate per annum on the amount of the assessment from the due date thereof until the date such assessment and interest is paid, together with all costs and expenses of collection, including reasonable attorney's fees.

(b) Charges: The Board may impose reasonable charges for late payment of assessments, not to exceed the greater of twenty dollars (\$20.00) per month or ten percent (10%) of any assessment installment unpaid.

(c) Fines and Suspension: After notice and an opportunity to be heard, the Board may

Adopted _____ 2013

Ratified _____ 2013

impose reasonable fines or suspend privileges or services provided by the association during any period that assessments or other amounts due and owing to the association remain unpaid for a period of 30 days or longer. The lot owner shall be given notice of the charge, an opportunity to be heard and to present evidence, and notice of the decision. If it is decided that a fine should be imposed, a fine not to exceed one hundred dollars (\$100.00) may be imposed for the violation and without further hearing, for each day more than five days after the decision that the violation occurs. The lot owner may appeal the decision of an adjudicatory panel to the full executive board by delivering written notice of appeal to the executive board within 15 days after the date of the decision. The executive board may affirm, vacate, or modify the prior decision of the adjudicatory body.

(d) Liens: All unpaid sums shall, together with interest plus the costs of collection (including reasonable attorney's fees), become a continuing lien and charge on the Lot. The Board may prepare a written notice of assessments claim of lien setting forth the amount of the unpaid indebtedness, the name of the Owner of the lot and improvements thereon covered by such lien, and a description of the lot. Such notice of claim of lien shall be signed by one of the officers of the Association and/or its attorney, and shall be recorded in the Office of the Register of Deeds of Chatham and/or Durham Counties, North Carolina.

ARTICLE XI

Contracts, Loans, Checks and Deposits

Section 1 Contracts: Consistent with the purpose of the Corporation as contained in the Articles of Incorporation, the Board of Directors may authorize any officer or officers, agent or agents, to enter into any contract or lease, or execute and deliver any instrument on behalf of the

Corporation, and such authority may be general or confined to specific instances. Any contract or lease entered into by the Corporation must contain a provision allowing the Corporation to terminate, without penalty or extra charge, the contract without cause upon thirty (30) days advance notice. Except in the case of a sole source provider, multiple bids are required for all contracts in order to foster competition and to achieve the best solution for the money. Any person with a real or perceived conflict of interest must recuse himself or herself from the contracting process.

Section 2 Loans: No loans that would encumber the common areas (grant a security interest) shall be contracted on behalf of the Corporation and no evidences of indebtedness shall be issued in its name unless in accordance with the requirements of the North Carolina Planned Community Act, the Articles of Incorporation, the Colvard Farms Declaration, and only upon the affirmative vote of eighty percent (80%) of the votes of the Association, represented in person or by proxy at a Special Meeting for which a quorum is established

Section 3 Checks and Drafts: All checks, drafts or other orders for the payment of money

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Colvard Farms Bylaws

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 from time to time be determined by resolution of the Board of Directors.

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

ARTICLE XII

Insurance

Section 1 Insurance: The Board shall maintain property and liability insurance in accordance with The North Carolina Planned Community Act, § 47F-3-1 13 Insurance, to the extent reasonably available. If the insurance described in this section is not reasonably available, the Board shall promptly cause notice of that fact to be hand-delivered or sent prepaid by United States mail to all lot owners. The Declaration may require the Association to carry any other insurance and the Association, in any event, may carry any other insurance it deems appropriate to protect the Association or the lot owners.

ARTICLE XIII

General Provisions

Section 1 Seal: The seal of the Corporation shall be in the form approved by the Board of Directors.

Section 2 Waiver of Notice: Whenever any notice is required to be given to any Member or director under the provisions of the North Carolina Non-Profit Corporation Act, or under the provisions of the Declaration, the Articles of Incorporation, or Bylaws 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 equivalent to the giving of such notice.

Section 3 Amendments: Except as otherwise provided for herein, these Bylaws may be amended or repealed and new Bylaws may be adopted by the affirmative vote of a majority of the Members represented in person or by proxy at any regular or special meeting of the Members.

Section 4 Fiscal Year: The fiscal year of the corporation shall be fixed by the Board of Directors.

Section 5 Incorporation of Declaration: The Declaration is incorporated herein as if fully set forth herein. In the event of any discrepancy between the Declaration and these Bylaws, the terms of the Declaration shall govern.

Adopted _____ 2013
Ratified _____ 2013

Colvard Farms Bylaws

Adoption

The undersigned, the Board of Directors of the Corporation, on behalf of the Members of the Corporation hereby adopt these Bylaws as the Amended and Restated Bylaws of Colvard Farms Homeowners Association, Inc.

Neal Hunter 1/16/14
Neal Hunter Date

Jay Stobbs 16 Jan 2014
Jay Stobbs Date

Kathy Hunter 1/16/14
Kathy Hunter Date