

BYLAWS OF
KENSINGTON VILLAGE HOMEOWNERS' ASSOCIATION

ARTICLE I
NAME AND LOCATION

Section 1. Name. The name of the corporation is KENSINGTON VILLAGE HOMEOWNERS' ASSOCIATION, hereinafter referred to as the "Association".

Section 2. Location. The principal office of the corporation shall be located in the Town of Southern Pines, Moore County, North Carolina. The registered office of the Association may be, but need not be, identical with the principal office.

ARTICLE II
DEFINITIONS

Section 1. "Association" shall mean and refer to Kensington Village Homeowners' Association, a North Carolina non-profit corporation, its successors and assigns.

Section 2. "[REDACTED]" means a board of natural individuals of the number stated in the Bylaws, [REDACTED], which constitutes the Board of Directors of Kensington Village Homeowners' Association, and who shall manage the business, operations and affairs of the property on behalf of the Home Owners.

Section 3. "Common areas" shall mean the common areas and facilities owned by the Association for the common use and enjoyment of the owners as defined in the Declaration.

Section 4. "Declarant" means H.C. Investment Group, a North Carolina General Partnership ("HCIG"), has shown an interest in Kensington Village Property in any lots not yet sold or conveyed to Owners which are owned by HCIG and their successors and assigns.

Section 5. "Declaration" shall mean and refer to the Declaration of Protective Covenants, Restrictions and Easements for Kensington Village applicable to the Property recorded in the Office of the Register of Deeds for Moore County, North Carolina.

Section 6. "Majority" shall mean any number of votes which is equal to or greater than fifty-one percent (51%) of the applicable votes.

Section 7. "Member" shall and refer to every person or entity who holds membership in the Association. Each lot Owner shall be allowed one (1) membership.

Section 8. "Owner" shall mean the record owners to any lot. "Owner" shall not include Declarant.

Section 9. "Property" shall include the land described in Schedule A attached to the Declaration of Protective Covenants, Restrictions and Easements for Kensington Village.

ARTICLE III MEETING OF MEMBERS

Section 1. Annual Meetings. The first annual meeting of the Members shall be held within one year from the date of filing of the Articles of Incorporation for the Association, and each subsequent regular annual meeting of the Members shall be held on the same day of the same month or each year thereafter, at the hour of 2:00 o'clock p.m. 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.

Section 2. Special Meetings. Special meetings of the Members shall be called at any time by the President or by the Board of Directors, or upon written request of the Members who are entitled to vote one-fourth ($\frac{1}{4}$) of all of the votes available to Members of the Association.

Section 3. Place of Meetings. All meetings of the Members shall be held at such place, within Moore County, North Carolina, as shall be determined by the Board of Directors of the Association.

Section 4. Notice of Meetings. Written notice of each meeting of the Members shall be given by, or at the direction of, the Secretary or person authorized to call the meeting, by mailing a copy of such notice, postage prepaid, not less than 10 days nor more than 50 days before the date of such meeting to each Member entitled to vote thereat, addressed to the Member's address last appearing on the books of the Association, or supplied by such Member to the Association for the purpose of notice. Such notice shall specify the place, day and hour of the meeting, and, in the case of a special meeting, the purpose of the meeting.

Section 5. Quorum. The presence at the meeting of Members entitled to cast, or of proxies entitled to cast, one-tenth ($\frac{1}{10}$) of the votes shall constitute a quorum for any action except as otherwise provided in the Articles of Incorporation, the Declaration, or these Bylaws. If, however, such quorum shall not be present or represented at any meeting, the Members entitled to vote thereat shall have the power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum as aforesaid shall be present or be represented.

Section 6. Proxies. At all meetings of Members, each Member may vote in person or by proxy. All proxies shall be in writing and filed with the Secretary. Every proxy shall be revocable and shall automatically cease upon conveyance by the Member of his unit or area.

Section 7. Waiver of Notice. Any Member may, at any time, waive notice of any meeting of the Members in writing and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a member at any meeting of the Members shall constitute a waiver by notice by him of the time and place thereof except where a Member attends a meeting for the express purpose of objecting to the transaction of any business because the meeting was not lawfully called. If all the members are present at any meeting of the Members, no notice shall be required and any business may be transacted at such meeting.

Section 8. Informal Action by Members. Any action which may be taken at a meeting of the 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 persons who would be entitled to vote upon such action at a meeting and filed with the Secretary of the Association to be kept in the Association's minute book.

Section 9. Waiver of Meetings or Action by Declarant. Declarant from the date hereof shall be solely responsible, at Declarant's option, for the administration of the Association and the property, and the Declarant shall be deemed to have all the powers, privileges and rights of the Association, without the necessity of ever calling or convening any meeting of the Association or the Board, of having any vote by the Members on any proposed action by Declarant until:

(a) Declarant shall have conveyed ninety-five (95%) percent of the numbered lots in the subdivision (including future development areas that are subsequently added to the subdivision), and

(b) The Association has elected to terminate such right by a sixty-six (66%) percent of the Owners of numbered lots in a meeting duly called for such purpose.

Until such time the duties and powers of the Association, including those of the Board shall be performed by and vested in Declarant or a person employed by Declarant on behalf of the Association unless sooner relinquished by amendment to the Declaration executed by Declarant and recorded in the Office of the Register of Deeds.

After ninety-five (95%) percent of the numbered lots in the subdivision (including future development areas that are subsequently added to the subdivision) have been conveyed to Owners, the Declarant shall notify all unit and area owners of the first annual meeting of the Association and shall arrange for the Owners to take over operation of the Association, provided the Owners vote for control as per (b) above.

ARTICLE IV
BOARD OF DIRECTORS

Section 1. Number. The business and affairs of the Association shall be managed by five (5) directors, who need not be members of the Association.

Section 2. Term of Office. At the first annual meeting, and at each annual meeting thereafter, the Members shall elect five (5) directors to serve for a term of one year. Each director shall hold office until his death, resignation, retirement, removal, disqualification, or his successor is elected and qualifies.

Section 3. Nomination. Nomination for election to the Board of Directors shall be made by a Nominating Committee. Nominations may also be made from the floor at the annual meeting. The Nominating Committee shall consist of a Chairman, who shall be a member of the Board of Directors, and two or more members of the Association. The Nominating Committee shall be appointed by the Board of Directors prior to each annual meeting of the members, to serve from the close of such annual meeting until the close of the next annual meeting and such appointment shall be announced at each annual meeting. The Nominating Committee shall make as many nominations for election to the Board of Directors as it shall in its discretion determine, but not less than the number of vacancies that are to be filled. Such nominations shall may be made from among Members and non-Members.

Section 4. Election. Except as provided in Section 5. of this Article, Directors shall be elected at the annual meeting of the Members by written ballot. At such election, the Members or their proxies may cast, in respect to each vacancy, as many votes as they are entitled to exercise under the provisions of the Declaration. The persons receiving the largest number of votes shall be elected. Cumulative voting is not permitted.

Section 5. Removal. Any director may be removed from the Board, with or without cause, by a majority vote of the Members of the Association. In the event of death, resignation or removal of a director, his successor shall be selected by the remaining members of the Board and shall serve for the unexpired term of his predecessor. The Members may elect a director at any time to fill any vacancy not filled by the directors.

Section 6. Compensation. No director shall receive compensation for any service he may render to the Association. However, any director may be reimbursed for his actual expenses incurred in the performance of his duties.

Section 7. Board Action by Declarant. Notwithstanding the foregoing, the business and affairs of the Association shall be managed by Declarant as described in Article III, Section 9 until control is relinquished by Declarant. Directors shall be appointed by Declarant until control is relinquished pursuant to Section 10 of the Declaration.

ARTICLE V
MEETING OF DIRECTORS

Section 1. Regular Meetings. Regular meetings of the Board of Directors may be held without notice, at such place and hour as may be fixed from time to time by resolution of the Board. Should said meeting fall upon a legal holiday, then that meeting may be held at the same time on the next day which is not a legal holiday.

Section 2. Special Meetings. Special meetings of the Board of Directors shall be held when called by the President of the Association, or by any two directors, after not less than three (3) days notice to each director.

Section 3. Quorum. A majority of the number of directors shall constitute a quorum for the transaction of business. Every act or decision done or made by a majority of the directors present at a duly held meeting at which a quorum is present shall be regarded as the act of the Board.

Section 4. Informal Action of Directors. Action taken by a majority of the directors without a meeting is nevertheless Board action if written consent to the action in question is signed by all of the directors and filed with the minutes of the proceedings of the Board, whether done before or after the action so taken.

Section 5. Chairman. A Chairman of the Board of Directors shall be elected by the directors and shall preside over all Board meetings until President of the Association is elected. Thereafter, the President shall serve as Chairman. In the event there is a vacancy in the office of the Presidency, a Chairman shall be elected by the Board of Directors and serve until a new President is elected.

Section 6. Liability of the Board. The members of the Board of Directors shall not be liable to the Owners for any mistake of judgment, negligence, or otherwise except for their own individual willful misconduct or bad faith. The Owners shall indemnify and hold harmless each of the members of the Board against all contractual liability to others arising out of contracts made by the Board on behalf of the Association unless any such contract shall have been in bad faith or contrary to the provisions of the Declaration or these Bylaws. It is intended that the members of the Board of Directors shall have no personal liability with respect to any contract made by them on behalf of the Association, except to the extent that they are Owner(s).

ARTICLE VI
POWERS AND DUTIES OF THE BOARD OF DIRECTORS

Section 1. Powers. The Board of Directors shall have power to:
(a) Adopt and publish rules and regulations governing the use of the Common Elements and facilities, and the personal conduct of

the Members and their guests thereon, and to establish penalties for the infraction thereof;

(b) Suspend the voting rights and right to use of the recreational facilities of a Member during any period in which such Member shall be in default in the payment of any assessment levied by the Association. Such rights may also suspend after notice and hearing, for a period not to exceed 60 days for infraction of published rules and regulations;

(c) Exercise for the Association all powers, duties and authority vested in or delegated to this Association and not reserved to the membership by other provisions of these Bylaws, the Articles of Incorporation or the Declaration;

(d) Declare the office of a member of the Board of Directors to be vacant in the event such member shall be absent from three (3) consecutive regular meetings of the Board of Directors;

(e) Employ a manager, an independent contractor, or such other employees as they deem necessary, and to prescribe their duties;

(f) Employ attorneys to represent the Association when deemed necessary;

(g) Grant easements for the installation and maintenance of sewerage utilities or drainage facilities upon, over, under and across the Common Elements without the assent of the membership when such easements are requisite for the convenient use and enjoyment of the Properties; and

(h) Appoint and remove at pleasure all officers, agents and employees of the Association, prescribe their duties, fix their compensation and require of them such security or fidelity bond as it may deem expedient.

Section 2. Duties. It shall be the duty of the Board of Directors to:

(a) Cause to be kept a complete record of all its acts and corporate affairs and to present a statement thereof to the Members at the annual meeting of the Members, or any special meeting when such statement is requested in writing by Members entitled to at least one-fourth ($\frac{1}{4}$) of all votes available to Members.

(b) Supervise all officers, agents and employees of the Association, and to see that their duties and properly performed;

(c) As more fully provided in the Declaration, to:

(1) Fix the amount of the annual assessment against each lot at least thirty (30) days before January 1 of each year;

(2) Send written notice of each assessment to every Owner subject thereto at least fifteen (15) days before its due date and before January 1 of each year;

(3) Foreclosure the lien against any property for which assessments are not paid within thirty (30) days after due date or to bring an action at law against the owner personally obligated to pay the same;

(d) Issue, or to cause an appropriate officer to issue, upon demand by any person, a certificate setting forth whether or not any assessment has been paid; (a reasonable charge may be made by the Board of the issuance of these certificates. If a certificate states an assessment has been paid, such certificate shall be conclusive evidence of such payment);

(e) Procure and maintain adequate liability insurance covering the Association and the directors and officers thereof and adequate hazard and liability insurance on the property owned by the Association and by the Owners as provided in the Declaration;

(f) Cause all officers or employees having fiscal responsibilities to be bonded, as it may deem appropriate;

(g) Cause the Common Elements to be maintained; and

(h) Take whatever other actions are necessary and required to enforce and put into effect the provisions of the Declaration.

Section 3. The Powers and Duties of the Board of Directors. The foregoing powers and duties of the Board of Directors shall be vested in Declarant until such time as control of the Association is relinquished as described in Article III, Section 9. However, Declarant shall not be required to hold any meetings as are required in this Article.

ARTICLE VII OFFICERS AND THEIR DUTIES

Section 1. Enumeration of Officers. The officers of the Association shall be President and Vice-President, who shall at all times be members of the Board of Directors, a Secretary, and a Treasurer, and such other officers as the Board may from time to time by resolution create.

Section 2. Election of Officers. The election of officers shall take place at the organizational meeting of the Board of Directors and then at each annual meeting of the Members.

Section 3. Term. Each officer of the Officer shall be elected annually by the Board and each shall hold office for one (1) year or until his death, resignation, retirement, removal, disqualification, or his successor is elected and qualifies.

Section 4. Special Assignment. The Board may elect 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 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. Any officer may resign at any time giving written notice to the Board, 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. A vacancy in any office may be filled by appointment by the Board. The Officer appointed to such vacancy shall serve for the remainder of the term of the officer he replaces.

Section 7. Multiple Offices. The offices of Secretary and Treasurer may be held by the same person. No person shall simultaneously hold more than one of any of the offices except in the case of special offices created pursuant to Section 4 of this Article.

Section 8. Compensation. No officer shall receive any compensation from the Association for acting as such.

Section 9. Duties. The duties of the officers are as follows:

President

(a) The President shall be the principal executive officer of the Association, and subject to the control of the Board, shall supervise and control the management of the Association. The President shall preside at all meetings of the Board of Directors; shall see that orders and resolutions of the Board are carried out; shall sign all leases, mortgages, deeds and other written instruments and shall co-sign all checks and promissory notes.

Vice-President

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

Secretary

(c) The Secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board and of the Members; keep the corporate seal of the Association and affix it on all papers requiring said seal; serve notice of meetings of the Board and of the Members; keep appropriate current records showing the members of the Association together with their addresses, and shall perform such other duties as required by the Board.

Treasurer

(d) The Treasurer shall 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 and promissory notes of the Association; keep proper books of

the account; cause an annual audit of the Association books to be made by a public accountant at the completion of each fiscal year; and shall prepare an annual budget and a statement of income and expenditures to be presented to the membership at its regular annual meetings, and deliver a copy of each to the Members.

Section 10. Appointment of Officers by Declarant. Until such time as Declarant relinquishes control of the Association pursuant to Section 9 of the Declaration, Declarant shall appoint persons to serve as and perform the duties of the Officers of the Association. The persons appointed by Declarant shall have full power and authority to sign whatever documents are necessary, take whatever actions are necessary, and do any other acts to carry out the duties of the Association.

ARTICLE VIII COMMITTEES

The Association shall appoint an Architectural Review Board, provided in the Declaration, and a Nominating Committee, as provided in these Bylaws. In addition, the Board of Directors shall appoint other committees as deemed appropriate in carrying out its purposes.

ARTICLE IX BOOKS AND RECORDS

The books, records and papers of the Association shall at all times, during reasonable business hours, be subject to inspection by any member. The Declaration, the Articles of Incorporation and the Bylaws of the Association shall be available for inspection by any member at the principal office of the Association, where copies may be purchased at reasonable cost.

ARTICLE X ASSESSMENTS

As more provided in the Declaration, each Member is obligated to pay to the Association annual and special assessments which are secured by a continuing lien upon the property against which the assignment is made. Any assessments which are not paid when due shall be delinquent. If the assessment is not paid within thirty (30) days after the due date the assessment shall bear interest from the date of delinquency at the rate of ten percent (10%) per annum or the maximum interest rate which may be contracted for under the laws of the State of North Carolina at the time of such delinquency, whichever is lower, plus such late charge as may be established by the Board of Directors, and the Association may bring an action at law against the Owner personally obligated to pay the same or foreclose the lien against the property; and interest, costs and reasonable attorney's fees of any such action shall be added to the amount of such

assessment. No Owner may waiver or otherwise escape liability for the assessments provided for herein by non-use of the Common Areas or abandonment of his lot or residence.

ARTICLE XI
CORPORATE SEAL

The Association shall have a corporate seal in circular form having within its circumference the words: KENSINGTON VILLAGE HOMEOWNERS ASSOCIATION.

ARTICLE XII
AMENDMENTS

Section 1. These Bylaws may be amended by Declarant until Declarant relinquishes control pursuant to Article III, Section 9. After Declarant relinquishes control the Bylaws may be amended, at a regular or special meeting of the Directors, by a vote of a majority of a quorum of Members present in person or by proxy.

Section 2. In the case of any conflict at any time between the Articles of Incorporation an these Bylaws, the Articles shall control; and in the case of any conflict between the Declaration and these Bylaws, the Declaration shall control.

ARTICLE XIII
MISCELLANEOUS

The fiscal year of the Association shall begin on the first day of January and end on the 31st day of December every year, except that the first fiscal year shall begin on the date of incorporation.

ARTICLE XIV
INDEMNIFICATION OF DIRECTORS, OFFICERS AND OTHERS

The Association shall indemnify any director or officer or former director or officer of the Association or any person who may have served at the request of the Association as a director or officer of another corporation, whether for profit or not for profit, against expenses (including attorney's fees) or liabilities actually and reasonably incurred by him in connection with the defense of or as a consequence of any threatened, pending or completed action, suit or proceeding (whether civil or criminal) in which he is made a party or was (or is threatened to be made) a party by reason of being or having been such director or officer, except in relation to matters as to which he shall be adjudged in such action, suit or proceeding to be liable for negligence or misconduct in the performance duty.

The indemnification provided herein shall not be deemed exclusive of any other rights to which those indemnified may be entitled under any statute, bylaw, agreement, vote of members or disinterested

directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

The Association may purchase and maintain insurance on behalf of any person who is or was a director, officer, officer, employee or agent of the Association, or is or was serving at the request of the Association as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him and incurred by him in such capacity, or arising out of his status as such, whether or not the Association should have the power to indemnify him against such liability.

The Association's indemnity of any person who is or was a director, officer, employee, or agent of the Association, or is or was serving at the request of the Association, as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall be reduced by amounts such person may collect as indemnification (i) under any policy of insurance purchased and maintained on his behalf by the Association (ii) from such corporation, partnership, joint venture, trust or other enterprise.

Nothing contained in this Article XIV, or elsewhere in these Bylaws, shall operate to indemnify any director or officer if such indemnification is for any reason contrary to any applicable state or federal law.

ARTICLE XV ARBITRATION

Any claim which shall be made against one or more members of the Board of Directors shall be settled by arbitration except as otherwise provided herein, in the Declaration or under any applicable law, and judgment upon the award may be entered in court having jurisdiction thereof. Such arbitration shall be commenced upon the delivery of such claim, in writing, to one or more members of the Board; and shall be before one disinterested arbitrator, one named by the Director(s), one by the Owner(s), and one by the two thus chosen. The arbitrator or arbitrators shall determine the controversy in accordance with the laws of North Carolina as applied to the facts found by him or them. If the Director(s) or the Owner(s) shall refuse or fail to so name an arbitrator within thirty (30) days after written notice from the other party requiring the naming of an arbitrator, then the arbitrator so named by the party not in default hereunder shall have the power to proceed to arbitrate and determine the matters in controversy as if he were an arbitrator appointed by both parties for that purpose, and award in writing signed by him shall be final. The rules of procedure for the arbitration hearing may be adopted by the arbitrators. All arbitration proceedings shall be conducted in Moore County, North Carolina.

CERTIFICATION

I, the undersigned, do hereby certify:

THAT, I am the duly elected and acting Secretary of the Kensington Village Homeowners Association, a North Carolina corporation, and

THAT the foregoing Bylaws constitute the original Bylaws of said Association, as duly adopted at a meeting of the Board of Directors thereof, held on the 19th day of October, 1992.

IN WITNESS WHEREOF, I have hereunto subscribed by name and affixed the seal of the Association, this 19th day of October, 1992.

W. Robert Logon
Secretary