

BYLAWS  
OF  
MAGNOLIA RIDGE HOMEOWNERS ASSOCIATION, INC.

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ARTICLE I.

OFFICES

- Section 1. Principal Office. The principal office of the Association shall be located in Union County, North Carolina.
- Section 2. Registered Office. The registered office of the Association required by law to be maintained in the State of North Carolina may be, but need not be, identical with the principal office in the State of North Carolina. The address of the registered office may be changed from time to time by the Board of Directors.
- Section 3. Other Offices. The Association may have offices at such other places, either within or without the State of North Carolina, as the Board of Directors may designate or as the business of the Association may require from time to time.

ARTICLE II

MEMBERSHIP, VOTING RIGHTS, OFFICERS AND MEETINGS

- Section 1. Membership. Every owner of a Lot which is subject to this Declaration shall be a member of the Association. Membership is appurtenant to and may not be assessment. If and when Declarant develops additional phases in the Subdivision the owners of those Lots shall be members of the Association. The Declarant shall also be a member so long as it owns property within this expandable Subdivision.
- Section 2. Class Membership Voting. The Association shall have two (2) classes of membership:

Class A

Class A members shall be all Lot Owners with the exception of Declarant, and shall be entitled to one vote for each Lot owned. When more than one (1) person owns an interest in a Lot all shall be members but the vote shall be exercised as such persons shall determine in writing, which writing shall be filed with the Secretary of the meeting prior to voting, but in no event shall more than one vote be cast with respect to any Lot.



## Class B

Each Class B member shall be entitled to vote ten (10) votes for each Lot owned by such Class B member. The Declarant shall be the sole Class B member. The Declarant's Class B membership shall cease and terminate and shall be converted to Class A membership upon the earlier to occur of the following:

- a. The earlier of four months after seventy-five (75%) percent of all the Lots in the Subdivision are sold and conveyed by the Declarant to unrelated third parties or person or five years; or
- b. At such time as Declarant voluntarily relinquishes majority control of the Association by a duly recorded instrument.

Section 3. Suspension of Voting Rights. The Association through its Board of Directors shall have the right to:

- a. Suspend the voting rights (if any) of an Owner for any period during which assessment on his Lot remains unpaid and enforce collection of the same; and
- b. Suspend the voting rights (if any) of each Owner who is a contract buyer for any period of time during which payments to the Declarant pursuant to terms of said contract are delinquent during which period of time the Declarant shall succeed to the voting rights of said contract buyer.

## ARTICLE III

### MEETINGS OF MEMBERS

Section 1. Annual Meeting. The annual meeting of the members shall be held on the first Tuesday in the month of March at each year at the hour of 7:00 o'clock P. M., for the purpose of electing new directors and for the transaction of such other business as may come before the meeting. If the day fixed for the annual meeting shall be a Saturday, Sunday or legal holiday in the State of North Carolina, such meeting shall be held on the next succeeding business day. The first of these annual meetings shall be held beginning with the year that Class B lots are terminated as provided in the Declaration of Covenants, Conditions and Restrictions for Magnolia Ridge Subdivision, recorded in the Union County Registry (the "Declaration").

Section 2. Substitute Annual Meeting. If the annual meeting for members shall not be held on the day designated by these bylaws, or any adjournment thereof, then a substitute annual meeting may be called in accordance with Section 3 of this Article and the meeting so called may be designated as the annual meeting.



Section 3. Special Meetings. Special meetings of the members may be called by the President or a majority of the Board of Directors.

Section 4. Place of Meeting. The Board of Directors may designate any place in North Carolina as the place of meeting for any annual meeting of members called by the Board of Directors. If no designation is made, or if a special meeting be otherwise called, the place of meeting shall be the principal office of the Association in the State of North Carolina.

Section 5. Notice of Meeting. Written or printed notice stating the time and place of the meeting and, in case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered not less than ten (10) nor more than fifty (50) days before the date of the meeting, either personally or by mail, by or at the direction of the President, the Secretary, or the officer or persons calling the meeting, to each member of record entitled to vote at such meeting.

If mailed, such notice shall be deemed to be delivered when deposited in the United States mail addressed to the member at his address as it appears on the record of members of the Association, with postage thereon prepaid. In addition to the foregoing, notice of a substitute annual meeting shall state that the annual meeting was not held on the day designated by these bylaws and that such substitute annual meeting is being held in lieu of and is designated as such annual meeting.

When a meeting is adjourned for thirty (30) days or more, notice of the adjourned meeting shall be given as in the case of an original meeting. When a meeting is adjourned for less than thirty (30) days in any one adjournment, no notice need be given of the time and place of the adjourned meeting other than by announcement at the meeting at which the adjournment is taken.

Section 6. Voting Lists. The Secretary shall make, at least ten (10) days before each meeting of members, a complete list of the members entitled to vote at such meeting, or any adjournment thereof. The list shall be arranged in alphabetical order, within the address of each member and shall be kept on file for a period of ten (10) days prior to such meeting, at the registered office of the Association and shall be subject to inspection by any member at any time during usual business hours. Such list shall also be produced and kept open at the time and place of the meeting and shall be subject to the inspection of any member during the whole time of the meeting.

Section 7. Quorum. The lesser of members owning 10 lots or ten percent of each class of members of the Association entitled to vote, represented in person or by proxy, shall constitute a quorum at a meeting of members.

The members at a meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough members to leave less than a quorum.



In the absence of a quorum at the opening of any meeting of members, such meeting may be adjourned from time to time by a vote of the majority of the members voting on the motion to adjourn; and at any adjourned meeting at which a quorum is present, any business may be transacted which might have been transacted at the original meeting. If the required quorum is not present, another meeting may be called, subject to the notice requirements contained in Section 5, and the required quorum at the subsequent meeting shall be thirty (30%) percent of the members of each class of the Association entitled to vote, represented in person or by proxy. If the required quorum is not present at the section called meeting, another meeting may called, subject to the notice requirements set forth in Section 5, and the required quorum at the subsequent meeting shall be twenty percent (20%) of the members of each class of the Association entitled to vote.

To the extent that the Declaration requires that a favorable vote of members shall be greater than a simple majority of the required quorum at a meeting in order for such vote to be actio of the Association, then the Declaration shall control.

Section 8. Proxies. A member may be voted either in person or by one or more agents authorized by a written proxy executed by the member or by his duly authorized attorney-in-fact.

A proxy is not valid after the expiration of eleven months from the date of its execution, unless the person executing it specified therein the length of time for which it is to continue in force, or limits its use to continue in force, or limits its use to a particular meeting, but no proxy shall be valid after ten years from the date of execution.

Section 9. Voting of Members. Each member of the Association shall be entitled to the voting rights set forth in Article III of the Declaration.

Section 10. Votes Registered. The vote of a majority of the members voting at a meeting of members, duly held at which a quorum is present, shall be sufficient to take or authorize action upon any matter which may properly come before the meeting except as otherwise provided by law, by these bylaws or by the Declaration.

#### ARTICLE IV

##### BOARD OF DIRECTORS

Section 1. Number of Members and Manner of Selection. The business and affairs of the Association shall be managed by its Board of Directors. The Directors named in the Articles of Incorporation shall manage the affairs of the Association until the earlier of such time as the Class B member designates a full Board or the first Annual Meeting of Members when the full Board shall be elected. The full Board shall consist of five (5)



members of who shall serve until such time as their successors are duly elected and agree to serve. So long as the Declarant, or its successors or assigns, is the Class B member, it shall select the Board, provided it must select two (2) of the members from the Lot Owners other than the Declarant. Directors shall be elected at the first annual meeting of the members and at each subsequent annual meeting or adjourned meeting or members (except as herein otherwise provided) for the filling of vacancies, and each director shall hold office until his death, resignation, retirement, removal, disqualification, or his successor shall have been elected and qualified. Directors shall be elected by a plurality of the votes cast at each election for directors.

Section 2. Powers. Without limiting the other powers of the Board of Directors, it shall have the power to establish when the dues and other assessments payable by members shall be paid, to increase or decrease the amount of such payments in accordance with the Declaration, including the right to establish late charges and interest thereon for late payment. The initial late charge imposed for late payment of any assessment is \$25.00 and shall be charged as to any assessment that is not paid within 30 days of its due date. The initial interest rate for late payment is 18% per year (1.5% per month) which shall commence to accrue on any assessment or other account balance that is not paid within 30 days of the date due. The initial date upon which liens may be filed for failure to make payment of assessments and other charges is 30 days after the due date. The Board of Directors may change the initial late charge, interest rate, due dates and lien assessment dates by majority vote.

Section 3. Vacancies. Any vacancy occurring in the Board of Directors may be filled by the affirmative vote of a majority of the remaining directors even though less than a quorum or by the sole remaining director.

Any vacancy created by an increase in the authorized number of directors shall be filled only by election at an annual meeting of members or at a special meeting of members called for that purpose.

Any director elected to fill a vacancy shall be elected for the unexpired term of his predecessor in office.

At a special meeting of members, the members may elect a director to fill any vacancy not filled by the directors.

Section 4. Removal. Any director may be removed at any time with or without cause by a vote of a majority of the members entitled to vote at an election of directors.

Section 5. Chairman of the Board. There may be a Chairman of the Board of Directors elected by the directors from their number at the annual meeting of the Board of Directors. The Chairman shall preside at all meetings of the Board of Directors and perform such other duties as may be directed by the Board.



## ARTICLE V

### MEETINGS OF DIRECTORS

- Section 1. Organization Meeting. After the filing of the Articles of Incorporation, an organization meeting of the Board of Directors, named in the Articles of Incorporation shall be held, either within or without the State of North Carolina, at a call of majority of the directors, for the purpose of adopting bylaws, electing officers and the transaction of such other business as may come before the meeting. The directors calling the meeting shall give at least three (3) day's notice thereof by mail to each director so named, which notice shall state the time and place of the meeting, unless notice is waived as herein provided.
- Section 2. Regular Meetings. A regular meeting of the Board of Directors shall be held without other notice than this bylaw immediately after, and at the same place as, the annual meeting of members. The Board of Directors may provide, by resolution, the time and place within the State of North Carolina for the holding of additional regular meetings without other notice than such resolution.
- Section 3. Special Meetings. Special meetings of the Board of Directors may be called by the President or any two directors. The person or persons authorized to call special meetings of the Board of Directors may fix any place within the State of North Carolina as the place for holding any special meeting of the Board of Directors called by them.
- Section 4. Notice. Notice of special meetings of the Board of Directors shall be given to each director not less than two (2) days before the date of the meeting and by any usual means of communications. Neither the business transaction at, nor the purposes of, any regular or special meeting of the Board of Directors need be specified in the notice or waiver of notice of such meeting.
- Section 5. Waiver by Attendance. Attendance of a director at a meeting of the Board of Directors shall constitute a waiver of notice of such meeting, except where a director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened.
- Section 6. Quorum. Unless the articles of incorporation or these Bylaws provide otherwise, a majority of the number of directors fixed by or pursuant to these Bylaws shall constitute a quorum for the transaction of business at any meeting of the Board of Directors, or if no number is so fixed, the number of directors in office immediately before the meeting begins shall constitute a quorum.



Section 7. Manner of Acting. Except as otherwise provided in 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 8. Presumption of Assent. A director of the Association who is present at a meeting of the Board of Directors at which action on any matter is taken shall be presumed to have assented to the action taken unless his contrary vote is recorded or his dissent is otherwise entered in the minutes of the meeting or unless he shall file his written dissent to such action with the person acting as the secretary of the meeting before the adjournment thereof shall forward such dissent by registered mail to the Secretary immediately after the adjournment of the meeting. Such right to dissent shall not apply to a director who voted in favor of such action.

## ARTICLE VI

### OFFICERS

Section 1. Officers of the Association. The officers of the corporation shall consist of a President, a Secretary, Treasurer and such Vice-Presidents, Assistant Secretaries, Assistant Treasurers, and other officers as the Board of Directors may from time to time elect. The same person may at the same time hold any two of the above-named offices except the offices of President and Secretary or President and Assistant Secretary.

Section 2. Election and Term. The officers of the Association shall be elected by the Board of Directors and each officer shall hold office until his death, resignation, retirement, removal, disqualification, or his successor shall have been elected and qualified.

Section 3. Compensation of Officers. The compensation, if any, of all officers of the Association, shall be fixed by the Board of Directors and no officers shall be paid by the Association unless such compensation be authorized by the Board of Directors. Notwithstanding the foregoing, no employee of the Declarant shall be compensated as an officer of the Association.

Section 4. Removal of Officers and Agents. Any officer or agent elected or appointed by the Board of Directors may be removed by the Board of Directors but such removal shall be without prejudice to the contract rights, if any, of the person so removed.

Section 5. Bonds. The Board of Directors may by resolution require any officer, agent or employee of the corporation to give bond to the Association with sufficient sureties, conditioned on the faithful performance of the duties of his respective office or position, and to comply with such other conditions as may from time to time be required by the Board of Directors.



- Section 6. President. The President shall be the principal executive officer of the Association and, subject to the control of the Board of Directors, shall in general supervise and control all of the business and affairs of the Association. He shall, when present, preside at all meetings of the shareholders. He shall sign, with the Secretary, Assistant Secretary or any other proper officer of the Association thereunto authorized by the Board of Directors, any deeds, mortgages, bonds, contracts or other instruments which the Board of Directors has authorized to be executed, except in cases where the signing and execution thereof shall be expressly delegated by the Board of Directors or by these bylaws to some other officer or agent of the Association, or shall be required by law to be otherwise signed or executed; and in general shall perform all duties incident to the office of President and such other duties as may be prescribed by the Board from time to time.
- Section 7. Vice Presidents. In the absence of the President or in the event of his death, inability or refusal to act, the Vice Presidents in the order of their length of service as Vice Presidents, unless otherwise determined by the Board of Directors, shall perform the duties of the President, and when so acting shall have all the powers of and be subject to all the restrictions upon the President. Any Vice President may perform such other duties of the President, and when so acting shall have all the powers of and be subject to all the restrictions upon the President. The Vice President shall perform also such other duties as from time to time may be assigned to him by the President or Board of Directors.
- Section 8. Secretary. The Secretary shall: (a) keep the minutes of the meetings of members of the Board of Directors and of all Executive Committees in one or more books provided for that purpose; (b) see that all notices are duly given in accordance with the provisions of these bylaws or as required by law; (c) be custodian of the Association records and of the seal of the Association and see that the seal of the Association is affixed to all documents the execution of which on behalf of the Association under its seal is duly authorized; (d) keep a register containing the name and the post office address of each member which shall be furnished to the Secretary by such member; and (e) in general perform all duties incident to the office of Secretary and such other duties as from time to time may be assigned to him by the President or by the Board of Directors.
- Section 9. Assistant Secretaries. In the absence of the Secretary or in the event of his death, inability or refusal to act, the Assistant Secretaries in the order of their length of service as Assistant Secretary, unless otherwise determined by the Board of Directors, shall perform the duties of the Secretary, and when so acting shall have all the powers of and be subject to all the restrictions upon the Secretary. They shall perform such other duties as may be assigned to them by the Secretary, by the President or by the Board of Directors.
- Section 10. Treasurer. The Treasurer shall: (a) have charge and custody of and be responsible for all funds and securities of the Association; receive and give receipts for monies due and



payable to the Association from any source whatsoever, and deposit all such monies in the name of the Association in such depositories as shall be selected in accordance with the provisions of these bylaws; and (b) in general perform all of the duties incident to the office of the Treasurer and such other duties as from time to time may be assigned to him by the President or by the Board of Directors.

The Treasurer shall prepare, or cause to be prepared, a true statement of the corporation's assets and liabilities as of the close of each fiscal year, all in reasonable detail which statement shall be made and filed at the Association's registered office or principal place of business in the State of North Carolina within four (4) months after the end of such fiscal year and thereafter kept available for a period of at least ten years.

- Section 11. Assistant Treasurers. In the absence of the Treasurer or in the event of his death, inability or refusal to act, the Assistant Treasurers in the order of their length of service as Assistant Treasurer, unless otherwise determined by the Board of Directors, shall perform the duties of the Treasurer, and when so acting shall have all the powers of and be subject to all the restrictions upon the Treasurer. They shall perform such other duties as may be assigned to them by the Treasurer, by the President, or by the Board of Directors.

## ARTICLE VII

### CONTRACTS, LOANS, CHECKS AND DEPOSITS

- Section 1. Contracts. The Board of Directors may authorize any officer or officers, agent or agents to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Association and such authority may be general or confined to specific instances.
- Section 2. Loans. No loans shall be contracted on behalf of the Association and no evidences of indebtedness shall be issued in its name unless authorized by a resolution of the Board of Directors. Such authority may be general or confined to specific instances.
- Section 3. Checks and Drafts. All checks, drafts or other orders for the payment of money, issued in the name of the Association shall be signed by such officer or officers, agent, or agents of the Association 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 Association not otherwise employed shall be deposited from time to time to the credit of the Association in such depositories as the Board of Directors may select.



## ARTICLE VIII.

### INDEMNIFICATION

It shall be the policy of the corporation to indemnify to the maximum extent permitted by Chapter 55A of the North Carolina General Statutes any person who at any time serves or has served as a director, officer, employee or agent of the corporation against (a) costs and expenses, including attorneys' fees, incurred by him in connection with any threatened, pending, or completed civil, criminal, administrative, investigative, or arbitative action, suit, or proceeding (and any appeal therein), whether or not brought by or on behalf of the corporation, seeking to hold him liable by reason of the fact that he is or was acting in such capacity, and (b) payments made by him in satisfaction of any judgment, money decree, fine (including an excise tax assessed with respect to an employee benefit plan), penalty, or settlement for which he may have become liable in any such action, suit, or proceeding. The corporation may advance expenses in connection with any proceeding to any such person in accordance with applicable law. The use of funds of the corporation for indemnification or for the purchase and maintenance of insurance for the benefit of the persons above designated shall be deemed a proper expense of the corporation.

The Board of Directors of the corporation shall take all such action as may be necessary and appropriate to authorize the corporation to pay the indemnification required by this bylaw, including, without limitation, making a determination that indemnification is permissible in the circumstances and a good faith evaluation of the manner in which the claimant for indemnity acted and of the reasonable amount of indemnity due him. The Board of Directors may appoint a committee or special counsel to make such determination and evaluation.

Any person who at any time after the adoption of this bylaw serves or has served in the aforesaid capacity for or on behalf of the corporation shall be deemed to be doing or to have done so in reliance upon, and as consideration for, the right of indemnification provided herein. Such right shall inure to the benefit of the legal representatives of any such person and shall not be exclusive of any other rights to which such person may be entitled apart from the provision of this bylaw.

## ARTICLE VIII

### GENERAL PROVISIONS

Section 1. Seal. The corporate seal of the Association shall consist of two concentric circles between which is the name of the Association and in the center of which is inscribed "SEAL"; and such seal, as impressed on the margin hereof, is hereby adopted as the corporate seal of the Association.



Section 2. Fiscal Year. Unless otherwise fixed by the Board of Directors, the fiscal year of the corporation shall begin on the first day of January and end on 31st day of December in each year.

Section 3. Amendments. Except as otherwise provided in this section, these bylaws may be amended or repealed and new bylaws may be adopted by the affirmative vote of a majority of the directors then holding office at any regular or special meeting of the Board of Directors.

The Board of Directors shall have no power to adopt a bylaw: (1) requiring more than a majority of members for a quorum at a meeting of members or more than a majority of the votes cast to constitute action by the members, except where higher percentages might be required by law or the Declaration; (2) classifying and staggering the election of directors; (3) providing for the management of the Association otherwise than by the Board of Directors. No bylaw adopted or amended by the members shall be altered or repealed by the Board of Directors.

Section 4. Provisions of Articles of Incorporation and Declaration. In case of conflict between a provision in these bylaws and a provision in the Articles of Incorporation of the Association or the Declaration, the provision of the Articles of Incorporation or Declaration shall govern.

I hereby certify that the foregoing is a true and accurate copy of the BYLAWS adopted by the Board of Directors of Magnolia Ridge Homeowners Association, Inc. and contains all amendments there to through the date of this certification.

[Affix Corporate Seal]

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Secretary

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Date of Certification