

BYLAWS
OF
KIRKWOOD AT ARRONDALE HOMEOWNERS' ASSOCIATION, INC.

ARTICLE 1. INTRODUCTION

These are the Bylaws of KIRKWOOD AT ARRONDALE HOMEOWNERS' ASSOCIATION, INC. Capitalized terms used herein shall have the meaning set out in the Declaration of Covenants, Conditions and Restrictions for KIRKWOOD AT ARRONDALE (the "Declaration") unless otherwise defined in these Bylaws.

ARTICLE 2. BOARD OF DIRECTORS

Section 2.1. Qualifications:

A Member must be in good standing to be elected to the Executive Board and remain in good standing for their term as a Director.

Section 2.2. Number, Term & Qualification; Developer Control

a) The administration of the Common Elements and the Association shall be governed by an Executive Board of Directors, each of who shall be Members (aka Lot/Unit Owners) of the Association in good standing. If a partnership or corporation owns any residential property; then any officer, partner or employee of that ownership entity shall be

eligible to serve as a Director and shall be deemed to be a Member for the purposes of the preceding sentence. The Members shall elect Directors. At any meeting at which Directors are to be elected, the Members may, by resolution, adopt specific procedures for conducting the elections, not inconsistent with these Bylaws.

b) At the first Annual Association meeting indicating the end of Developer Control (Class C Members), Class A (representing single-family home owners) & Class B (representing townhome owners) Members shall elect an Executive Board of Directors comprised of three (3) members in good standing for a term of two (2) years.

c) At the second Annual Association meeting, Class A & B Members shall elect two (2) additional members in good standing for a term of two (2) years to bring the total of elected Directors to five (5) and shall be in conformity with (d) below. Thereafter, board members shall be elected for 2-year terms.

d) The Class B Members shall be guaranteed the opportunity for representation by a single seat on the Kirkwood @ Arrondale HOA Board of Directors. Provided that a Class B Member is not on the current Board or a Director with an expiring term is a Class B Member, then the Class B Members are guaranteed one Board position if a Class B Member chooses to run for an open seat in any given year. In the event that no Class B Member wishes to represent the Class B Members, then the current Board shall have the right to select a Board member from the group of nominees. The Class B Members shall not have more than one Director on the Kirkwood @ Arrondale HOA Board at any time unless no Class A Members are available in an open election.

e) In the event of a Director's death, resignation, retirement, removal, or disqualification, then the remaining Directors shall appoint a replacement. The replacement shall serve the remainder of the predecessor's unexpired term.

Section 2.3. Powers & Duties

The Executive Board may act in all instances on behalf of the Association, except as provided in the Declaration, its charter, these Bylaws or the laws of North Carolina. The Executive Board shall have the powers and duties set forth in the

Association's Articles of Incorporation.

Section 2.4. Standard of Care

In the performance of their duties, the officers and members of the Executive Board shall be deemed to stand in a fiduciary relationship to the Association and the Members and shall discharge their duties in good faith, and with that diligence and care which ordinarily prudent persons would exercise under similar circumstances in like positions.

Section 2.5. Removal of Directors

The Members, by a two-thirds (2/3) vote of the entire membership entitled to vote at any meeting of the Members at which a quorum is present, may remove any Director of the Executive Board with or without cause. A Director of the Executive Board that misses three (3) consecutive Board of Directors Meetings is automatically removed as Director of the Executive Board.

Section 2.6. Vacancy & Replacement

In the event that a Director leaves the Board by reason of transfer of lot/unit ownership, death, retirement, resignation, disqualification, removal from office, or other situation; then the remaining Directors at their discretion may choose a successor or successors, who shall hold office for the unexpired term in respect to which such vacancy occurred.

Section 2.7. Regular Meetings

The first regular meeting of the Executive Board following each annual meeting of the Members shall be held within thirty (30) days thereafter at such time and place as shall be fixed by both the existing Directors and the newly elected Directors that have been elected. The Executive Board may set a schedule of additional regular meetings by resolution and no further notice is necessary to constitute such regular meetings, except such notice as may be required by the Declaration.

Section 2.8. Special Meetings

Special meetings of the Executive Board may be called by the President or by a majority of the Directors on at least five (5) business days notice to each Director. The notice shall state the time, place and purpose of the meeting and be sent in the manner of written communication exercised by and available to the Board.

Section 2.9. Meetings to Fix Annual Assessments & Special Assessments

Meetings to fix Assessments may, upon giving of the required notice, be held at the annual meeting or at any special meeting of Members.

Section 2.10. Voting

The Directors of the Executive Board have the exclusive right to vote on

all matters that relate and are common to the entire community.

Section 2.11. Location of Meetings

All meetings of the Executive Board shall be held within New Hanover County, North Carolina.

Section 2.12. Waiver of Notice

Any Director may waive notice of any meetings in writing. Attendance by a Director at any meeting of the Executive Board shall constitute a waiver of notice. If all the Directors are present at any meeting, no notice shall be required and any business may be transacted at such meeting.

Section 2.13. Quorum of Directors

At all meetings of the Executive Board, a majority of the Directors entitled to vote on a particular issue shall constitute a quorum for the transaction of business, and the votes of a majority of the Directors present at a meeting at which a quorum is present shall constitute the decision of the meeting. If, at any meeting, there shall be less than a quorum present, a majority of those present may adjourn the meeting from time to time. At any adjourned meeting at which a quorum is present any business, which may have been transacted at the meeting originally called, may be transacted without further notice.

Section 2.14. Compensation

Directors shall serve without compensation but may be reimbursed by the Association for necessary expenses actually incurred in connection with his or her duties.

Section 2.15. Consent to Association Action

If all of the Directors severally or collectively consent in writing to any action to be taken by the Association, such action shall be a valid Association action as though it had been authorized at a meeting of the Executive Board. The Secretary shall file such consents with the minutes of the meetings of the Executive Board.

ARTICLE 3. MEMBERS

Section 3.1. Annual Meetings

Class B Members shall hold their own annual meeting each year for the purposes of electing their own governing body, approving budgets and discussion of matters that relate only to the Townhomes. Class A & B Members shall hold an Annual Meeting each year on the date specified in the notice of such meeting. At such meeting, members of both classes shall elect Directors of the Executive Board, approve budgets and discuss matters that relate to the entire community. The entire membership may transact other business at such meetings as may properly come before them.

Section 3.2. Special Meetings

Special meetings of the Members may be called by the President, by a majority of the Directors of the Executive Board, or by a group of Members comprising at least thirty percent (30%) of the votes in the Association.

Section 3.3. Place of Meetings

Meetings of the Members shall be held at the Planned Community, or may be adjourned to such suitable place in New Hanover County convenient to the Members as may be designated by the Executive Board or the President.

Section 3.4. Notice of Meetings

Except to the extent otherwise provided in the Declaration, not less than ten (10) nor more than sixty (60) days in advance of a meeting, the Secretary shall cause notice to be hand-delivered or sent prepaid by United States mail to the mailing address designated in writing by each member. No action shall be adopted at a meeting except as stated in the notice.

Section 3.5. 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 receipt of such notice.

Section 3.6. Adjournment of Meeting

At any meeting of Members a majority of the Members who are present at such meeting, either in person or by proxy, may adjourn the meeting to another time.

Section 3.7. Order of Business

The order of business at all meetings of the Members shall be as follows:

- a) Roll call;
- b) Proof of notice of meeting;
- c) Reading of minutes of preceding meeting;
- d) Reports;
- e) Establish number and term of members of the Executive Board (if required and noticed);
- f) Election of Directors (when required);
- g) Ratification of budget (if required and noticed);
- h) Unfinished business; and
- i) New business.

Section 3.8. Voting

- a) If only one of several Owners of a Lot/Unit is present at a meeting of the Association, the Owner present is entitled to cast the vote allocated to the Lot/Unit. If more than one of the Owners is present, the vote allocated to the Lot/Unit may be cast only in accordance with the agreement

of a majority in interest of the Owners. There is majority agreement if any one of the Owners cast the vote allocated to the Lot/Unit without protest being made promptly to the person presiding over the meeting by another Owner of the Lot/Unit.

- b) The vote allocated to a Lot/Unit may be cast under a proxy duly executed by a Lot/Unit Owner. If more than one person owns a Lot/Unit, each Owner of the Lot/Unit may vote or register protest to the casting of a vote by the other Owners of the Lot/Unit through a duly executed proxy. A Lot/Unit Owner may revoke a proxy given under this section only by actual notice of revocation to the person presiding over a meeting of the Association. A proxy is void if it is not dated or purports to be revocable without notice. A proxy terminates one year after its date, unless it specifies a shorter term.
- c) The vote of a corporation or business trust may be cast by any officer of such corporation or business trust in the absence of express notice of the designation of a specific person by the Executive Board or bylaws of the owning corporation or business trust. Any general partner of the owning partnership may cast the vote of a partnership in the absence of express notice of the

designation of a specific person by the owning partnership. The moderator of the meeting may require reasonable evidence that a person voting on behalf of a corporation, partnership or business trust owner is qualified so to vote.

- d) Votes allocated to a Lot/Unit owned by the Association may not be cast.

Section 3.9. Quorum

Except as otherwise provided in these Bylaws, or in the Declaration, the Members present in person or by proxy, at any meeting of the Members, (but no less than twenty percent (20%) of the Members) shall constitute a quorum at such meeting. The Members at any 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.

Section 3.10. Majority Vote

The vote of a majority of the Members present in person or by proxy at a meeting at which a quorum shall be present shall be binding upon all Members for all purposes except where a higher percentage vote is required in the Declaration, these Bylaws, or the corporate laws of North Carolina.

ARTICLE 4. OFFICERS

Section 4.1. Designation

The principal offices of the Association's Executive Board shall be the President, the Vice President, the Secretary, and the Treasurer, all of whom shall be determined by the Executive Board. The Executive Board may appoint an Assistant Treasurer and Assistant Secretary, and such other officers as in its judgment may be necessary. The same person, except the offices of President and Secretary, may hold any two offices. The Treasurer may hold the office of Vice President.

Section 4.2. Selection of Officers

The officers of the Association shall be selected annually by the Executive Board at the organizational meeting of each new Executive Board and shall hold office at the pleasure of the Executive Board.

Section 4.3. Removal of Officers

Upon the affirmative vote of a majority of the Directors, any officer may be removed, either with or without cause, and his or her successor may be elected at any regular meeting of the Executive Board, or at any special meeting of the Executive Board called for that purpose.

Section 4.4. President

The President shall be the chief executive officer of the Association. He or she shall preside at all meetings of the Members and of the Executive Board. He or she shall have all of the general powers and duties which are incident to the office of President of a non-profit corporation organized under the laws of the State of North Carolina, including but not limited to the power to appoint committees from among the Members from time to time as he or she may in his or her discretion decide is appropriate to assist in the conduct of the affairs of the Association. He or she may fulfill the role of Treasurer in the absence of the Treasurer. The President, as attested by the Secretary, may cause to be prepared and may execute amendments to the Declaration and the Bylaws on behalf of the Association, following authorization or approval of the particular amendment as applicable.

Section 4.5. Vice President

He or she may fulfill the role of President in the temporary absence of the President and shall perform other functions as determined or defined by the Executive Board.

Section 4.6. Secretary

The Secretary shall keep the minutes of all meetings of the Members and the Executive Board. He or she shall

have charge of such books and papers as the Executive Board may direct and he or she shall, in general, perform all the duties incident to the office of Secretary of a non-profit corporation organized under the laws of the State of North Carolina. The Secretary may cause to be prepared and may attest to execution by the President of amendments to the Declaration and the Bylaws on behalf of the Association, following authorization or approval of the particular amendment as applicable.

Section 4.7. Treasurer

The Treasurer shall have the responsibility for Association funds and securities and shall be responsible for keeping full and accurate financial records and books of account showing all receipts and disbursements, and for the preparation of all required financial data. He or she shall be responsible for the deposit of all monies and other valuable effects in such depositories as may from time to time be designated by the Executive Board, and he or she shall, in general, perform all the duties incident to the office of Treasurer of a non-profit corporation organized under the laws of the State of North Carolina. He or she may endorse on behalf of the Association for collection only, checks, notes and other obligations, and shall deposit the same and all monies in the name of and to the credit of the Association in such banks as the

Executive Board may designate. He or she may have custody of and shall have the power to endorse for transfer on behalf of the Association, stock, securities or other investment instruments owned or controlled by the Association or as fiduciary for others.

Section 4.7. Agreements, Contracts, Deeds, Checks, etc.

All agreements, contracts, deeds, leases, checks and other instruments of the Association shall be executed by the President or Vice President of the Association or by such other person or persons as may be designated by the Executive Board.

Section 4.8. Compensation

No officer of the Association shall receive compensation for acting as such but may be reimbursed by the Association for necessary expenses actually incurred in connection with his or her duties.

Section 4.9. Resale Certificates & Statements of Unpaid Assessments

The Treasurer, Assistant Treasurer, or a manager employed by the Association, or, in their absence, any officer having access to the books and records of the Association, may prepare, certify, and execute statements of unpaid Assessments.

The Association may charge a reasonable fee for preparing and statements of unpaid Assessments.

The amount of this fee and the time of payment shall be established by resolution of the Board. The Association may refuse to furnish resale certificates and statements of unpaid Assessments until the fee is paid.

ARTICLE 5. ENFORCEMENT

The powers and remedies of the Association for violation of the Declaration, its Charter, these Bylaws or any Rules and Regulations adopted by it are set forth in the Declaration.

ARTICLE 6. INDEMNIFICATION

The Directors and officers of the Association shall be entitled to indemnification as provided in Chapter 55A (the Non-Profit Corporation Act) of the North Carolina General Statutes, the provisions of which are incorporated herein by reference.

ARTICLE 7. RECORDS

Section 7.1. Records

The Association shall keep the following records:

- a) An account for each Lot/Unit which shall designate the name and address of each Member, the name and address of each mortgage holder who has given notice to the Association that it holds a mortgage on the Lot/Unit, the amount of each Assessment, the dates on which each Assessment comes due, the

amounts paid on the account, and the balance due.

- b) An account for each Member showing any other fees payable by the Member.
- c) A record of any capital expenditures approved by the Executive Board.
- d) A record of the amount, and an accurate account of the current balance of any reserves for capital expenditures, replacement and emergency repairs, together with the amount of those portions of reserves designated by the Association for a specified project.
- e) Balance sheets and income and expense statements of the Association.
- f) The current operating budget.
- g) A record of any unsatisfied judgments against the Association and the existence of any pending suits in which the Association is a defendant.
- h) A record of insurance coverage provided for the benefit of Members and the Association.
- i) Tax returns for state and federal income taxation.
- j) Minutes of proceedings of Members, Directors, committees of Directors and waivers of notice.

Section 7.2. Examination

All records maintained by the Association shall be available for examination and copying by any Member, or by any holder of a security interest in a Lot/Unit, or by any of their duly authorized agents or attorneys, at the expense of the person examining the records, during normal business hours and after reasonable notice.

ARTICLE 8. MISCELLANEOUS

Section 8.1. Notices

All notices shall be in writing. All notices to the Association or the Executive Board shall be delivered to the office of the manager, or if there is no manager, to the office of the Association, or to the residence address of any member of the Executive Board. Except as otherwise provided, all notices to any Lot/Unit Owner shall be sent to his or her address as it appears in the records of the Association. All notices to mortgage holders shall be sent by registered or certified mail to their respective addresses, as designated by them from time to time, in writing, to the Association. All notices shall be deemed to have been given when mailed except notices of changes of address, which shall be deemed to have been given when received.

Section 8.2. Fiscal Year

The Executive Board shall establish the fiscal year of the Association.

Section 8.3. Waiver

No restriction, condition, obligation, or provision contained in these Bylaws shall be deemed to have been abrogated or waived by reason of any failure to enforce the same, irrespective of the number of violations or breaches which may occur.

Section 8.4. Office

The principal office of the Association shall be at the Planned Community or at such other place as the Executive Board may from time to time designate.

Section 8.5. Amendment

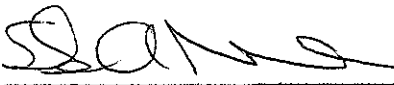
The Board of Directors may amend these by-laws unless the Members are entitled to vote on the subject

matter of such amendment pursuant to law, the Articles of Incorporation or these by-laws. So long as there is Class C membership in the Corporation, the amendment of these Bylaws must be approved by HUD/VA if either of those agencies has approved the making, insuring or guaranteeing of loans within the Development.

Section 8.6. Conflict

In the case of any conflict between the Articles of Incorporation and these Bylaws, the Articles shall control; and in the case of any conflict between the Declaration and these Bylaws, the Declaration shall control.

The foregoing Bylaws are certified to be the Bylaws adopted by consent of the Directors of KIRKWOOD AT ARRONDALE HOMEOWNERS' ASSOCIATION, INC., dated March 1st, 2007.

By:  Dean Hunkeler
President

By:  William Fanch
Secretary

**KIRKWOOD AT ARRONDALE
HOMEOWNERS' ASSOCIATION, INC.**