

BYLAWS
OF
MAGNOLIA TRACE HOMEOWNERS ASSOCIATION, INC.

ARTICLE I
NAME AND OFFICE

The name of the corporation is MAGNOLIA TRACE HOMEOWNERS ASSOCIATION, INC. (the "Association"). The principal office of the corporation shall be located at 2812 Erwin Road, Suite 205, Durham, Durham County, North Carolina 27705. Meetings of Members and Directors may be held at such places within the State of North Carolina as may be designated by the Board of Directors.

ARTICLE II
DEFINITIONS

Section 1. "Articles" shall mean the Articles of Incorporation filed May 21, 2013 with the North Carolina Secretary of State to establish the Association.

Section 2. "Association" shall mean and refer to Magnolia Trace Homeowners Association, Inc., its successors and assigns.

Section 3. "Common Elements" shall mean all real property and any improvements constructed thereon, if any, owned by the Association for the common use and enjoyment of the Owners or Members of the Association.

Section 4. "Declarant" shall mean and refer to South College Associates, LLC, a North Carolina limited liability company, its successors and assigns, if such successors or assigns should acquire more than one undeveloped Lot from the Declarant for the purpose of development or if such successors or assigns should acquire more than one Lot, whether developed or undeveloped, pursuant to foreclosure or a deed in lieu of foreclosure.

Section 5. "Declaration" shall mean and refer to the Revised and Restated Declaration of Covenants, Conditions and Restrictions of Magnolia Trace Townhomes recorded in Book

_____, Page _____, New Hanover County Registry, and any amendments thereto.

Section 6. "Lot" shall mean and refer to any plat or tract of land shown in any subdivision map of the Property that is designated for single-family restricted use.

Section 7. "Member" shall mean and refer to those persons entitled to membership in the Association as provided in the Declaration.

Section 8. "Owner" shall mean and refer to the record owner, whether one or more persons or entities, of a fee simple title to any Lot which is a part of the Property, but excluding those having such interest merely as security for the performance of an obligation.

Section 9. "Property" shall mean and refer to that certain real property described on Exhibit A to the Revised and Restated Declaration of Covenants, Conditions and Restrictions of Magnolia Trace Townhomes recorded in Book _____, Page _____, New Hanover County Registry, and such additions thereto as may hereafter be brought within the jurisdiction of the Association.

Section 10. Any capitalized terms that are not defined herein shall have the meanings ascribed to them in the Declaration.

ARTICLE III MEETINGS OF MEMBERS

Section 1. Annual Meetings. The first annual meeting of the Members shall be held at a place to be designated by the Board of Directors within one (1) year from the date of incorporation of the Association, and each subsequent regular annual meeting of the Members shall be held in the same month of each year thereafter, at a date and time designated by the Board of Directors.

Section 2. Special Meetings. Special meetings of the Members may 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-tenth (1/10) of all votes of the membership. The notice of any special meeting shall state the time and place of such meeting and the purpose thereof. No

business shall be transacted at a special meeting except as stated in said notice.

Section 3. Notice of Meetings. Written notice of each meeting of the Members shall be given by, or at the direction of, the Declarant, the President or the Secretary of the Association, or person authorized to call the meeting, by hand delivery or by mailing a copy of such notice, postage prepaid, at least ten (10) days before, but not more than 60 days before, such meeting to each Member entitled to vote thereat. 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. Notice shall be deemed given (i) three (3) business days after said notice is deposited in the United States mail, addressed to the Member at his address as it appears on the records of the Association or at an address supplied by the Member for purposes of notice, with postage thereon prepaid, or (ii) delivered by hand to such address. Attendance by a Member at any meeting of Members shall be a waiver of notice to him as to the time, place and purpose thereof. Attendance at a meeting or a waiver of notice signed by one Owner in the event of multiple ownership of a Lot shall be considered a waiver of notice as to all of the Owners of that Lot.

Section 4. Quorum. The presence at the meeting of Members entitled to cast, or of proxies entitled to cast thirty percent (30%) of the votes of the membership shall constitute a quorum for the transaction of any business, except as hereinafter provided. If the required quorum is not present or represented at any meeting, another meeting may be called by a majority of the Members present or represented at that meeting, subject to a minimum seven (7) day, maximum twenty-one (21) day notice requirement. The required quorum of the subsequent meeting shall be one-half (1/2) of the required quorum at the preceding meeting. Successive meetings may be held after notice until a quorum is present by successively halving the quorum requirement of the prior meeting. No such subsequent meeting shall be held more than forty-five (45) days following the preceding meeting.

Section 5. 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 Lot, upon written notice of revocation filed with the Secretary or upon the lapse of eleven (11) months from the date of execution.

Section 6. Voting. At every meeting of Members, each Lot owned by a Class A Member is entitled to one (1) vote. Each Lot owned by a Class B Member is entitled to three (3) votes. If more than one person or entity is an Owner of any Lot, then the Association membership voting right appurtenant to such Lot shall be exercised as such Owners among themselves shall determine; provided, however, that no fraction of one vote may be cast by any Member. In the event and so long as such co-owners of a Lot are unable to agree on the manner in which the vote appurtenant to such Lot shall be cast, then such vote shall not be counted. The vote of any Owner that is a trust or business entity may be cast by any trustee, officer or partner, as the case may be. Unless objection by any other such trustee, officer or partner of such Owner is noted at the meeting, the person presiding at such meeting shall have no duty to inquire as to the authority of the person casting such vote.

Section 7. Actions. The vote of a majority of the Members entitled to vote at a meeting at which a quorum is present whether in person or by proxy, shall constitute the decision or action of the Association, except where a greater number of votes is expressly required by the Articles, the Declaration, these Bylaws or statute.

Section 8. Action Without a Meeting. Any action required to be taken at a meeting of 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 Members entitled to vote with respect to the subject matter thereof and shall be filed with the Secretary of the Association as part of the corporate records, whether done before or after the action so taken. A Member's consent hereunder may be made and delivered in electronic form.

ARTICLE IV SELECTION AND TERM OF OFFICE OF BOARD

Section 1. Number. The affairs of this Association shall be managed by a Board of Directors, who need not be Members of the Association. After the lapse of the Class B membership, a majority of the Board of Directors shall be Members. The initial Board shall be three (3) Directors, as designated in the Articles, and shall act as such until the first annual meeting of Members of the Association. The membership shall elect Directors at each annual meeting. Starting with the first annual

meeting after the cessation of the Class B membership there shall be five (5) Directors. Any vacancies on the Board not filled by the Members shall be treated as vacancies to be filled by the Board.

Section 2. Term of Office. As long as there are Class B Members, the Directors shall serve for a term of two (2) years. At the first annual meeting of the Members after cessation of Class B memberships, the Members shall elect three (3) Directors for a term of one (1) year and two (2) Directors for a term of two (2) years. At each annual meeting thereafter, the Members shall elect a Director for a term of two (2) years for each Director whose term expires.

Section 3. Removal. Any Director may be removed from the Board, with or without cause at any time, by a majority vote of the Members of the Association. A Director may resign at any time by giving written notice to the Chairman of the Board. If a Director fails to attend or participate in three (3) successive regularly scheduled meetings of the Board, he shall be deemed to have resigned.

Section 4. Compensation. No Director shall receive compensation for any services he may render to the Association, unless a resolution authorizing such remuneration shall have been adopted by the Board of Directors. However, any Director may be reimbursed for his actual expenses incurred in the performance of his duties.

Section 5. Action Taken Without a Meeting. The Directors or a committee thereof shall have the right to take any action in the absence of a meeting which they could take at a meeting by obtaining the written approval of all the Directors or members of the committee. Any action so approved shall have the same effect as though taken at a meeting of the Directors or the committee. A Director's consent hereunder may be made and delivered in electronic form.

Section 6. Participation in Meetings by Means of Conference Telephone. Members of the Board of Directors, or any committee of the Board, may participate in a meeting of the Board or of such committee by means of a conference telephone or similar communications device by means of which all persons participating in the meeting can hear each other. Participation by such means shall constitute presence in person at such meeting.

Section 7. Vacancies. Any vacancies occurring on the Board of Directors because of resignation or death shall be filled by the Board of Directors. Any vacancies occurring on the Board of Directors because of removal shall be filled by the Members. Any Director appointed or elected to fill a vacancy shall be appointed for the unexpired term of his predecessor in office. Any vacancies occurring because of an increase in the number of Directors shall be filled by the membership at a duly called annual or special meeting. The terms shall be as provided in any Bylaw amendment increasing the number of Directors.

ARTICLE V NOMINATION AND ELECTION OF DIRECTORS

Section 1. Nomination. Nomination for election to the Board of Directors shall be made by a Nominating Committee, except when elected by Declarant. 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 (2) or more Members of the Association who may or may not be members of the Board. The Nominating Committee shall be appointed by the Board of Directors at each annual meeting of the Members, to serve from the close of such annual meeting until the close of the next annual meeting. 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 may be made from among Members or non-members.

Section 2. Election. The Members shall elect directors. 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.

ARTICLE VI
MEETINGS OF DIRECTORS

Section 1. Regular Meetings. Regular meetings of the Board of Directors shall be held at least quarterly without notice, at such place and hour as may be fixed from time to time by resolution of the Board.

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 written 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, unless a greater number is required by law, the Articles of Incorporation or these Bylaws. If at any meeting of the Board of Directors there is less than a quorum present, the majority of those present may adjourn the meeting from time to time. All Directors must be given two (2) days notice of any meeting rescheduled for lack of a quorum.

Section 4. Notice. Any notice of a special meeting of the Board of Directors must specify the purpose, place and time of the meeting.

ARTICLE VII
POWERS AND DUTIES OF THE BOARD OF DIRECTORS

Section 1. Powers. The Board of Directors shall have the power to:

(a) Adopt and publish rules and regulations governing the use of the Common Elements and facilities, if any, and the personal conduct of the Members and their guests thereon;

(b) Elect officers and prescribe or limit their authority and duties;

(c) 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;

(d) Authorize the acquisition or conveyance of any real or personal property or interest therein, subject to Section 1(e);

(e) Authorize the officers to borrow money, and with the assent of two-thirds (2/3) of the Members, encumber the Association's real or personal property as security for money borrowed;

(f) Promulgate or authorize the Architectural Committee to promulgate architectural standards and guidelines;

(g) Create committees and adjudicatory boards and appoint members thereto;

(h) Promulgate rules for signage on Lots and Common Elements;

(i) Employ or engage a managing agent, an independent contractor, attorney, accountant or such other professional or agent as they deem necessary, and to prescribe their duties; which, in the case of a managing agent, may include the powers set forth in this Article VII, Section 2, subsections (a), (c) (2), (c) (3), (d), (e), (g), (h) and (i) and the powers necessary to provide administrative support to the Board and the officers;

(j) After notice and an opportunity to be heard, impose reasonable fines or suspend privileges or services provided by the Association for reasonable periods for violations of the Declaration, the Bylaws or rules and regulations adopted by the Board;

(k) After notice and an opportunity to be heard, suspend privileges or services provided by the Association during any period that assessments or other amounts due and owing the Association remain unpaid for more than thirty (30) days; and

(l) 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, the Declaration or statute that may be necessary for the conduct of business of the Association.

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 at any special meeting when such statement is requested in writing by one-fourth (1/4) of the Class A Members who are entitled to vote;

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

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

(1) Fix the amount of the annual or special assessment against each Lot at least thirty (30) days in advance of each annual or special assessment period;

(2) Send written notice of each assessment to every Owner subject thereto, at least thirty (30) days in advance of each annual assessment period; and

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

(d) Issue, or cause an appropriate officer or agent 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 for 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 and hazard insurance on property owned by the Association;

(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 in a manner consistent with the provisions of these Bylaws and the Declaration;

(h) Prepare and distribute to each Member an annual report which shall include the annual financial statement that summarizes the operation and actions of the Association and its income, expenditures and reserves; and

(i) Prepare an annual budget for recommendation to the membership at the annual meeting.

Section 3. Common or Interested Directors. The Directors shall exercise their powers and duties in good faith and with a view to the interests of the Association. No contract or other transaction between the Association and one or more of its Directors, or between the Association and any corporation, firm or association, including the Declarant, in which one or more of the Directors of this Association are Directors or officers or are pecuniarily or otherwise interested, shall be entered into unless either:

(a) The fact of the common interest is disclosed to the Board of Directors and noted in the minutes, and the Board authorizes, approves, or ratifies such contract or transaction in good faith; or

(b) The fact of the common interest is disclosed or known to members and they approve or ratify the contract or transaction; and

(c) The contract or transaction is commercially reasonable to the Association at the time it is authorized, ratified or approved.

An interested Director may be counted in determining the presence of a quorum at any meeting of the Board of Directors which authorizes, approves or ratifies any contract or transaction but may not vote on the matter.

ARTICLE VIII
OFFICERS AND THEIR DUTIES

Section 1. Enumeration of Offices. The officers of this Association shall be a President and a Vice President, who shall at all times be members of the Board of Directors, a Secretary, a Treasurer, and such other officers and assistant 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 first meeting of the Board of Directors following each annual meeting of the Members.

Section 3. Term. The officers of this Association shall be elected annually by the Board and each shall hold office for one (1) year, unless they shall sooner resign, be removed or otherwise cease to serve.

Section 4. Resignation and Removal. Any officer may be removed from office, with or without cause, by the Board. Any officer may resign at any time by 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 the acceptance of such resignation shall not be necessary to make it effective.

Section 5. 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 6. 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 other offices.

Section 7. Duties. The duties of the officers are as follows:

PRESIDENT

The President shall preside at all meetings of the Board of Directors, if he is a Director; shall see that orders and resolutions of the Board are carried out; may, if authorized by the Board, sign checks on behalf of the Association; shall sign all contracts, leases, promissory notes, deeds of trust,

mortgages, deeds, amendments to the Declaration and other written instruments and agreements.

VICE PRESIDENT

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

The Secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board and of the Members; 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; prepare, certify the adoption of and execution by the President of amendments to the Declaration, and record such amendments; and shall perform such other duties as required by the Board.

TREASURER

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; may, if authorized by the Board, sign all checks (or supervise the signing of checks by a management company); keep proper books of accounts; cause an annual audit of the Association's books to be made by a certified 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 meeting, and shall deliver a copy of each to the Members.

ARTICLE IX COMMITTEES

The Board of Directors shall appoint an Architectural Committee and a Nominating Committee. The Board of Directors may designate one (1) or more other committees, each consisting of two (2) or more Directors, and each of which, to the extent provided in the resolution, shall have and may exercise all of the authority of the Board of Directors in the management of the

Association, except no such committee shall have authority as to the following matters:

(a) The dissolution, merger or consolidation of the Association;

(b) The sale, lease exchange or encumbrance of any of the real property of the Association;

(c) The designation of any such committee or the filling of vacancies on the Board of Directors or on any such committee; or

(d) The amendment or repeal of any resolution of the Board.

The Board of Directors may appoint other committees or boards of Members who are not Directors, which shall operate within the authority granted to them by the Board of Directors. Any such committee, or any member thereof, may be discharged or removed by action of the majority of the Board of Directors.

ARTICLE X 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, or his agent or attorney, for any proper purpose. 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 a reasonable cost.

ARTICLE XI ASSESSMENTS

As more fully 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 assessment is made. Any assessment or installment thereof which is not paid within thirty (30) days of its due date shall be delinquent. A delinquent assessment shall be subject to a late charge and shall bear interest from the date of delinquency at a rate set by the Board. The Association

may enforce the collection of assessments by the means set forth in the Declaration.

ARTICLE XIII AMENDMENTS

Section 1. These Bylaws may be amended by a vote of a majority of a quorum of Members present in person or by proxy at a regular or special meeting of the Members. The notice of the meeting shall set forth the proposed amendment or a summary of the changes to be effected thereby.

Section 2. 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.

ARTICLE XII MISCELLANEOUS

Section 1. Contracts. The Board of Directors may authorize any officer or agent of the Association, in addition to the officers so authorized by these Bylaws, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Association.

Section 2. Checks, Drafts, Etc. All checks, drafts or orders for the payment of money, notes or other evidences of indebtedness 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. In the absence of such determination by the Board of Directors, such instrument shall be signed by the Treasurer of the Association.

Section 3. Deposits. All funds of the Association shall be deposited from time to time to the credit of the Association in such banks, trust companies or other depositories as the Board of Directors may select.

Section 4. Gifts. The Board of Directors may accept on behalf of the Association any contribution, gift, bequest, or devise for the general purposes or for any special purpose of the Association.

Section 5. Loans to Directors and Officers. No loans shall be made by the Association to any of its Directors or officers.

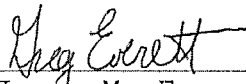
CERTIFICATION

I, the undersigned, do hereby certify:

THAT I am the duly elected and acting Secretary of the Magnolia Trace Homeowners Association, Inc., a North Carolina non-profit corporation, and,

THAT the foregoing Bylaws constitute the revised Bylaws of said Association, as duly adopted by the Members at a meeting on the 11 day of April, 2014.

IN WITNESS WHEREOF, I have hereunto subscribed my name this 14 day of April, 2014.



James M. Everett
Secretary