

BY-LAWS OF
KILMARLIC RESIDENTIAL COMMUNITY ASSOCIATION
A NORTH CAROLINA NON-PROFIT CORPORATION
UNDER THE LAWS OF THE
STATE OF NORTH CAROLINA

ARTICLE I

NAME, PURPOSE AND APPLICABILITY

1.1 Name. The name of this non-profit, non-stock membership corporation shall be Kilmarlic Residential Community Association, hereinafter referred to as "Association".

1.2 Purpose. The purpose of the Association shall be to administer, manage, and operate the Common Areas, Open Spaces and Recreational Amenities, in accordance with that Declaration of Protective Covenants, Conditions, Restrictions and Easements of Kilmarlic Residential Community, hereinafter referred to as "Declaration" in accordance with the Declaration, the Non-profit Corporation Act of North Carolina, and the Articles of Incorporation and these By-Laws, as may be amended from time to time. The Association shall not engage in any activities other than those directly related to administration of Kilmarlic Residential Community.

1.3 Applicability. These By-Laws are applicable to the property known as Kilmarlic Residential Community, as such property is described on EXHIBIT A, attached to the Declaration and any additional properties added thereto as provided by the Declaration. These By-Laws are binding on all present or future Owners, tenants, guests, residents, or other persons occupying or using the facilities of Kilmarlic Residential Community. The mere acquisition, rental, or act of occupancy of any part of properties located within Kilmarlic Residential Community will signify that these By-laws are accepted, ratified, and will be complied with. The provisions of the Declaration regarding the governing and administration of the Association are incorporated herein by reference.

ARTICLE II

DEFINITIONS

The definition of words contained in the Declaration, Article I shall apply to those words and terms as used in these By-Laws.

ARTICLE III

OFFICES, REGISTERED AGENT, SEAL, FISCAL YEAR

3.1 Principal Office; Registered Office. The principal office and the registered office of the Association shall be located at 215 Westside Lane, Powells Point, Currituck County, North Carolina 27966, or such places as the Board of Directors may designate from time to time.

3.2 Registered Agent. The initial Registered Agent for the Association is Warren Everhart, whose registered office address is 215 Westside Lane, Powells Point, Currituck County, North Carolina 27966. The individual serving as Registered Agent may be removed from office and replaced at any time by vote of the Board of Directors of the Association.

3.3 Seal. The seal of the Association shall contain the name of the Association, the word "Seal", and such other words and figures as desired by the Board of Directors. When obtained, the seal shall be impressed in the margin of the minutes of the initial meeting of the Board of Directors.

3.4 Fiscal Year. The fiscal year of the Association shall be January 1 through December 31.

ARTICLE IV

MEMBERSHIP

4.1 Qualification. Membership in the Association shall be confined to and consist of Owners and Developer. Membership shall be appurtenant to and inseparable from Lot ownership. No Lot Owner shall be required to pay any consideration whatsoever for his membership. Membership in the Association shall inure automatically to Lot Owners upon acquisition of the fee simple title, whether encumbered or not, to any one or more Lots. The date of registration of the conveyance in the Currituck County Registry of Deeds for the Lot in question shall govern the date of ownership of each particular Lot. However, in the case of death, the transfer of ownership shall occur on the date of death in the case of intestacy, or date of probate of the will in the case of testacy. Until a decedent's will is probated, the Association may rely on the presumption that a deceased Owner died intestate.

4.1.1. Classes. The Association shall have two (2) classes of voting membership:

Class A. The Class A Members shall be all Owners (other than the Class B Member) who shall be entitled to one (1) vote for each Lot owned. When more than one Person holds an interest in any Lot, all such persons shall be Members, but the vote for such Lot shall be exercised as they among themselves determine, but in no event shall more than one vote be cast with respect to any Lot.

Class B. The Class B Member shall be the Developer, its successors and assigns. The Class B Member shall be entitled to ten (10) votes for each Lot owned by a Class B Member. The Class B membership shall cease and be converted to Class A membership on the happening of either of the following events, whichever occurs earlier (a) when the total votes outstanding in the Class A membership exceeds the total votes outstanding in the Class B membership, or (b) at the expiration of three (3) years after the date of the Declaration, provided, that if an amendment to the Declaration is filed adding Additional Property pursuant to the Declaration at any time or times prior to the expiration of said three (3) years (as same may have been extended by the filing of any such amendment), such period shall be extended each time until the expiration of three (3) years from the date of filing of the last such amendment, and the number of votes for each platted Lot will be adjusted so that the conversion of Class B membership to Class A membership shall occur at such time as the Developer no longer owns at least ten percent (10%) of the total number of Lots subject to this Declaration. Notwithstanding the foregoing, the Class B membership shall permanently terminate after eight (8) years from the date of the recording of the Declaration and shall not be reactivated thereafter. Upon the conversion of the Class B membership to Class A membership, no action may be taken by the Association which would serve to impede the installation of Common Area facilities substantially represented in plans of public record particularly as they may have been required and/or approved by public agencies except with the assent of such principal parties including the Developer, the Federal Housing Administration, the Veterans Administration and Currituck County.

4.1.2. Voting and Mortgagee's Control of Votes. Each Owner, including the Developer, shall be entitled to vote(s) for each Lot owned in any portion of the Property covered by the Declaration in accordance with Section 3.02 of the Declaration. Initially, there are 143 Lots on the Property covered by the Declaration. Accordingly, there shall initially be 1,430 votes in the Association. Owners of each Lot on any Additional Property added by amendment to the Declaration pursuant to Section 2.02 shall be entitled to one (1) vote for each Lot owned. Notwithstanding anything to the contrary which may be contained in the Declaration, if a mortgage lender whose name appears on the records of the Association (i) holds a mortgage on a Lot which prohibits the mortgagor from voting contrary to the interest of the mortgagee, and (ii) notifies the Association in writing at least ten (10) days prior to the date of the vote to be taken of its position on the matter being voted upon, a vote of the subject Lot Owner contrary to the position of such mortgage lender shall not be counted in such vote tabulation.

4.1.3 Interest in More than One Lot. If any Person owns or holds more than one Lot, such Owner shall be entitled to the appropriate number of votes for each Lot owned.

4.1.4. Lots Owned or Held by More than One Person or by an Entity. If only one of the multiple Owners of a Lot is present at a meeting of the Association, the Owner who is present is entitled to cast all the votes allocated to that Lot. If more than one of the multiple Owners are present, the votes allocated to that Lot may be cast only in accordance with the agreement of a majority of interests of the multiple Owners. Majority agreement shall be conclusively presumed

if any one of the multiple Owners casts the votes allocated to that Lot without protest being made promptly to the person presiding over the meeting by any of the other Owners of the Lot

In the case of an Owner that is a trust, estate, partnership, corporation, limited liability company, business trust or other entity, any duly authorized representative of such trust, estate, partnership, corporation, limited liability company, business trust or other entity may cast the vote for such Owner.

4.1.5. Holder of Security Interest not a Member. Any Person holding an interest in a Lot merely as security for the performance of an obligation shall not be a Member.

4.1.6. Assigning Right to Vote. Subject to the filing of an amendment to any offering plan pursuant to which the Developer has offered interests in the Association, the Developer may assign its membership in the Association to any Person, and the assignee of such membership may make successive like assignments. Any other Owner shall be entitled to assign his right to vote, by power of Attorney, by proxy or otherwise, provided that such assignment is made pursuant to these By-laws. These By-laws may require that the assignment specify the meeting or issue to which the assignment applies.

4.1.7 Proxies. A vote may be cast in person or by proxy. Such proxy may be granted by any Lot Owner in favor of only another Lot Owner, the Secretary of the Association, the Declarant or his Mortgagee, or in the case of a non-resident Lot Owner, the lessee of such Lot Owner, his attorney or management agent. Proxies shall be duly executed in writing, shall be witnessed, shall be valid only for the particular meeting designated therein and must be filed with the Secretary before the appointed time of the meeting. Such proxy shall be deemed revoked only upon actual receipt by the person presiding over the meeting of notice of revocation from any of the persons owning such Lot. Except with respect to proxies in favor of a Mortgagee, no proxy shall in any event be valid for a period in excess of one hundred eighty days after the execution thereof.

4.1.8. Unpaid Assessments. No Lot Owner may vote at any meeting of the Association or be elected to or serve on the Board of Directors if payment of the assessment on his Lot is delinquent more than thirty days and the amount necessary to bring his account current has not been paid at the time of such meeting or election.

4.1.9. Meeting and Voting Regulations. The Board of Directors of the Association may make such regulations, consistent with the terms of the Declaration and the Articles of Incorporation of the Association and these By-laws and the applicable laws of the State of North Carolina, as it may deem advisable for any meeting of its Members, in regard to proof of membership in the Association, evidence of right to vote, the appointment and duties of inspectors of votes, registration of Members for voting purposes, the establishment of representative voting procedures, the establishment of extended canvass periods for voting and such other matters concerning the conduct of meetings and voting as it shall deem appropriate.

4.2 Annual Meetings. The annual meetings of the Lot Owners Association shall be held on a day in the month of November (other than Sunday or a legal holiday) as may be established by the Board of Directors. At such annual meetings, members of the Board of Directors shall be elected by the Lot Owners in accordance with the requirements of these By-Laws.

4.3 Place of Meetings. Meetings of the Association shall be held at Currituck County, North Carolina or at such other suitable place as may be designated by the Board of Directors.

4.4 Special Meetings. Special meetings of the Association may be called and held within sixty (60) days after a majority vote by the Directors calling for a special meeting or after written request therefor is delivered to any Officer or Director of the Association and is signed by members of the Association entitled to cast at least fifty-one per cent (51%) of the total votes of the Association. No business shall be transacted at a special meeting except that which is stated in the notice thereof.

4.5 Notice of Meetings. The Secretary shall give to each Lot Owner a notice of each annual or regularly scheduled meeting of the Lot Owners and any special meeting of the Lot Owners at least ten but not more than sixty days prior to such meeting, stating date, the time, place and purpose thereof, unless, some other time frame is set forth within these By-Laws or within the Declaration.

4.6 Quorum; Adjournment if No Quorum. A quorum shall consist of members present, in person or by proxy, entitled to cast at least forty percent (40%) of the total votes in the Association. If a quorum is not present, the meeting shall be adjourned and the required quorum at the subsequent meeting shall consist of members present, in person or by proxy, entitled to cast at least twenty-five percent (25%) of the total votes in the Association. Certain types of votes may require a different percentage as is more particularly set forth in these By-Laws or within the Declaration.

4.7 Conduct of Meetings. The President shall preside over all meetings of the Association and the Secretary shall keep the minutes of the meeting and record in a minute book all resolutions adopted at the meeting, as well as a record of all transactions occurring thereto. The President may appoint a person to serve as parliamentarian at the meeting of the Association. The then current edition of Robert's Rules of Order shall govern the conduct of all meetings of the Association when not in conflict with the Declaration, these By-Laws or the Articles of Incorporation. All votes shall be tallied by tellers appointed by the President or other officer presiding over the meeting.

4.8 Prohibition of Cumulative Voting. There shall be no cumulative voting.

4.9. Developer's Written Consent Necessary for Certain Actions Taken by Board of Directors. Notwithstanding anything to the contrary contained in these By-Laws or the Declaration, so long as the Developer owns Lots equal in number to ten percent (10%) or more of the number of Lots to which title has been transferred to purchasers for occupancy, but in no event more than three (3) years from the date of recording of this Declaration, without the Developer's prior written consent, the Board of Directors may not (i) except for necessary repairs or any repairs required by law, make

any addition, alteration, or improvement to any Association Property, (ii) assess any amount for the creation of, addition to or replacement of all or part of a reserve, contingency or surplus fund in excess of an amount equal to the proportion of the then existing budget which the amount of reserves in the initial budget of estimated expenses for the relevant phase or phases of the development; (iii) hire any employee in addition to the employees, if any, provided for in the initial budget of the Association, except as may be necessary to maintain the quantity or quality of services or maintenance, (iv) enter into any service or maintenance contract for work not provided for in the initial budget of the Association, except for service or maintenance to facilities not in existence or not owned by the Association at the time of the first conveyance of a Lot; (v) borrow money on behalf of the Association; or (vi) reduce the quantity or quality of services or maintenance of the Property. Until three (3) years from the date of recording of this Declaration, if the Developer owns Lots equal in number to ten percent (10%) or more of the number of Lots to which title has been transferred to purchasers for occupancy, this Section shall not be amended without the prior written consent of the Developer.

4.9.1 Other Consents may be required by Developer as is more particularly set forth in the Declaration.

4.10. Assessment. The Board of Directors shall provide a summary of the proposed budget and a Notice of Meeting to consider ratification of the budget, including a statement that the budget may be ratified without a quorum. The Board of Directors shall set a date for a meeting of the lot owners to consideration ratification of the budget, such meeting to be held not less than ten (10) nor more than sixty (60) days after mailing of the summary and notice. There shall be no requirement that a quorum be present at the meeting. The budget shall be deemed ratified unless at that meeting a majority of all lot owners in the Association rejects the budget. In the event the proposed budget is rejected, the periodic budget last ratified by the lot owners shall be continued until such time as the lot owners ratify a subsequent budget proposed by the Board of Directors.

ARTICLE V

DIRECTORS

5.1 Initial Board. The first Board shall consist of three (3) persons selected by the Developer whose names are set forth in the Articles of Incorporation and successors to any thereof elected by the members.

5.2 Number and Qualifications of Directors. The Board shall consist of not less than three (3) nor more than seven (7) natural persons, as determined at any annual meeting by the members.

5.3 Election of Directors. At the first annual meeting of the members, and at each subsequent annual meeting, the members shall elect the Directors by a majority of the votes cast in the election.

5.4 Term. The terms of the Directors shall be staggered so that at least one (1) but not more than three (3) Directors are elected at any one meeting and so that no Director's term is less than one (1) year nor more than three (3) years. The Directors shall establish rules to implement the provisions of this section. Once elected, a Director shall hold office until his successor has been duly elected and has qualified.

5.5 Removal. Subject to the requirements of the Declaration, any Director may be removed, either with or without cause, by a vote of the Members entitled to cast at least sixty-six percent (66%) of the total votes in the Association, at a special meeting called for such purpose, and a successor may then be elected by the Members to serve for the balance of the removed Director's term.

5.6 Vacancies. Any vacancy on the Board arising by death or resignation of a Director shall be filled by act of the remaining Directors, whether or not constituting a quorum, and a Director so elected shall serve for the unexpired term of his predecessor in office.

5.7 Regular Meetings. Regular meetings of the Board may be held at such time and place as shall be determined by a majority of the Directors. Notice of regular meetings shall be given to each Director, personally or by mail, telephone, or telegraph, at least seventy-two (72) hours prior to the meeting.

5.8 Special Meetings. Special meetings of the Board may be called by the President and shall be called by the President or the Secretary and held within ten (10) days after written request therefor signed by two (2) Directors is delivered to any other Director or the President or the Secretary. Not less than seventy-two (72) hours notice of such special meeting shall be given personally or by mail, telephone, or telegraph to each Director; provided that in case the President or any Director determines that an emergency exists, a special meeting may be called by giving such notice as is possible under the circumstances. All notices of a special meeting shall state the time, place and purpose thereof. No business shall be transacted at a special meeting except that which is stated in the notice thereof.

5.9 Quorum; Adjournment if No Quorum. Two-thirds of the Board shall constitute a quorum for the transaction of business at any meeting of the Board. If a quorum is not present, the meeting shall be adjourned from time to time until a quorum is present. The signing by a director of the minutes of a meeting shall verify the presence of such Director at that meeting.

5.10 Manner of Acting. Each Director shall be entitled to one (1) vote. The act of a majority of the Directors present at a meeting shall constitute the act of the Board unless the act of a greater number is required by the provisions of applicable law, the Declaration or these By-Laws.

5.11 Board Action Without Meeting. Any action that may be taken at a meeting of the Board may be taken without a meeting if such action is authorized in a writing, setting forth the action taken, signed by all Directors.

5.12 Compensation of Directors Restricted. Directors shall receive no compensation for their services, but may be paid for out-of-pocket expenses incurred in the performance of their duties as Directors.

5.13 Powers and Duties of Board. All of the powers and duties of the Association shall be exercised by the Board, including those existing under the Declaration, the Articles of Incorporation, and these By-laws, as any thereof may from time to time be amended. Such powers and duties shall be exercised in accordance with the provisions of applicable law, the Declaration, the Articles of Incorporation, and these By-Laws, and shall include, but not be limited to, the following:

- (a) To prepare and provide to members annually, a report containing at least the following:
 - (i) A statement of any capital expenditures in excess of five percent (5%) of the current budget or Fifteen Thousand Dollars (\$15,000.00), whichever is greater, anticipated by the Association during the current year or succeeding two (2) fiscal years.
 - (ii) A statement of the status and amount to any reserve or replacement fund and any portion of the fund designated for any specified project by the Board.
 - (iii) A statement of the financial condition of the Association for the last fiscal year.
 - (iv) A statement of the status of any pending suits or judgement in which the Association is a party.
 - (v) A statement of the insurance coverage provided by the Association as contemplated by Article VIII of the Declaration.
- (b) To regulate the use of, and to maintain, repair, replace, modify and improve the Common Areas, Open Spaces and Recreational Amenities.
- (c) To adopt and amend rules and regulation and to establish reasonable penalties for infraction thereof for the general welfare and safety of Kilmarlic Residential Community.
- (d) To enforce the provisions of the Declaration, the Articles of Incorporation, these By-Laws, and rules and regulations by all legal means, including injunction and recovery of monetary penalties.

(e) To hire and terminate managing agents and to delegate to such agents such powers and duties as the Board shall determine.

(f) To hire and terminate agents and independent contractors.

(g) To institute, defend, intervene in, or settle any litigation or administration proceedings in its own name on behalf of itself.

(h) To establish and dissolve and liquidate, from time to time, reserve accounts for any purpose.

(i) To borrow money for the maintenance, repair, replacement, modification or improvement of Common Areas, Open Spaces and Recreational Amenities.

(j) To provide for indemnification of the Association's officers and Directors and maintain officers' and Directors' liability insurance.

(k) To impose charges for late payment of assessments and, after notice and an opportunity to be heard, levy reasonable fines for violations of the Declaration, these By-Laws, or the rules and regulations.

(l) To adopt and amend proposed budgets and, subject to the adoption of the budget as set forth in Section 4.10 of these By-Laws, to levy assessments as provided in Article V of the Declaration and to administer all assessments including the enforcement for non-compliance.

(m) To appoint the Members of the Architectural Standards Committee as set forth in Article VII of the Declaration and to appoint such other committees as the Board shall deem appropriate.

ARTICLE VI

OFFICERS

6.1 Designation of Officer. The officers of this Association shall be a President, a Vice President, a Secretary, and a Treasurer. Each officer shall be a Lot Owner or the individual nominee of a Lot Owner which is other than an individual. An Officer need not be, though may be, also a Director.

6.2 Election of Officers. Subject to Section 3.09 of the Declaration, Officers of the Association shall be elected by the Board. Election shall be held annually at the first meeting of the Board held after the annual meeting of the members, except that the first Board shall elect officers as soon as practicable after filing of the Declaration.

6.3 Term. Each officer shall serve until his successor has been duly elected and has qualified.

6.4 Removal. Any officer may be removed, with or without cause, and without notice, by the Board.

6.5 Vacancy. Any vacancy in any office shall be filled by the Board, and an officer elected to fill a vacancy shall serve for the unexpired term of his predecessor in office.

6.6 Powers and Duties of Officers.

(a) President. The President shall be the chief executive officer of the Association; shall have all of the powers and duties incident to the office of a president of a corporation, including, but not limited to, the duty to preside at all meetings of the Board and of the members, and the general supervision of officers in the management of the business and affairs of the Association; and shall see that all actions and resolutions of the Board are carried into effect.

(b) Vice President. The Vice President shall preform such duties of the President as shall be assigned to hem or her by the President, and in the absence of the President shall preform the duties and functions of the President.

(c) Secretary. The Secretary shall keep the minutes of all meetings and actions of the Board and of the members; shall give all required notices to the Directors and members; shall keep the records of the Association, except those kept by the Treasurer; shall perform all other duties incident to the office of a secretary of a corporation; and shall perform such other duties required by the Board of the President.

(d) Treasurer. The Treasurer shall have custody of all intangible property of the Association, including funds, securities, and evidences of indebtedness; shall keep the books of the Association in accordance with good accounting practices and principles, and, upon request, shall submit them, together with all vouchers, receipts, records, and other papers to the Board for examination and approval; shall deposit all moneys and other valuable effects in depositories designated by the Board; shall disburse funds of the Association as directed by the Board; and shall perform all other duties incident to the office of a treasurer of a corporation.

6.7 Execution of Agreements, etc. All agreements, deeds, mortgages, or other instruments shall be executed by any two (2) officers, or by such other person or persons as may be designated by the Board.

6.8 Compensation of Officers Restricted. No officer shall be compensated for his services in such capacity, but may be reimbursed for out-of-pocket expenses incurred in performing his duties.

ARTICLE VII

INDEMNIFICATION OF DIRECTORS AND OFFICERS

The Association shall indemnify such persons, for such expenses and liabilities, in such manner, under such circumstances, and to such extent, as permitted by the appropriate sections of the North Carolina General Statutes, as now enacted or hereafter amended.

ARTICLE VIII

COMPLIANCE, ENFORCEMENT, FINES AND PENALTIES

8.1 Default and Remedies. A default in or failure to comply with any of the terms, conditions, obligations, and provisions of the Declaration, these By-Laws, the Articles of Incorporation or the rules and regulations, as the same may be amended from time to time, by any Lot Owner or Occupant, shall be grounds for relief that may include, without intending to limit the same or to constitute an election of remedies, an action to recover fines and penalties as determined by the Board, sums due for damages, an injunction, or any combination thereof, and which relief may be sought by the Association, an aggrieved Lot Owner, or by any person or class of persons adversely affected. Also, if any member fails to perform an obligation under the Declaration, these By-Laws, the Articles of Incorporation or such rules and regulations, then the Association may, but is not obligated to, perform the same for the member's account, and for such purpose may enter upon his Lot, may make necessary repairs, advance expenses or other sums necessary to cure the default, and for such expenses and costs may levy a special assessment against the Lot owned by such defaulting member. The Association also shall be entitled to suspend the right of a defaulting Lot Owner to vote as a member of the Association until the default is cured.

8.2 Notice of Default and Failure to Cure. In the event of any such default or failure, the Board shall serve upon or mail to the defaulting member, and to each first mortgagee of that member's Lot a written notice specifying the nature of the default, the cure thereof, and the time within which the cure shall be effected. Within the time limited specified in the notice, the defaulting member may cure the default specified, or serve upon or mail a written notice to the Board of Directors requesting a hearing before the Board. If a hearing is so requested, the Board shall thereafter serve upon or mail to the defaulting member, and to each such first mortgagee as above provided, a notice specifying the time and place for such hearing. At the hearing, the Board shall take such evidence and hear such testimony as it deems necessary or desirable. The Board shall not exercise any remedies to obtain relief from the default until the hearing is over and the Board has made its determination and served upon or mailed the same to the defaulting member and each such first mortgagee. The hearing may be continued from time to time as determined by the Board. Upon taking such evidence and hearing such testimony, the Board, at the hearing or at such later time, shall determine, in writing, and at its sole option, to waive the default in whole or in part, to extend the time within which the default may be cured, or proceed immediately to levy a fine or penalty, or to exercise any one or more of the remedies available to the Board due to such default. The Board shall serve upon or mail to the defaulting member, and to each such first mortgagee as above provided, a copy of its determination. If the defaulting member (i) does not cure the default or request a

hearing within the time limit specified in the original notice of default given pursuant to this Section 8.02, or (ii) so requests a hearing, but fails to cure the default (to the extent not waived by the Board) within the extended time, if any, granted by the Board after the hearing, then the Board shall serve upon or mail to the defaulting member, and to each such first mortgagee as above provided, a written notice of such member's failure to effect a cure, and the Board may then proceed to take such action as it deems necessary to obtain relief.

8.3 Remedy of Abatement in Addition to Other Remedies. In the event a member fails to effect the cure specified by the Board within the time period set out in (i) or (ii) of Section 8.2 hereof, whichever is applicable, where the default is a structure, thing, or condition existing in or on the premises of the member's Lot, the Board, or its duly authorized representative, shall have the right to enter upon the premises of the member's Lot in which, or as to which, such default exists, and summarily to abate and remove, at the defaulting member's expense (and levy an assessment therefor as provided in Section 8.01 hereof), the structure, thing or condition constituting the default, and the Board, the Association, and their agents, employees, and representatives shall not thereby be deemed guilty of any manner of trespass.

8.4 Injunction. Any person or class of persons entitled to seek relief for any such default or failure may obtain a temporary restraining order, injunction or similar relief, without first using the procedure established by Section 8.2 hereof, if such default or failure created an emergency or a situation dangerous to persons or property.

8.5 Recovery of Attorney's Fees and Costs. In any matter or proceeding arising because of an alleged default by a member, and in the event it is established that the member is in default, then the Association shall be entitled to recover the costs of any such proceeding as well as reasonable attorney's fees and interest, interest being the highest rate of interest allowed by law from the date the Association incurs said costs through the date the Association is paid.

8.6 Nonwaiver of Covenants. The failure of the Association or of any member thereof to enforce any term, provision, right, covenant, or condition that may be granted by the Declaration, these By-Laws, the Articles of Incorporation, the rules and regulations as the same may time to time be amended, shall not constitute a waiver or abrogation of the right of the Association or a member to enforce such term, provisions, right, covenant, or condition in the future, irrespective of the number of violations or breaches thereof that may have occurred.

8.7 Assessment Liens. Assessment liens shall be enforced pursuant to Article V of the Declaration.

ARTICLE IX

AMENDMENT

An amendment to these By-Laws shall be made and approved in the manner, and shall be subject to the same restrictions relative to Section 10.07 of the Declaration.

ARTICLE X

GENERAL PROVISIONS

10.1 Rules and Regulations.

(a) By the Board. The Board, including the first Board, may promulgate from time to time such rules and regulations as it deems reasonable and necessary governing the administration, management, operation, and use of the Common Areas, Open Spaces and Recreational Amenities so as to promote the common use and enjoyment thereof by Lot Owners and occupants and for the protection and preservation thereof. In addition, the Board may adopt such rules and regulations as it deems reasonable and necessary with respect to Lots to provide for the common good and enjoyment of all Lot Owners and occupants, including, without limitation, the right to adopt such rules and regulations with reference to tenants and leases.

(b) By the Association. Any such rules or regulations adopted by the Board may be amended, modified, or revoked, and new and additional rules and regulations may be adopted, by members at an annual or special meeting of the members. Any such act of the members shall control over any contrary rule or regulation then or thereafter adopted by the Board.

(c) Copies Furnished. Copies of all such rules and regulations and any amendments thereto shall be furnished to all members, and a copy shall be posted or otherwise made available to members at the office of the Association. However, failure to furnish, or post, or make available, such rules and regulations shall not affect in any way their validity or enforceability.

IN WITNESS WHEREOF, the Declarant has caused these By-Laws to be signed and sealed by its duly authorized officers, as its act and deed, on that date set forth within the acknowledgment hereof.

Kilmarlic Residential Community

By: _____, President