

BY-LAWS
WOODLAKE PROPERTY OWNERS ASSOCIATION, INC.

ARTICLE I
NAME AND LOCATION

Section 1. Name. The name of the corporation is Woodlake Property Owners Association, Inc., hereinafter referred to as the “Association.”

Section 2. Location. The principal office of the corporation shall be located at Woodlake Country Club, Vass, Moore County, North Carolina. The registered office of the Association may be, but need not be, identical with the principal office.

ARTICLE II
DEFINITIONS

Section 1. “Association” shall mean and refer to Woodlake Property Owners Association, Inc., a North Carolina nonprofit corporation, its successors and assigns.

Section 2. “Board” shall mean the Board of Directors of the Association.

Section 3. “Developer” shall mean Woodlake Partners, Limited Partnership, its successors or assigns.

Section 4. “Properties” shall mean and refer to the properties of Woodlake Country Club (formerly Lake Surf) shown on the plats with the Office of the Register of Deeds for Moore County, and such later additions as are brought within the jurisdiction of the Association under subsequently filed Declarations. Properties shall include taxable real estate, including non-subdivided lands owned by the Developer and others.

Section 5. “Declaration” shall mean and refer collectively to the Declarations of Covenants, Conditions and Restrictions or Declarations of Protective Covenants, as amended, applicable to the Properties recorded in the Office of the Register of Deeds for Moore County, North Carolina.

Section 6. “Lot” shall mean and refer to any numbered plot of land, with delineated boundary lines, including town homes, appearing on any recorded subdivision map of the Properties with the exception of the Common Area but not small additions, easements or other appurtenant thereto.

Section 7. “Owner” shall mean and refer to the owner of record (including the Developer), whether one or more persons or entities, of the fee simple title to any Lot which is a part of the Properties and recorded in the Office of the Register of Deeds for

Moore County, North Carolina, but excluding those having such interest merely as security for the performance of an obligation.

Section 8. “Member” shall mean and refer to every person or entity that holds membership in the Association via being an Owner, and provided privileges and/or services as cited in the North Carolina Planned Community Act and these By-laws.

Section 9. “Common Area” shall mean all real property owned by the Association for the common use and enjoyment of the Members. Common Areas shall include completed streets, roads, and bridges that have met the standards and specifications as prescribed by the Declarations, and duly transferred to the Association by the Developer.

Section 10. “N.C. Planned Community Act” shall mean and refer to the N.C. General Assembly General Statutes – Chapter 47F, documents that provide the basis for community governance.

Section 11. “Adjudicatory Panel” shall be appointed by the Board and composed of five members who are not members of the Board. This panel shall determine if any Owner should be fined, or if privileges or services should be suspended pursuant to the powers granted to the Association for violations to the Association’s Rules and Regulations. Members appointed by the Board shall be for a period of three (3) years.

Section 12. “Nominating Committee” shall canvas, identify/recruit, and nominate members for election to the Board of Directors, and committee members shall be appointed by the Board.

Section 13. “Architectural Review Committee” shall ensure the protection of land and property values through approval of new construction, reconstruction, improvement, and landscaping on all Lots as shown in the Properties of Woodlake Country Club (formerly Lake Surf).

ARTICLE III PURPOSES OF THE ASSOCIATION

Section 1. The Association shall be responsible for the management, maintenance and control of the Common Areas, streets and roads and shall keep the Common Areas, streets and roads in good, clean, attractive, and sanitary condition, order and repair.

Section 2. The Association, through action of its Board of Directors, may acquire, hold, lease and dispose of tangible and intangible personal property and real property upon such terms and conditions as the Board deems desirable and in the best interest of the Association. The Board, acting on behalf of the Association, may accept any real or personal property, leasehold or other property interest within the Properties conveyed to it by the Developer or as shown on filed plats of the Properties.

Section 3. The Association, through its Board of Directors, may make and enforce reasonable rules and regulations governing the use of the Common Areas, which rules and regulations shall be consistent with the rights and duties established by the Declarations, North Carolina Statutes, and these By-laws. The Association will also have enforcement rights of the Declarations of Covenants, Condition and Restrictions as described in the North Carolina Planned Community Act, NCGS Chapter 47F. Sanctions may include reasonable monetary fines, suspension of the right to vote, and the right to use the recreational facilities of the Association, if any. The Board, acting on behalf of the Association shall have the power to seek relief in any court of competent jurisdiction for violations of the Declarations, or any amendments, or such rules and regulations of the Declarations, or any amendments, or such rules and regulations to abate nuisances and to enforce any and all obligations imposed upon Members by the Declarations, rules and regulations of the Association, or the Association By-laws. Imposition of sanctions shall be as provided in these By-laws, the Association's Rules and Regulations, and administered by an appointed Adjudicatory Panel.

Section 4. The Association may exercise any other right or privilege given to it expressly by the Declarations or by these By-laws, and every other right or privilege reasonably to be implied from the existence of any right or privilege given to it herein or reasonably necessary to effectuate any such right or privilege.

ARTICLE IV MEMBERSHIP AND VOTING RIGHTS

Section 1. Each Owner of a Lot or Lots shall be a Member of the Association and shall be entitled to vote at all Meetings of Members according to the By-laws of the Association. Membership in the Association shall be appurtenant to and may not be separated from ownership of any Lot.

Section 2. Each Lot shall entitle the Owner of said tract to one (1) vote in the Association. When more than one person owns an interest (other than a leasehold or security interest) in any Lot, all such persons shall be Members and the voting rights appurtenant to said Lot shall be exercised as they among themselves determine, but in no event shall there be more than one vote with respect to any one lot.

Section 3. The Developer shall receive the number of votes equal to the greater of: (a) the number of subdivided residential lots owned by Developer or (b) that number of votes such that the number of votes of developer compared to total number of all potential Member votes (including those of Developer and those that may be suspended for other reasons herein) is the same ratio as total tax valuation of property owned by Developer shall bear to total tax valuation of all properties at Woodlake Country Club in areas to be maintained with the annual assessment hereafter and other property owned by Developer. All such calculation of Developer votes shall be made based on properties listed in Developer's name for Moore County tax purposes for the year for which the value is the basis of the assessment. Tax assessment values used for

determining the number of votes of Developer and for making assessments shall be those for the calendar year in which the calculation is made.

Section 4. Voting rights of members shall be suspended for Lots upon which assessments have not been paid within thirty (30) days following the year for which the assessment is determined. Membership rights and voting rights on these Lots shall be reinstated when the assessments are paid in full along with any penalties, costs or late charges.

ARTICLE V MEETINGS OF MEMBERS

Section 1. Annual Meetings. The regular annual meeting of the Members shall be held on the third Saturday in November. If the day for the annual meeting of the Members is a legal holiday, the meeting will be held at the same hour on the first day following which is not a legal holiday.

Section 2. Special Meetings. Special meetings of the Members 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 cast one-fourth (1/4) of all of the votes, excluding votes for the Developer.

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

Section 4. Notice of Meetings. Written notice of each meeting of the Members, other than informational meetings, shall be given by, or at the direction of, the Secretary or person authorized to call the meeting, by mailing a copy of such notice (or by electronic means to Members who request electronic notification), not less than 10 days nor more than 50 days before the date of such meeting to each Member entitled to vote, addressed to the Member's address last appearing on the books of the Association, or supplied by such Member to the Association for the purpose of notice. Such notice shall specify the place, day and hour of the meeting, and, in the case of a special meeting, the purpose of the meeting. If a vote of the membership is required, a proxy statement will be included in the notice of the meeting.

Section 5. Quorum. The presence at the meeting of Members entitled to cast, and of proxies entitled to cast, one-tenth (10%) of the votes (including votes of the Developer) shall constitute a quorum for any action except as otherwise provided in the Articles of Incorporation or these By-laws. If, however, such quorum shall not be present or represented by proxy at any meeting, the Members entitled to vote shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum as aforesaid shall be present or be represented.

Section 6. Proxies. At all meetings of Members, each Member may vote in person or by proxy. All proxies shall be in writing and filed with the Secretary at or prior to the beginning of any meeting at which the proxy will or may be exercised. Every proxy shall be revocable and shall automatically cease upon conveyance by the Member of his Lot.

Section 7. Agenda Items for Annual Meeting. Members may speak at the annual meeting on topics presented by the Board or upon presenting a summary of any other item(s) to be presented to the Board of Directors more than ten (10) days in advance of the meeting.

Section 8. All meetings of Members (annual and special), will be documented in the form of formal minutes, reviewed and published via electronic means or provided upon request to Members.

ARTICLE VI BOARD OF DIRECTORS

Section 1. Number of members. Except as otherwise provided in the Bylaws or the Planned Community Act, the business and affairs of the Association shall be managed by a Board of Directors consisting of seven members, each of whom shall be a Member of the Association and a resident of Woodlake.

Section 2. Term of Office. The Members shall elect Directors on a three (3) year cycle to serve for a three (3) year term pursuant to which (a) three (3) Directors shall be elected the first year of the cycle, two (2) Directors shall be elected the second year of the cycle, and two (2) directors shall be elected the third year of the cycle. Each Director shall hold office until his/her incapacitation, resignation, removal, disqualification, or his successor is elected and qualifies. In the event of any increase or decrease in the number of Directors, the additional or eliminated directorship shall be so classified or chosen that all classes of Directors shall remain or become equal in number, as nearly as may be. In the event of incapacitation, resignation, removal or disqualification of the Director during his elected term of office, his/her successor shall be replaced by the next person with the highest vote from the previous election. However, if this person elects not to serve, or is not able to serve, then the successor shall be determined by the Board of Directors.

Section 3. Nominations. Nominations for election to the Board of Directors shall be made by a Nominating Committee. The Nominating Committee shall consist of a Chairman and two (2) or more Members of the Association. No member of the Nominating Committee may be a current member of the Board of Directors. The Nominating Committee shall be appointed by the Board of Directors prior to each annual meeting of the members, to serve from the close of such annual meeting until the close of the next annual meeting, and such appointment shall be announced at each annual meeting. The Nominating Committee shall recruit qualified candidates to run for election to the Board of Directors so that at each election the number of candidates equals or exceeds the number of seats to be filled at that election. To be qualified, a

candidate must (a) be a Member of the Association, (b) be a resident of Woodlake, (c) be current with all assessment obligations; and (d) be willing to sign the Association's Conflict of Interest Policy. The Nominating Committee shall nominate not only those candidates it has recruited but also all qualified persons who contact any member of the Nominating Committee at least 45 days prior to the election and request that their name be submitted as a candidate.

Section 4. Election. Except as provided in Section 5 of this Article, Directors shall be elected at the annual meeting of the Members by written ballot. At such election, the eligible Members or their proxies may cast one (1) vote in respect to each vacancy for each Lot owned. The persons receiving the largest number of votes shall be elected. Cumulative voting is not permitted.

Section 5. Removal. Any director may be removed from the Board with or without cause, by a majority vote of the Members of the Association. In the event of death, resignation or removal of a director, his successor shall be selected by the remaining members of the Board and shall serve for the unexpired term of his predecessor.

Section 6. Compensation. No director shall receive compensation for any services as a member of the Board. However, any director may be reimbursed for his actual expenses incurred in the performance of his duties.

Section 7: Conflict of Interest. A conflict of interest is an interest that might affect, or might reasonably appear to affect, the judgment or conduct of any director, appointee, or staff member in a manner that is adverse to the interests of the Association. Upon election or appointment as a member to the Board of Directors, appointment by the Board of Directors to the Architectural Review Committee or the Adjudicatory Panel, or as a staff member of the Association, and annually thereafter, each person will review the Association's Conflict of Interest Policy Statement and will complete the Conflict of Interest Disclosure Statement. These statements will be reviewed by the Board President, filed with the Association, and upon request available to all Members of the Association.

ARTICLE VII MEETING OF DIRECTORS

Section 1. Regular Meetings. The Board of Directors shall by resolution establish the time and place for its regular meetings. Should a regular meeting fall upon a legal holiday, that meeting may be held at the same time on the next day that is not a legal holiday.

Section 2. Special Meetings. Special meetings of the Board shall be held when called by the President of the Association, or by any two (2) directors. Each Board member shall be personally notified (orally or in writing, including email) of the date, time, and place of the special meeting at least 72 hours prior to the meeting; provided that, when a special meeting is called to deal with an unforeseen issue that requires immediate

attention, the President or directors who called the special meeting shall make every reasonable effort to provide as much notice as possible to the other Board members.

Section 3. Notice of Meetings. The resolution establishing the regular meeting schedule shall be published. The Board shall make reasonable efforts to notify Members of any special meeting as soon as possible after such meeting is called.

Section 4. Recessed or Continued Meetings. Any regular or special meeting may be recessed to reconvene at a place and time certain. No additional notice of such recessed meeting shall be required.

Section 5. Agendas. The Board shall make reasonable efforts to publish an agenda for each meeting prior to that meeting. However, the Board shall not be limited to consideration of matters on the agenda.

Section 6. Board Action Without Meeting. When a situation occurs that requires a response by the Board prior to the next regular or special Board meeting, the Board may authorize such responsive action if a majority of the Board members approve by electronic mail a motion submitted to the other members by electronic mail endorsing such action. For purposes of this section, “situations that require a response by the Board prior to the next regular or special meeting” are limited to those where delaying a response until the next regular or special meeting would pose an unnecessary risk of personal injury, property damage, or other serious consequences. The minutes of the next regular or special meeting of the Board shall include a motion made pursuant to this section and the vote of each member on such motion.

Section 7. Quorum. A majority of the number of non-vacant seats on the Board shall constitute a quorum for the transaction of business. Except as otherwise provided in Section 6, all actions of the Board shall be taken by majority vote of those physically present (and not excused from voting) at a duly held meeting at which a quorum is present.

Section 8. Recusal. Except when a Board member recuses himself or herself as a result of a conflict of interest, a failure to vote by a member who is physically present in the meeting room or who has withdrawn from the meeting without being excused by a majority vote of the remaining members present shall be recorded as an affirmative vote.

Section 9. Closed Sessions. Meetings of the Board shall generally be conducted in an open session. However, under some circumstances the interests of the Association and its membership may be best served by considering a matter in a closed session. Legitimate reasons for holding a closed session include but are not limited to the following:

- (a) Legal matters, including discussions with the Association’s attorney as well as discussions concerning existing or potential litigation or claims by or against the Association.
- (b) Personnel matters relating to the Association’s employees.

- (c) Discussions regarding the selection or performance of contractors, suppliers, service providers, or consultants.
- (d) Acquisition or disposition of property.

The Board may by majority vote go into a closed session to discuss any of the above listed matters or other matters in the Board's discretion. If the closed session is requested for one of the above stated reasons, the motion shall include a statement of the reason for the closed session. If the closed session is requested for any other reason, the motion may but need not include a general statement of the nature of the matter to be discussed.

Section 10. Comments and Questions by Members. At each regular meeting, the Board shall provide an opportunity for members of the Association to speak to the Board about issues of concern or to ask questions. The Board may establish reasonable limits on the number of speakers that will be heard, or the maximum time that any speaker may have, or the total amount of time that will be devoted to this part of the meeting.

Section 11. Minutes. Minutes shall be kept of the actions and decisions of the Board at all Board meetings. The minutes shall become official when reviewed and approved by a majority vote of the Board. Minutes of the open sessions of Board meetings shall be published via electronic means and shall be provided upon request to members. Minutes of closed sessions shall not be published or made available except to Board members, the Board's legal counsel, and staff.

Section 12. Robert's Rules of Order. Except as otherwise provided in the Bylaws, meetings of the Association and the Board of Directors shall be conducted in accordance with the most recent edition of *Robert's Rules of Order Newly Revised*.

ARTICLE VIII POWERS AND DUTIES OF THE BOARD OF DIRECTORS

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

- (a) Adopt and publish Rules and Regulations governing the use of the Common Areas and facilities, and the personal conduct of the Members and their guests thereon, and to establish penalties for the infraction thereof. Additionally, such Rules and Regulations should be consistent with restrictive covenants applicable to such properties.
- (b) Suspend a Member's voting rights and right of a Member to use any recreational facilities owned by the Association, if any, during any period in which such Member shall be in default in the payment of any assessment levied by the Association. Such rights may also be suspended after notice and hearing, for a period not to exceed 60 days for infraction of published rules and regulations;
- (c) Exercise for the Association all powers, duties and authority vested in or delegated to this Association and not reserved to the membership by other

provisions of these By-laws, the Articles of Incorporation, or the Declarations;

- (d) Declare the office of a member of the Board to be vacant in the event such member shall be absent from three (3) consecutive regular meetings of the Board of Directors;
- (e) Employ a manager, an independent contractor, or such other employees as they deem necessary, and to prescribe their duties;
- (f) Employ attorneys to represent the Association when deemed necessary;
- (g) Grant easements for the installation and maintenance of sewage, utilities or drainage facilities upon, over, and across the Common Area without the assent of the membership when such easements are requisite for the convenient use and enjoyment of the Properties;
- (h) Appoint and remove at pleasure all officers, agents, and employees of the Association, prescribe their duties, fix their compensation and require of them such security or fidelity bond as it may deem expedient;
- (i) Adopt and amend budgets for revenues, expenditures, and reserves and to collect assessments for common expenses from Owners;
- (j) Assign its right to future income, including the right to receive common expense assessments; and
- (k) Such other powers as are necessary and ancillary to the implementation of the purposes of these By-laws.

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 Members entitled to at least one-fourth (1/4) of the votes, excluding Developer votes;
- (b) Supervise all officers, agents, and employees of the Association, and to see that their duties are properly performed;
- (c) Create Assessments:
 - i. Fix the amount of the annual assessment against each Lot at least thirty (30) days before January 1, each year;
 - ii. Send written notice of each assessment to every owner subject thereto within at least fifteen (15) days before its due date and before January 1 of each year;
 - iii. Foreclose the lien (if allowed by Declarations) against any property for which assessments are not paid within thirty (30) days after due date or to bring action at law against the owner personally obligated to pay the same. Establish and enforce procedures for collection of delinquent accounts, including temporary suspension of various rights associated with membership, filing liens against the members' lots or property, bringing suit in small claims court, or other appropriate actions which are fiscally and legally appropriate.
- (d) Issue, or to cause an appropriate officer to issue, upon demand by any person, a certificate setting forth whether or not any assessment is due or 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 insurance covering the Association and the directors and officers thereof, and adequate hazard and liability insurance on the property owned by the Association;
 - (f) Cause all officers or employees having fiscal responsibilities to be bonded, as it may deem appropriate; and
 - (g) Cause the Common Areas to be maintained.

ARTICLE IX OFFICERS OF THE BOARD OF DIRECTORS AND THEIR DUTIES

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

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

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

Section 4. Special Appointments. The Board shall elect such other officers as the affairs of the Association may require, each of whom shall hold office for such period, have such authority and perform such duties as the Board may, from time to time, determine.

Section 5. Resignation and Removal. Any officer may be removed from office with or without cause by the Board. Any officer may resign at any time giving written notice to the Board, the President or the Secretary. Such resignation shall take effect on the date of receipt of such notice or at any later time specified therein, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 6. Vacancies. A vacancy in any office may be filled by appointment by the Board. The officer appointed to such vacancy shall serve for the remainder of the term of the officer he replaces.

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

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

Section 9. Duties.

President

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

Vice President

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

Secretary

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

Treasurer

(d) The Treasurer shall receive and deposit in appropriate bank accounts all monies of the Association and shall disperse such funds as directed by resolution of the Board of Directors; shall sign all checks and promissory notes of the Association; keep proper books of the account; cause an annual review of the Association books to be made by a public accountant at the completion of each fiscal year; and shall prepare an annual budget and a statement of income and expenditures to be presented to the membership at its regular annual meetings, and deliver a copy of each to the Members.

(e) The officers listed above shall have signature authority over the checking accounts. Two signatures shall be required on any check issued by the association. Employees of the association, specifically the office manager and the book keeper may also have signature authority over checking accounts, but any check signed by such employee must be co-signed by one of the listed officers.

ARTICLE X COMMITTEES

The Board shall appoint representatives to the Adjudicatory Panel, to the Architectural Review Committee, and to the Nominating Committee, as provided in these By-laws. In addition, the Board of Directors shall create other committees as deemed appropriate in carrying out its purpose. Appointed committee and panel members shall coordinate with and update the Board, at the Board's request, concerning committee/panel actions. Any appointee may be removed from their assignment with or without cause by the Board.

Section 1. Adjudicatory Panel: Pursuant to Chapter 47F-3-107.1, North Carolina Planned Community Act, a Member charged with violation(s) of the Association Rules and Regulations or the Protective Covenants shall be given notice of the charge, opportunity to be heard and to present evidence to the Panel, and notice of the Panel's decision. The Member may appeal the Adjudicatory Panel decision to the Board by delivering written notice of appeal within 15 days after the date of the decision. The Board may affirm, vacate, or modify the decision of the Adjudicatory Panel.

Section 2. The Architectural Review Committee shall abide by all Declarations, and input to the Board for appropriate Association Rules and Regulations to ensure the protection of land and property values. This committee will be composed of seven Members, and appointed by the committee's ownership entities (four Members appointed by the Developer, and three Members appointed by the Board). The committee will have the right to approve building and site plans in accordance with the architectural landscaping and drainage guidelines adopted by the committee. This committee, when appropriate, shall refer violations of Association Rules and Regulations and/or Declarations to the Adjudicatory Panel.

Section 3. Members of the Adjudicatory Panel and appointees of the Board to the Architectural Review Committee shall serve three year staggered terms, but members may continue to serve until their successors have been appointed. Vacancies shall be filled for the unexpired terms only. The terms of all seats on the Adjudicatory Panel and the terms of all POA appointees on the ARC shall expire on April 30, 2013. Thereafter, one member of the ARC shall be appointed for an initial term of one year, one member shall be appointed for an initial term of two years, and one member shall be appointed for a term of three years. With respect to the Adjudicatory Panel, two members shall be appointed for initial terms of one year, two members shall be appointed for initial terms of two years, and one member shall be appointed for a term of three years.

Section 4. A Member appointed by the Board to any committee can be removed from that assignment, with or without cause, at any time during their tenure.

ARTICLE XI BOOKS AND RECORDS

The financial and other records that the Association is required to keep by the Planned Community Act (G.S. 47F-3-118) and Article 16 of Chapter 55A of the North Carolina General Statutes (the Nonprofit Corporation Act), including the Declarations, the Articles of Incorporation, the By-laws of the Association, and the Association Rules and Regulations, shall be available for inspection by any Member at the principal office of the Association during regular business hours. The President of the Association or the Board of Directors may authorize the inspection of other Association document. Copies of records or documents that Members are authorized to inspect under this article may be purchased at reasonable cost.

ARTICLE XII ASSESSMENTS

Section 1. Creation of Assessments. As more fully provided in the Declarations, each Member is obligated to pay to the Association (by assignment of the assessment authority from the Developer) annual and/or special assessments which may be secured by a continuing lien upon the property against which the assessment is made. Any assessments not paid when due shall be considered delinquent. No Owner may waive or otherwise escape liability for the assessments provided for herein by nonuse of the Common Areas or abandonment of his Lot.

Section 2. Purpose of Assessment. The Assessments or charges levied by the Association shall be used exclusively to promote the recreation, health, safety and welfare of the Members, and in particular for the upkeep, maintenance, and repair of the Common Areas, streets, bridges, and roads, and for the acquisition, improvement and maintenance of real estate, services and facilities devoted to this purpose and related to the use and enjoyment of the Common Areas, including, but not limited to, the cost of repair, replacement and additions thereto, the cost of labor, equipment, materials, management and supervision thereof, the payment of taxes assessed against the Common Areas, the procurement and maintenance of insurance in accordance with the By-laws, the employment of an Association manager or management service, the employment of attorneys to represent the Association when necessary, and such other needs as may arise.

Section 3. Amount of Assessment. The Association shall determine the amount of its annual assessment necessary to provide the maintenance services authorized in these By-laws. Such assessment shall be levied against the Owners of the Property in such manner and at such time as the Board of Directors shall determine. The assessment shall be determined by the Board of Directors based on the assessment method in the respective Declarations. Assessment of the properties owned by Developer shall be according to the same method.

The proposed budget shall be submitted at the annual meeting of the Association for approval. If the budget is not approved by a majority of the Members present, then:

- (a) In the event that the budget assessment rate (to be applied to the assessed value to determine the assessment) is increased or decreased less than five percent (5%) from the rate used for the prior year, then the Board of Directors may approve the budget at a meeting held for such purpose without a vote of the membership.
- (b) In the event that the budget assessment rate is increased or decreased by more than five percent (5%) from the prior year, then the Board of Directors of the Association shall prepare a proposed budget and assessment rate for the following year and submit it to the Members at the annual meeting for ratification. In the event that the Membership by a majority vote of the Members present fails to adopt the proposed budget then the Board shall prepare a new budget within ten (10) days and call a Special Meeting of Members for a vote and adoption of the budget. This procedure shall be repeated until the budget is adopted.
- (c) In those cases where the proposed budget is disapproved by the membership, the board may extend the budget from the preceding year by passage of a continuing resolution.

Section 4. Subordination of the Lien to Mortgages. The lien of the assessments provided herein shall be subordinate to the lien of any first mortgage granted to a bank, trust company, insurance company or other recognized lending institution. Sale or transfer of any Lot shall not affect the assessment lien. However, the sale or transfer of any Lot pursuant to mortgage foreclosure or any proceeding in lieu thereof shall extinguish the lien of such assessments as to payments which became due prior to such sale or transfer. No sale or transfer shall relieve such Lot from the liability for any assessments thereafter becoming due or from the lien thereof, but the liens provided for herein shall continue to be subordinate to the lien of any mortgage or deed of trust as above provided.

Section 5. Exclusion of Woodlake Country Club from Services/Maintenance. No portion of the assessment herein shall be applied toward services, maintenance, or improvement of such recreational facilities owned and operated by the Developer.

Section 6. Woodlake Country Club Assessment. Due to the use of the Common Areas by Woodlake Country Club members and guests, Woodlake Country Club shall pay an assessment on its assessed value at a rate equal to that paid by all other Owners. The assessment shall be computed in the same manner as provided in the Declarations and for this purpose Woodlake Country Club shall be deemed to be an Owner.

**ARTICLE XIII
CORPORATE SEAL**

The Association shall have a corporate seal in circular form having within its circumference the words: Woodlake Property Owners' Association, Inc.

**ARTICLE XIV
AMENDMENTS**

Section 1. These By-laws may be amended, at a regular or special meeting of the Directors, by a vote of majority of a quorum of Directors present in person. However, changes of these By-laws which concern voting, assessments, or budgets shall be deemed amended only after such amendments have been voted on and approved by the Members at a meeting of the Members and have received approval of a majority of the Members present in person or by proxy.

Section 2. In the case of any conflict between the Articles of Incorporation and these By-laws, the Articles shall control; and in the case of any conflict between the Declarations and these By-laws, the Declarations shall control; and in the case of any conflict between the Declarations and/or these By-laws, the provisions of Statutes and the North Carolina Planned Community Act shall prevail.

**ARTICLE XV
MISCELLANEOUS**

The fiscal year of the Association shall begin on the first day of January and end on the 31st day of December of every year after the adoption of these By-laws.

**ARTICLE XVI
LIABILITY AND INDEMNIFICATION OF DIRECTORS,
OFFICERS AND OTHERS**

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

The members of the Board of Directors shall not be liable to the Owners for any mistake of judgment, negligence or otherwise except for their own individual willful

conduct or bad faith. The Owners shall indemnify and hold harmless each of the members of the Board against all contractual liability to others arising out of contracts made by the Board on behalf of the Association unless any such contract shall have been in bad faith or contrary to the provisions of the Articles of these By-laws. It is intended that the members of the Board of Directors shall have no personal liability with respect to any contract made by them on behalf of the Association, except to the extent that they are Owner(s).

The indemnification provided herein shall not be deemed exclusive of any other rights to which those indemnified may be entitled under any statute, by-law, agreement, vote of members or disinterested directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such person.

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

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

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

CERTIFICATION

I, the undersigned, do hereby certify:

THAT I am the duly elected and acting Secretary of Woodlake Property Owners' Association, Inc., a North Carolina corporation; and

THAT the foregoing By-laws constitute the original By-laws of said Association, as duly adopted at a meeting of the Board of Directors thereof, held on the 14th day of June 1990.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed the seal of said Association, this _____ day of _____, 2013.

Secretary/Treasurer