

**BYLAWS
OF
BRANDON RIDGE HOMEOWNER'S ASSOCIATION, INC.**

ARTICLE I.

Plan of Association

1.1 Lot Ownership. The property located in Cabarrus County, State of North Carolina ("Property"), and more particularly described in the Declaration of Covenants, Conditions and Restrictions for Brandon Ridge (the "Declaration") recorded in the Office of the Register of Deeds for Cabarrus County, North Carolina and shall be known as Brandon Ridge Homeowner's Association, Inc. (the "Association").

1.2 Application. All present and future owners, mortgagees, lessees and occupants of Lots and their employees, and any other persons who may use the Property in any manner are subject to the Declaration, these Bylaws and rules and regulations made pursuant hereto, and any amendment to these Bylaws or the Declaration upon the same being passed and recorded in the manner set forth in the respective Association Documents.

The acceptance of a deed of conveyance or the entering into of a lease or the act of occupancy of a Lot shall constitute an agreement that these Bylaws (and any rules and regulations made pursuant hereto) and the provisions of the Declaration, as they may be amended from time to time, are accepted, ratified and will be complied with.

ARTICLE II.

Lot Owners

2.1 Name and Nature of Association. BRANDON RIDGE HOMEOWNER'S ASSOCIATION, INC. (the "Association") shall be a nonprofit corporation, organized under the laws of the State of North Carolina, and the membership shall be comprised of all of the Lot Owners as herein provided, which Association shall be governed by the Executive Board (the "Board") as herein provided.

2.2 Place of Meetings. All meetings of the Association shall be held at the Property, or at such other place, within the State of North Carolina, as shall be designated in a notice of the meeting.

2.3 Annual Meeting. There shall be a regular annual meeting of the Lot Owners held each year during the same month of each succeeding year, for the purpose of electing members of the Board and for the transaction of such other business as may be properly brought before the meeting.

2.4 Substitute Annual Meetings. If the annual meeting shall not be held in the month designated by the Bylaws, a substitute annual meeting may be called in accordance with the provisions of Section 2.5 of this Article. A meeting so called shall be designated and treated for all purposes as the annual meeting.

2.5 Special Meetings. Special meetings of the Lot Owners may be called at any time by the Board, the President or upon the written request of twenty percent (20%) of the Lot Owners.

2.6 Notice of Meetings. Written or printed notice stating the place, day and hour of any meeting shall be delivered or mailed not less than ten (10) days nor more than fifty (50) days prior to the date thereof, either personally or by postage prepaid mail, at the direction of the Board, the President or Lot Owners calling the meeting, to each person entitled to vote at such meeting, and, to all First Mortgagees so requesting under the provisions of Article XII of the Declaration, who may request a representative to attend the meeting of Lot Owners.

Notice given to any one tenant-in-common, tenant by the entirety or other joint owner of a Lot shall be deemed valid notice to all joint owners of such Lot.

The notice of any meeting must state the time and place of the meeting and the items on the agenda, including the general nature of any proposed amendment to the Declaration or these Bylaws, and budget changes, and any proposal to remove Board members or officers.

When a meeting is adjourned for less than thirty (30) days in any one adjournment, it is not necessary to give any notice of the adjourned meeting, other than by announcement at the meeting at which the adjournment is effective.

2.7 Quorum. The presence in person or by proxy at any meeting of the Voting Members (as defined in Section 2.8 of this Article) having at least ten percent (10%) of the total votes shall constitute a quorum. If there is no quorum at the opening of the meeting of Lot Owners, such meeting may be adjourned from time to time by the vote of a majority of the Voting Members present, either in person or by proxy. If the required quorum is not present, another meeting may be called subject to the same notice requirement and the required quorum at the subsequent meeting shall be one-half of the required quorum applicable to the meeting adjourned for lack of a quorum. The quorum requirement shall continue to be reduced by fifty percent (50%) from that required at the previous meeting, as previously reduced, until such time as a quorum is present and business can be conducted.

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

2.8 Voting Rights. There shall be one person with respect to each Lot ownership who shall be entitled to vote at any meeting of the Lot Owners (the "Voting Member"). The Voting Member may be the Owner, or one of a group composed of all of the Owners of a Lot, or may be some other person designated by such Owner(s) to act as proxy on his or their behalf, and who need not be an Owner. Each Lot Owner or group of Owners (including the Board, if the Board or its designee shall then hold title to one or more Lots) shall be entitled to cast one (1) vote for each Lot owned by such Owner unless the Declaration provides otherwise. Notwithstanding the above, the Class A Lot Owner Members shall be a non-voting membership until such time as the Class B Membership shall terminate, at which time the Class A Lot Owner Membership shall be the sole class of membership and shall be entitled to full voting privileges.

2.9 Majority Vote. The vote of a majority of the votes represented at a meeting at which a quorum shall be present, in person or by proxy, shall be binding upon all Lot Owners for all purposes except where a higher percentage vote is required by the Declaration, these Bylaws or by law.

2.10 Proxies. The Voting Members may vote either in person or by agents duly authorized by written proxy executed by such Lot Owner or his duly authorized attorney-in-fact. A proxy shall be valid only for the particular meeting designated therein, unless the person executing it specifies therein the length of time for which it is to continue in force, which time shall not extend beyond eleven months from the date of its execution. Unless a proxy otherwise provides, any proxy-holder may appoint in writing a substitute to act in his place. In order to be effective, all proxies must be filed with the secretary or duly acting secretary of the Association, either during or prior to the meeting in question.

2.11 Waiver of Notice. Any Voting Member may, at any time, waive notice of any meeting of the Association in writing, and such waiver shall be deemed to be equivalent to the giving of such notice. Attendance by a Voting Member at any meeting of the Association shall constitute a waiver of notice by him of the time and place thereof, except where a Voting Member attends a meeting for the express purpose of objecting to the transaction of any business because the meeting was not lawfully called. If all of the Voting Members are present at any meeting of the Lot Owners, no notice shall be required, and any business may be transacted at said meeting.

2.12 Informal Action by Lot Owners. Any action which may be taken at a meeting of the Association may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the Voting Members and filed with the secretary of the Association to be kept in the Association's minute book.

ARTICLE III.

Executive Board

3.1 Number. The business and property of the Association shall be managed and directed by the Executive Board (the "Board"), composed of Three (3) persons, or by such executive committees as the Board may establish pursuant to the Bylaws; provided, however, that the Board may not act on behalf of the Association to amend the Declaration, to terminate the Association, to exercise the Association's right of first refusal under the Declaration, to elect members of the Executive Board, or to determine the qualifications, powers, duties or terms of office of Board members. The Board may, however, fill vacancies in its membership for the unexpired portion of any term.

3.2 Initial Members. The initial members of the Board (referred to as "directors" herein) shall be selected by the Declarant under the Declaration, and need not be Lot Owners. Such initial directors shall serve at the election of the Declarant from the date upon which the Declaration is recorded in the Public Registry, until such time as their successors are duly elected and qualified.

3.3 Election. Except as provided herein, the directors shall be elected at the annual meeting of the Association, and those persons who receive the highest number of votes shall be deemed to have been elected. Notwithstanding anything herein to the contrary, the initial Board shall consist of one (1) director during the period that Declarant is entitled to appoint a majority of the directors. The Declarant shall have the right to appoint all of the directors until the date upon which Declarant surrenders control of the Association to the Lot Owners.

The Declarant can turn over control of the Association to such Lot Owners in its sole discretion by causing all or part of its appointed directors to resign, whereupon it shall be the affirmative obligation of Lot Owners other than the Declarant to elect directors and assume control of the Association. Provided at least thirty (30) days' notice of Declarant's decision to cause its appointees to resign is given to Lot Owners, neither the Declarant, nor such appointees, shall be liable in any manner in connection with such resignations even if the Lot Owners other than the Declarant refuse or fail to assume control.

Within sixty (60) days after the Lot Owners other than the Declarant are entitled to elect such director or directors, the Association shall call, and give not less than ten (10) days' nor more than fifty (50) days' notice of a meeting of the Lot Owners to elect directors of the Board. The meeting may be called and the notice given by any Lot Owner if the Association fails to do so.

The size of the Board may be increased or decreased from time to time upon the affirmative vote of sixty-seven percent (67%) of all Lot Owners, provided that said Board shall not be less than three (3) in number.

3.4 Term and Qualification. Each director shall hold office for the term for which he was elected, or until his death, resignation, retirement, removal, disqualification or until his successor is elected and qualified. At the meeting of the Association in which the Lot Owners other than the Declarant are entitled to elect a majority of the directors, the directors of the Board shall remain at three (3) and divided into three (3) classes, the first class to consist of one (1) director, the second class to consist of one (1) director, and the third class to consist of one (1) director. The director of the first class shall initially hold office for a term of three years; the director of the second class shall initially hold office for a term of two years; and the director of the third class shall initially hold office for a term of one year. At all annual elections thereafter, a number of directors shall be elected by the Voting Members to succeed the director whose term then expires. Each such director shall serve for a three-year term. So long as Declarant shall own one or more Lots, the director of the Board which Declarant has the right to designate shall be a member(s) of the third class. Nothing herein contained shall be construed to prevent the election of a director to succeed himself. Each director, except those selected by the Declarant pursuant to the Bylaws, shall be one of the Lot Owners or co-owners, or a spouse of a Lot Owner or co-owner, provided, however, that in the event a Lot Owner is a corporation, partnership, trust or other legal entity other than a natural person or persons, then an officer or director of such corporation, partner of such partnership, beneficiary of such trust or manager of such other legal entity, shall be eligible to serve as a director.

3.5 Removal. Directors may be removed from office with or without cause by the affirmative vote of at least sixty-seven percent (67%) of the votes entitled to be cast by all Voting Members present and entitled to vote at any meeting of the Voting Members at which a quorum is present. If any directors are so removed, new Board members may be elected at the same meeting; provided, however, that the person(s) selected by Declarant cannot be removed without the prior written consent of Declarant.

3.6 Vacancies. A vacancy occurring in the Board may be filled by a majority of the remaining directors, though less than a quorum, or by the sole remaining director; but a vacancy created by an increase in the authorized number of directors shall be filled only by election at an annual meeting or a special meeting of Lot Owners called for that purpose. The Voting Members may elect a director at any time to fill any vacancy not filled by the Board.

In the event that Declarant, in accordance with the rights herein established, selects any person to serve on any Executive Board of the Association, Declarant shall have the absolute right at any time, in its sole discretion, to replace such person with another person to serve on any Board. Replacement of any person designated by Declarant to serve on the Board shall be made by written instrument delivered to any

officer of the Association, which instrument shall specify the name of the person to be replaced and the name of the person designated as successor to the person so removed from the Board. The removal of any such Board member and the designation of his successor shall be effective immediately upon delivery of such written instrument by Declarant to any officer of the Association.

3.7 Compensation. The Board shall receive no compensation for their services unless expressly allowed by the Board at the direction of the Lot Owners (other than the Declarant) having sixty-seven percent (67%) of the total votes.

3.8 Executive Committees. The Board may, by resolution adopted by a majority of the number of directors fixed by these Bylaws, designate two or more of its members to constitute an executive committee, which committee, to the extent provided in such resolution, shall have and may exercise all of the authority of the Board in the management of the Association.

The Board may, in like manner, create such other committees as it deems necessary and appropriate in aiding the Board to carry out its duties and responsibilities with respect to the management of the Association.

3.9 Powers and Duties. The Board shall have the powers and duties necessary for the administration of the affairs of the Association, and may do all such acts and things, except such acts as by law or the Declaration or by these Bylaws may not be delegated to the Board. Such powers and duties of the Board shall include, but shall not be limited to, the following:

(a) Determining the common expenses required for the affairs of the Association, including, without limitation, the operation and maintenance of the Property.

(b) Collecting the common expenses from the Lot Owners.

(c) Supervising the operation, care, upkeep and maintenance of the Common Elements and Lots as defined in the Declaration.

(d) Employing and dismissing management companies and personnel necessary for the maintenance and operation of the Common Elements.

(e) Adopting and amending such reasonable rules and regulations as it may deem advisable for the maintenance, conservation and beautification of the Property, and for the health, comfort, safety and general welfare of the owners and occupants of the Property. Written notice of such rules and regulations shall be given to all Lot Owners and occupants, and the entire Property shall at all times be maintained subject to such rules and regulations.

(f) Opening bank accounts on behalf of the Association and designating the signatories required therefor.

(g) Selling, mortgaging, voting the votes appurtenant to or otherwise dealing with Lots acquired by the Association, or its designee, corporate or otherwise, on behalf of all Lot Owners, subject to the Declaration and other applicable restrictions, and organizing corporations to act as designees of the Board in acquiring title to Lots on behalf of all Lot Owners.

(h) Maintaining and repairing any Lot, if such maintenance or repair is necessary in the discretion of the Board or by operation of applicable restrictions to protect the Common Elements, or any other portion of the Property, and a Lot Owner has failed or refused to perform such maintenance or repair within a reasonable time after written notice of the necessity of said maintenance or repair has been delivered or mailed by the Board to said Lot Owner; provided, that the Board shall levy a specific assessment against such Lot Owner for the costs of said maintenance or repair, including a reasonable amount of supervision.

(i) Signing all agreements, contracts, deeds, easement agreements, and vouchers for the payment of expenditures and other instruments in such manner as from time to time shall be determined by written resolution of the Board. However, any contracts or leases executed on behalf of the Association prior to the passage of control of the Board to the Association must be terminable by the Association without penalty on not more than ninety (90) days written notice. In the absence of such determination by the Board, such document shall be signed by the treasurer and countersigned by the President.

(j) Obtaining insurance for the Property pursuant to the applicable provisions of the Declaration.

(k) Making or contracting for repairs, additions and improvements to or alterations or restorations of the Property in accordance with the other provisions of these Bylaws and the Declaration, after damage or destruction by fire or other casualty, or as a result of condemnation or eminent domain proceeding.

(l) Contracting for all goods, services and insurance, payment for which is to be made from the common expense fund.

(m) Instituting, defending, or intervening in litigation or administrative proceedings in the name of or on behalf of the Association or two or more Lot Owners on matters affecting the Association.

(n) Borrowing money on behalf of the Association when required in connection with the operation, care, upkeep and maintenance of the Common Elements and Lots or the acquisition of property, and granting mortgages on

and/or security interests in Association owned property; provided, however, that the consent of the Lot Owners of at least sixty-seven percent (67%) the votes represented at a meeting at which a quorum has been attained in accordance with the provisions of these Bylaws shall be required for the borrowing of any sum in excess of \$10,000.

(o) Imposing charges for late payment of assessments and, after notice and an opportunity to be heard, levy reasonable fines for violations of the Declaration, the Bylaws, or rules and regulations established by the Association, including the right to file a lien on a Lot.

(p) Exercising (i) all powers specifically set forth in the Declaration, including, but not limited to, granting rights to the owners of the Commercial Tract as provided in Article IV of the Declaration, the Articles of Incorporation and these Bylaws, (ii) all powers incidental thereto, and (iii) all other powers of a non-profit North Carolina corporation.

(q) Suspending the right of any Lot Owner to vote or use the common elements of the Association as long as said Lot Owner is delinquent in the payment of common expenses or is otherwise in violation of the Declaration or any exhibits thereto or applicable rules and regulations.

(r) Grant easements for the installation and maintenance of electrical, natural gas, telephone, cable television, water and sewerage utilities and drainage facilities upon, over, under and across the common elements without the assent of the Lot Owners if such easements are requisite for the convenient use and enjoyment of the Association as determined in the sole discretion of the Board.

3.10 Managing Agent. The Board may engage the services of any person, firm, or corporation to act as managing agent at a compensation established by the Board, to perform such duties and services as the Board shall authorize, other than the powers set forth in this Article III. Any management agreement for the Association shall be terminable by either party without cause and without payment of a termination fee or penalty upon 90 days or less written notice thereof and the terms of such agreement may not exceed one year, renewable by agreement of the parties for successive one year periods. Any management agreement shall be terminable by either party for cause upon the giving of not more than thirty (30) days written notice. When professional management has been previously required, any decision to establish self-management by the Association shall require the prior consent of sixty-seven percent (67%) of the Lot Owners.

3.11 Duties of Declarant. Within a reasonable time after Lot Owners other than the Declarant elect a majority of the members of the Board (but not more than sixty (60) days after such event), the Declarant shall deliver control of the Association and shall

deliver to the Association all property owned by the Association held or controlled by the Declarant, including, if applicable:

- (a) A copy of the Articles of Incorporation of the Association.
- (b) A copy of the Bylaws of the Association.
- (c) The minute books and other records of the Association.
- (d) Any rules and regulations which have been adopted.
- (e) Resignations of resigning officers and Board members.
- (f) Association funds or the control thereof.
- (g) Insurance policies.
- (h) All written warranties of contractors, subcontractors, suppliers and manufacturers, if any, that are still effective.
- (i) A roster of Lot Owners and their addresses and telephone numbers, if known, as shown on the Developer's records.
- (j) Employment contracts or service contracts in which the Association is one of the contracting parties, or service contracts in which the Association or Lot Owners have an obligation or responsibility, directly or indirectly, to pay some or all of the fee or charge of the person or persons performing the service.
- (k) All other contracts to which the Association is a party.

ARTICLE IV.

Meetings of Directors

4.1 Organizational Meeting. The first meeting of the initial Board shall be held at such time as the Declarant shall determine. The first meeting of a newly elected Board shall be held within fifteen (15) days following the meeting of the Lot Owners at which the Board was elected. No notice shall be necessary to the newly elected members of the Board in order to legally constitute such meeting, providing that a quorum is present.

4.2 Regular Meeting. A regular meeting of the Board shall be held immediately after, and at the same place as, the annual meeting or substitute annual meeting of the Lot Owners. In addition, the Board may provide by resolution the time and place, either within or without the State of North Carolina, for the holding of a regular meeting of the Board.

4.3 Special Meetings. Special meetings of the Board may be called by or with the request of the President, or by any two (2) directors. Such meetings may be held either within or without the State of North Carolina.

4.4 Notice of Meetings. Regular meetings of the Executive Board may be held without notice. The person(s) who called a special meeting of directors shall, at least two (2) days prior to said meeting, give notice thereof by any usual means of communication. Such notice need not specify the purpose for which the meeting is called.

Attendance by a director at a meeting shall constitute a waiver of notice of such meeting except where a member attends the meeting for the express purpose of objecting to the transaction of any business because the meeting was not lawfully called. Meetings of the Board shall be open to all Lot Owners and notices of meetings shall be posted conspicuously for the attention of Lot Owners in advance of the meeting, except for regular meetings of the Board, which may be held without notice.

4.5 Waiver of Notice. Any member of the Board may at any time waive notice of any meeting of the Board in writing, and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a director at any meeting of the Board shall constitute a waiver of notice by him of the time and place thereof. If all of the directors are present at any meeting of the Board, no notice shall be required, and any business may be transacted at such meeting.

4.6 Quorum. A majority of the number of directors fixed by these Bylaws shall be required for and constitute a quorum for the transaction of business at any meeting of the Board.

4.7 Manner of Acting. Except as otherwise provided in this section, the act of the majority of the directors present at a meeting at which a quorum is present shall be the act of the Board. A vote of a majority of the number of directors fixed by these Bylaws shall be required to adopt a resolution constituting an executive committee. Vacancies in the Board may be filled as provided in Section 3.6 of these Bylaws.

4.8 Organization. Each meeting of the Board shall be presided over by the President, and in the absence of the President, by any person selected to preside by vote of the majority of the Board members present. The secretary, or in his absence, an assistant secretary, or in the absence of both the secretary and the assistant secretary, any person designated by the President of the meeting shall act as secretary of the meeting.

4.9 Informal Action of Board. Action taken by a majority of the directors without a meeting is nevertheless Board action if written consent to the action in question is signed by all of the directors and filed with the minutes of the proceedings of the Board, whether done before or after the action so taken.

4.10 Liability of the Board and Officers. The directors and the officers provided for in this Article hereof shall not be liable to the Lot Owners for any mistake of judgment, negligence or otherwise, except for their own individual willful misconduct or bad faith. The Lot Owners shall indemnify and hold harmless each of the directors and the officers against all contractual liability to others arising out of contracts made by the Board or the officers on behalf of the Association, unless any such contract shall have been made in bad faith or contrary to the provisions of the Declaration or these Bylaws. It is intended that the directors or any officer 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 Lot Owners and have liability as such. It is also intended that the liability of any Lot Owner arising out of any contract made by the Board or the officers, or out of the aforesaid indemnity in favor of the directors or the officers, shall be limited to such proportion of the total liability thereunder as his interest in the Common Elements bears to the interests of all the Lot Owners in the Common Elements. Every agreement made by the Board, by the managing agent or by the officers on behalf of the Association shall provide that the members of the Board, the managing agent or the officers, as the case may be, are acting only as agents for the Lot Owners, and shall have no personal liability thereunder.

ARTICLE V.

Officers

5.1 Number. The principal officers of the Association shall consist of a President, Vice-President, a secretary, a treasurer, and such assistant secretaries, assistant treasurers and other officers as the Board may from time to time elect. Any two or more offices may be held by the same person, except the offices of President and secretary.

5.2 Election and Term. The officers of the Association shall be elected by the Board. The President, Vice-President, secretary and treasurer shall be elected from among the Board, and all other officers, if any, need only be a Lot Owner. The officers elected by the initial Board are not required to be Lot Owners. The election of officers may be held at the regular annual meeting of the Board.

Each officer shall hold office for a period of one year, or until his death, resignation, retirement, removal, disqualification, or until his successor is elected and qualifies.

5.3 Removal. Any officer or agent elected or appointed by the Board may be removed by the Board, with or without cause; but such removal shall be without prejudice to the contract rights, if any, of the person so removed.

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

5.5 President of the Board. The President of the Board shall be the principal executive officer of the Association; and, subject to the control of the Board, shall supervise and control the management of the Association. The President shall, when present, preside at all meetings of the Board and of the Lot Owners and, in general, shall perform all duties incident to the office of President of the Board, and such other duties as may be prescribed from time to time by the Board.

5.6 Vice-President. The Vice-President designated by the Board shall, in the absence or disability of the President, have the powers and perform the duties of said office. In addition, each Vice-President shall perform such other duties and have such other powers as shall be prescribed by the President of the Board.

5.7 Secretary. The secretary shall keep accurate records of the acts and proceedings of all meetings of Lot Owners and directors. He shall give, or cause to be given, all notices required by law and by these Bylaws. He shall have general charge of the minute books and records of both the Association and the Board. He shall sign such instruments as may require his signature, and, in general, shall perform all duties incident to the office of secretary, and such other duties as may be assigned him from time to time by the President of the Board or by the Board.

5.8 Treasurer. The treasurer shall have custody of all Association funds and securities, and shall receive, deposit or disburse the same under the direction of the Board. He shall keep full and accurate accounts of the finances of the Association in books especially provided for that purpose. He shall cause a true statement of its assets and liabilities as of the close of each fiscal year, and of the results of its operations and changes in surplus for each fiscal year, all in reasonable detail, to be prepared and distributed to all Lot Owners and members of the Board on or before the 15th day of the third month following the close of each fiscal year. The statement so filed shall be kept available for inspection by any Lot Owner for a period of three (3) years. The treasurer shall also prepare and file all reports and returns required by federal, state or local law, and shall generally perform all other duties as may be assigned to him from time to time by the President of the Board.

5.9 Assistant Secretaries and Treasurers. The assistant secretaries and assistant treasurers, if any, shall, in the absence of the secretary and treasurer, respectively, have all the powers and perform all of the duties of those officers, and they shall in general perform such other duties as shall be assigned to them by the secretary or the treasurer, respectively, or by the President of the Board or the Board.

ARTICLE VI.

Operation of the Property

6.1 Assessment and Determination of Common Expenses. The Board shall from time to time, and at least annually, prepare a budget for the Association, for the purpose of determining the amount of the Assessments to be collected from the Lot Owners in order to provide for the common expenses of the Association, and allocate and assess such common expenses among the Lot Owners. The common expenses shall include, without limitation, the expenses, costs and charges incurred in connection with the administration, operation and management of the Association Property; the cost of maintenance, repair, replacement and restoration of the Lots and the Common Elements, or any part thereof; the cost of water usage by the Association; the cost of all insurance premiums on all policies of insurance required to be or which have been obtained by the Board pursuant to the provisions of the Declaration; such amounts as the Board may deem proper for the convenience, comfort and well-being of the Lot Owners, and for the operation, management and maintenance of the Property, including, without limitation, an amount for working capital of the Association, for a general operating reserve, for a reserve fund for replacements, and to make up any deficit in the common expenses for any prior year; in proper cases, the cost of administration and of maintenance and repair of the common elements; and any other expenses lawfully agreed upon.

In establishing a reserve fund for replacements, the Board shall take into account the number and nature of replaceable assets, the expected life of each asset, and the expected repair or replacement cost. The Board shall then set the required capital contribution in an amount sufficient to permit meeting the projected capital needs of the Association with respect to both amount and timing by equal annual installments over the applicable period.

Within thirty (30) days after adoption by the Board of any proposed budget for the Association, the Board shall provide a summary of the budget to all Lot Owners and shall give notice of a date for a meeting of the Lot Owners to consider ratification of the budget not less than fourteen (14) nor more than thirty (30) days after mailing of the summary and notice. A quorum need not be present at the meeting. The budget is ratified unless at the meeting a majority of all the Lot Owners present and entitled to cast a vote reject the budget. In the event the proposed budget is rejected, the periodic budget last ratified shall be continued until such time as the Lot Owners ratify a subsequent budget proposed by the Board.

6.2 Payment of Assessments. All Lot Owners except Declarant, a successor Declarant, and Builder (if applicable) as defined in the Declaration shall be obligated to pay (1) general assessments for common expenses assessed by the Board from time to time, and at least annually; (2) special assessments to be established and collected as provided herein, and (3) specific assessments against any Lot which are established pursuant to the terms of these Bylaws. A late payment charge in an amount to be



determined by the Board shall be assessed for any assessment installment not paid within fifteen (15) days of its due date. Any installment not paid within fifteen (15) days of its due date shall be subject to the late payment charge and shall accrue interest as provided in Section 6.5, and shall constitute a lien on the Lot as provided in Section 6.6 of this Article VI.

No Lot Owner shall be liable for the payment of any part of the common expenses assessed against his Lot subsequent to a sale, transfer or other conveyance by him (made in accordance with the provisions of the Declaration and applicable restrictions of record) of such Lot. A purchaser of a Lot shall be jointly and severally liable with the seller for the payment of assessments assessed against such Lot prior to the acquisition by the purchaser of such Lot; provided, however the lien assessed against such Lot shall remain in full force and effect. Any such purchaser shall be entitled to a statement from the Board setting forth the amount of the unpaid assessments against the seller, and the Lot conveyed shall not be subject to a lien for any unpaid assessments in excess of the amount shown on the statement. Provided, however, that a First Mortgagee or other purchaser of a Lot at a foreclosure sale of such Lot or a First Mortgagee who takes a deed in lieu of foreclosure shall not be liable for, and such Lot shall not be subject to, a lien for the payment of common expenses assessed prior to the foreclosure sale or deed in lieu of foreclosure. Such unpaid common expenses shall be deemed to be common expenses collectible from all of the Lot Owners, including such purchaser, his successors and assigns.

6.3 Special Assessments. The Association may levy Special Assessments for common expenses not covered by the general assessment, applicable to that year only for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, repair or replacement of a capital improvement upon the Lots and the Common Elements, including fixtures and personal property related thereto, provided that any such assessment must be approved by the vote of Owners of Lots to which at least 67% of the votes in the Association are allocated cast in person or proxy at a meeting duly called for this purpose. Such Special Assessments shall be charged to the Lots equally (except Lots owned by Declarant and Builder). In addition, the Board may levy Special Assessments against one or more, but less than all, of the Lots to cover repairs or maintenance for which such Lot Owner or Owners are responsible and which they have failed to make, or for repairs or maintenance required of a Lot Owner or Lot Owners which impair the value of the Common Elements or the Lot or Lots, or expenses which are incurred in the abatement of or as a result of a violation by a Lot Owner or Owners of the provisions of the Declaration, the Bylaws or the rules, regulations, or for fines levied for said violations, or where the Board has purchased a Lot on behalf of one or more Lot Owners. The period of assessment and manner of payment of such assessment shall be determined by the Board.

6.4 Collection of Assessments. The Board shall determine common expenses against the Lot Owners from time to time, at least annually, and may, as the Board shall

determine, take prompt action to collect any assessments due from any Lot Owner which remain unpaid for more than fifteen (15) days from their due date.

6.5 Default in Payment of Assessment. In the event of default by any Lot Owner in paying to the Board any amounts assessed by the Board, such Lot Owner shall be obligated to pay a late payment charge as established by the Board from time to time, and interest at the rate of eighteen percent (18%) on such amounts from their due date or the maximum rate permitted by law; together with all expenses, including attorneys' fees (if permitted by law), administrative/management fees, and other collection costs incurred by the Board in collecting such unpaid sums. If a Lot Owner shall be in default in payment of an installment of an Assessment, the Board may accelerate the remaining installments upon ten (10) days' written notice to such Lot Owner, whereupon the entire unpaid balance of such Assessment shall become due upon the date stated in such notice.

6.6 Lien and Personal Obligation. Each Assessment provided for in this Article, together with late payment charges, interest and expenses, including attorneys' fees (as permitted by law), shall be a charge on and a continuing lien upon the Lot against which the Assessment is made when a notice of such lien has been filed of record in the office of the Clerk of Superior Court of the county where the Property is located, provided such notice of lien shall not be recorded until such sums assessed remain unpaid for a period of fifteen (15) days after the same shall become due. Said notice of lien shall also secure all Assessments against the Lot becoming due thereafter until the lien has been satisfied. Said lien may be foreclosed in the manner as a deed of trust on real property. In addition, each Lot Owner shall be personally liable for any Assessment against his Lot becoming due and payable while he is the Owner of such Lot.

6.7 Priority of Assessment Lien. The lien of the Assessments provided for in this Article shall be prior and superior to all other liens except (a) ad valorem taxes, and (b) all sums unpaid on deeds of trust, mortgages or other encumbrances against the Lot prior to the docketing of the Assessment lien. The sale or transfer of any Lot shall not affect the Assessment lien against such Lot. Provided, however, the sale of a Lot pursuant to the foreclosure sale or execution sale instituted by a superior lien holder or conveyance to a First Mortgagee by deed in lieu of foreclosure shall extinguish the inferior Assessment lien against the subject Lot but no such sale or transfer shall relieve each Lot from liability for any Assessments thereafter becoming due or for any future lien in connection therewith. The Association shall share in the excess, if any, realized by the sale of any Lot pursuant to a foreclosure or action instituted by a superior lien holder, to the extent of its lien.

6.8 Owner's Non-Use. No Lot Owner may exempt himself from liability for Assessments and his other obligations to the Association by waiver of the use or enjoyment of any portion of the common elements or by the abandonment or sale of his Lot.

6.9 Foreclosure of Liens for Unpaid Assessments. Following the institution of any action by the Board to foreclose on a Lot because of unpaid Assessments, the Lot Owner shall pay a reasonable rental for the use of his Lot, and the plaintiff in such foreclosure action shall be entitled to the appointment of a receiver to collect the rental. The Board, acting on behalf of the Association, or on behalf of any one or more individual Lot Owners, if so instructed, shall have the power to purchase such Lot at the foreclosure sale and to acquire, hold, lease, mortgage, vote the votes appurtenant to, convey or otherwise deal with the same, subject, however, to applicable restrictions of record. A suit to recover a money judgment for unpaid Assessments shall be maintainable without foreclosing or waiver of the Assessment lien. Where a First Mortgagee or the purchaser of a Lot obtains title to the Lot as a result of foreclosure of the First Mortgage, such purchaser, its successors and assigns, shall not be liable for the share of the common expenses or Assessments by the Board chargeable to such Lot which became due prior to the acquisition of title to such Lot by such purchaser. Such unpaid share of common expenses or Assessments shall be deemed to be a common expense collectible from all Lot Owners, including such purchaser, its successors and assigns.

6.10 Statement of Common Expenses. The Board shall promptly provide any Lot Owner so requesting the same in writing with a written statement of all unpaid charges due from such Lot Owner, for which it may institute a reasonable charge at its discretion.

6.11 Abatement and Enjoinment of Violations by Lot Owners. The violation of any rule or regulation adopted by the Board or the breach of any bylaw contained herein, or the breach of any provision of the Declaration, shall give the Board the right, in addition to any other rights set forth in these Bylaws: (a) to make any repairs, and to summarily abate and remove, at the expense of the defaulting Lot Owner, any structure, thing or condition which may exist therein contrary to the intent and meaning of the provisions hereof, and the Board shall not thereby be deemed guilty in any manner of trespass; or, (b) to enjoin, abate, or remedy by appropriate legal proceedings, either at law or in equity, the continuance of any such breach at the expense of the defaulting Lot Owner; (c) in any case of flagrant or repeated violation by a Lot Owner, to require such Lot Owner to give sufficient sureties for his future compliance with such Association documents; or (d) after notice and an opportunity to be heard, to levy reasonable assessments and fines for such violations. The failure of the Board to so act with respect to any such violation or breach shall not be deemed a waiver of the Board's right to act with respect to the same or any other breach or violation.

6.12 Duty to Report. Each Lot Owner shall promptly report to the Board or its agent any defect or need for repairs or replacement the responsibility for which is that of the Association.

6.13 Additions, Alterations or Improvements by the Association. Whenever in the judgment of the Board the Common Elements or Lots shall require additions,

alterations or improvements, the Board shall proceed with such additions, alterations or improvements, and shall assess all Lot Owners except Declarant for the costs thereof, as a common expense, subject, however, to the provisions of the Declaration.

6.14 Use of Common Elements. A Lot Owner shall not interfere with the use of the Common Elements by the remaining Lot Owners and their guests and invitees.

6.15 Rules of Conduct. Rules and regulations concerning the use of the Lots and the Common Elements may be promulgated and amended by the Board. Such rules and regulations shall be equally applicable to all Lot Owners similarly situated and shall be uniform in their application and effect. Copies of such rules and regulations shall be furnished by the Board to each Lot Owner prior to their effective date.

6.16 Remedies Cumulative. All rights, remedies and privileges granted to the Association or the Owner or Owners of a Lot pursuant to any terms, provisions, covenants or condition of the Declaration or other above-mentioned documents, shall be cumulative, and the exercise of any one or more shall not constitute an election of remedies, nor shall it preclude the party thus exercising the same from exercising such other and additional rights, remedies or privileges as may be available to such party at law or in equity.

6.17 Nonwaiver of Remedies.

(a) The failure of the Association or any Lot Owner to enforce any right, provision, covenant or condition which may be granted by the Declaration or the other above-mentioned documents shall not constitute a waiver of the right of the Association or the Lot Owner to enforce such right, provision, covenant or condition in the future.

(b) The failure of Declarant to enforce any right, privilege, covenant or condition which may be granted to it by the Declaration or other above-mentioned documents shall not constitute a waiver of the right of Declarant to thereafter enforce such right, provision, covenant or condition in the future.

(c) The failure of a First Mortgagee to enforce any right, provision, privilege, covenant or condition which may be granted to it or them by the Declaration or other above-mentioned documents, shall not constitute a waiver of the right of said party or parties to thereafter enforce such right, privilege, covenant or condition in the future.

ARTICLE VII.

Financial Records and Statements

7.1 Reports. The Board shall keep records of the actions of the Board and the managing agent, minutes of the meetings of the Board, minutes of the meetings of the Association, and financing records and books of account of the Association, including a chronological listing of receipts and expenditures, as well as a separate account for each Lot, which, among other things, shall contain the amount of each Assessment against each Lot, the date when due, the amounts paid and the balance remaining unpaid. The financial records and books of account shall be available for examination by all Lot Owners, their duly authorized agents or attorneys, and all lien holders, their attorneys and authorized agents, at convenient hours that shall be set and announced for general knowledge. A written annual summary of all receipts and expenditures of the Association shall be rendered by the Board to all Lot Owners on or before the 15th day of the third month following the close of each fiscal year. In addition, an annual report of the receipts and expenditures of the Association shall be rendered by the Board to all Lot Owners and to all First Mortgagees who have requested the same, promptly after the end of each fiscal year.

7.2 Common Expense Funds. All sums collected by the Association, either as Assessments for the Common Expenses or Special Assessments may be commingled in a single fund, but they shall be held for the Owners for the purposes for which they are paid, and shall, subject to the right of withdrawal or refund provided herein, be credited to accounts from which shall be paid the charges for which the Assessments are made. Such accounts shall include the following, or such other and further accounts as the Board from time to time shall determine:

(a) General Common Expense Account--to which shall be credited collection of that portion of the Common Expense Assessments received for defraying the costs of operating the Association on a day-to-day basis, including normal maintenance and repairs, insurance and related charges;

(b) Working Capital Account--to which shall be credited, all sums collected which are to be allocated for operating expenses and other expenses as determined by the Board.

All sums collected by the Association, either as Assessments of the Common Expenses or Special Assessments, during any fiscal year and allocated to the General Common Expense Account in excess of expenditures during such fiscal year made from or chargeable to said account or accounts shall be deemed contributions to capital at the end of said fiscal year, and shall be transferred to the Working Capital Account.

7.3 Records. All books of account and financial records shall be kept in accordance with good and acceptable accounting practices. The Board shall have an

annual financial statement made available for inspection by all Lot Owners and all First Mortgagees.

ARTICLE VIII.

Amendments to Bylaws

8.1 Notice. Notice of the subject matter of a proposed amendment shall be included in the notice of a meeting at which a proposed amendment is to be considered.

8.2 Adoption. A resolution for the adoption of a proposed amendment may be proposed either by a majority of the Board or by not less than one-third (1/3) of the Voting Members of the Association. Directors and members of the Association not present in person or by proxy at the meeting considering the amendment may express their approval in writing, provided that such approval is delivered to the Secretary at or prior to the meeting. The approval must be by not less than a majority of the votes of all Voting Members of the Association represented at a meeting at which a quorum has been attained; however, HUD/Va has the right to veto amendments while there is a Class B membership.

8.3 Limitation. No amendment may be adopted which would eliminate, modify, prejudice, abridge or otherwise adversely affect any rights, benefits, privileges or priorities granted or reserved to the Declarant without the consent of said Declarant. No amendment shall be made that is in conflict with the Articles of Incorporation of the Association or Declaration without satisfaction of the requirements therein contained. No amendment to this Section shall be valid.

8.4 Execution and Recording. A copy of each amendment shall be attached to a certificate certifying that the amendment was duly adopted as an amendment to the Declaration and Bylaws, which certificate shall be executed by the President or Vice President and attested by the Secretary or Assistant Secretary of the Association with the formalities of a deed, or by the Declarant alone if the amendment has been adopted consistent with the provisions of the Declaration allowing such action by the Declarant. The amendment shall be effective when the certificate and a copy of the amendment is recorded in the Register of Deeds for the county and state where the Declaration is recorded.

ARTICLE IX.

Condemnation

9.1 General. Whenever all or any part of the Association Property shall be taken over by any authority having the power of condemnation or eminent domain, each Lot Owner and all First Mortgagees shall be entitled to notice thereof and to participate in the proceedings incident thereto unless otherwise prohibited by law. The award made for such taking shall be payable to the Association. Unless otherwise provided by law at the time of such taking, any award made therefor shall be disbursed by the Association as provided in this Article IX.

9.2 Common Elements. If the taking is confined to the Common Elements on which improvements shall have been constructed, and at least ninety (90%) per cent of the total vote of the members of the Association entitled to vote shall vote within sixty (60) days after such taking to replace the improvements, or any part thereof, on the remaining land included in the Common Elements and according to the plans therefor first approved by the Association, then the Board shall arrange for such replacement and the Association shall disburse the proceeds of such award in the same manner as they are required to disburse insurance proceeds where damage or destruction to the Common Elements is to be repaired or reconstructed as provided for in the Declaration or herein; subject, however, to the right hereby reserved to the Association by a majority vote of the Voting Members, to provide for the disbursement by the Association of the remaining proceeds held by it (after the payment of all costs incident to such replacement) to the Lot Owners equally. If at least ninety (90%) per cent of the Voting Members shall not decide within sixty (60) days after such taking to replace said improvements or if the taking is confined to the Common Elements on which no improvements shall have been constructed, then the Association shall disburse the proceeds of the award in the manner hereinabove provided for the disbursement of the remaining proceeds of an award after payment of all costs incident to replacement of improvements taken has been made.

ARTICLE X.

Miscellaneous

10.1 Ad Valorem Taxes. Each Lot is a separate parcel and shall be separately assessed and taxed. Each Lot Owner shall be liable solely for the amount of tax assessed against his Lot. All tangible personal property owned by the Association in connection with the maintenance, upkeep and repair of the Common Elements and Lots shall be listed for said taxes in the name of and paid by the Association. Each Lot Owner is also responsible for his pro rata share of taxes assessed on the Common Elements.

10.2 Notification to Mortgagees. Any Owner who mortgages his Lot shall notify the Association of the name and address of the Mortgagee, and the Association shall maintain such information in a book entitled "Mortgagees of Lots." In addition to

any other notification provided for in the Declaration or these Bylaws, the Association may, at the written request of a Mortgagee of any such Lot, report any unpaid assessments due from the Owner of such Lot.

10.3 Severability. Invalidation of any covenant, condition, restriction or other provision of the Declaration or these Bylaws shall not affect the validity of the remaining portions thereof which shall remain in full force and effect.

10.4 Successors Bound. The rights, privileges, duties and responsibilities set forth in the Declaration or these Bylaws, as amended from time to time, shall run with the ownership of the Association Property.

10.5 Gender, Singular, Plural. Whenever the context so permits, the use of the singular or plural shall be interchangeable in meaning and the use of any gender shall be deemed to include all genders.

10.6 Principal Office--Registered Office. The initial principal office and registered office of the Association shall be located at 9401 Southern Pine Boulevard, Suite P, Charlotte, North Carolina 28273.

10.7 Other Offices. The Association may have other offices at such other places within North Carolina as the Board may from time to time determine or as the affairs of the Association may require.

10.8 Seal. The seal of the Association shall contain the name of the Association, the word "Seal", the year of incorporation and such other words and figures as is desired by the Board of Directors. When obtained, the seal shall be impressed in the margin of this Section of the Bylaws.

10.9 Fiscal Year. The fiscal year of the Association shall be the calendar year.

10.10 Definitions. The Definitions contained in Article I of the Declaration are incorporated herein by this reference, unless the context clearly indicates a different meaning therefor.