

BY-LAWS OF
ARBOR CREEK
HOMEOWNERS ASSOCIATION

ARTICLE I

Offices

Section 1. Registered Office. The Corporation shall have and continuously maintain in this State a registered office and a registered agent whose office is identical with such registered office. Such registered office shall be located at 4000 WestChase Boulevard, Suite 400, Wake County, Raleigh, North Carolina, or at such other place within the State of North Carolina as may from time to time be fixed and determined by the Board of Directors.

Section 2. Principal Office. The principal office of the Corporation shall be located at 6729 Falls of Neuse Road, Suite 200, Raleigh, North Carolina 27615 until such time as it is changed by the proper filing of the required notice with the office of the Secretary of State of North Carolina.

ARTICLE II

Definitions

Section 1. "Association" shall mean and refer to Arbor Creek Homeowners Association, its successors and assigns.

Section 2. "Properties" shall mean and refer to that certain real property described in the Master Declaration of Covenants, Conditions and Restrictions of Arbor Creek, and such additions thereto as may hereafter be brought within the jurisdiction of the Association.

Section 3. "Common Area" shall mean all real property owned by the Association for the common use and enjoyment of the Owners.

(i) when the total votes outstanding in the Class A membership equal or exceed the total votes outstanding in the Class B membership; however, the Class B membership shall be reinstated if thereafter, additions are made to the Properties sufficient to give the Class B membership a total number of votes (with the Class B membership entitled to five (5) votes for each Planned Unit owned) to exceed those of the Class A membership; or

(ii) Seven (7) years from the date this Declaration is recorded in the Office of the Register of Deeds, Wake County, North Carolina; or

(iii) at such time as the Declarant elects in writing to end the Class B membership; however, the Class B membership may be reinstated if additions are made to the Properties sufficient to give the Class B membership a total number of votes (with the Class B membership entitled to five (5) votes for each Planned Unit owned) to exceed those of the Class A membership.

ARTICLE III

Membership

Section 1. Annual Meeting. The annual meeting of the Members shall be held at such time and at such place as is fixed by the Board of Directors. The Board may change the date of the annual meeting from time to time.

Section 2. Special Meeting. Special Meetings of the Members may be called at any time by the President or by the Board of Directors, or upon written request of the Members who are entitled to vote one-tenth (1/10) of all of the votes of the Class A membership.

Section 3. Notice of Meeting. Written notice of each meeting of the Members 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, postage prepaid, at least 15 days before such meeting to each Member entitled to vote thereat, 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. Furthermore, notice shall also be sent to Institutional Lenders as may be required pursuant to Article VIII of the Declaration.

Section 4. Quorum. The presence at the meeting of the Members entitled to cast, or of proxies entitled to cast, one-tenth (1/10) of the votes of each class of membership shall constitute a quorum for any action except as otherwise provided in the Articles of Incorporation, the Declaration or these By-Laws. If, however, such quorum shall not be present or represented at any meeting, the Members entitled to vote thereat shall have the 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 5. Proxies. At all meetings of Members, each Member may vote in person or by proxy. All proxies shall be in writing and filed with the secretary. Every proxy shall be revocable and shall automatically cease upon conveyance by the Member of his or her Lot or Unit.

ARTICLE IV

Board of Directors

Section 1. General Powers. The property, affairs and business of the Association shall be managed by the Board of Directors.

Section 2. Number, Term and Qualifications. The Association shall be governed by a Board of Directors. The number of persons on such Board of Directors shall be a minimum of 3 and a maximum of 7 members. The number of directors shall be determined at each annual meeting before directors are elected. Of those Directors initially appointed by the Incorporator, one shall serve until the annual meeting in 1997, one shall serve until the annual meeting in 1998 and the third shall serve until the annual meeting in 1999. Thereafter, at each annual meeting, one-third (1/3) of the total number

of Directors to serve shall be elected (or appointed, as the case may be) for a three-year term, it being the intention that the Directors serve in rotating three-year terms. A Director may serve for consecutive terms.

Section 3. Election and Appointment of Directors. Except as otherwise provided, Directors shall be elected at the annual meeting of Members, and those persons receiving the highest number of votes shall be deemed to have been elected. If any Member so demands, election of Directors shall be by written ballot. Notwithstanding the foregoing, until December 31, 2016 or until the Declarant shall have conveyed all the Lots contained within the Properties, Declarant or its express assignee shall have the right to designate a two-thirds (2/3) majority of the Board of Directors. Whenever Declarant shall be entitled to designate and select any person(s) to serve on the Board of Directors, the names and address of the designee(s) shall be delivered in writing to the Association, such appointment to be effective on the date received, if hand delivered or, on the next business day immediately following the date it is placed, postage-paid, in the U.S. Mail. Declarant shall have the right to remove any persons so selected by it and to replace such persons so removed with another person selected by the Declarant. Any Director designated by Declarant need not be an Owner. Declarant, as a Member of the Association, or any representative of Declarant serving on the Board of Directors, shall not be required to disqualify itself from a vote upon or entrance into any contract or matter between Declarant and the Association in which Declarant may have a pecuniary or other interest.

Section 4. Regular Meetings. A regular annual meeting of the Board of Directors shall be held at the office of the Association. The Board of Directors may provide a resolution for the holding of such meeting at a place other than the office of the Association, within or without the State of North Carolina, without other notice than such resolution.

Section 5. Special Meetings. Special meetings of the Board of Directors may be called by or at the request of the President or Vice President or by two or more of the Directors. The person or persons authorized to call special meetings of the Board may fix any place within the State of North Carolina as the place for the holding of such special meeting.

Section 6. Notice of Meetings. Notice of each regular meeting of the Board of Directors shall be given at least thirty (30) days prior thereto. Notice of any special meeting of the Board of Directors shall be given at least five (5) days prior thereto. All notices shall be in writing delivered personally or sent by mail to each Director at his address as shown on the records of the Association. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail in a sealed envelope so addressed, with postage thereon prepaid.

Section 7. Quorum. The presence of two-thirds of the members of the Board of Directors at a meeting duly assembled shall constitute a quorum for the transaction of business; provided, that if less than a quorum of the Directors shall be present at the time and place of any meeting, the Directors present may adjourn the meeting from time to time until a quorum shall be present, and notice of any adjourned meeting need not be given.

Section 8. Voting. Except as otherwise expressly provided by statute or by Charter of the Association or by these Bylaws, the action of a majority of the Directors present at a meeting at which a quorum is present shall be the action of the Board of Directors.

Section 9. Action Taken Without Meeting. The Directors shall have the right to take any action in the absence of a meeting which they could take at a meeting by obtaining a written approval of all the Directors. Any actions so approved shall have the same effect as though taken at a meeting of the Directors.

Section 10. Vacancies. In the event of any vacancy of an elected Director position occurring in the Board of Directors of an elected Director due to death, resignation, disqualification or otherwise, the remaining Directors shall continue to act; and such vacancy may be filled by the vote of a majority of the remaining Directors, even though such majority is less than a quorum, or by the sole remaining Director if there is only one (1) Director remaining. Any Director so chosen shall hold office for the unexpired portion of the term of the person whom the newly elected Director succeeds and until his successor shall have been duly elected and qualified, or until his or her death, or until he or she shall resign or shall become disqualified.

Section 11. Compensation of Directors. Directors shall not receive any compensation for their services as such; provided, however, that nothing herein contained shall be construed to preclude any person who is a Director from also serving the Association in another capacity and receiving compensation therefor.

Section 12. Powers. The Board of Directors shall have power to:

(a) adopt and publish rules and regulations governing the use of the Common Area and facilities, and the personal conduct of the Members and their guests thereon, and to establish penalties for the infraction thereof;

(b) suspend the voting rights and right to use of the recreational facilities of a Member 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) foreclose the lien against any property for which assessments are not paid within thirty (30) days after due date or to bring an action at law against the Owner personally obligated to pay the same;

(d) 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 Declaration;

(e) declare the office of a member of the Board of Directors to be vacant in the event such member shall be absent from three (3) consecutive regular meetings of the Board of Directors; and

(f) employ a manager, an independent contractor, or such other employees as they deem necessary, and to prescribe their duties.

Section 13. Duties. It shall be the duty of the Board of Directors to:

(a) cause to be kept a complete record of all its acts and corporate affairs and to present a statement thereof to the Members at the annual meeting of the Members, or at any special meeting when such statement is requested in writing by one-fourth (1/4) of the Class A Members;

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

(c) as more fully provided in the Declaration, to:

(1) fix the amount of the annual assessment against each Lot and/or Unit at least thirty (30) days in advance of each annual assessment period; and

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

(d) issue, or to cause an appropriate officer to issue, upon demand by any person, a certificate setting forth whether or not any assessment has been paid. A reasonable charge may be made by the Board for the issuance of these certificates. If a certificate states an assessment has been paid, such certificate shall be conclusive evidence of such payment:

(e) procure and maintain adequate liability and hazard insurance on property owned by the Association;

(f) cause all officers or employees having fiscal responsibilities to be bonded, as it may deem appropriate; and

(g) cause the Common Area to be maintained.

Section 14. Removal. Any Director may be removed from the Board, with or without cause, by a majority vote of the Members of the Association.

ARTICLE V

Officers

Section 1. Number of Officers. The officers of the Association shall be a President a Vice President, a Secretary and a Treasurer and any such other officers as may be appointed in accordance with the provisions of Section 3 of this Article V. Any two (2) or more offices may be held by one (1) person except the offices of President and Secretary; but no officer shall sign or execute any document in more than one (1) capacity.

Section 2. Election, Term of Office and Qualifications. Each officer, except such officers as may be appointed in accordance with the provisions of Section 3 of this Article V, shall be elected by the Board of Directors at its annual meeting and shall hold office until the annual meeting of the Board of Directors held next after his or her election or until his or her

death or until he or she shall resign or shall have been disqualified or shall have been removed from office.

Section 3. Subordinate Officers and Agents. The Board of Directors from time to time may appoint other officers or agents, each of whom shall hold office for such period, have such authority and perform such duties as the Board of Directors from time to time may determine. The Board of Directors may delegate to any officer or agent the power to appoint any subordinate officer or agent and to prescribe his respective authority and duties.

Section 4. Removal. The officers specifically designated in Section 1 of this Article V may be removed, either with or without cause, by vote of a majority of the whole Board of Directors at a special meeting of the Board called for that purpose. The officers appointed in accordance with the provisions of Section 3 of this Article V may be removed, either with or without cause, by the Board of Directors, by a majority vote of the Directors present at any meeting, or by any officer or agent upon whom such power of removal may be conferred by the Board of Directors. The removal of any person from office shall be without prejudice to the contract of rights, if any, of the person so removed.

Section 5. Resignations. Any officer may resign at any time by giving written notice to the Board of Directors or to the President or the Secretary of the Association, or, if he or she were appointed by an officer or agent in accordance with Section 3 of this Article V, by giving written notice to the officer or agent who appointed him or her. Any such resignation shall take effect upon its being accepted by the Board of Directors or by the officer or agent appointing the person so resigning.

Section 6. Vacancies. A vacancy in any office because of death, resignation, removal or disqualification or any other cause shall be filled at a regular or special meeting of the

Directors for the unexpired portion of the term in the manner prescribed by these Bylaws for regular appointments or elections to such offices.

Section 7. President. The President shall be the chief executive officer of the Association and, subject to the instructions of the Board of Directors, shall have general charge of the business, affairs and property of the Association and control over its other officers, agents and employees and shall preside at all meetings of the Board of Directors.

Section 8. Vice President. At the request of the President, upon absence or disability, the Vice President shall perform all the duties of the President and when so acting, shall have all of the powers of and be subject to all of the restrictions upon the President. The Vice President shall perform such other duties and have such authority as from time to time may be assigned by the Board of Directors.

Section 9. Secretary. The Secretary shall keep the minutes of the meetings of the Board of Directors and shall see that all notices are duly given in accordance with the provisions of these Bylaws or as required by law. The Secretary shall be custodian of the records, books, reports, statements, certificates and other documents of the Association and the seal of the Association, see that the seal is affixed to all documents requiring such seal and in general shall perform all duties and possess all authority incident to the office of Secretary, and shall perform such other duties and have such other authority as from time to time may be assigned by the Board of Directors.

Section 10. Treasurer. The Treasurer shall have supervision over the funds, securities, receipts and disbursements of the Association, and shall in general perform all duties and have all authority incident to the office of Treasurer and shall perform such other duties and have such other authority as from time to time may be assigned or granted by the Board of Directors.

Section 11. Duties of Officers may be Delegated. Due to the absence of any officer of the Association or for any other reason that the Board may deem sufficient, the Board may delegate the power or duties of such officer to any other officer or to any Director for the time being, provided, however, a majority of the entire Board of Directors concurs therein.

Section 12. Salaries of Officers. No officer of the Association shall receive a salary for his services as such officer.

ARTICLE VI

Contracts, Loans, Deposits, Checks, Drafts, etc.

Section 1. Contracts. Except as otherwise provided in these Bylaws, the Board of Directors may authorize any officer or officers, agent or agents to enter into any contract or to execute or deliver any instruments on behalf of the Association, and such authority may be general or confined to specific instances.

Section 2. Loans. No loans shall be contracted on behalf of the Association and no evidence of indebtedness shall be issued in its name unless and except as authorized by the Board of Directors.

Section 3. Deposits. All funds of the Association shall be deposited from time to time to the credit of the Association in such banks or trust companies or with such bankers or other depositories as the Board of Directors may select, or as may be selected by any officer(s) or agent(s) of the Association to whom such power may from time to time be given the Board of Directors.

Section 4. Checks, Drafts, etc. All notes, drafts, acceptances, checks and endorsements or other evidences of indebtedness shall be signed by the President or a Vice

President and by the Treasurer, or in such other manner as the Board of Directors from time to time may determine.

Section 5. Gifts. The Board of Directors may accept on behalf of the Association any contribution, gift, bequest or devise for the general purposes or for any special purpose of the Association.

ARTICLE VII

Assessments

As more fully provided in the Declaration, each member is obligated to pay to the Association annual and special assessments which are secured by a continuing lien upon the property against which the assessment is made. Any assessments which are not paid when due shall be delinquent. If the assessment is not paid within thirty (30) days after the due date, the assessment shall bear interest from the date of delinquency at the rate of eighteen percent (18%) per annum and shall be subject to a late charge of Twenty-five Dollars (\$25.00). The Association may bring an action at law against the Owners personally obligated to pay the same or foreclose the lien against the property, and interest, late charge, costs, and reasonable attorney's fees of any such action shall be added to the amount of such assessment. No Owner may waiver or otherwise escape liability for the assessments provided for herein by nonuse of the Common Area or abandonment of his or her Lot or Unit.

ARTICLE VIII

General Provisions

Section 1. Corporate Seal. The corporate seal of the Association shall be in such form as shall be approved from time to time by the Board of Directors.

Section 2. Fiscal Year. The fiscal year of the Association shall be established from time to time by resolution of the Board of Directors.

Section 3. Waiver of Notice. Whenever any notice is required to be given under the provisions of the Non-Profit Corporation Act of the State of North Carolina or under the provisions of the Articles of Incorporation or the Bylaws of the Association, a waiver thereof in writing signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.

Section 4. Amendment to Bylaws. These Bylaws may be altered, amended or repealed and new Bylaws may be adopted by two-thirds (2/3) of the Members present and voting; provided, however, that at least seven (7) days' notice in writing shall be given of the intention to alter, amend or repeal or to adopt new Bylaws at such meeting.

Section 5. In the case of any conflict between the Articles of Incorporation and these Bylaws, the Articles shall control; and in the case of any conflict between the Declaration and these Bylaws, the Declaration shall control.


Secretary