

BY-LAWS
OF
JEFFREYS CREEK HOMEOWNERS ASSOCIATION, INC.

ARTICLE I

NAME AND LOCATION

The name of the corporation is JEFFREYS CREEK HOMEOWNERS ASSOCIATION, INC. (hereinafter referred to as the "Association"). The principal office of the Association shall be located at 4237 Louisburg Road, Suite 102, Raleigh, Wake County, North Carolina 27604. The location of the principal office of the Association may be changed by the Board of Directors. Meetings of members and directors may be held at such places within Wake County, North Carolina, as may be designated by the Board of Directors.

ARTICLE II

DEFINITIONS

Section 1. "Association" shall mean and refer to JEFFREYS CREEK HOMEOWNERS ASSOCIATION, INC., a North Carolina non-profit corporation, its successors and assigns.

Section 2. "Jeffreys Creek Subdivision" or "Property" shall mean and refer to the property identified as Lots 2 through 59, as shown on that Book of Maps 1999, Page 818, recorded in the Wake County Registry, and such additions or deletions as are subjected to the Declaration or any Supplemental Declaration under the provisions of Section 2 of Article II of the Declaration.

Section 3. "Lot" shall mean and refer to any improved or unimproved parcel of land, with delineated boundary lines, appearing on any recorded subdivision map of the Property, with the exception of the Common Area and any publicly-dedicated rights-of-way shown thereon.

Section 4. "Owner" shall mean and refer to the record owner, whether one or more persons or entities, of the fee simple title to any Lot which is a part of the Property, including contract sellers, but excluding those having such interest merely as security for the performance of an obligation.

Section 5. "Common Area" shall mean and refer to those properties within Jeffreys Creek Subdivision which are for the common use and enjoyment of all Members of the Association. Common Property shall include open space, common areas, private streets, and private drives and common property identified on the Plat (as defined in the Declaration) and all subsequent plats for additions brought within the jurisdiction of the Declaration. Common Property shall also include any water lines serving more than one Lot and located outside any public street right-of-way, any sewer lines serving more than one Lot and located outside any public street

right-of-way or City of Raleigh sanitary sewer easement, and all stormwater easements, stormwater pipes, drainage facilities, including lakes and stormwater detention or retention facilities serving more than one Lot and not accepted for maintenance by any unit of government.

Section 6. "Urban Resources, Inc." shall individually and collectively mean and refer to Urban Resources, Inc., a North Carolina Corporation, its successors or assigns, if such successors or assigns should acquire more than one undeveloped lot from Urban Resources, Inc. for the purpose of development or if such successors or assigns should acquire more than one lot, whether developed or undeveloped, pursuant to foreclosure or a deed in lieu of foreclosure ("successors" includes any lender with respect to loans obtained by Urban Resources, Inc. to develop the properties).

Section 7. "Pepper Creek LLC" shall individually and collectively mean and refer to Pepper Creek LLC, a North Carolina limited liability company, its successors or assigns, if such successors or assigns should acquire more than one undeveloped lot from Pepper Creek LLC for the purpose of development or if such successors or assigns should acquire more than one lot, whether developed or undeveloped, pursuant to foreclosure or a deed in lieu of foreclosure ("successors" includes any lender with respect to loans obtained by Pepper Creek LLC to develop the properties).

Section 8. "Declaration" shall mean and refer to that certain Declaration of Master Covenants, Conditions, and Restrictions for Jeffreys Creek Subdivision, to be recorded in the Wake County Registry, and any amendments thereto.

Section 9. "Member" shall mean and refer to every person or entity who holds membership in the Association.

ARTICLE III

MEMBERSHIP AND VOTING RIGHTS

Section 1. Members. Urban Resources, Inc. and Pepper Creek, LLC, for so long as they shall be owners, and every person or entity who is a record owner of a fee simple or undivided fee simple interest in any dwelling unit or Lot that is subject by the Covenants to assessments by the Association shall be a Member of the Association; provided, however, that any such person or entity who holds such title or interest merely as security for the performance of an obligation shall not be a Member of the Association. Membership shall be appurtenant to and may not be separated from ownership of any dwelling unit or Lot which is subject to assessment by the Association. Ownership of a dwelling unit or site shall be the sole qualification for Membership. The Board of Directors may make reasonable rules relating to the proof of ownership of a dwelling unit or Lot in Jeffreys Creek Subdivision. No owner shall have more than one Membership per Lot, except as expressly provided hereinafter.

Section 2. Member Classes and Voting Rights. The Association shall have two (2) classes of voting Members:

Class A. Class A Members shall be all Owners with the exception of Urban Resources, Inc. and Pepper Creek LLC, until their Class B Membership has converted to Class A Membership. Class A Members shall be entitled to one (1) vote for each dwelling unit or Lot in which they hold the required ownership Interest.

Class B. The Class B Members shall be Urban Resources, Inc. and Pepper Creek LLC. The Class B Members shall be entitled to three (3) votes for each dwelling unit or Lot in which they hold the required ownership interest, provided that the Class B Membership shall cease and be converted to Class A Membership on the happening of either of the following events, whichever occurs first:

(a) The total votes outstanding in Class A Membership equals the total votes outstanding in the Class B Membership; provided, that the Class B Membership shall be reinstated with all rights, privileges, responsibilities and voting power if, after conversion of the Class B Membership to Class A Membership, as provided hereunder, and before the time stated in subparagraph (b) below, additional lands are annexed to the Properties without the assent of the Class A Members on account of the development of such additional lands by Urban Resources, Inc. or Pepper Creek LLC, all within the times and as provided for herein, or

(b) December 31, 2004.

Thereafter, Urban Resources, Inc. and Pepper Creek LLC shall be entitled to one (1) vote per dwelling unit or site owned by it.

Section 3. Voting Right Suspension. The right of any Member to vote may be suspended by the Board of Directors for just cause pursuant to its rules and regulations and for any period during which any assessment of a Member remains unpaid for a period of sixty (60) days according to the provisions of Article IV, Section 8 of these Bylaws.

Section 4. Voting. The total vote of the Association shall consist of the sum of the votes of the Class A Members and the votes of Class B Members present in person or by proxy at a legally constituted meeting at which a quorum is present. The number of votes present at a meeting that will constitute a quorum shall be as set forth in the By-Laws, as amended from time to time. Notice requirements for all action to be taken by the Members of the Association shall be as set forth herein, as may be amended from time to time.

When more than one person holds an interest in any dwelling unit or Lot, all such persons shall be Members; and the vote for such dwelling unit or Lot shall be exercised as they among themselves determine; however, in no event may more than one vote be cast with respect to any one dwelling unit or Lot owned by Class A Members and in no event shall fractional votes be allowed. When one or more co-Owners signs a proxy or purports to vote for his or her co-Owners, such vote shall be counted unless one or more other co-Owners is present and objects to such a vote or, if not present, submits a proxy or objects in writing delivered to the Secretary of the Association before the vote is counted. Cumulative voting is prohibited.

A person's or entity's membership in the Association shall terminate automatically whenever such person or entity ceases to be an Owner, but such termination shall not release or relieve any such person or entity from any liability or obligation incurred under or in any way connected with the Association or this Declaration during the period of such ownership, or impair any rights or remedies which the Association or any other Owner has with regard to such former Owner.

Section 5. Right of Urban Resources, Inc. and Pepper Creek LLC to Representation on Board of Directors of the Association. Notwithstanding anything contained herein to the contrary, until December 31, 2004, or until Urban Resources, Inc. and Pepper Creek LLC shall have collectively conveyed seventy-five percent (75%) of the Property, whichever occurs first, Urban Resources, Inc. and Pepper Creek LLC (or their expressed assignees of the right granted in this section) shall collectively have the right to designate and select at least a three-fifths majority of the Board of Directors of the Association. Whenever Urban Resources, Inc. and Pepper Creek LLC shall be entitled to designate and select any person or persons to serve on any Board of Directors, the manner in which such person or persons shall be designated shall be as provided in the Articles of Incorporation and/or By-Laws of the Association. Urban Resources, Inc. and Pepper Creek LLC shall have the right to remove any person or persons selected by them to act and serve on said Board of Directors and replace such person or persons with another person or persons to act and serve in the place of any director or directors so removed. Any director designated and selected by Urban Resources, Inc. or Pepper Creek LLC need not be an Owner. Any representative of Urban Resources, Inc. or Pepper Creek LLC serving on the Board of Directors of the Association shall not be required to disqualify himself from any vote upon any contract or matter between Urban Resources, Inc. or Pepper Creek LLC and the Association where Urban Resources, Inc. or Pepper Creek LLC may have pecuniary interest or other interest.

ARTICLE IV

MEETINGS OF MEMBERS

Section 1. Annual Meetings. The first annual meeting of the Members shall be held within one year from the date of incorporation of the Association. Each subsequent regular meeting of the Members shall be held in the same month of each year thereafter unless a different date is fixed by the Board of Directors.

Section 2. Special Meetings. Special meetings of the Members may be called at any time by the President, the Board of Directors, or upon written petition of the Members who are entitled to vote one-tenth (1/10) of all votes of Class A and Class B membership. The notice of any special meeting shall state the time and place of such meeting and the purpose thereof. No business shall be transacted at a special meeting except as stated in said notice.

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

Section 4. Notice of Meetings. Except as otherwise provided in the Articles of Incorporation, the Declaration, or these By-Laws, written notice of each meeting of the Members shall be given to each Member entitled to vote thereat, such notice being given by or at the direction of the Secretary or other person authorized to call the meeting, by hand delivery or by mailing a copy of such notice, postage prepaid, not less than ten (10) days nor more than fifty (50) days before the date of the meeting, 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 case of a special meeting, the exact purpose of the meeting. Attendance by a Member at any meeting of Members shall be a waiver of notice to him as to the time, place, and purpose thereof. Attendance at a meeting or a waiver of notice signed by one Owner in the event of multiple ownership of a dwelling unit or site shall be considered a waiver of notice as to the Owners of that dwelling unit or site. Notwithstanding the foregoing, attendance at any meeting for the purpose of registering objections about lack of notice shall not constitute a waiver of the lack of notice.

Section 5. Quorum. Except as otherwise provided in the Articles of Incorporation, the Declaration, or these By-Laws. The presence at the meeting of Members or of proxies entitled to cast, ten percent (10%) of the votes appurtenant to each Class of Lots (Class A, and Class B) shall constitute a quorum for any action. If, however, such quorum shall not be present or represented at any meeting, the Members entitled to vote thereat 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 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. Every proxy shall be revocable and shall automatically cease upon conveyance by the Member of this Lot.

Section 7. Informal Action by Members. Any action which may be taken at a meeting of the Members may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the persons who would be entitled to vote upon such action at a meeting and filed with the Secretary of the Association to be kept in the minute book of the Association.

Section 8. Loss of Right to Vote. The vote of any Member who is shown on the books or records of the Association to be more than sixty (60) days delinquent in any payment due the Association shall not be an eligible vote and shall not be counted for purposes of deciding any question, or in counting Members present for purposes of a quorum, so long as such delinquency is not cured, nor shall such member be eligible to be elected to the Board of Directors.

ARTICLE V

BOARD OF DIRECTORS

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

Section 2. Number, Term and Qualification. The number of directors of the Association shall be three (3) until the first annual meeting of the Association. at which time the number of Directors may be increased to five (5). At the first annual meeting, the Members may elect one director to serve for a term of one year, two directors to serve for a term of two years, and two directors to serve for a term of three years, should they elect to increase the number of directors to five (5). If the Members elect to continue to maintain a board of three (3) members, they shall elect a one, two and three year director and the first annual meeting. At the first annual meeting thereafter, the Members shall elect the number of directors needed to fill the vacancy or vacancies created by the director or directors whose term(s) is (are) expiring to serve for a term of three (3) years. Directors need not be members of the Association.

Section 3. Nomination. Nomination for election to the Board of Directors shall be made by a Nominating Committee. Nominations may also be made from the floor at the annual meeting. The Nominating Committee shall consist of a Chairman, who shall be a member of the Board of Directors, and two or more Members of the Association. 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. The Nominating Committee shall make as many nominations for election to the Board of Directors as it shall in its

discretion determine, but not less than the number of vacancies that are to be filled. Such nominations may be made from among Members or non-Members.

Section 4. Election. Except as provided in Section 6 of this Article, the directors shall be elected by secret written ballot at the annual meeting of the Members. In such election, the Members or their proxies may cast, with respect to each vacancy, as many votes as they are entitled under the provisions of Article III of these By-Laws. The persons receiving the highest 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.

Section 6. Vacancies. A vacancy occurring in the Board of Directors may be filled by the selection by the remaining directors of a successor, who shall serve for the unexpired term of his predecessor. The Members may elect a director at any time to fill any vacancy not filled by the directors.

Section 7. Compensation. No director shall receive compensation for any service he may render to the Association in the capacity of director. However, any director may be reimbursed for actual expenses incurred in the performance of his duties.

ARTICLE VI

MEETINGS OF DIRECTORS

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

Section 2. Special Meetings. Special meetings of the Board of Directors shall be held when called by the President of the Association, or by any two directors, after not less than three (3) days notice to each director.

Section 3. Quorum. A majority of the number of directors shall constitute a quorum for the transaction of business. Every act or decision done or made by a majority of the directors present at a duly held meeting at which a quorum is present shall be regarded as the act of the Board.

Section 4. Informal Action by Directors. Any action which may be taken at a meeting of the Board of Directors may be taken without a meeting if written consent to the action so taken is signed by all the directors and filed with the minutes of the proceedings of the Board, whether done before or after the action is so taken.

Section 5. Chairman. A Chairman of the Board of Directors shall be elected by the directors and shall preside over all Board meetings until the President of the Association is elected. Thereafter, the President shall serve as Chairman. In the event there is a vacancy in the office of President, a Chairman shall be elected by the Board of Directors to serve until a new President is elected.

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

ARTICLE VII

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 Area and the personal conduct of the Members and their guests thereon, and to establish penalties for the infraction thereof;

(b) suspend a Member's voting rights during any period in which he shall be in default in the payment of any assessment levied by the Association. Such rights may also be suspended for a period of up to sixty (60) days, after such notice and hearing as the Board, in its discretion, may determine, for infraction of the published rules and regulations of the Association;

(c) exercise for the Association all powers, duties and authority vested in or delegated to the Association and not reserved to the Membership by other provisions of these By-Laws, the Articles of Incorporation, or the Declaration;

(d) 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;

(e) employ a manager, independent contractors, or such other employees as it deem necessary and prescribe their duties; and to contract with a management company to manage the operation of the Association. In the event a contract is entered into with a management company, such contract must be terminable by the Board of Directors without cause or penalty on not more than ninety (90) days notice and any management contract made with the Declaration shall be for a term of not more than three years;

(f) employ attorneys to represent Association when necessary;

(g) grant easements for the installation and maintenance of sewage, utility or drainage facilities upon, over, under and across the Common Area without the assent of the Members, when such easements are necessary for the convenient use and enjoyment of the Property; and

(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.

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 appurtenant to Class A Lots;

(b) supervise all officers, agents and employees of the Association and 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 at least thirty (30) days before January 1 of each year;

(2) send written notice of each assessment to every Owner subject thereto at least fifteen (15) days before January 1 of each year; and

(3) as to any Lot for which an assessment is not paid within thirty (30) days after it becomes due, bring an action at law against the Owner personally obligated to pay the assessment or foreclose the lien against such Lot.

(d) issue, or cause an appropriate officer of the Association 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 of Directors for the issuance of such certificates. If a certificate states that an assessment has been paid, such certificate shall be conclusive evidence of such payment;

(e) procure and maintain adequate liability insurance covering the Association in an amount not less than \$1,000,000.00, if available at reasonable cost, and adequate hazard insurance on the real and personal property owned by the Association;

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

(g) cause the Common Area, exterior of the Dwelling Units, and the landscaping of the Lots to be maintained;

(h) if necessary, establish and maintain an adequate reserve fund for the periodic maintenance, repair and replacement of improvements constructed on the Common Area;

(i) provide such notices to and obtain such consents from the owners and holders of first deeds of trust on Lots within Jeffrey's Creek Subdivision as is required by the Declaration or these By-Laws; and

(j) pay all ad valorem and public assessments levied against the real and personal property owned in fee by the Association.

ARTICLE VIII

OFFICERS AND THEIR DUTIES

Section 1. Enumeration of Officers. 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 (or a single Secretary/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 place at the first meeting of the Board of Directors following each annual meeting of the Members.

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

Section 4. Special Appointments. The Board may 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 by giving written notice to the Board, the President or the Secretary. Such resignation shall take effect on the date of receipt of such notice or at any later time specified therein, and 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. Duties. The duties of the officers are as follows:

(a) President. 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, promissory notes, mortgages, deeds and other written instruments, and, in the absence of the Treasurer, shall sign all checks.

(b) Vice-President. The Vice-President shall act in the place instead 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.

(c) Secretary. 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 of the Association and affix it on all papers requiring a seal, serve notice of meetings of the Board and of the Members, keep appropriate current records showing the Members of the Association and their addresses, and perform such other duties as required by the Board.

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

ARTICLE IX

COMMITTEES

The Board of Directors of the Association shall appoint a Nominating Committee, as provided in these By-Laws, and may appoint an Architectural Control Committee, as provided in the Declaration. The Board of Directors may appoint such other committees as it deems appropriate in carrying out its purpose.

ARTICLE X

BOOKS AND RECORDS

The books, records and papers of the Association shall at all times, during reasonable business hours, be subject to inspection by any Member or his authorized agent with just cause and by appointment. The Declaration, the Articles of Incorporation and the By-Laws of the Association shall be available for inspection at the principal office of the Association, where copies may be purchased at reasonable cost.

ARTICLE XI

ASSESSMENTS

As more fully provided in Article IV of 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 or the maximum interest rate allowed by law, whichever is less, plus such late charge as may be established by the Board of Directors, and the Association may bring an action at law against the Owner personally obligated to pay the same or foreclose the lien against the Lot for which such assessment is due. Interest, costs, and reasonable attorney's fees of any such action shall be added to the amount of such assessment. No Owner may waive or otherwise escape liability for the assessments provided for herein by non-use of the Common Area or abandonment of his unit.

ARTICLE XII

CORPORATE SEAL

The Association shall have a seal in circular form having within its circumference the words: Jeffreys Creek Homeowners Association, Inc., Raleigh, North Carolina, 1999.

ARTICLE XIII

AMENDMENTS AND CONFLICTS

Section 1. Amendments. These By-Laws may be amended, at a regular or special meeting of the Members, by a vote of a majority of a quorum of Members present at a meeting duly called

for such purpose, in person or by proxy, except that the Federal Housing Administration or the Veterans Administration shall have the right to veto amendments while there is a Class B Membership.

Section 2. Conflicts. In 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 Declaration and these By-Laws, the Declaration shall control.

ARTICLE XIV

FISCAL YEAR

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, except that the first fiscal year shall begin on the date of Incorporation.

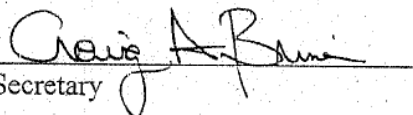
CERTIFICATION

I, the undersigned, do hereby certify:

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

THAT the foregoing By-Laws constitute the original By-Laws of said Jeffreys Creek Homeowners Association, Inc., as duly adopted at a meeting of the Board of Directors thereof, held on the 1ST day of JUNE, 1999.

IN WITNESS WHEREOF, I hereunto subscribe my name and affix the seal of said Jeffreys Creek Homeowners Association, Inc., this 1ST day of JUNE, 1999.


Secretary

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