

BYLAWS
OF
HOMEOWNERS ASSOCIATION OF THE RESERVE, INC.

ARTICLE I
NAME AND LOCATION

The name of the corporation is HOMEOWNERS ASSOCIATION OF THE RESERVE, INC. (hereinafter referred to as the "Association"). The principal office of the Association shall be located at 2011 Raleigh Blvd. Suite 105, Wake County, Raleigh, 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 _____, North Carolina as may be designated by the Board of Directors.

ARTICLE II - DEFINITIONS

Section 1. "Amenities" shall mean the facilities constructed, erected or installed on the Common Areas for the use, benefit and enjoyment of Members.

Section 2. "Architectural Control Committee" shall be referred to herein as "ACC".

Section 3. "Association" shall mean and refer to HOMEOWNERS ASSOCIATION OF THE RESERVE, INC. its successors and assigns.

Section 4. "Board of Directors" or "Board" means those persons elected or appointed and acting collectively as the Directors of the Association.

Section 5. "Building" shall mean and refer to a single family dwelling constructed or erected on the Property.

Section 6. "Common Expenses" shall mean and include:

(a) All sums lawfully assessed by the Association against its members;

(b) Expenses for maintenance of the dwellings, if any, as provided in this Declaration;

(c) Expenses of administration, maintenance, repair, or replacement of the Common Areas;

(d) Expenses declared to be common expenses by the provisions of this Declaration or the Bylaws;

(e) Hazard, liability, or such other insurance premiums as the Declaration or the Bylaws may require the Association to purchase;

(f) Ad valorem taxes and public assessment charges lawfully levied against common areas;

(g) Expenses agreed by the members to be common expenses of the Association;

(h) Unpaid assessments resulting from the purchase of a dwelling at a foreclosure sale (such assessment shall be collectible from all members of the Association, including the purchaser at the foreclosure sale, his successors and assigns).

Section 7. "Common Properties" or "Common Areas" shall mean and refer to those areas of land within THE RESERVE Subdivision which are deeded to the Association for the common use and enjoyment of all members and designated in said deed as "Common Properties," and shall include all private streets, if any, all water located outside public right-of-ways, public utility easements and dwelling units or sites, and all sewer lines located outside public right-of-ways, public sanitary sewer easements and dwelling units or sites. The term "Common Properties" shall also include any personal property acquired by the Association if said property is designated as "Common Properties". All "Common Properties" are to be devoted to and intended for the common use and enjoyment of the Owners, subject to the fee schedules and operating rules adopted by the Association.

Section 8. "Declarant" shall mean and refer to OAKLAND/THE RESERVE LIMITED PARTNERSHIP and its successors and assigns to whom the rights of Declarant hereunder are expressly transferred, in whole or in part, and subject to such terms and conditions as the Declarant may impose.

Section 9. "Dwelling" shall mean and refer to a place of residence constructed upon a Lot within the Property.

Section 10. "Lot" shall mean and refer to any plot of land shown upon any recorded subdivision map of the properties on which such plot appears (provided said map has been approved by Declarant), with the exception of the Common Area and Limited Common Areas, if any.

Section 11. "Lot in Use" shall mean and refer to any lot on which a dwelling unit has been fully constructed and made ready for occupancy as a dwelling unit, including, without limitation, completion of the installation of final

floor covering; interior paint and wallpaper and all appliances. In addition to the foregoing, a Lot may become a Lot in Use by contractual agreement between the Declarant and the Owner of such lot.

Section 12. "Member" shall mean and refer to every person or entity who holds membership in the Association.

Section 13. "Owner" shall mean and refer to the record owner, whether one or more persons or entities, of a fee simple title to any Lot which is a part of the Properties, including contract sellers, but excluding those having such interest merely as security for the performance of an obligation.

Section 14. "Person" shall mean and refer to any individual, corporation, partnership, association, trustee, or other legal entity.

Section 15. "Properties" shall mean and refer to the certain real property hereinbefore described in Exhibit A attached, and incorporated herein by reference, and 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 16. "THE RESERVE SUBDIVISION" or "Property" shall mean and refer to that certain real property described in Exhibit A attached hereto and incorporated by reference and such additions and/or deletions thereto as may hereafter be brought within or taken from the jurisdiction of the Association as subjected to this Declaration or any Supplemental Declaration.

Section 17. "Club Facilities" shall mean and refer to any club facilities within the land which may include without limitation a club house, tennis courts, swimming pool or a beach club.

ARTICLE III

Meetings of Shareholders

Section 1. Members. Declarant, for so long as it shall be an Owner, and every person or entity who is a record Owner of a fee simple or undivided fee simple interest in any dwelling unit or site that is subject by the Declarant 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 a 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 site 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 of the Association may make reasonable rules relating to the proof of ownership of a dwelling unit or site in THE RESERVE Subdivision. No Owner shall have more than one Membership, except as expressly provided hereinafter.

Section 2. Member Class and Voting Rights. The Association (the "Board of Directors") or the "Board" shall have two (2) Class of voting Members:

Class A. Class A Members shall be all Owners with the exception of the Declarant, until its Class B Membership has converted to Class A Membership. Class A Members shall be entitled to one (1) vote for each dwelling unit or site in which they hold the required ownership interest.

Class B. The Class B Member shall be the Declarant. The Class B, Member shall be entitled to three (3) votes for each dwelling unit or site in which it 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 sub-paragraph (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 the Declarant, all within the times and as provided for herein, or

(b) December 31, 2000. Thereafter, the Declarant may 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 according to the provisions of Article VI, Section 8.

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 the same may be amended from time to time. Quorum and notice requirements shall be as provided in By-Laws except when otherwise specified in the Declaration.

When more than one person holds an interest in any dwelling unit or site, all such persons shall be Members; and the vote for such dwelling unit or site 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 site 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 not allowed.

A persons 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 Declarant to Representation on Board of Directors of the Association. Notwithstanding anything contained herein to the contrary, until December 31, 2000, or until Declarant shall have conveyed seventy-five percent (75%) of the Properties, whichever occurs first, Declarant (or its expressed assignee of the right granted in this section) shall have the right 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.

Declarant shall have the right to remove any person or persons selected by it 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 Declarant need not be an Owner. Any representative of Declarant 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 Declarant and the Association where Declarant 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 shareholders may be called at any time by the President, Secretary, or Board of Directors of the Corporation, or by any shareholder pursuant to the written request of the holders of not less than one-tenth 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 North Carolina, as may be determined by the Board of Directors.

Section 4. Notice of Meeting: Except as otherwise provided in the Articles of Incorporation the Declaration, or these By-Laws, written or printed notice stating the time and place of the meeting shall be delivered not less than ten or more than fifty days before the date of any shareholders meeting, either personally or by mail, by or at the direction of the President, the Secretary, or other person calling the meeting, to each shareholder of record entitled to vote at such meeting; provided that such notice must be given not less than twenty days before the date of any meeting at which a merger or consolidation is to be considered. If mailed, such notice shall be deemed to be delivered to the shareholder at his address as it appears on the record of shareholders of the Corporation, with postage thereon prepaid.

In the case of a special meeting, the notice of meeting shall specifically state the purpose or purposes for which the meeting is called; but, in the case of an annual or substitute annual meeting, the notice of meeting need not specifically state the business to be transacted thereat unless such a statement is required by the provisions of the New North Carolina Business Corporation Act.

When a meeting is adjourned for thirty days or more, notice of the adjourned meeting shall be given as in the

case of an original meeting. When a meeting is adjourned for less than thirty 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 taken.

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 in combination (Class A and 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: Shares may be voted either in person or by one or more agents authorized by a written proxy executed by the shareholder or by his duly authorized attorney in fact. 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 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 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 Corporation shall be managed by its Board of Directors.

Section 2. Number, Term and Qualifications: The number of directors constituting the Board of Directors shall be three. At the first annual meeting of the Association after which transition to homeowner control has taken place, the number of Directors may be increased to five (5). At this first annual meeting after transition, 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. At subsequent annual meetings 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. Election of Directors: Except as provided in Section 6 of this Article III, the directors shall be elected at the annual meeting of shareholders; and those persons who receive the highest number of votes shall be deemed to have been elected. If any shareholder so demands, the election of directors shall be by ballot.

Section 4. Election. 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 directors may be removed at any time with or without cause, by a majority vote of the members.

Section 6. Vacancies: Any vacancy occurring in the Board of Directors may be filled by the selection of a successor by the remaining Directors, 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: A regular meeting 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.

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 Properties and the personal conduct of the Members and their guests thereon, and to establish fines and 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 pursuant to the provisions of the Declaration. Such rights may also be suspended after such notice and hearing as the Board, in its discretion, may determine, for a period not to exceed 60 days 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 director shall be absent from three (3) consecutive regular meetings of the Board of Directors:

(e) employ a manager, independent contractors, or such other employees or agents as it may deem necessary and prescribe their duties. In the event a contract is entered into with a management company to manage the affairs to the Association, such contract must be terminable by the Board of Directors without cause or penalty on not more than ninety (90) days notice. Any management contract 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 Properties 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 office to 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 Properties and all facilities erected thereon 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 Properties;

(i) provide such notices to and obtain such consents from the owners and holders of first deeds of trust on Lots within THE RESERVE 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 by the Association.

ARTICLE VII

OFFICERS AND THEIR DUTIES

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

Section 2. Election of Officers. The election of officers shall take place at the first meeting of the Board of Director, a Secretary, and a Treasurer, and such other officers as the Board may from time to time by resolution create.

Section 3. Term. The officers of the Association shall be elected annually by the Board and each shall held office for one (1) year unless he shall sooner resign, be removed, or by 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 held 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 Presidents: The Vice President shall act in the place instead of the President in the event of his death, 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, 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 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 may appoint a Nominating Committee, as provided in these By Laws, and shall 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 time, 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 authorized copies, as outlined in a resolution by the Board of Directors, may be purchased at reasonable cost.

ARTICLE XI

ASSESSMENTS

As more fully provided in Article VI 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 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 attorneys' 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 nonuse of the Common Area or abandonment of his unit.

ARTICLE XIICORPORATE SEAL

The Association shall have a seal in circular form having within its circumference the words; HOMEOWNERS ASSOCIATION OF THE RESERVE, INC.

ARTICLE XIIIAMENDMENTS 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 which 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.

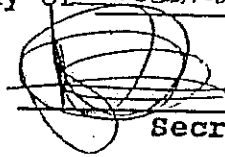
ARTICLE XIVFISCAL YEAR

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 HOMEOWNERS ASSOCIATION OF THE RESERVE, INC., a North Carolina non-profit corporation, and that the foregoing By-Laws constitute the original By-Laws of said HOMEOWNERS ASSOCIATION OF THE RESERVE, INC., as a duly adopted at a meeting of the Board of Directors thereof, held on the 11th day of December, 1994.

IN WITNESS WHEREOF, I hereunto subscribed my name and affixed the seal of said HOMEOWNERS ASSOCIATION OF THE RESERVE, INC., this 11th day of December, 1994



Secretary