

BYLAWS
OF
HIGHLAND VILLAGE PROPERTY OWNER'S COMMUNITY ASSOCIATION, INC.

ARTICLE I
NAME AND LOCATION

The name of the corporation is Highland Village Property Owner's Community Association, Inc., hereinafter referred to as the "Association." The principal office of the corporation initially shall be located in the Wake County, North Carolina, but meetings of Members and meetings of the Executive Board may be held at such places within the State of North Carolina, Wake County, as may be designated by the Executive Board.

ARTICLE II
DEFINITIONS

Section 1. "Association" shall mean and refer to Highland Village Property Owner's Community Association, Inc., its successors and assigns.

Section 2. "Property" shall mean and refer to that certain real property described in the Declaration of Covenants, Conditions and Restrictions for Highland Village Planned Community, and such additions thereto as may hereafter be brought within the jurisdiction of the Association.

Section 3. "Common Elements" shall mean all real property owned (whether in fee or by way of license or easement) or leased by the Association, as more fully described in the Declaration.

Section 4. "Lot" shall mean and refer to any separately numbered portion of the Property shown upon any now or subsequently recorded subdivision plat of the Property intended for use or used as a site for a any single-family attached or detached dwelling, patio (zero lot line) home, townhome or condominium unit, and shall include any improvements constructed thereon and "Lots" shall refer to all such lots collectively.

Section 5. "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 Property, but excluding those having such interest as security for the performance of an obligation.

Section 6. "Declarant" shall mean and refer to DHIC, Inc., as well as its successors and assigns pursuant to an express assignment or conveyance of any special declarant rights hereunder to such successor or assign, all of which rights, including Declarant's voting, easement and development rights, shall be assignable and may be apportioned on a lot-by-lot basis.

Section 7. “Declaration” shall mean and refer to any Declaration of Covenants, Conditions and Restrictions applicable to the Property recorded in the Office of the Register of Deeds of Wake County, North Carolina. Except as otherwise herein defined, the capitalized terms used herein shall have the meaning set forth in the Declaration.

Section 8. “Member” shall mean and refer to those persons or entities entitled to Membership with voting rights as provided in the Declaration and in Article III of these Bylaws.

ARTICLE III MEMBERSHIP AND PROPERTY RIGHTS

Section 1. Membership. All Owners shall be Members of the Association. The voting rights of the Members shall be as provided by the Declaration. When more than one person holds an interest in any Lot, all such persons shall be Members. The vote or votes for such Lot shall be exercised as they among themselves determine or as set forth in the Declaration.

Section 2. Property Rights. Each Member shall be entitled to the use and enjoyment of the Common Elements as provided in the Declaration. Any Owner may delegate his right of enjoyment to the Common Elements and facilities to the members of his family, to his tenants, or to contract purchasers who reside on the Property.

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, and each subsequent regular annual meeting of the Members shall be held in the same month of each year thereafter at such time and place as the Executive Board may prescribe.

Section 2. Special Meetings. Special meetings of the Members may be called at any time by the president or by the Executive Board, or upon written request of the Members who are entitled to vote one-fourth (1/4) of all the votes of the Membership of the Association.

Section 3. Notice of Meetings. 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 fifteen (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. Waiver by a Member in writing of the notice required herein, signed by him before or after such meeting, shall be equivalent to the giving of such notice.

Section 4. Quorum. The presence at the meeting of Members entitled to cast, or of proxies entitled to cast, one-tenth (1/10) of the votes of the Membership of the Association shall

constitute a quorum for any action except as otherwise provided in the Articles of Incorporation, the Declaration, or these Bylaws. 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 be represented.

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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 Lot.

ARTICLE V EXECUTIVE BOARD; SELECTION; TERM OF OFFICE

Section 1. Number. The affairs of this Association shall be managed by an Executive Board who need not be Members of the Association. The first Executive Board of the Association and all succeeding Executive Boards during the period Declarant retains the right to appoint all of the Executive Board of the Association, as set forth in the Declaration, shall consist of three (3) persons. Thereafter, each succeeding Executive Board shall consist of ~~no less than three (3) and no more than five (5) persons, as determined by the Executive Board.~~

Section 2. Term of Office. At the first annual meeting at which the Members are entitled to elect all of the members of the Executive Board, at least two-thirds of the members of the Executive Board shall be elected for a term of two (2) years and the remaining members of the Executive Board shall be elected for a term of one (1) year; and at each annual meeting thereafter the Executive Board members shall be elected for a term of two (2) years.

Section 3. Removal; Filling Vacancies. Any Executive Board member elected by the Members of the Association may be removed from the Board, with or without cause, by a majority vote of the Members ~~of the Association~~. Vacancies in the Executive Board may be filled until the date of the next Annual Meeting of the Association or until a Special Meeting of the Members of the Association called for such purpose by the remaining Executive Board members, except that should any vacancy in the Executive Board be created by any person appointed by Declarant to serve as a member of the Executive Board, such vacancy shall be filled by Declarant appointing, by written instrument delivered to any Officer of the Association, such successor to fill the vacated Executive Board position for the unexpired term thereof.

at a meeting at which quorum is attained

Section 4. Compensation. No Executive Board member shall receive compensation for any service he may render to the Association. However, any Executive Board member may be reimbursed for his actual expenses incurred in the performance of his duties.

Section 5. Action Taken Without a Meeting. The Executive Board members shall have the right to take any action in the absence of a meeting that they could take at a meeting by obtaining the written approval of all the Executive Board members. Any action so approved shall have the same effect as though taken at a meeting of the Executive Board.

ARTICLE VI

NOMINATION AND ELECTION OF EXECUTIVE BOARD MEMBERS

Section 1. Appointment. Declarant from time-to-time shall appoint the members of Executive Board which it shall be entitled to appoint in accordance with the provisions of the Declaration by written instrument presented to an Officer of the Association. Each of said individuals so appointed by Declarant shall be deemed and considered for all purposes an Executive Board member, and shall thenceforth perform the offices and duties of such Executive Board member until his or her successor shall have been appointed or elected in accordance with the provisions of these Bylaws. Any Executive Board member designated by and selected by Declarant need not be a Member of the Association.

Section 2. Nomination. Nomination for the election of any Executive Board member the Declarant is not entitled to appoint pursuant to the terms of the Declaration 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 Executive Board, and two or more Members of the Association. The Nominating Committee shall be appointed by the Executive Board prior to each annual meeting to serve until the close of the next annual meeting and such appointment shall be announced at each annual meeting. The Nominating Committee shall make as many nominations for election to the Executive Board 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 3. Election. All Executive Board members whom Declarant shall not be entitled to designate and select under the terms and provisions of the Declaration shall be elected by a plurality of the votes cast at the Annual Meeting of the Members of the Association. At least a majority of the Executive Board members selected by the Members of the Association shall be Members of the Association or employees, shareholders, members or partners of a corporate, limited liability company or partnership Member of the Association. Election to the Executive Board shall be by secret written ballot. At such election the Members of the Association or their proxies may cast, in respect to each vacancy, as many votes as they are entitled to exercise under the provisions of the Declaration. The persons receiving the largest number of votes shall be elected. Cumulative voting is not permitted.

ARTICLE VII

MEETINGS OF EXECUTIVE BOARD MEMBERS

Section 1. Regular Meetings. Regular meetings of the Executive Board shall be held at such time and place and with such notice as shall be determined by resolution of a majority of the Executive Board members.

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

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

ARTICLE VIII POWERS AND DUTIES OF THE EXECUTIVE BOARD

Section 1. Powers. In addition to the powers enumerated in the Declaration and the Association's Articles of Incorporation, the Executive Board shall have power to:

(a) adopt and publish rules and regulations governing the use of the Common Elements 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 the use of any recreational facilities of a Member during any period in which such Member shall be in default in the payment of any assessment, dues or charge levied by the Association. Such rights may also be suspended after notice and hearing, for a period not to exceed sixty (60) days, for infraction of published rules and regulations.

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

(d) declare the office of a member of the Executive Board to be vacant in the event such member shall be absent from three (3) consecutive regular meetings of the Executive Board.

(e) contract for the benefit of the Property and to delegate to such contractors all of the powers and duties of the Association, except those which may be required by the Declaration to have approval of the Executive Board or Membership of the Association. The undertakings and contracts authorized by the initial Executive Board (including contracts for the management of Highland Village) shall be binding upon the Association in the same manner as though such undertakings and contracts had been authorized by any Executive Board duly elected by the Membership after the recording of this Declaration, so long as such undertakings and contracts are within the scope of the powers and duties which may be exercised by the Executive Board of the Association in accordance with the Declaration, the Articles of Incorporation and these Bylaws; and provided further that, any undertaking or contract entered into by the Association at a time before the Declarant has transferred control of the Association to Lot Owners shall contain a provision reserving the right of the Association to terminate such undertaking or contract upon not more than ninety (90) days written notice to the other party(ies) thereto.

(f) employ attorneys to represent the Association when deemed necessary.

Section 2. Duties. It shall be the duty of the Executive Board to:

(a) cause to be kept a complete record of all of its acts and corporate affairs and to present a statement thereof to the Members at the Annual Meeting of the Members, or any special meeting when such statement is requested in writing by the Members entitled to cast at least one-fourth (1/4) of the votes of the Association.

(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:

(i) fix the amount of the annual assessment against each Lot at least thirty (30) days in advance of each annual assessment period;

(ii) send written notice of each assessment to every Owner subject thereto at least thirty (30) days in advance of each annual assessment period (provided, however, that failure of any Owner to receive such notice shall in no way affect the obligation of such Owner to pay annual assessments); and

(iii) in the discretion of the Executive Board, 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) 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 insurance covering the Association, its Executive Board members, officers, agents and employees and procure and maintain adequate hazard insurance on the real and personal property owned by the Association as follows:

(i) A policy of property insurance in an amount equal to the full replacement value (i.e., 100% of current "replacement cost" excluding land, foundations, excavations, streets and parking facilities) of the Common Elements owned by the Association (including all building service and related equipment) with an Agreed Amount Endorsement or its equivalent, if available, or an Inflation Guard Endorsement. Such insurance policy must protect against loss or damage by fire and other hazards covered by the standard extended coverage endorsement, and by sprinkler leakage, debris removal, cost of demolition, vandalism, malicious mischief and windstorm. If coverage is available, the policy may include coverage for water damage.

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(ii) A comprehensive policy of public liability insurance insuring the Association in an amount not less than One Million Dollars (\$1,000,000.00) for claims for personal injury and/or Property damage arising out of a single occurrence, such coverage to include protection against liability for non-owned and hired automobiles and liability for property of others, and, if available, may include coverage for water damage.

(iii) If the Association elects to manage its own affairs and directly receive and disburse its own funds (or, if in addition to professional management, the officers or Executive Board members of the Association can and do directly receive or disburse the monies of the Association), the Executive Board shall maintain fidelity coverage against dishonest acts by the Association's officers, Executive Board members, trustees and employees, and all others who are responsible for handling funds of the Association. If the Association employs a professional property management Person or firm to manage the Association and to receive and disburse the monies of the Association, then such professional management person or firm shall have adequate fidelity coverage against dishonest acts and the existence of such coverage shall satisfy the requirement of this paragraph.

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Any such fidelity bonds shall name the Association as an obligee; shall be written in an amount equal to at least 150% of the estimated annual operating expenses of the Association, including reserves; shall contain waivers of any defense based on the exclusion of persons who serve without compensation from any definition of "employee" or similar expression; and shall provide that they may not be canceled or substantially modified (including cancellation for nonpayment of premium) without at least thirty (30) days prior written notice to the Association and to any Institutional Lender who has given the notice required under Article VIII, Section 3, of the Declaration.

(iv) If any of the insurance described above is not reasonably available, the Association promptly shall cause notice of that fact to be hand-delivered or sent prepaid by United States mail to all Owners.

(v) Insurance policies carried pursuant to this subsection shall provide that (a) each Owner is an insured person under the policy to the extent of the Owner's insurable interest; (b) the insurer waives its right to subrogation under the policy against any Owner or member of the Owner's household; (c) no act or omission by an Owner, unless acting within the scope of the Owner's authority on behalf of the Association, will preclude recovery under the policy; and (d) if, at the time of a loss under the policy, there is other insurance in the name of the Owner covering the same risk covered by the policy, the Association's policy provides primary insurance.

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

(g) cause the Common Elements to be maintained in accordance with the provisions in the Declaration.

(h) maintain such properties and perform such services as set out in the Declaration.

(i) if and when appropriate pursuant to the terms of the Declaration, cause the exterior of the dwellings to be maintained.

ARTICLE IX OFFICERS AND THEIR DUTIES

Section 1. Enumeration of Offices. The officers of this Association shall be a president and one vice-president, who shall at all times be members of the Executive Board, a secretary, ~~assistant secretary~~, and a treasurer, and such other officers as the Board may from time to time by resolution create, including additional vice-presidents who need not be members of the Executive Board.

Section 2. Election of Officers. The election of officers shall take place at the first meeting of the Executive Board following each annual meeting of the Members.

Section 3. Term; Compensation. The officers of this Association shall be elected annually by the Board and each shall hold office for one (1) year unless he or she shall sooner resign, or shall be removed, or otherwise disqualified to serve. No officer shall receive compensation for services rendered in such capacity to the Association; provided, however, that an officer may be reimbursed for actual expenses incurred in the performance of such duties. *until successor is named*

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 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. Duties. The duties of the officers are as follows:

(a) President. The president shall preside at all meetings of the Executive Board; shall see that orders and resolutions of the Board are carried out; shall sign all

leases, mortgages, deeds and other written instruments and shall co-sign all checks and promissory notes.

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

(c) Secretary and Assistant 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 said seal; serve notice of meetings of the Board and of the Association together with their addresses, and shall perform such other duties as required by the Board. The assistant secretary shall assist the secretary and act in the place and stead of the secretary in the event of his or her absence.

(d) Treasurer. The treasurer shall receive and deposit in appropriate bank accounts all monies of the Association and shall disburse such funds as directed by resolution of the Executive Board; shall sign all checks and promissory notes of the Association; keep proper books of account; cause an annual audit of the Association books to be made by an independent certified public accountant at the completion of each fiscal year; and shall prepare an annual budget and 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 X COMMITTEES

The Executive Board shall appoint an Architectural Review Committee, as provided in the Declaration, and a Nominating Committee, as provided in these Bylaws. In addition, the Executive Board shall appoint other committees as deemed appropriate in carrying out its purpose.

ARTICLE XI BOOKS AND RECORDS

The books, records ^{and} ~~and papers~~ of the Association shall at all times, during reasonable business hours, be subject to inspection by any Member, and any Institutional Lender, as that term is defined in the Declaration. The Declaration, the Articles of Incorporation and the Bylaws of the Association shall be available for inspection by any Member at the principal office of the Association, where copies may be purchased at reasonable cost.

ARTICLE XII WORKING CAPITAL FUND

In order to insure that the Association will have sufficient monies available to meet its initial operational needs, the Association shall establish a Working Capital Fund. At the time of

the closing of the first sale of each Lot, the purchaser thereof shall pay into such Fund an amount equal to one-sixth (1/6ths) of the current annual assessment established by the Association. No such payments made into the Working Capital Fund shall be considered advance or current payment of regular assessments. All monies paid into the Working Capital Fund shall be held and administered by the Association in accordance with the terms of the Declaration and these Bylaws.

ARTICLE XIII 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 from time to time established by the Executive Board of the Association, said rate not to exceed eighteen percent (18%) per annum, and the Association may levy a late charge not to exceed ~~five percent (5%) of the delinquent assessment~~ 47.5%. The Association may bring an action at law against the Owner personally obligated to pay the same or foreclose the lien against the property, and interest, costs and reasonable attorney's fees of any such action shall be added to the amount of the assessments. No Owner may waive or otherwise escape liability for the assessments provided for herein by nonuse of the Common Elements or abandonment of his Lot.

ARTICLE XIV CORPORATE SEAL

The Association shall have a seal in circular form having within its circumference the words: Highland Village Property Owner's Community Association, Inc., North Carolina.

ARTICLE XV AMENDMENTS

Section 1. These Bylaws may be amended, at a regular or special meeting of the Members, by the vote of a majority of the quorum of Members present and entitled to vote in person or by proxy. In addition, no amendment purporting to revoke or curtail any right herein conferred to Declarant shall be effective unless executed by Declarant and no amendment relating to the maintenance or ownership of any permanent detention or retention pond shall be effective unless reviewed and approved by the governmental office having jurisdiction for watershed protection. Notwithstanding the foregoing, the Declarant, during Declarant's Development Period, and, thereafter, the Executive Board of the Association, may unilaterally amend these Bylaws as requested by the Federal Housing Administration, the Department of Veterans Affairs, the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation so that purchasers of Lots may qualify for loans under such programs.

Section 2. In the case of any conflict between the Articles of Incorporation and the Bylaws, the Articles shall control; in the case of any conflict between the Declaration and these

Bylaws, the Declaration shall control; and in the case of any conflict between the Articles and the Declaration, the Declaration shall control.

ARTICLE XVI MISCELLANEOUS

The fiscal year of the Association shall begin on the first day of January and end on the 31st day of December of every year, except that the first fiscal year shall begin on the date of incorporation.

CERTIFICATION

I, the undersigned, do hereby certify:

THAT I am the duly elected and acting Secretary of Highland Village Property Owner's Community Association, Inc., a North Carolina corporation, and

THAT the foregoing Bylaws constitute the original Bylaws of said Association, as duly adopted at a meeting of the Executive Board thereof, held on the ____ day of July, 2005.

Secretary

(CORPORATE SEAL)