

BYLAWS OF LOCHMERE ASSOCIATION

ARTICLE I

NAME AND LOCATION

The name of the corporation is LOCHMERE ASSOCIATION. The principal office of the corporation shall be located at 117 EDINBURGH SOUTH, CARY, NORTH CAROLINA, but meetings of members and directors may be held at such places within the County of Wake and State of North Carolina, as may be designated by the Board of Directors.

ARTICLE II

DEFINITIONS

Section 1. Lochmere Association shall mean and refer to Lochmere Association, a North Carolina non-profit corporation, its successors and assigns.

Section 2. Board of Directors or Board means those persons elected or appointed to act collectively as the directors of Lochmere Association.

Section 3. Lochmere shall mean and refer to that certain real property subject to the Declaration and such additions thereto as may hereafter be brought within the jurisdiction of Lochmere Association.

Section 4. Bylaws mean the bylaws of Lochmere Association as they now or hereafter exist.

Section 5. "Declarant" shall mean and refer to MACGREGOR DEVELOPMENT COMPANY as well as its successors and assigns, if such successors or assigns should acquire more than one Undeveloped Site from the Declarant for the purpose of development.

Section 6. Declaration shall mean and refer to the Declaration of Covenants, Conditions and Restrictions for Lochmere Association and amendments thereto, applicable to Lochmere and recorded in the Office of the Register of Deeds of Wake County, North Carolina.

Section 7. Common Area shall mean and refer to all real property within Lochmere owned by Lochmere Association for the common use and enjoyment of all Members.

Section 8. Limited Common Area shall mean those lands not owned by Lochmere Association that serve only a limited number of Dwelling Units and which may include, but specifically are not limited to, driveways and walkways serving townhouse Sites, plats over townhouses, and other cluster Dwelling Units, parking spaces, buildings or areas serving only specified Dwelling Units, and such other similar areas as may be designated by Lochmere Association. Limited Common Areas shall be maintained at the expense of the Owners of Dwelling Units served thereby and not at the expense of Lochmere Association.

Section 9. Site shall mean any plot of land regardless of size shown on a recorded subdivision map of Lochmere, which has been approved by Declarant as required by the Declaration. A Site may provide for or contain one or more Dwelling Units as provided for in the Planned Unit Development Plan approved by the Town of Cary, including any additions thereto.

Section 10. Undeveloped Site shall mean a site or an area of Lochmere yet undeveloped but intended to contain one or more residential units as provided in the general plan for Lochmere as approved by the

Town of Cary, including any additions thereto.

Section 11. Dwelling Unit shall mean a residence containing sleeping facilities for one or more persons and a kitchen. A Dwelling Unit may be attached to other Dwelling Units or may be separated from other Dwelling Units.

Section 12. Manager shall mean and refer to any person employed by the Board of Directors as a professional manager, pursuant to the provisions of the Bylaws, to manage the affairs of Lochmere Association.

Section 13. Member shall mean and refer to every person or entity entitled to membership in Lochmere Association as provided in the Declaration.

Section 14. Owner shall mean and refer to the record owner, whether one or more persons or entities, of a fee simple title to any Dwelling Unit or Site which is a part of Lochmere, including contract sellers, but excluding those who have such interests merely as security for the performance of an obligation.

Section 15. Book of Resolutions shall mean and refer to the document containing rules and regulations and policies adopted by the Board of Directors.

ARTICLE III

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, on the date and at the time and place set forth by the Board of Directors in its rules and regulations, and each subsequent regular annual meeting of the Members shall be held on the same day of the same month of each year thereafter, at the hour of 9:00 A.M., unless a different date and time 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 or by the Board of Directors or upon written request of the Members who are entitled to vote one-fourth (1/4) of all of the votes of the membership.

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 thirty (30) days before such meeting to each Member entitled to vote thereat, addressed to the Member's address last appearing on the books of Lochmere Association, or supplied by such Member to Lochmere 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.

Section 4. Quorum. The presence at the meeting of Members eligible to vote or authorized proxies amounting to one-tenth (1/10) of the votes entitled to be cast 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 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 the conveyance by any Member of his Dwelling Unit or Site.

ARTICLE IV

BOARD OF DIRECTORS:

SELECTION, TERM OF OFFICE

Section 1. Number. The affairs of Lochmere Association shall be managed by a Board of not fewer than three (3) nor more than five (5) directors, who need not be Members of Lochmere Association. The initial Board shall consist of three (3) directors designated by the Declarant. The initial directors shall serve until the first meeting of Lochmere Association.

Section 2. Term of Office. Subject to the provisions of Article V, Section 1, at the first annual meeting, the Members shall elect the number of directors allowed herein. The term of the directors shall be for two (2) years. All directors shall serve until their successors have been duly elected and qualified.

Section 3. Removal. Any director, other than those selected by Declarant, may be removed from the Board, with or without cause, by a majority vote of the Members of Lochmere Association. In the event of death, resignation or removal of a director, his successor shall be selected by the remaining Members of the Board and shall serve for the unexpired term of his predecessor.

Section 4. Proportional Representation. It shall be the duty of the Board of Directors serving at the time the Declarant's right to select and designate a two-thirds (2/3) majority of the Board of Directors expires, to prepare a plan of representation of the Board of Directors from the membership, whereby the various residential areas and type of Dwelling Units shall be fairly represented in proportion to their numbers by the Board of Directors. Thereafter, each Board of Directors may, prior to the annual meeting, adopt a new plan of representation as deemed necessary by each such Board to reflect proportional representation of the single versus other Dwelling Units as a group or class.

Prior to each annual meeting, the Board shall determine and inform the Nominating Committee of the proportional representation of each residential area and type of Dwelling Unit and the number of directors to be elected from these, including any newly created Directorships.

Section 5. Compensation. No director shall receive compensation for any service he may render to Lochmere Association. However, any director may be reimbursed for his actual expenses incurred in the performance of his duties.

Section 6. Action Taken Without a 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 the written approval of all of the directors. Any action so approved shall have the same effect as though taken at a meeting of the directors.

ARTICLE V

NOMINATION AND ELECTION OF DIRECTORS

Section 1. Nomination and Election of Directors While Declarant has the Right to Select and Designate

a Two-Thirds Majority of the Board of Directors. So long as Declarant shall have the right to select and designate a majority of the Board of Directors, election of directors shall be conducted in the following manner:

(a) Declarant shall, at the beginning of the election of the Board of Directors, designate and select that number of the members of the Board of Directors which it shall be entitled to designate and select in accordance with the provisions of these Bylaws and Declaration. Upon such designation and selection the Declarant shall present by written instrument said individuals to the meeting at which such election is held and upon presentation, such individuals shall be deemed and considered for all purposes directors of Lochmere Association. Thenceforth, the designated individuals shall perform the offices and duties of such directors until their successors shall have been selected or elected in accordance with the provisions of these Bylaws.

(b) At the first Annual Meeting of Lochmere Association, Declarant shall have the right to designate and select four (4) directors whose term of office shall be established at two (2) years.

(c) All members of the Board of Directors whom Declarant shall not be entitled to designate and select under the terms and provisions of these Bylaws shall be elected by a plurality of the votes cast at the Annual Meeting of the Members of Lochmere Association immediately following the designation and selection described above.

(d) In the election of directors, there shall be apportioned to each Site or Dwelling Unit as many votes for directors as there are directors to be elected, however, that no Member or Owner of one (1) Site or Dwelling Unit may cast more than one (1) vote for any person nominated as a director, it being the intent hereof that voting for directors shall be noncumulative. Notwithstanding the fact that Declarant may be entitled to designate and select a two-thirds (2/3) majority of the members of the Board of Directors, it, as a Class B Member, shall still be entitled to cast the number of votes for each Site or Dwelling Unit owned by it in the elections of other directors as provided in the Declaration; provided, however, that the other directors elected are persons other than officers, directors, stockholders and employees of Declarant, or wives and relatives of any said persons.

(e) Vacancies in the Board of Directors may be filled until the date of the next Annual Meeting by the remaining directors, except that should any vacancy in the Board of Directors be created in any directorship previously filled by any person designated and selected by Declarant, such vacancy shall be filled by Declarant designating and selecting, by written instrument delivered to any officer of Lochmere Association, the successor director for the unexpired term thereof.

(f) In the event that Declarant, in accordance with the rights herein established, selects any person or persons to serve on any Board of Directors of Lochmere Association, Declarant shall have the absolute right at any time, in its sole discretion, to replace such person or persons with another person or persons to serve on said Board of Directors. Replacement of any person or persons designated by Declarant to serve on any Board of Directors of Lochmere Association shall be made by written instrument delivered to any officer of Lochmere Association, which instrument shall specify the name or names of the person or persons to be replaced and the name or names of the person or persons designated as successor or successors to the persons so removed from said Board of directors. The removal of any director and designation of his successor shall be effective immediately upon delivery of such written instrument by Declarant to any officer of Lochmere Association.

Section 2. Nomination and Election of Directors After Declarant's Right to Select and Designate a Two-

Thirds (2/3) Majority of the Board of Directors Expires.

(a) 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 Lochmere Association. The Nominating Committee shall be appointed by the Board of Directors 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 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.

(b) Election to the Board of Directors shall be by secret written ballot. At such election, the Members may cast or their proxies may authorize to be 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 VI

MEETING OF DIRECTORS

Section 1. Regular Meetings. Regular meetings of the Board of Directors shall be held at least annually without notice at such place and hour as may be fixed from time to time by resolution of a majority of the Board. Should said meeting fall upon a legal holiday, then that meeting shall be held at the same time on the next day which is not a legal holiday.

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 (2) 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. Waiver of Notice. Any director may waive notice of a special meeting before or after the meeting, any such waiver shall be deemed equivalent to the giving of notice.

ARTICLE VII

POWERS AND DUTIES OF THE BOARD OF DIRECTORS

Section 1. Powers. The Board of Directors shall have the power to:

(a) adopt and publish rules and regulations governing the use of the Common Area and facilities, 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 by a Member or any person to whom he has delegated his right of enjoyment during any period in which such Member shall be in default in the payment of any assessment levied by the Lochmere Association. Such voting rights may also be suspended after notice and hearing, for a period not to exceed sixty (60) days for each infraction of published rules and regulations;

(c) exercise for Lochmere Association all powers, duties, authority vested in or delegated to Lochmere 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 director, other than a director selected and designated by Declarant, to be

vacant in the event such director shall be absent from three (3) consecutive regular or special meetings of the Board of Directors without consent of the President;

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

(f) contract with any person or entity to maintain the Common Area;

(g) procure adequate insurance, including hazard insurance on the Common Areas and facilities, directors liability insurance, and such other insurance as it shall deem necessary and appropriate; and include the cost of such insurance in the annual assessment of the Members;

(h) employ attorneys to represent the Association when deemed necessary;

(i) formulate, publish and enforce reasonable rules and regulations concerning the use and enjoyment of the Common Area. Such rules and regulations, along with all policy resolutions and policy actions taken by the Board of Directors shall be recorded in the Book of Resolutions, which shall be maintained in a place reasonably convenient to the Owners and available to them for inspection during normal business hours;

(j) lease the use of any recreational facilities for functions, lessons or special events, and to allow such lessee to charge admission or other fees for functions, lessons, or special events;

(k) limit the number of guests, to regulate hours of operation, and behavior, and to curtail any use or uses it deems necessary for either the protection of facilities or the peace and tranquillity of adjoining residents.

Section 2. Duties. It shall be the duty of the Board of Directors 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 at any special meeting when such statement is requested in writing by one-fourth (1/4) of the Members who are entitled to vote;

(b) supervise all officers, agents, and employees of Lochmere 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 Site or Dwelling Unit at least thirty (30) days in advance of each annual assessment period;

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

(3) foreclose the lien against any Site or Dwelling Unit for which assessments are not paid within sixty (60) days after the 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 or entity, 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;

(e) procure and maintain adequate liability insurance covering Lochmere Association, its directors, officers, agents and employees, and hazard insurance on Common Area 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 to be maintained;

(h) designate depositories for Lochmere

Association funds and execute required depository documents;

(i) appoint such committees as are provided for in these Bylaws, and such other committees as shall be appropriate or necessary for the proper administration and performance of Lochmere Association; and,

(j) exercise their powers in good faith and do and perform such other matters and things not expressly prohibited by law, the Declaration, or these Bylaws, as are necessary and appropriate to the property administration, operation and maintenance of Lochmere Association and Lochmere.

ARTICLE VIII

OFFICERS AND THEIR DUTIES

Section 1. Enumeration of Officers. The officers of Lochmere Association shall be a president and vice president, who shall at all times be directors, a 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 Directors following the annual election of directors.

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

Section 4. Special Appointments. The Board may elect such other officers as the affairs of Lochmere 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 without cause by the Board. Any officer may resign at any time upon 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:

President

The president shall preside at all meetings of the Board of Directors; shall see that orders and regulations 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.

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.

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 Lochmere Association and affix it on all papers requiring said seal; serve notice of meetings of the

Board and of the Members; keep appropriate current records showing the Members of Lochmere 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.

Treasurer

The treasurer shall receive and deposit in appropriate bank accounts all monies of Lochmere Association and shall disburse such funds as directed by resolution of the Board of Directors; shall sign all checks and promissory notes of Lochmere Association; keep proper books to be made by the 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 Members at their regular annual meeting, and deliver a copy of each to the Members.

ARTICLE IX

QUORUM FOR ASSESSMENT CHANGES

Quorum for Any Action Authorized Under Article VI, Sections 3, and 5 of the Declaration. At the first meeting called, as provided in Article VI, Sections 3 and 5 of the Declaration, the presence at the meeting of Members or of authorized proxies entitled to cast sixty percent (60%) of the votes of the membership shall constitute a quorum. If the required quorum is not forthcoming at any meeting another meeting may be called, subject to the notice requirement set forth in Sections 3 and 5 and the required quorum at any such subsequent meeting shall be one-half (½) of the required quorum at the preceding meeting. No such subsequent meeting shall be held more than sixty (60) days following the preceding meeting.

ARTICLE X

COMMITTEES

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

ARTICLE XI

BOOKS AND RECORDS

The books, records, and papers of Lochmere Association shall, at all times during reasonable business hours, be subject to inspection by any Member. Accurate records of all resolutions shall be made and maintained and those records, together with the Declaration, the Articles of Incorporation and the Bylaws of Lochmere Association shall be available for inspection by any Member, lender and/or insurer at the principal office of Lochmere Association, where copies may be purchased at reasonable cost.

ARTICLE XII

CORPORATE SEAL

Lochmere Association shall have a seal in circular form having within its circumference the words: Lochmere Association.

ARTICLE XIII

AMENDMENTS

Section 1. Except for the provisions hereof relating to selection and designation of directors by Declarant which shall not be subject to amendment except with Declarant's written consent, these Bylaws may be amended, at a regular or special meeting of the Members, by a vote of the majority of a quorum of Members present in person or by proxy.

Section 2. 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.

Section 3. At all times while there is a Class B Membership, VA and HUD shall have the right of prior approval of any such amendments, however, such approval shall not be unreasonably withheld.

ARTICLE XIV

MISCELLANEOUS

The fiscal year of Lochmere 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.

IN WITNESS WHEREOF, we, being all of the directors of Lochmere Association, have hereunto set our hands and seals this _____ day of _____, 19____

_____(SEAL)

_____(SEAL)

_____(SEAL)

CERTIFICATION

I, the undersigned, do hereby certify:

That I am the duly elected and acting secretary of Lochmere Association, a North Carolina corporation; and,

That the foregoing Bylaws constitute the original Bylaws of said Association, as duly adopted at a meeting of the Board of Directors thereof, held on the _____ day of _____, 19____.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed the seal of said Association this the _____ day of _____, 19____.

_____(SEAL)

Acting Secretary