BYLAWS

OF

CROSS GATE COMMUNITY ASSOCIATION, INC.

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BYLAWS
OF
CROSS GATE COMMUNITY ASSOCIATION, INC.

ARTICLE I

PLAN OF COMMON PROPERTY CONTROL

Section 1. Lands affected. Bent Tree Limited Liability Company, a North Carolina Limited Liability Company, hereafter known as the "DECLARANT", is the owner of certain lands lying in Barton's Creek Township, Wake County, North Carolina, more particularly described in a Declaration of Covenants, Conditions and Restrictions for Cross Gate (herein "Declaration"), and has submitted a portion of said lands to membership control pursuant to the Declaration recorded in Book 6380, page 422, Wake County Registry.

Section 2. Name. The lands on which said Declaration is imposed shall be known as Cross Gate Subdivision.

Section 3. Applicability of Bylaws. All present and future owners, mortgagees, lessees, and occupants within the Property, and their agents, servants, and employees, and any other persons who may make use of the facilities of the Property in any manner, are subject to these Bylaws and to the Rules and Regulations adopted pursuant hereto, and to any amendments to these Bylaws and Rules and Regulations upon the same being duly adopted.

The acceptance of a deed or conveyance to, or the entering into a lease to, or the act of occupancy of, any Lot (as defined herein) within the Property by any person shall conclusively establish the acceptance and ratification by such person of these Bylaws (and any Rules and Regulations adopted pursuant hereto), the Articles of Incorporation, and the Declaration as they may be amended from time to time, and shall constitute and evidence an agreement by such persons to comply with those governing documents.

ARTICLE II

DEFINITIONS

Section 1. "Association" shall mean and refer to Cross Gate Community Association, Inc., its successors and assigns, the association of Lot Owners of the Cross Gate Subdivision.

Section 2. "Board" or "Board of Directors" shall mean the Board of Directors of the Association.

Section 3. "Common Elements" shall be all that area within the Property other than the described Lots, as defined in the Declaration and from time to time hereafter designated by written recorded instrument as Common Elements and owned by the Association for the common use and enjoyment of the Owners, including Limited Common Elements.

Section 4. "Declarant" shall mean Bent Tree Limited Liability Company, a North Carolina Limited Liability Company, and its successors and assigns to whom it shall make specific written assignment of its rights under the Declaration and these Bylaws.

Section 5. "Declaration" shall mean that instrument recorded in Book _____, page _____, Wake County Registry, as from time to time amended.

Section 6. "Lot" shall mean and refer to any plot of land shown on any recorded subdivision map of the Property and designated for separate ownership or occupancy.

Section 7. "Lot Owner" or "Owner" shall mean any person, corporation, partnership, association, trust or other legal entity, or any combination thereof who, or which, owns a Lot, whether one or more and including the Declarant, of a fee simple title to any Lot including contract sellers but excluding those having such interest merely as security for performance of an obligation.

Section 8. "Member" shall refer to and mean every person who is a member of the Association as defined in the Declaration.

Section 9. "Person" shall mean and refer to any individual, corporation, partnership, association, trustee, or other legal entity.

Section 10. The "Property" shall mean all of the lands and appurtenances, subjected to the Declaration, which lands are more fully described in said Declaration and all additional property thereto, as may be hereafter brought within the jurisdiction of the Association.

Section 11. "Rules and Regulations" shall mean those written actions of the Board, duly adopted, and amendments thereto, interpreting and applying the provisions of the Declaration and these Bylaws and establishing and prescribing the administration, management, use, operation, and maintenance of the Common Elements, including, but not limited to, the establishment and imposition of fines, fees and penalties for violation of the Declaration, Articles of Incorporation, Bylaws or Rules and Regulations.

ARTICLE III

OFFICES

Section 1. The principal office of the Association shall be located at 3600 Glenwood Avenue, Suite 150, Raleigh, North Carolina 27612.

Section 2. The registered office of the Association may, but need not be, identical with the principal office, but shall be located in North Carolina.

Section 3. The Association may have such other offices, either within or without the State of North Carolina, as the Board may from time to time determine or as the affairs of the Association may require.

ARTICLE IV

ASSOCIATION OF LOT OWNERS

Section 1. Members. The qualification of members, the manner of their admission to membership and termination of such membership shall be as set forth in the Articles of Incorporation of the Association and the Declaration.

Section 2. Annual Meetings. An annual meeting of the Association shall be held for the purpose of electing members of the Board of Directors and for the transaction of such other business as may be properly brought before the meeting. The annual meetings shall be held at 7:00 p.m. on the third Thursday of October of each year, unless such day shall be a legal holiday, in which event the meeting shall be held at the same time on the Thursday next following which is not a legal holiday, and the first annual meeting shall be held on the 19th day of October, 1995.

Section 3. Substitute annual meetings. If an annual meeting is not held on the day designated in the Bylaws, a substitute annual meeting may be called in the same manner as a special meeting. A meeting so called shall be designated and treated for all purposes as the annual meeting.

Section 4. Special meetings. Special meetings of the Association may be called at any time by a majority of the members of the Board of Directors.

Section 5. Place of meetings. All meetings of the Association shall be held at the Property, or at such other place in the County where the Property is located as shall be designated in the notice of the meeting.

Section 6. Notice of meetings. Written or printed notice stating the place, day and hour of the meeting shall be delivered or mailed by first class mail, postage prepaid, not less than ten (10) nor more than fifty (50) days prior to the date of the meeting by the Secretary to each person entitled to vote at such meeting, unless a different time period is required by the Declaration.

In the case of an annual meeting, substitute annual meeting, or special meeting, the notice of meeting shall state the time and place of the meeting as well as the items on the agenda to be considered, including, but not limited to, the general nature of any proposed amendment to the Declaration or Bylaws, any budget matters, or any proposal to remove an officer or director.

When a meeting is adjourned for thirty (30) day or more, notice of the reconvening of the adjourned meeting shall be given as in the case of an original meeting. When a meeting is adjourned for less than thirty (30) days in any one adjournment, it shall not be necessary to give notice of the reconvening of the adjourned meeting other than by an announcement at the meeting at which the adjournment is effective.

Notice requirements set forth herein shall apply unless a different number is required by the Declaration for any specific action.

Section 7. Quorum. Unless a different percentage is required in the Articles of Incorporation, Declaration or a specific provision in these Bylaws, the presence in person or by proxy at the beginning of any meeting of members constituting ten (10%) percent of the total votes entitled to be cast shall constitute a quorum. Unless otherwise expressly provided herein, any action, consistent with the notice of such meeting, may be taken at any meeting of the Association at which a quorum is present upon the affirmative vote of the members having a majority of the total votes present at such meeting.

If a quorum is not present at the opening of any meeting, the meeting may be adjourned from time to time by vote of a majority of the voting interests present, either in person or by proxy, and shall be reconvened at the date and time determined at the adjourned meeting, subject to the notice requirements set forth in Section 6 of this Article. Upon the reconvening of any meeting adjourned for lack of a quorum, the quorum required at such subsequent meeting shall be one-half (1/2) that required at the preceding meeting.

Quorum requirements set forth herein shall apply unless a different number is required by the Declaration for any specific action.

Section 8. Voting members; proxies. There shall be one person with respect to each Lot who shall be entitled to vote the voting interest of that Lot at any meeting of the Association, herein referred to as the "voting member". The voting member may be the Owner of a Lot, or an Owner designated by a majority of the several Owners of a Lot, or may be some other person designated by such Owner or Owners to act as proxy on his or their behalf and who need not be an Owner. Designation of the voting member or of a proxy shall be made in writing to the Secretary and shall be revocable at any time prior to the meeting by actual notice to the Secretary by the Owner or a majority of the Owners. Once a meeting has been commenced a Lot Owner may not revoke a proxy given except by written notice of revocation delivered to the person presiding over the meeting. A proxy is void if not dated and signed by the Owner or a majority of the owners of a Lot, and a proxy shall terminate at the time specified in the proxy or one year from date, whichever is earlier.

Section 9. Voting Rights; Multiple Owners. If only one of the multiple Owners of a Lot is present at a meeting of the Association, he is entitled to cast all the votes allocated to the Lot. If more than one of the multiple Owners are present, the votes allocated to that Lot may be cast only in accordance with the agreement of a majority in interest of the multiple Owners. Majority agreement is conclusively presumed if any one of the multiple Owners casts the votes allocated to that Lot without protest being made promptly to the person presiding over the meeting by any of the other Owners of the Lot. Fractional voting is prohibited.

If a Lot is owned by more than one person, each Owner of the Lot may vote or register protest to the casting of votes by the other Owners of the Lot through a duly executed proxy.

Section 10. Voting Rights; Cumulative Voting. The vote cast by, or on behalf of, the Owner or Owners of a Lot shall be that voting interest specified in the Articles of Incorporation. In all elections for members of the Board of Directors, no voting member shall be entitled to vote on a cumulative voting basis

for the director or directors to be elected, and the candidate or candidates receiving the highest number of votes with respect to the number of offices to be filled shall be deemed elected.

Section 11. Waiver of Notice. Any Lot Owner, at any time, may waive notice of any meeting of the Association in writing, and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a Lot Owner at any meeting of the Association shall constitute a waiver of notice by him of the time and place thereof except where a Lot Owner attends a meeting for the express purpose of objecting to the transaction of any business because the meeting was not lawfully called. If all of the voting members are present at any meeting of the Association, no notice shall be required, and any business may be transacted at any meeting.

Section 12. Informal Action by Lot Owners. Any action which may be taken at a meeting of the Association 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 an action at a meeting and filed with the Secretary of the Association to be kept in the Association minute book.

ARTICLE V

BOARD OF DIRECTORS

Section 1. General Powers. The business shall be managed and directed by the Board of Directors of the Association or by such executive committees as the Board may establish pursuant to these Bylaws. If any of the authority of the Board of Directors is vested in any committee, one member of each such committee shall be a Board member.

Section 2. Initial Board. There shall be an initial Board of three directors, appointed by the Declarant, who shall serve until their successors are appointed or elected and qualified as herein provided.

Section 3. Subsequent Number and Qualification. Until such time as the Class B Membership shall terminate, Declarant shall be the only member to select, or elect the Board of Directors.

Notwithstanding the foregoing the Declarant may, at any time, voluntarily surrender its right as a Class B Member and appoint members of the Board of Directors before the occurrence of those events of termination set forth in the Articles of Incorporation.

At such time as Declarant's Class B Membership rights to appoint the members of the Board of Directors expires or is surrendered, the terms of the directors appointed by Declarant shall thereupon immediately terminate. At such time, the number of members of the Board of Directors shall automatically increase from three (3) to five (5) or seven (7) as decided by the members of the Association. The vacancies thereby created shall be filled by the members of the Association upon a meeting called for that purpose to serve until the next annual meeting of members. At the end of such period where Declarant's Class B Membership rights have terminated or upon surrender of those rights and if all

Lots have not been transferred by Declarant, the Declarant for all purposes shall be deemed a Lot Owner and shall be entitled to vote in such elections as any other Lot Owner. During the times when it has the right to designate Directors, the Declarant shall have the right in its sole discretion to replace any Director or Directors it appointed and to designate their successors.

Section 4. Election of Directors. Except for the appointed directors provided for in Section 3 of this Article while Declarant is a Class B Member, and as otherwise provided in Section 5 of this Article, the directors shall be elected at the annual meeting of the Association; and those candidates who receive the highest number of votes shall be elected.

Section 5. Removal. Any elected director may be removed from office, with or without cause, by the affirmative vote of sixty-seven percent (67%) of the voting interests of Lot Owners present and entitled to vote at a special meeting called for that purpose; provided that Class A members shall have no vote in, or right to remove a director appointed by Declarant so long as the Class B membership exists. If any directors are so removed, new directors may be elected at the same meeting.

Section 6. Vacancies. An elective vacancy occurring in the Board of Directors, including directorships not filled by the voting members, may be filled by a majority of the remaining directors, though less than a quorum, or by the sole remaining director.

Section 7. Compensation. The Board of Directors shall receive reimbursement for expenses, but shall receive no compensation for their services unless expressly allowed by the Association upon the affirmative vote of its members.

Section 8. Executive Committees. The Board of Directors may, by resolution adopted by a majority of the number of directors fixed by these Bylaws, designate two or more directors to constitute an executive committee, which committee, to the extent provided in such resolution, shall have and may exercise all of the authority of the Board of Directors in the management of the Property.

Section 9. Powers. The Board of Directors shall have the powers necessary for the administration of the affairs of the Association as specified by law, the Declaration or these Bylaws, and may do all such acts and things, except such acts as by law, by the Declaration, or by these Bylaws may not be delegated to the Board of Directors.

Section 10. Duties. It shall be the duty of the Board of Directors to:

(a) Administer, operate, maintain and repair the Common Elements.

(b) Enter upon any Lot and perform any repairs, maintenance or construction for which the Association is responsible at reasonable times and hours and with as little inconvenience to the Lot Owner as practicable. The Association shall repair any damages to the Lot caused by such repair, maintenance or construction, and all costs incurred in performing these duties

shall be a Common Expense of the Property, unless the Board shall determine that the repairs, maintenance or construction was necessitated by the negligence, misuse, unlawful act, or act in violation of the Declaration, these Bylaws or the Rules and Regulations of the Association by the Lot Owner, its family members, guests, invitees, tenants or contract purchasers, in which event such costs may be assessed against the Lot Owner, as by the Declaration prescribed.

(c) Determine the Common Expenses arising from the costs of administration, operation, care, upkeep, maintenance, repair and construction of the Common Elements, including, without limitation, reserves for repair, reconstruction or replacement.

(d) Fix and assess in the manner provided by law and in the Declaration, the proportionate part of the Common Expenses of each Lot Owner within the Property.

(e) Collect and enforce the collection of Common Expenses in the manner provided by law and in the Declaration, including, but not limited to legal proceedings for the enforcement of liens and provide written evidence of payment upon request therefor.

(f) Employ, supervise and dismiss personnel, managers or independent contractors necessary to the maintenance and operation of the Common Elements.

(g) Adopt, amend, publish and enforce reasonable Rules and Regulations that it deems advisable and necessary for the proper administration, operation, maintenance, conservation, and beautification of the Property and for the health, comfort, safety, and general welfare of the Owners and occupants of the Lots. Copies of the published Rules and Regulations and amendments thereto shall be given to all the Owners and occupants and the Association and Property shall be administered, operated and maintained in conformity with such rules and regulations.

(h) Designate depositories for Association funds and the officers, agents and/or employees having the authority to deposit and withdraw such funds; and, in its discretion, to require such officers, agents or employees to be bonded in such amounts as it deems necessary.

(i) Sign all mortgages, deeds of trust, agreements, contracts, vouchers for payment of expenditures, deeds and other instruments in such manner as from time to time shall be determined by written resolution of the Board. In the absence of such determination by the Board, such documents shall be signed by the President and the Secretary.

(j) Procure and maintain adequate insurance of such nature and in such amounts as is provided in the Declaration, and such other insurance as the Board may deem necessary or appropriate, including, without limitation hazard insurance, liability insurance and officers and directors liability coverage.

(k) Appoint such committees as are provided for in these Bylaws and the Declaration or as otherwise deemed appropriate by the Board, including, but not limited to a Nominating Committee and an Architectural Committee.

(l) 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 proper administration, operation and maintenance of the Association.

(m) Prepare an annual budget in which there shall be established the assessments of each Lot Owner for the Common Expenses.

(n) Pay all taxes, charges and assessments which are or may become liens against any part of the Common Elements, and assess the same against the members and their respective Lots.

(o) To enforce by legal means or proceedings the provisions of the Articles of Incorporation, the Bylaws, the Declaration and the Rules and Regulations promulgated hereunder. Legal actions brought in the name of the Association other than those permitted to be brought under section (e) above shall be approved by at least 75% of the Board of Directors.

(p) To review and to approve architectural changes, alterations or modifications of Lots and the improvements thereon.

(q) To establish fines and penalties for late payment of assessments and for violations of the Declaration, Bylaws and the Rules and Regulations and to provide for the suspension of voting rights of any member, or its Lot occupants as well as the right to use any amenities or recreational facilities during any period in which such member shall be in default in the payment of any assessment levied by the Association and to suspend such voting rights and other privileges for a period not to exceed 60 days after notice and hearing for other infractions.

(r) To impose reasonable charges for services especially provided to one or more Lot Owners which charges or costs should not otherwise be a Common Expense.

(s) To institute, defend or intervene on behalf of the Association in litigation or administrative procedures affecting the Property.

(t) To cause additional improvements to be made to the Common Elements.

(u) To grant easements, leases, licenses, and concessions through or over the Common Elements.

(v) To exercise all other duties to which similar organizations have the power to perform and as by law provided.

Section 11. Persons Who May Serve. Every elected member of the Board shall be a Lot Owner unless the Owner is a corporation, partnership, trust or other legal entity other than a natural person or persons, in which event any officer, director, agent or employee of such corporation, partner of such partnership, beneficiary or trustee of such trust, or manager of such other legal entity, shall be eligible to serve as a member of the Board, but members of the Board appointed by the Declarant need not be Owners.

Section 12. Liability of the Board. The members of the Board of Directors shall not be liable to the Lot Owners for any mistake of judgment, negligence or otherwise except for their own individual willful misconduct or bad faith. The Association shall indemnify and hold harmless each of the members of the Board against all contractual liability to others arising out of contracts made by the Board on behalf of the Association unless any such contracts shall have been made in bad faith or contrary to the provisions of the Declaration or these Bylaws. It is intended that the members of the Board of Directors shall have no personal liability with respect to any contract made by them on behalf of the Association, except to the extent of their liability as Lot Owners. It is also intended that the liability of any Lot Owner arising out of any contracts made by the Board of Directors or out of the aforesaid indemnity in favor of the members of the Board shall be limited to such proportions of the total liability thereunder as his voting interest in the Common Elements bears to the interest of all of the Lot Owners. Every agreement made by the Board or by the manager on behalf of the Association shall provide that the members of the Board of Directors, or the manager, as the case may be, are acting only as agents for the Association, and shall have no personal liability thereunder (except as Lot Owners), and that each Lot Owner's liability thereunder shall be limited to such proportion to the total liability thereunder as its voting interest in the Association bears to the voting interest of all Lot Owners.

ARTICLE VI

MEETINGS OF DIRECTORS

Section 1. Organizational Meeting. The initial Board of Directors shall meet prior to conveyance of the first Lot by the Declarant. No notice to the Directors shall be necessary in order to legally constitute such meeting, provided that a quorum shall be present.

Section 2. Regular Meetings. A regular meeting of the Board shall be held immediately after and at the same place as the annual meeting or substitute annual meeting of the Association. The Board may provide by adoption of an appropriate resolution for the time and place within the County in which the Property is located, for other regular meetings of the Board.

Section 3. Special Meetings. Special meetings of the Board may be called by or at the request of the President or by any two Directors. Such meetings may be held at any place within the County in which the Property is located.

Section 4. Notice of Meetings. Regular meetings of the Board of Directors may be held without notice. The person or persons calling a special meeting of the Board shall give actual notice, oral or written, to all Directors of the time, place and purpose of such meeting at least two days prior thereto.

Attendance by a Director at a meeting shall constitute a waiver of notice of such meeting except where a Director attends the meeting for the express purpose of objecting to the transaction of any business because the meeting was not lawfully called.

Section 5. Waiver of Notice. Any member of the Board of Directors may give written waiver of notice at any time of any meeting of the Board, and such waiver shall be deemed equivalent to the giving of such notice. If all of the members of the Board are present at any meeting thereof, no notice shall be required and any business may be transacted at such meeting.

Section 6. Quorum. A majority of the number of Directors specified in these Bylaws shall be required for and shall constitute a quorum for the transaction of business at any meeting of the Board of Directors.

Section 7. Manner of Acting. Except as otherwise provided in this section, the act of the majority of the Directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.

A vote of a majority of the number of Directors fixed by the Bylaws shall be required to adopt a resolution constituting an executive committee.

Section 8. Organization. Each meeting of the Board of Directors shall be presided over by the President and in the absence of the President, by the Vice President, and in the absence of the Vice President, by any person selected to preside by vote of the majority of the Directors present. The Secretary, or in his absence, an Assistant Secretary, or in the absence of both the Secretary and the Assistant Secretary, any person designated by the presiding officer of the meeting shall act as Secretary of the meeting.

Section 9. Informal Action of Directors. Any action taken by a majority of the Directors without a meeting shall constitute Board action if written consent to the action in question 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 taken.

Section 10. Minutes. The Board, and all committees to which the Board shall have delegated any of its authority, shall keep minutes of all the proceedings of the Board and the committees.

Section 11. Fidelity Bonds. The Board of Directors shall require any officer or employee of the Association handling or responsible for Association funds to be covered by an adequate fidelity bond. The premiums on such bond shall constitute a Common Expense.

ARTICLE VII

OFFICERS

Section 1. Designation. The principal officers of the Association shall be a president, a secretary, a treasurer and such vice presidents, assistant secretaries, assistant treasurers and other officers as the Board of Directors may from time to time elect. Any two or more offices may be held by the same person, except that the office of President and Secretary may not be held by the same person.

Section 2. Election and Term. A director designated by the Declarant shall serve as President so long as the Declarant designates the Board members.

All other officers of the Association shall be elected by the Board of Directors, and such elections may be held at the regular annual meetings of the Board; provided, however, that prior to the first annual meeting, the Declarant shall appoint the officers from among the initial Board.

Each officer shall hold office for a period of one (1) year or until his death, resignation, retirement, removal, disqualification or his successor is elected and qualified.

Section 3. Removal. Any officer or agent elected or appointed by the Board of Directors may be removed by the Board with or without cause, and any officer or agent appointed or designated by the Declarant may be removed by the Declarant with or without cause. Such removal, however, shall be without prejudice to the contract rights, if any, of the person so removed.

Section 4. Compensation. No officer shall receive any compensation, from the Association for acting as such, but the Board may reimburse any officer for any direct expenses incurred by him in the performance of his duties as such officer and such reimbursement shall be a Common Expense.

Section 5. President. The President shall be the principal executive officer of the Association and, subject to the control of the Board of Directors, shall supervise and control the management of the Property. The President shall, when present, preside at all meetings of the Board and of the Association, and, in general, shall perform all duties incident to the office of the President and such other duties as may be prescribed from time to time by the Board. The President shall prepare, execute (with the Secretary), certify, and record amendments to the Declaration on behalf of the Association.

Section 6. Vice President. The Vice President, and if there be more than one, the Vice Presidents shall, in the absence or disability of the President, have the powers and perform the duties of said office. In addition, each Vice President shall perform such other duties and have such other powers as shall be prescribed by the President.

Section 7. Secretary. The Secretary shall keep accurate records of the acts and proceedings of all meetings of the Association and of the Board. The Secretary shall give, or cause to be given, all notices required by law and these Bylaws, and the Secretary shall have general charge of the minute books and records of both the Association and of the Board. The Secretary shall sign such instruments as may require his signature, and, in general, shall perform all duties incident to the office of Secretary and such other duties as may be assigned to him from time to time by the President or by the Board of Directors.

Section 8. Treasurer. The Treasurer shall have custody of all Association funds and securities and shall receive, deposit, or disburse the same under the direction of the Board of Directors. He shall keep full and accurate records of the finances of the Association in books specially provided for that purpose. He shall cause a true statement to be prepared as of the close of each fiscal year setting forth, in reasonable detail, the assets and liabilities of the Association, the changes in surplus for such fiscal year, and the result of the

operations of the Association. The statement shall be filed and kept available for inspection by any Lot Owner for a period of three (3) years and the Treasurer shall mail or otherwise deliver a copy of the latest statement to each Lot Owner and member of the Board of Directors annually on or before 30 days prior to the annual meeting of the Association covering the preceding calendar year. The Treasurer shall also prepare and file all reports and returns required by Federal, State or local laws, and shall generally perform all other duties as may be assigned to him from time to time by the President or the Board of Directors.

Section 9. Assistant Secretaries and Treasurers. The Assistant Secretaries and Assistant Treasurers, if any, shall, in the absence or disability of the Secretary or the Treasurer, respectively, have all the powers and perform all of the duties of those officers, and they shall, in general, perform such other duties as shall be assigned to them by the Secretary or Treasurer, respectively, or by the President or Board of Directors.

ARTICLE VIII

OPERATION OF THE PROPERTY

Section 1. Determination of Common Expenses and Fixing of Common Expense. The Board of Directors, from time to time, and at least annually, shall prepare a budget for the Common Elements, determine the amount of the "Common Expenses" (as defined in the Declaration) payable by the Lot Owners to meet the expenses of the Common Elements, and shall allocate and assess the Common Expenses among the Lot Owners thereof as set forth in the Declaration. A part of the Common Expenses of the Common Elements shall include, among other things, and without limitation, the administrative expenses of the Association, and maintenance, repair and replacement costs of the Common Elements, utilities costs, Lot acquisition costs and the costs of all premiums for insurance obtained pursuant to the provisions of the Declaration. The budget of the Association in the discretion of the Board, and as necessary, may include, without limitation, amounts for: funding deficits for any prior year; a reserve for working capital; a reserve for maintenance and replacement; and a general operating reserve.

Section 2. Payment of Common Expenses. All Lot Owners shall be obligated to pay the Common Expenses assessed by the Board of Directors pursuant to the provisions of Section 1 of this Article at such time or times as the Board shall determine.

No Lot Owner shall be liable for the payment of any part of the Common Expenses assessed against his Lot subsequent to a consummated sale, transfer or other conveyance by him (made in accordance with the provisions of the Declaration and applicable restrictions of record) of such Lot. A purchaser of a Lot shall be jointly and severally liable with the seller for the payment of the Common Expenses assessed against such Lot prior to the acquisition by the purchaser of such Lot, without prejudice to the purchaser's right to recover from the seller the amounts paid by the purchaser therefor. Provided, that a first-lien mortgagee or other purchaser of a Lot at a foreclosure sale of such Lot shall not be liable for, and such Lot shall not be subject to, a lien for the payment of Common Expenses assessed prior to such foreclosure sale, and such unpaid

Common Expenses shall be deemed to be Common Expenses collectible from all of the Lot Owners, including such purchaser, his successors and assigns.

Section 3. Collection of Assessments. After the first Lot is sold, the Board of Directors shall assess Common Expenses against the Lot Owners from time to time and at least annually and shall take prompt action to collect any Common Expenses due from any Lot Owner which remains unpaid for more than thirty (30) days from the due date of the payment thereof. In the event of an increase in such Common Expenses, the Board of Directors shall advise each Lot Owner, in writing, of such increased assessment at least one month prior to the date of which the first increased payment is due.

Section 4. Default in Payment of Common Expenses. In the event of default by any Lot Owner in paying to the Board of Directors the Common Expenses as determined by the Board, such Lot Owner shall be obligated to pay interest at the rate of twelve (12%) per cent per annum on such Common Expenses from the due date thereof, together with a penalty established by the Board for nonpayment and with all expenses, including reasonable attorneys' fees incurred by the Board in any proceeding brought to collect such unpaid Common Expenses. The Board shall have the right and duty to attempt to recover such Common Expenses, together with penalties and the interest thereon and the expenses of the proceeding, including reasonable attorneys' fees in any action to recover the same brought against such Lot Owner, or by foreclosure of the lien on such Lot.

Default in payment of the Common Expenses assessed against any Lot shall occur thirty (30) days after the due date thereof, if not then paid.

Section 5. Foreclosure of Liens for Unpaid Common Expenses. In any action brought by the Board to foreclose on a Lot because of unpaid Common Expenses, the Lot Owner shall be required to pay a reasonable rental for the use of his Lot, and the plaintiff in such foreclosure action shall be entitled to the appointment of a receiver to collect the same. The Board, acting on behalf of all Lot Owners, or on behalf of any one or more individual Lot Owners, if so instructed, shall have the power to purchase such Lot at the foreclosure sale and to acquire, hold, lease, mortgage, convey, or otherwise deal with the same, subject, however, to applicable restrictions of record. A suit to recover money judgment for unpaid Common Expenses may be maintainable without foreclosing or waiving the lien securing the same.

Section 6. Statement of Common Expenses. The Board of Directors shall promptly provide any Lot Owner, its grantee or contract purchaser making written request therefor, a written statement of all unpaid Common Expenses due from such Lot Owner.

Section 7. Maintenance and repair.

(a) Maintenance of Lots. All maintenance and repairs to any Lot, ordinary or extraordinary (other than maintenance of and repairs to any portion thereof required to be maintained by the Association) shall be made by the Owner of such Lot.

(b) Maintenance of Common Elements. All maintenance, repairs and replacements to the Common Elements, whether located inside or outside of the Lots (unless necessitated by the negligence, misuse or neglect of a Lot Owner, his guests, lessees, employees, servants or invitees, in which case such expense shall be charged to such Lot Owner), shall be made by the Board and shall be charged to all Lot Owners as a Common Expense of the Property.

Section 8. Use of Common Elements. The Common Elements shall be used only for the purposes for which they are intended in furnishing services and facilities for the enjoyment of the Lots.

Until all of the Lots of the Declarant referred to in Article I, Section 1, hereof have been sold, neither the Lot Owners nor the Board shall interfere with the sale of additional Lots. Declarant may make such use of the unsold Lots and the Common Elements as may facilitate such completion and sale, including, but not limited to, the rental of the same, showing of the Lots and the display of signs and maintenance of a sales office.

Section 9. Rules of Conduct. Rules and Regulations concerning the use of the Common Elements may be promulgated and amended by the Board. Copies of such Rules and Regulations shall be furnished by the Board to each Lot Owner, and all amendments and new Rules and Regulations shall be furnished to Lot Owners prior to the time that amendment or new rule or regulation becomes effective.

Section 10. Utility Charges. All charges for utilities used in connection with the maintenance and use of the Common Elements shall be a Common Expense.

ARTICLE IX

RECORDS AND AUDITS

The Board of Directors or the manager shall keep detailed records of actions of the Board and the manager, minutes of the meetings of the Board of Directors, minutes of meetings of the Association, and financial records and books of accounts, including a chronological listing of receipts and expenditures, which, among other things, shall contain the amount of each assessment of the Common Expenses against each Lot, the date when due, and amounts paid thereon, and the balance remaining unpaid, and including maintenance and repair expenses of the Common Elements and any other expenses incurred. The financial record and books of account shall be available for examination by any Lot Owner or his duly authorized agent or attorney at convenient hours on working days by prior arrangement with the Board or the manager. An outside audit of all receipts and expenditures of the Association and Property shall be rendered by the Board and available, upon request, to all Lot Owners on or before the 90th day following the close of each fiscal year, covering the preceding year. All books and records shall be kept in accordance with good and accepted accounting practices. A copy of the audit shall be furnished to all mortgagees of Lots who have requested the same.

ARTICLE X

OPERATION PRIOR TO INITIAL MEETING OF BOARD

Prior to the first meeting of the initial Board of Directors, all functions of the Association and of the Board of Directors as herein set forth shall be performed and carried out by the Declarant through its officers and agents.

ARTICLE XI

AMENDMENT OF BYLAWS

Section 1. Amendment by Owners. Except as provided in Section 2 below, these Bylaws may be amended by the affirmative vote of the voting members having at least sixty-seven percent (67%) of the aggregate voting interests, cast in person or by proxy at a meeting duly held in accordance with the provisions of the Bylaws, unless class voting is required as per N.C. Gen. Stat. § 55A-10-22, in which case the terms of the statute shall control.. Such amendment shall be executed in the name of the Association and recorded in the Office of the Register of Deeds of the county in which the Property is located. No such amendment shall be effective until duly recorded as aforesaid.

Section 2. Amendment by Declarant or the Board. The Declarant, for so long as it controls the Board and remains a Class B member, may amend these Bylaws without the consent of the Owners:

(a) To conform to the requirements of any law or governmental agency having legal jurisdiction over the Property or to qualify the Property or any Lots therein for mortgage or improvement loans made or insured by a governmental agency, Federal National Mortgage Association or Government National Mortgage Association or to comply with the requirements of law or regulations of any corporation or agency regarding purchase of mortgage interests in Lots by such agency.

(b) To further completion and development of the project as by the Declaration or by law provided and to facilitate and exercise any rights reserved unto Declarant as provided on the Declaration or by law.

Section 3. Amendment Prior to Sale of Lot. Declarant shall have the right to amend these Bylaws at any time prior to recording of the sale of the first Lot to an Owner.

Section 4. Amendment Approval by VA/FHA. During the period of Declarant control of the Board any amendment to these Bylaws must first be approved by VA and/or FHA, if these Bylaws have first been approved by those agencies.

ARTICLE XII

CONFLICTS

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.

CERTIFICATION

I, the undersigned, do hereby certify:

THAT I am the duly elected and acting President of Cross Gate Community Association, Inc.; 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 30TH day of DECEMBER, 1994.

IN WITNESS WHEREOF, I have executed this Certification in the name of and on behalf of Cross Gate Community Association, Inc. this 30TH day of DECEMBER, 1994.

CROSS GATE COMMUNITY ASSOCIATION, INC.

By: Thomas D. Tullo
President

MANNING, FULTON & SKINNER, P.A.
ATTORNEYS AT LAW
RALEIGH, NORTH CAROLINA

HOWARD E. MANNING
CHARLES L. FULTON
WILLIAM P. SKINNER, JR.
JOHN B. MCMILLAN
W. GERALD THORNTON
HOWARD E. MANNING, JR.
CHARLES B. MORRIS, JR.
MICHAEL T. MEDFORD
SAMUEL T. OLIVER, JR.
JOHN I. MABE, JR.
DAVID D. DAHL
CHARLES E. NICHOLS, JR.
BARRY D. MANN
LINDA K. WOOD
JOHN C. DORSEY
DAVID J. WITHERT
WILLIAM C. SMITH, JR.
DEBORAH L. HILDEBRAN
STEPHEN T. BYRD
H. FOREST HORNE, JR.
MICHAEL S. HARRELL
ALISON R. CAYTON
SAMUEL W. WHITT
DAVID T. PRYZWANSKY
CARY E. CLOSE
KRISTEN GARDNER LINGO

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27612

P.O. BOX 20389
ZIP CODE 27619-0389

T. MICHAEL MCLARRY 1950-1987

AREA CODE 919
TELEPHONE: 787-8880
TELECOPIER: 787-8902

January 24, 1995

BY HAND DELIVERY

Mr. W. Vernon Hess
Community Properties, Inc.
3600 Glenwood Avenue, Suite 150
Raleigh, North Carolina 27612

Re: Cross Gate Subdivision - Homeowners Association Documents;
Our File T08388-16436

Dear Vernon:

Enclosed are the following original recorded documents for the Cross Gate Subdivision:

1) Covenants, Conditions and Restrictions for Cross Gate Subdivision, recorded on December 19, 1994 in Book 6380, page 422 Wake County Registry.

2) Articles of Incorporation of Cross Gate Community Association, Inc. filed in the N.C. Secretary of State's office December 19, 1994.

3) Withdrawal of Declaration of Master Covenants, Conditions and Restrictions of Chateau La Pointe North recorded December 19, 1994 in Book 6380, page 418 Wake County Registry.

I am also enclosing another original of the Bylaws for the Community Association. Please have the President of the Community Association sign the Bylaws, and you may keep the original for your records, however please send to me a copy of the signed Bylaws.

If you have any questions on this, please do not hesitate to contact me. With best wishes we remain,

Sincerely yours,

MANNING, FULTON & SKINNER, P.A.

Alison

Alison R. Cayton

UNANIMOUS WRITTEN CONSENT

OF THE

BOARD OF DIRECTORS

OF

CROSS GATE COMMUNITY ASSOCIATION, INC.

The undersigned, constituting all the members of the Board of Directors of Cross Gate Community Association, Inc., do hereby consent in writing to the election of the following officers:

Thomas L. Fonville, President

William Vernon Hess, Secretary

Ronald L. Wilson — Dec 12, 1994
Date

Thomas L. Fonville — 12/13/94
Date

John C. Morisey, Jr. — 12-13-94
Date

Prepared by and
Return to Alison R. Cayton of Manning, Fulton & Skinner, P.A.

BK6380PG0422

PRESENTED FOR REGISTRATION
94 DEC 19 AM 11:11
KENNETH C. WILKINS
REGISTER OF DEEDS
WAKE COUNTY

COVENANTS, CONDITIONS AND RESTRICTIONS FOR CROSS GATE SUBDIVISION

THIS DECLARATION is made on the date hereinafter set forth by Bent Tree Limited Liability Company, a North Carolina limited liability company, with its principal place of business in Wake County, North Carolina hereinafter referred to as "Declarant."

W I T N E S S E T H:

WHEREAS, Declarant is the owner of certain property in County of Wake, State of North Carolina, which is more particularly described as follows:
ALL of that property shown on Exhibit A attached hereto, the description of which is incorporated herein by reference.

WHEREAS, it is the intent of the Declarant hereby to cause such land to be subjected to this Declaration of Covenants, Conditions and Restrictions.

NOW, THEREFORE, Declarant hereby declares that all of the property described above shall be held, sold and conveyed subject to the following easements, restrictions, covenants and conditions, which are for the purpose of protecting the value and desirability of, and which shall run with, such real property and be binding on all parties having any right, title or interest in the described property or any part thereof, their heirs, successors and assigns, and shall inure to the benefit of each owner thereof.

ARTICLE I
DEFINITIONS

SECTION 1. "Association" shall mean and refer to Cross Gate Community Association, Inc., its successors and assigns.

SECTION 2. "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, as hereinafter defined, including contract sellers, but excluding those having such interest merely as security for the performance of an obligation.

SECTION 3. "Properties" shall mean and refer to that certain real property hereinabove described, and such additions thereto as may hereafter be brought within the jurisdiction of the Association.

SECTION 4. "Common Area" shall mean all real property owned by the Association for the common use and enjoyment of the Owners.

Declarant reserves the right, in its sole discretion, to convey from time to time additional property to the Association, which property may include all or any portion of the Properties, including any additional land annexed by Declarant pursuant to Article IX, Section 4 hereof and the Association shall accept any such conveyance