

BYLAWS
OF
OAK RUN TOWNHOUSES HOMEOWNERS ASSOCIATION, INC.

ARTICLE I

NAME AND LOCATION

The name of the corporation is Oak Run Townhouses Homeowners Association, Inc., hereinafter referred to as the "Association". The principal office of the corporation shall be located at 3223 Avent Ferry Road, Raleigh, North Carolina, but meetings of members and directors may be held at such places within the State of North Carolina, County of Wake, as may be designated by the Board of Directors.

ARTICLE II

DEFINITIONS

Section 1. "Association" shall mean and refer to Oak Run Townhouses Homeowners Association, Inc., its successors and assigns.

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

Section 3. "Common Area" shall mean all real property owned by the Association for the common use and enjoyment of all members or designated classes of members of the Association, and all water lines located outside of the city streets or rights of way and all sewer lines located outside of either street rights of way or City of Raleigh sewer easements which serve the property except water and sewer lines located on any Lot.

Section 4. "Lot" shall mean and refer to any plot of land shown upon any recorded subdivision map of the Properties with the exception of the Common Area.

Section 5. "Member" shall mean and refer to every person or entity who holds membership in the Association.

Section 6. "Owner" shall mean and refer to the record owner, whether one or more persons or entities, of a fee simple title to any Lot which is a part of the Properties,

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

Section 7. "Declarant" shall mean and refer to ORT Associates, a North Carolina general partnership, its successors and assigns, if such successors or assigns should acquire more than one undeveloped Lot from the Declarant for the purposes of development.

Section 8. "Declaration" shall mean and refer to the Declaration of Covenants, Conditions, and Restrictions applicable to the Properties recorded in the Office of the Register of Deeds of Wake County, North Carolina.

ARTICLE III

MEMBERSHIP

Section 1. Membership. Every person or entity who is a record owner of a fee or undivided fee interest in any Lot which is subject by covenants of record to assessments by the Association, including contract sellers, shall be a member of the Association. The foregoing is not intended to include persons or entities who hold an interest merely as security for the performance of an obligation. No Owner shall have more than one membership. Membership shall be appurtenant to and may not be separated from ownership of any Lot which is subject to assessment by the Association. Ownership of such Lot shall be the sole qualification for membership. As evidence of each Owner's membership, each Owner shall deliver to the office of the Association a photocopy of the page(s) of his deed(s) which contains the name of the member and the Lot(s) owned by such member.

Section 2. Suspension of Membership. During any period in which a member shall be in default in the payment of any annual or special assessment levied by the Association, the voting rights and right to use of the recreational facilities of such member may be suspended by the Board of Directors until such assessment has been paid. Such rights of a member may also be suspended, after notice and hearing, for a period not to exceed 60 days, for violation of any rules and regulations established by the Board of Directors governing the use of the Common Area and facilities.

ARTICLE IV

PROPERTY RIGHTS: RIGHTS OF ENJOYMENT

Section 1. Each member shall be entitled to the use and enjoyment of the Common Area and facilities as provided in the Declaration. Any member may delegate his rights of enjoyment of the Common Area and facilities to the members of his family, his tenants or contract purchasers, who reside on the property. Such member shall notify the secretary, in writing, of the name of any such delegee. The rights and privileges of such delegee are subject to suspension to the same extent as those of the member.

ARTICLE V

BOARD OF DIRECTORS: SELECTION AND TERM OF OFFICE

Section 1. Number and Qualification. Until Clas B shares become Class A shares, as provided in the Articles of Incorporation of this Association, the affairs of this Association shall be managed by a board of three directors who need not be members of the Association, and who may be appointed by the Declarant.

Section 2. Election and Term of Office. At the first annual meeting of the members following the date on which all Class B shares are converted to Class A shares and at each annual meeting thereafter three (3) directors shall be elected by secret ballot and those persons who receive the highest number of votes shall be deemed to have been elected.

Section 3. Removal. Any director may be removed from the Board, with or without cause, by a vote of a majority of the entire membership of the 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. Compensation. No director shall receive compensation for any service he may render to the Association in the capacity of director. However, any director may be reimbursed for his actual expenses incurred in the performance of his duties.

ARTICLE VI

MEETINGS OF DIRECTORS

Section 1. Regular Meetings. Regular meetings of the Board of Directors shall be held monthly without notice, at such place and hour as may be fixed from time to time by resolution 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 directors, after not less than three (3) days notice to each director or upon written request of the members who are entitled to vote one-fourth (1/4) of all the votes of the entire membership.

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. 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 the directors. Any action so approved shall have the same effect as though taken at a meeting of the directors.

ARTICLE VII

NOMINATION AND ELECTION OF DIRECTORS

Section 1. Nomination. Nomination for election to the Board of Directors shall be made by Nominating Committee. Nominations may also be made from the floor at the annual meeting. The Nominating Committee shall consist of a Chairman, who shall be a member of the Board of Directors, and two or more members of the Association. The Nominating Committee shall be appointed by the Board of Directors prior to each annual meeting of the members, to serve from the close of such annual meeting until the close of the next annual meeting 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.

Section 2. Election. Election to the Board of Directors shall be by secret ballot.

At such election the members 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 VIII

POWERS AND DUTIES OF THE BOARD OF DIRECTORS

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

(a) To adopt or amend and publish rules and regulations governing the use of the Common Area and facilities, and the personal conduct of the members and their guests thereon, and to establish penalties for the infraction thereof;

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

(c) To declare the office of a member of the Board of Directors to be vacant in the event such member shall be absent from three consecutive regular meetings of the Board of Directors; and

(d) To employ (or remove from employment) a manager, an independent contractor, or such other employees as they deem necessary, and to describe their duties.

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

(a) To cause to be kept a complete record of all its acts and corporate affairs and, if requested in writing by one-fourth (1/4) of the Class A members who are entitled to vote, to present a statement thereof to the members at the annual meeting of the members or at any special meeting;

(b) To supervise all officers, agents, and employees of this Association, and to see that their duties are properly performed;

(c) As more fully provided herein and in the Declaration:

- (1) to fix the amount of the annual assessment against each Lot at least thirty days in advance of each annual assessment period, as hereinafter provided in Article XII; and
- (2) to send written notice of each assessment to every Owner subject thereto at least thirty days in advance of each annual assessment period; and
- (3) to foreclose the lien against any property for which assessments are not paid within thirty days after due date; and
- (4) to bring an action at law against the owner personally obligated to pay delinquent assessments either for a money judgment without foreclosing or waiving said lien or for a deficiency money judgment following foreclosure.

(d) To insure, or to cause an appropriate officer to issue, upon demand by any person, a certificate setting forth whether any assessment has been paid. A reasonable charge may be made by the Board for the issuance of these certificates. Such certificate shall be conclusive evidence of any assessment therein stated to have been paid;

(e) To procure and maintain adequate liability insurance, and to procure adequate hazard insurance on property owned by the Association;

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

(g) To cause the Comon Area to be maintained;

(h) To cause the exterior of the dwelling to be maintained.

(i) To pay all taxes, charges, liens or assessments levied against the Association or its Common Area.

COMMITTEES

Section 1. The Board of Directors shall appoint an Architectural Control 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 purposes.

Section 2. It shall be the duty of each committee to receive complaints from members on any matter involving Association functions, duties, and activities within its field of responsibility. It shall dispose of such complaints as it deems appropriate or refer them to such other committee, director, or officer of the Association as is further concerned with the matter presented.

ARTICLE X

MEETINGS OF MEMBERS

Section 1. Annual Meetings. The annual meeting of the members shall be held on the third Thursday in the month of January of each year at the hour of 7:30 o'clock p.m., and at such place as 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 the votes of the entire membership or who are entitled to vote one-fourth (1/4) of the votes of the Class A membership.

Section 3. Notice of Meetings. Written notice of each meeting of the members unless otherwise provided in the Articles of Incorporation, the Declaration or these Bylaws, 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 15 days prior to 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.

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 each class of membership 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.

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 XI

OFFICERS AND THEIR DUTIES

Section 1. Enumeration of Officers. The officers of this Association shall be a President and a Vice-President, who shall at all times be members of the Board of 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 each annual meeting of the members.

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

Section 4. Special Appointments. The Board may elect such other officers as the affairs of the Association may require, each of who shall hold office for such period, have such authority, and perform such duties as the Board may, from time to time, determine.

Section 5. Resignation and Removal. Any officer may be removed from office with or without cause by the Board. Any officer may resign at any time by giving

written notice to the Board, the President, or the Secretary. Such resignation shall take effect on the date of receipt of such notice or at any later time specified therein, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 6. Vacancies. A vacancy in any office may be filled in the manner prescribed for regular election. The officer elected to such vacancy shall serve the remainder of the term of the officer he replaces.

Section 7. Multiple Offices. The offices of Secretary and Treasurer may be held by the same person. No person shall simultaneously hold more than one of any of the other offices except in the case of special offices created pursuant to Section 4 of this Article.

Section 8. Duties. The duties of the officers are as follows:

(a) President — The President shall preside at all meetings of the Board of Directors and all meetings of the members; shall see that orders and resolutions of the Board are carried out; shall sign all leases, promissory notes, mortgages, deeds, and other written instruments and may sign all checks.

(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 — 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 or cause to be served notice of meetings of the Board and of the members; keep or cause to be kept appropriate current records showing the members of the Association together with their addresses, and shall perform such other duties as required by the Board.

(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 Board of Directors; 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 public accountant within 90 days following the end

of each fiscal year and, upon request of any member, furnish him or her with a copy of said audit; and shall prepare an annual budget and a statement of income and expenditures to be presented to the membership at its regular annual meeting, and deliver a copy of each to the members; issue certification upon demand whether assessments on a specified Lot have been paid. The Treasurer may, if the Board approves, delegate any of the foregoing duties to a person or company employed by the Association to provide management, financial or accounting services.

ARTICLE XII

ASSESSMENTS

Section 1. Creation of the Lien and Personal Obligation Assessments. By the Declaration each member is deemed to covenant and agree to pay to the Association: (1) annual assessments or charges, and (2) special assessments for capital improvements. The annual and special assessments, together with such interest thereon and costs of collection thereof, as hereinafter provided, shall be a charge on the land and shall be a continuing lien upon the property against which each such assessment is made. Each such assessment, together with interest, costs, and reasonable attorney's fees, shall also be the personal obligation of the person who was the Owner of such property at the time when the assessment fell due and shall not pass to his successors in title as a personal obligation unless expressly assumed by them, regardless of the fact that it is a lien on the property purchased.

Section 2. Purpose of Assessments. The assessments levied by the Association shall be used exclusively for the purpose of promoting the beautification of the Properties, recreation, health, safety, and welfare of the residents in the Properties and for the improvement and maintenance of the Common Area, and of those homes situated upon the Properties. The Homeowners Association shall be responsible for the payment of premiums for liability insurance, payment of local ad valorem taxes on Common Areas, payment of assessments for public and private capital improvements made to or for the benefit of the Common Areas and maintenance of recreational and other facilities located on the Common Areas.

Section 3. Basis and Maximum of Annual Assessments. Until December 31, 1985, the maximum annual assessment shall be Three Hundred Thirty Dollars (\$330.00) per Lot.

(a) From and after December 31, 1985, the maximum annual assessments may be increased effective January 1 of each year without a vote of the membership, provided the increase is not more than ten percent (10%) above the maximum assessment for the previous year.

(b) From and after December 31, 1985, the maximum annual assessments may be increased above ten percent (10%) by a vote of two-thirds (2/3) of each class of members who are voting in person or by proxy at a meeting called for this purpose, written notice of which shall be sent to all members not less than 30 days nor more than 60 days in advance of the meeting setting forth the purposes of the meeting.

(c) After consideration of the current maintenance costs and future needs of the Association, the Board of Directors may fix the annual assessments at an amount not in excess of the maximums.

Section 4. Special Assessments for Capital Improvements. In addition to the annual assessments authorized above, the Association may levy in any assessment year a special assessment applicable to that year only, for the purpose of defraying, in whole or in part, the cost of any construction or reconstruction, unexpected repair or replacement of a described capital improvement upon the Common Area, including the necessary fixtures and personal property related thereto, provided that any such assessment shall have the assent of two-thirds (2/3) of the votes of each class of members who are voting in person or by proxy at the annual meeting or at a meeting duly called for this purpose, written notice of which shall be sent to all members not less than 30 days nor more than 60 days in advance of the annual or special meeting setting forth the purpose for which the special assessment will be considered. The amount of the proposed special assessment need not be stated.

Section 5. Uniform Rate of Assessment. Annual assessments must be fixed at a uniform rate for all Lots and may be collected on a monthly basis. Special assessments shall be fixed in the same manner.

Section 6. Quorum For Any Action Authorized Under Section 3(b) and Section 4.

At the first meeting called, as provided in Section 3(b) and Section 4 hereof, the presence at the meeting of members or of proxies entitled to cast sixty percent (60%) of all the votes of each class of 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 Section 4, and the required quorum at any such subsequent meeting shall be one-half (1/2) of the required quorum at the preceding meeting. No such subsequent meeting shall be held more than sixty (60) days following the preceding meeting.

Section 7. Date of Commencement of Annual Assessments: Due Dates. The annual assessment provided for herein shall commence as to all Lots on the first day of the month following the conveyance of the Common Area. The first annual assessment shall be adjusted according to the number of months remaining in the calendar year. The Board of Directors shall fix the amount of the annual assessment against each Lot at least 30 days in advance of each annual assessment period. Written notice of the annual assessment shall be sent to every Owner subject thereto. The due dates shall be established by the Board of Directors. The Association shall, upon demand at any time, furnish a certificate in writing, signed by an officer of the Association, setting forth whether the assessments on a specified Lot have been paid. A reasonable charge may be made by the Board for the issuance of these certificates. Such certificates shall be conclusive evidence of payment of any assessment therein stated to have been paid.

Section 8. Effect of Nonpayment of Assessments: Remedies of the Association. Any assessments which are not paid when due shall be delinquent. If the assessment is not paid within 30 days after the due date, the assessment shall bear interest from the date of delinquency at the rate of eight percent (8%) per annum, and the Association may, as by law provided, file a lien against the Lot for all sums due and foreclose on said lien, and also may bring an action at law against the Owner personally obligated to pay the same either for a money judgment without foreclosing or waiving the lien or for a deficiency money judgment following foreclosure, and interest, costs, late payment

charges, and reasonable attorney's fees shall be added to the amount of such assessment. No Owner may waive or otherwise escape liability for the assessments provided for herein by non-use of the Common Area or abandonment of his Lot.

Section 9. Subordination of the Lien to Mortgages. The lien for assessments provided for herein shall be subordinated to the lien of a first mortgage. Sale or transfer of any Lot shall not affect the assessment lien. However, the sale or transfer of any Lot which is subject to a first mortgage, pursuant to a power of foreclosure sale under such mortgage or any proceeding in lieu of foreclosure thereof, shall extinguish the lien of such assessment as to payments thereof which became due prior to such sale or transfer. No foreclosure sale or transfer shall relieve such Lot from liability for any assessments thereafter becoming due or from the lien thereof.

Section 10. Exempt Property. The following property subject to the Declaration shall be exempt from the assessments created therein: (a) all properties dedicated to and accepted by a local public authority and (b) the Common Area. However, no land or improvement devoted to dwelling use shall be exempt from said assessments.

ARTICLE XIII

BOOKS AND RECORDS

The books, records, and papers of the Association shall at all times, during reasonable business hours, be subject to inspection by any member, or their agents duly authorized in writing. 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 XIV

CORPORATE SEAL

The Association shall have a seal in circular form having been its circumference the words "OAK RUN TOWNHOUSES HOMEOWNERS ASSOCIATION, INC." and in its center the words "COROPORATE SEAL".

ARTICLE XV

AMENDMENTS

Section 1. Any portion or all of these Bylaws may be amended from time to time by a two-thirds (2/3) vote of a quorum of the members of the Board of Directors after 30 days written notice of the proposed change except Articles I and II, Article III, Section 1, Article IV, Article V, Sections 2 and 4, Article XII, and Article XIII. These Articles may be amended only by the members 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, and as long as there is Class B membership, must have the prior approval of the Veterans Administration, Federal Housing Administration, and the Federal National Mortgage Association.

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. In case of conflict between the Articles of Incorporation and the Declaration, the Declaration shall control.

ARTICLE XVI

MISCELLANEOUS

The fiscal year of the Association shall begin on the 1st 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 the OAK RUN TOWNHOUSES HOMEOWNERS ASSOCIATION, INC., have hereunto set our hands this 13th day of August, 1985.

Judith Floyd
Judith Floyd

Harold Glenn Carroll, Jr.
Harold Glenn Carroll, Jr.

Jean K. Carroll
Jean K. Carroll

CERTIFICATION

I, the undersigned, do hereby certify:

THAT I am the duly elected and acting Secretary of Oak Run Townhouses Homeowners Association, Inc., a North Carolina general partnership, 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 _____, 1985.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed the seal of said Association this 13th day of August, 1985.

Jean K. Carrell
Secretary