

**THE BYLAWS
OF
ANNISTON HOMEOWNERS ASSOCIATION, INC.**

ARTICLE I

NAME AND LOCATION

The name of the corporation is Anniston Homeowners Association, Inc. hereinafter sometimes referred to as the "Association". The principal office of the corporation shall be located in Mecklenburg County, North Carolina, and meetings of members and directors may be held at such places within Mecklenburg County, North Carolina, as may be designated by the Board of Directors.

ARTICLE II

DEFINITIONS

The Definitions set out in ARTICLE I of the Declaration of Covenants, Conditions and Restrictions for Anniston recorded in Book 1617 at Page 1924 in the Iredell County, North Carolina Public Registry, as the same may be amended from time to time (the "Declaration") are adopted as part of the Bylaws of the Association and are incorporated herein by reference.

ARTICLE III

ADMINISTRATION OF ANNISTON

Section 1. Authority and Responsibility. Except as otherwise specifically provided in the Declaration, the Association shall be responsible for administering, operating and managing the Common Areas and the Common Open Spaces.

Section 2. Official Action. Unless specifically required in the Declaration, all actions taken or to be taken by the Association shall be valid when such are approved by the Board of Directors as hereinafter set forth or when taken by the committee, person or entity to whom such authority has been duly delegated by the Board of Directors as set forth in the Declaration or these Bylaws. The Association and its Board of Directors, officers and Members (as defined herein below) shall at all times act in conformity with the North Carolina Nonprofit Corporation Act as set forth in Chapter 55A of the North Carolina General Statutes, the North Carolina Planned Community Act as set forth in Chapter 47F of the North Carolina General Statutes, and the Declaration.

ARTICLE IV

OFFICES - SEAL - FISCAL YEAR

Section 1. Principal Office; Registered Office. The initial principal office and registered office of the Association shall be located at 17824 Statesville Road, #112, Cornelius, North Carolina 28031 and such principal office is located in Mecklenburg County, North Carolina.

Section 2. Other Offices. The Association may have other offices at such other places within the State of North Carolina as the Board of Directors may from time to time determine or as the affairs of the Association may require.

Section 3. Fiscal Year. The fiscal year of the Association shall be the calendar year.

ARTICLE V

MEMBERSHIP

Membership in the Association ("Membership") shall be limited to the Owners, and every Owner of a Lot shall automatically be a member (a "Member") of the Association. Membership in the Association shall be appurtenant to and may not be separated from Lot ownership. Membership in the Association shall inure automatically to Owners upon acquisition of the fee simple title (whether encumbered or not) to any one or more Lots. The date of recordation in the Office of the Register of Deeds of Iredell County of the conveyance of the Lot in question shall govern and determine the date of ownership of each particular Lot. However, in the case of death, the transfer of ownership shall occur on the date of death, in the case of intestacy, or the date of probate of the will, in the case or testacy. Until a decedent's will is probated, the Association may rely on the resumption that a deceased Owner died intestate.

ARTICLE VI

MEETINGS OF MEMBERS AND VOTING RIGHTS

Section 1. Annual Meetings. A meeting of the Members shall be held at least once each year (an "Annual Meeting"). The first Annual Meeting of the Members shall be held on the date and hour designated by Declarant. Thereafter, the Annual Meeting of the Members shall be held on the second Monday in January of each year at 6:30 p.m., Eastern Standard Time. If the second Monday in January shall be a legal holiday, the Annual Meeting shall be held at the same hour on the first day following which is not a legal holiday. At Annual Meetings, the Board of Directors shall be elected in accordance with these Bylaws and the Members shall transact such other business as may properly come before them.

Section 2. Substitute Annual Meetings. If an Annual Meeting shall not be held on the day designated by these Bylaws, a substitute Annual Meeting (a "Substitute Annual Meeting") may be called in accordance with the provisions of Sections 3 and 4 below. A meeting so called shall be designated and treated for all purposes as the Annual Meeting.

Section 3. Special Meetings. After the first Annual Meeting of the Members, special meetings of the Members ("Special Meetings") may be called at any time by the President of the Association, by a majority vote of the Board of Directors, or upon written request to the corporation's Secretary by the Members entitled to ten percent (10%) of the votes describing the purpose or purposes for which it is to be held. Business to be acted

pon at all Special Meetings shall be confined to the subjects stated in the notice of such meetings.

Section 4. Notices of Meetings. Written or printed notice stating the time and place of all Membership meetings, including Annual Meetings and Special Meetings shall be delivered not less than ten (10) nor more than sixty (60) days before the date of any such Membership meeting, either personally or by mail, to the address of each Lot or to such other mailing address designated in writing by the Owner of the Lot. It shall be the primary responsibility of the Secretary to give the notice, but notice may be given by any other officer. If mailed, such notice shall be deemed to be effective when deposited in the United States mail with postage thereon prepaid, correctly addressed to the Member's address shown in the Association's current record of Members.

The Notice of a Membership meeting shall specifically state the time and place of the Meeting, and the items on the agenda, including the general nature of any proposed amendment to the Declaration of these Bylaws, any budget changes, and any proposal to remove a Director or officer.

Section 5. Quorum. Except as otherwise provided in these Bylaws, the presence in person or by proxy of Members entitled to cast ten percent (10%) of the votes which may be cast for election of the Board of Directors shall constitute quorum at all meetings of the Members, except as otherwise provided in the Articles of Incorporation, the Declaration or these Bylaws. If a quorum is not present or represented at any meeting, the Members who are present and who are entitled to vote shall have the power to adjourn the meeting from time to time, without notice other than the announcement at the meeting, until a quorum is present or is represented.

The Members at any meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough Members to leave less than a quorum.

Section 6. Voting Rights. The voting rights of the Membership shall be appurtenant to the ownership of the Lots. There shall be two classes of Lots with respect to voting rights:

A. Class I Lots. Class I Lots shall be all Lots except Class II Lots as the same are hereinafter described. Each Class I Lot shall entitle the Owner(s) of said Lot to one (1) vote. In the event that prior to the development and subdivision of one or more portions of the Existing Property, any portion of the Existing Property is conveyed to persons or entities other than Declarant, the number of Class I Lots within such portion of the Existing Property shall initially be determined on the basis of a full build out of such property in accordance with the existing zoning of such portion of the Existing Property, and the number of Lots shall thereafter be readjusted to the actual number of Lots as depicted on recorded subdivision plat(s) for such portion of the Existing Property. When more than one person owns an interest (other than a leasehold or security interest) in any Lot, all such persons shall be Members and the voting rights appurtenant to said Lot shall be exercised as they, among themselves, determine, but in no event shall any Lot have more than one (1) vote.

B. Class II Lots. Class II Lots shall be all Lots owned by Declarant which have not been converted to Class I Lots as provided in paragraphs (1) or (2) below. The Declarant shall be entitled to five (5) votes for each Class II Lot owned by Declarant.

The Class II Lots shall cease to exist and shall be converted to Class I Lots upon the occurrence of the earliest of the following:

- (1) The date on which Declarant no longer owns any part of the property ;
- (2) On December 31, 2030; or
- (3) The date that Declarant shall elect, in its sole discretion, that the Class II cease and be converted to Class I membership (which election may be made, if at all, upon Declarant giving notice to the Board of Directors).

When the Class II Lots cease to exist and are converted to Class I Lots, Declarant shall have the same voting rights as other owners of Class I Lots. Notwithstanding anything to the contrary set forth herein, so long as Declarant, or any of the present members of Declarant own any one (1) Lot, these Bylaws and the Declaration may not be amended without Declarant's written consent.

Section 7. Proxies. Members may vote either in person or by agents duly authorized by written proxy executed by the subject Member or by his duly authorized attorney-in-fact. A proxy is not valid after the earlier of (i) the term stated therein or (ii) the expiration of eleven (11) months from the date of its execution. Unless a proxy otherwise provides, any proxy holder may appoint in writing a substitute to act in his place. In order to be effective, all proxies must be filed with the Secretary of the Association (or duly acting Secretary) either during or prior to the meeting in question. Every proxy shall be revocable and shall automatically cease upon conveyance by the Member of his Lot. A Member may not revoke a proxy given pursuant to this Section except by written notice of revocation delivered to the person presiding over a meeting of the Association.

Section 8. Majority Vote. The casting of a majority of the votes represented at a meeting at which a quorum is present, in person or by proxy, shall be binding for all purposes except where a different percentage vote is stipulated by these Bylaws, the Declaration, or the Articles of Incorporation of the Association.

Section 9. Actions Without Meeting. Any action which the Members could take at a meeting may be taken without a meeting if one or more written consents, setting forth the action taken, shall be signed, before or after such action, by all the Members who would be entitled to vote upon the action at a meeting. The consent shall be delivered to the Secretary of the Association for inclusion in the minutes or filing with the corporate records. If by law, the Association is required to give its nonvoting Members written notice of the proposed action, it shall do so at least ten (10) days before the action is taken, and such notice must contain or be accompanied by the same material that would have been required by law to be sent to nonvoting Members in a notice of meeting at which the proposed action would have been submitted to the Members for action.

ARTICLE VII

BOARD OF DIRECTORS

Section 1. General Powers. The business and affairs of the Association shall be managed by the Board of Directors or by such committees as the Board of Directors may establish pursuant to these Bylaws, provided, however, that the Board of Directors may not act on behalf of the Association to amend the Declaration, to elect Directors, or to determine the qualifications, powers and duties, or terms of office of the Directors. The Board of Directors may, however, fill vacancies in its Membership for the unexpired portion of any term.

Section 2. Number, Term and Qualifications. The initial Board of Directors shall consist of three (3) individuals appointed by the incorporator named in the Articles of Incorporation of the Association at an initial organizational meeting of the Association, which initial Board of Directors shall then complete the organization of the Association as provided by law. The initial Board of Directors shall serve until their successors are elected at the first Annual Meeting. At the first and each subsequent Annual Meeting, the Members shall elect three (3) Directors, each to serve for a term of one (1) year or until his death, retirement, removal, disqualification or until his successor is elected and qualified. Directors may succeed themselves in office. At such times as Declarant no longer has the right to appoint or remove Directors as provided in Section 4 of this Article, a majority of the Directors must be Lot Owners.

Section 3. Election of Board of Directors. The election of Directors shall be by ballot. Persons receiving the highest number of votes shall be elected. Cumulative voting is not permitted.

Section 4. Declarant's Right to Appoint or Remove Directors. Notwithstanding anything set forth herein to the contrary, the Declarant shall have the exclusive authority to designate, appoint and remove all members of the Board of Directors until such time as the first of the following events occurs:

- (a) Two years following the date of the recording of this Declaration; or
- (b) The date on which Declarant first owns less than two lots within Anniston Subdivision.

Section 5. Removal. Any Director not appointed by the Declarant may be removed from the Board of Directors, with or without cause, by a vote of a majority of the votes entitled to be cast by all Members present and entitled to vote at any meeting of the Membership at which a quorum is present, provided, however, that the notice of the meeting must state that the question of such removal will be acted upon at the meeting. If any Directors are so removed, their successors as Directors may be elected by the Membership at the same meeting to fill the unexpired terms of the Directors so removed. To the fullest extent permitted by the Planned Community Act, no director appointed by Declarant shall be removed by the Members or Board of Directors.

Section 6. Vacancies. A vacancy occurring in the Board of Directors may be filled by a majority of the remaining Directors, though less than a quorum, or by the sole remaining Director; but a vacancy created by an increase in the authorized number of Directors shall be filled only by election at an Annual Meeting or Substitute Annual Meeting or at a Special Meeting of Members called for that purpose or by unanimous consent of the Members without meeting. The Members may elect a Director at any time to fill any vacancy not filled by the Board of Directors. The Membership shall have the first right to fill any vacancy created by the Membership's removal of a Director.

Section 7. Chairperson. A Director shall be elected as chairperson of the Board of Directors (the "Chairperson") by the Directors at the first meeting of the Board of Directors. The Chairperson shall preside at all meetings of the Board of Directors and perform such other duties as may be directed by the Board of Directors. Prior to election of a Chairperson and/or in the event that the Chairperson is not present at any meeting of the Board of Directors, the President shall preside.

Section 8. Compensation. No member of the Board of Directors shall receive any compensation from the Association for acting as such, provided, however, that each Director shall be reimbursed for reasonable

Out-of-pocket expenses incurred and paid by him/her on behalf of the Association, and nothing herein shall prohibit the Board of Directors from compensating a Director on the basis of quantum meruit for unusual and extraordinary services rendered. Furthermore, each Director, by assuming office, waives his right to institute suit against or make claims upon the Association for compensation based upon quantum meruit.

Section 9. Loans to Directors and Officers. No loans shall be made by the Association to its Directors or officers. The Directors who vote for or assent to the making of a loan to a Director or officer of the Association and any officer or officers participating in the making of any such loan shall be jointly and severally liable to the Association for the amount of such loan until the repayment thereof.

Section 10. Liability of Directors. To the extent permitted by the provisions of the North Carolina Nonprofit Corporation Act in effect at the applicable time, each Director may be indemnified by the Association subject to the provisions of Chapter 55A with respect to any liability and expense of litigation arising out of his activities as a Director. Such indemnity shall be subject to approval by the Members only when such approval is required by the North Carolina Nonprofit Corporation Act.

Section 11. Meetings of the Board of Directors.

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

B. Special Meetings. Special meetings of the Board of Directors shall be held when called by the President of the Association or by any Director, after not less than three (3) or more than thirty (30) days written notice to each Director.

C. Notices of Special Meetings. The notice provided for herein may be waived by written instrument signed by those Directors who do not receive said notice. Except to the extent otherwise required by law, the purpose of a Directors' special meeting need not be stated in the notice. Notices shall be deemed received upon the happening of any one of the following events: (1) one day following deposit of same in the United States mail with proper postage paid and addressed to the Director at his last known address on file with the Association; (2) deposit of same in his Lot mail box; or (3) personal delivery to the Director. Attendance by a Director at a meeting shall constitute a waiver of notice of such meeting unless the subject Director gives a written statement at the meeting to the person presiding objecting to the transaction of any business because the meeting is not lawfully called and gives such notice prior to the vote on any resolution.

D. Approved Meeting Place. All Board of Directors meetings shall be held in Iredell or Mecklenburg County, North Carolina.

E. Quorum. A majority of the Directors then holding office shall constitute a quorum for the transaction of business, and 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 or decision of the Board of Directors.

Section 12. Action Without 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 Board of Directors. Said written approval shall be filed with the minutes of the proceedings of the Board of Directors, whether done before or after the action so taken.

Section 13. Presumption of Assent. A Director who is present at a meeting of the Board of Directors at which action on any corporate matter is taken shall be presumed to have assented to the action taken unless his contrary vote is recorded or his dissent is otherwise entered in the minutes of the meeting or unless he shall file his written dissent to such action with the person acting as the secretary of the meeting before the adjournment thereof or shall forward such dissent by registered mail to the Secretary of the Association immediately after the adjournment of the meeting. Such right to dissent shall not apply to a Director who voted in favor of such action.

Section 14. Powers and Duties. The Board of Directors shall have the authority to exercise, in accordance with the provisions of the North Carolina Planned Community Act, all powers and duties of the Association necessary for the administration of the affairs of the Common Areas and Common Open Spaces except such powers and duties as by law or by the Declaration may not be delegated by the Owners to the Board of Directors. The powers and duties to be exercised by the Board of Directors shall include, but shall not be limited to, the following:

- A. Maintaining all trails or paths in the Common Areas and Common Open Spaces in a reasonably passable condition, free from fallen trees, undergrowth, and other obstructions, and to keep dead, diseased or decaying trees, shrubs and bushes removed from such areas and to replace such items with new trees, shrubs and bushes;
- B. Maintaining all Common Areas and Common Open Spaces in accordance with the highest standards for such private facilities;
- C. Keeping all Common Areas and Common Open Spaces, Common Area Access Easements and Landscape and Easement Areas clean and free from refuse and debris and to maintain any other amenities in a clean and orderly condition, and to maintain the landscaping therein in good condition and appearance including any necessary removal and replacement of landscaping;
- D. Paying all ad valorem taxes levied against the Common Areas and Common Open Spaces and any other property owned by the Association;
- E. Paying all taxes and assessments which are or may become liens against any part of Anniston, other than a Lot (for which individual Members shall be responsible), and to assess the same against the Owners in the manner herein provided;
- F. Maintaining and paying the premiums on all insurance required to be carried by the Association by the provisions of the North Carolina Planned Community Act;
- G. Paying legal, management, accounting and other professional fees incurred by the Association in carrying out its duties as set forth herein or in the Declaration;

H. Maintaining the signs and landscaping on any Landscape and Easement Area or Common Areas Access Easement shown on the recorded maps or reserved by Declarant in deeds to Lots;

I. Maintaining all Designated Maintenance Items, including, without limitation, any brick or stone wall erected by Declarant on any portion of the Property, any private water/sewer lines located on the Property, and all other Designated Maintenance Items located on Common Areas, Common Area Access Easements, Common Open Spaces or within Landscape and Easement Areas;

J. As more fully provided in the Declaration:

(1) Fixing the amount of the Annual Assessment as defined in the Declaration against each Lot at least thirty (30) days before January 1 of each year;

(2) Sending written notice of each assessment to every Owner subject thereto on or before January 5 of each year;

(3) Foreclosing the lien against any property for which assessments are not paid within thirty (30) days after due date or to bring an action at law against the owner personally obligated to pay the same.

K. Enforcing, on behalf of the Association and in compliance with the provisions of the North Carolina Planned Community Act, the assessments as provided in the Declaration, including, but not limited to, the institution of civil actions to enforce payment of the assessments as provided in the Declaration, the imposition of charges for late payment of assessments, and after notice and an opportunity to be heard, levying reasonable fines for violations of the Declaration and Bylaws not to exceed \$150.00 for each violation and, without further hearing, an amount not to exceed \$150.00 per day for each day that the violation occurs after the decision to levy the fine;

L. Suspending the voting rights of a member and right to use of Common Areas during any period in which such member shall be in default in the payment of any assessment levied by the Association pursuant to the provisions of the Declaration. Such rights may also be suspended after notice and hearing, and in compliance with the provisions of the North Carolina Planned Community Act, for a period not to exceed sixty (60) days for infraction of published rules and regulations;

M. Providing such maintenance in addition to that provided by the applicable governmental authorities with respect to public streets located within the Property as the Association shall deem appropriate, including the clearance of storm drainage inlets to remove debris;

N. Paying for the cost of street light lease charges, if any, for street lights located within public right-of-ways within the Property;

O. Declaring the office of a member of the Board of Directors to be vacant in the event such member shall be absent from three (3) consecutive regular meetings of the Board of Directors without good cause;

P. Adopting and publishing rules and regulations governing the use of the Common Areas and Common Open Spaces and facilities and the personal conduct of the Members and their guests thereon and to establish penalties for the infraction thereof, in compliance with the provisions of the North Carolina Planned Community Act;

Q. Employment and dismissal of personnel including without limitation, the Independent Manager (as hereinafter defined) necessary for the efficient operation, maintenance, repair and replacement of the Common Areas and Open Spaces;

R. Opening of bank accounts on behalf of the Association and designating the signatories required therefor;

S. Keeping detailed, accurate records of the receipts and expenditures of the Association; obtaining annual audits of the financial records of the Association from the Association's public accountant; furnishing the annual reports; and furnishing current budgets. All books and records shall be kept in accordance with good and accepted accounting practices and the same shall be available for examination by all Owners or their duly authorized agents or attorneys, at convenient hours on working days;

T. Keeping a complete record of the minutes of all meetings of the Board of Directors and the Membership in which minute book shall be inserted actions taken by the Board of Directors and/or Members by consent without meeting;

U. Supervising all officers, agents and employees of the Association and ensuring that their duties are properly performed;

V. Making of repairs, additions, and improvements to or alterations or restoration of the Property, in accordance with the other provisions of these Bylaws and the Declaration, after damage or destruction by fire or other casualty or as a result of a condemnation or eminent domain proceeding;

W. Signing all agreements, contracts, deeds and vouchers for payment of expenditures and other instruments in such manner as from time to time shall be determined by written resolution of the Board of Directors. In the absence of such determination by the Board of Directors, such documents shall be signed by either the Treasurer or the Assistant Treasurer of the Association and countersigned by a Board of Directors member;

X. Carrying out the duties of the Association described in Section 24 and 25 of the Declaration with respect to the wells and the inspection, maintenance and repair of the Septic Systems for the Lots; and

Y. Exercising any other powers and duties reserved to the Association exercisable by the Board of Directors in the Declaration, the Articles of Incorporation, Section 47F-3-102 of the Planned Community Act or these Bylaws, excluding, however, those powers specifically denied to the Board of Directors herein.

Section 15. Independent Manager. The Board of Directors may employ or enter into a management contract with any individual, firm or entity it deems appropriate and in the best interest of the Association concerning the routine management of the Common Areas and Common Open Spaces. The Board of Directors

may delegate to such person, firm or entity (referred to in these Bylaws as the "Independent Manager") such duties and responsibilities in the management of the Common Areas and Common Open Spaces as the Board of Directors deems appropriate. Provided, however, the Board of Directors may not delegate to the Independent Manager the complete and total responsibilities and duties of the Association in violation of the Nonprofit Corporation Act of North Carolina or the North Carolina Planned Community Act. The Independent Manager's contract shall be in for a term not to exceed one (1) year, renewable by agreement between the Board of Directors and such Independent Manager for successive terms not to exceed one year each, and shall be terminable by written notice. The Board of Directors shall have authority to fix the reasonable compensation for the Independent Manager. The Independent Manager shall at all times be answerable to the Board of Directors and subject to its direction.

ARTICLE VIII

COMMITTEES

Section 1. Creation. The Board of Directors, by resolutions adopted by a majority of the Directors then holding office, may create such committees as it deems necessary and appropriate in aiding the Board of Directors to carry out its duties and responsibilities with respect to the management of the Common Areas and Common Open Spaces. The Board of Directors shall create the Architectural Review Committee pursuant to the terms and provisions set forth in the Declaration. Each committee so created shall have such authority and responsibilities as the Directors deem appropriate and as set forth in the resolutions creating such committee. The Board of Directors shall elect the members of each such committee. Provided, each committee shall have in its membership at least one (1) Director.

Section 2. Vacancy. Any vacancy occurring on a committee shall be filled by the vote of a majority of the Directors then holding office at a regular or special meeting of the Board of Directors.

Section 3. Removal. Any member of a committee may be removed at any time with or without cause by a majority vote of the Board of Directors then holding office.

Section 4. Minutes. Each committee shall keep regular minutes of its proceedings and report the same to the Board of Directors when required.

Section 5. Responsibility of Board of Directors Members. The designation of committees and the delegation thereto of authority shall not operate to relieve the Board of Directors or any member thereof of any responsibility or liability imposed upon it or him by law.

If action taken by a committee is not thereafter formally considered by the Board of Directors, a Director may dissent from such action by filing his written objection with the Secretary of the Association with reasonable promptness after learning of such action.

ARTICLE IX

OFFICERS

Section 1. Enumeration of Officers. The officers of the Association shall consist of 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. Except for the President, no officer need be a member of the Board of Directors.

Section 2. Election and Term. The officers of the Association shall be elected annually by the Board of Directors. Such elections shall be held at the first meeting of the Board of Directors next following the Annual Meeting or Substitute Annual Meeting of the Members. Each officer shall hold office until his death, resignation, removal or until his successor is elected and qualified.

Section 3. Declarant's Right to Appoint or Remove Officers. Notwithstanding anything set forth herein to the contrary, the Declarant shall have the right to appoint or remove by written notice to the Board of Directors any officer or officers of the Association until such time as the first of the following events occurs:

- (a) Two years from the date of the recording of this Declaration; or
- (b) The earliest date that Declarant no longer owns at least two lots in Anniston Subdivision.

Section 4. Removal. Any officer elected or appointed by the Board of Directors may be removed by the Board of Directors whenever in its judgment the best interest of the Association will be served thereby; provided however, to the fullest extent permitted by the Planned Community Act, no Officer appointed by Declarant shall be removed by the Members or Board of Directors.

Section 5. Vacancy. A vacancy in any office may be filled by the election by the Board of Directors of a successor to such office. Such election may be held at any meeting of the Board of Directors. The officer elected to fill such vacancy shall serve for the remaining term of the officer he replaces.

Section 6. Multiple Offices. The person holding the office of President shall not also hold the office of Secretary or Treasurer at the same time. Any other offices may be simultaneously held by one person. Any officer may also be a member of the Board of Directors.

Section 7. President. The President shall be the chief executive officer of the Association and shall preside at all meetings of the Members. In the absence of an elected Chairperson, he shall also preside at all meetings of the Board of Directors. He shall see that the orders and resolutions of the Board of Directors are carried out; he shall sign all written instruments regarding the Common Areas and Common Open Spaces and co-sign all promissory notes of the Association, if any, together with the Treasurer; he shall prepare, execute, certify and record amendments to the Declaration on behalf of the Association; and he shall have all of the general powers and duties which are incident to the office of president of a corporation organized under Chapter 55A of the North Carolina General Statutes in the supervision and control of the management of the Association.

Section 8. Vice Presidents. The Vice Presidents in the order of their election, unless otherwise determined by the Board of Directors, shall in the absence or disability of the President, perform the duties and exercise the powers of that office. In addition, they shall perform such other duties and have such other powers as the Board of Directors shall prescribe.

Section 9. Secretary. The Secretary shall keep the minutes of all meetings of Members and of the Board of Directors; he shall have charge of such books and papers as the Board of Directors may direct; and he shall, in general, perform all duties incident to the office of secretary of a corporation organized under Chapter SSA of the North Carolina General Statutes.

Section 10. Treasurer. The Treasurer shall have the responsibility for the Association's funds and securities and shall be responsible for keeping full and accurate financial records and books of account showing all receipts and disbursements and for the preparation of all required financial statements. He shall co-sign promissory notes of the Association, if any, together with the President; he shall prepare a proposed budget (to be approved by the Board of Directors) in accordance with the provisions of the North Carolina Planned Community Act and the other reports to be furnished to the Members as required in the Declaration. He shall perform all duties incident to the office of treasurer of a corporation organized under Chapter SSA of the North Carolina General Statutes.

Section 11. Assistant Secretaries and Assistant Treasurers. The Assistant Secretaries and the Assistant Treasurers shall, in the absence or disability of the Secretary or Treasurer, respectively, perform the duties and exercise the powers of those offices, and they shall, in general, perform such other duties as shall be assigned to them by the Secretary or the Treasurer, respectively, or by the President or the Board of Directors.

Section 12. Compensation. Officers shall not be compensated on a regular basis for the unusual and ordinary services rendered to the Association incident to the offices held by such officers. The Board of Directors may, however, compensate any officer or officers who render unusual and extraordinary services to the Association beyond that called for to be rendered by such person or persons on a regular basis. Each officer, by assuming office, waives his right to institute suit against or make claim upon the Association for compensation based upon quantum meruit.

Section 13. Indemnification. To the extent permitted by the provisions of the North Carolina Nonprofit Corporation Act in effect at the applicable times, each officer may be indemnified by the Association with respect to any liability and expense of litigation arising out of his activities as an officer. Such indemnity shall be subject to approval by the Members only when such approval is required by the North Carolina Nonprofit Corporation Act.

ARTICLE X

OPERATION OF THE PROPERTY

Section 1. Maximum Annual Assessments. Until January 1, 2005, the maximum annual assessment for each Lot shall be \$600.00.

A. From and after January 1, 2006, the Annual Assessments may be increased as provided in the Declaration and shall be fixed as provided in Article V of the Declaration.

Section 2. Special Assessments for Capital Improvements and Other Matters. In addition to the annual assessments authorized above, the Association may levy, in any assessment year, special assessment(s) for the

purpose of defraying, in whole or in part, the cost of any construction, repair or replacement of a capital improvement upon any Common Area(s) or Common Open Space(s) including fixtures and personal property related thereto, any Designated Maintenance Items or any brick or stone wall erected by Declarant or any private water or sewer or stormwater drainage line owned by Declarant or the Association, repayment of indebtedness and interest thereon, providing funds to pay for unforeseen or unbudgeted expenditures, borrowing the funds to make the Property comply with zoning ordinance(s), borrowing of money for capital improvement and pledging or mortgaging of Association property as security for loans, provided that any such assessment shall have the same assent of the Members as provided in Section 1 C of this Article, and provided further that the Association shall in no event convey or subject to a security interest any portion of the Common Areas) or Common Open Spaces) except in compliance with Section 47F-3-112 of the North Carolina Planned Community Act.

Section 3. Collection. Annual assessments shall be collected annually or semiannually in two (2) equal installments as determined by the Association (or more frequently by separate agreement with the Owner) and special assessments shall be collected on a semi-annual or yearly basis as billed by the Association.

Section 4. Notice of Quorum for any Action Authorized Under Sections 1 and 2. Written notice of any meeting called for the purpose of taking any action authorized under Section 1 or 2 of this Article shall be sent to all Members not less than ten (10) days nor more than sixty (60) days in advance of the meeting. At the first such meeting called, the presence of Members or of proxies entitled to cast ten percent (10%) of the votes which may be cast for election of the Board of Directors shall constitute a quorum. If the required quorum is not present, subsequent meetings may be called subject to the same notice requirement by the affirmative vote of a majority of those present in person or by proxy, the required quorum at the subsequent meetings shall be one-half (1/2) of the required quorum at the preceding meeting.

Section 5. Date of Commencement of Annual Assessments, Due Date; Certificate of Payment. The annual assessment provided for herein shall commence as to all Lots on a plat of any phase of the Property as of the date of the conveyance of the first Lot on such plat by Declarant to an Owner (other than Declarant) of such Lot. At least thirty (30) days before January 1 of each year, the Board of Directors shall fix the amount of the annual assessment against each Lot and on or before January 5 of each year shall send written notice of such assessment to every Owner subject thereto; provided, however, the failure of the Board of Directors to establish such assessment amounts and to give notice thereof by such dates shall not prohibit the establishment of an increase at a later date nor prohibit the Association from collecting such increased assessment. The due dates for the payment of annual and special assessments shall be established by the Board of Directors. The Association shall, upon demand, and for a reasonable charge, furnish a certificate signed by an officer of the Association setting forth whether the assessments on a specified Lot have been paid.

Section 6. Effect of Nonpayment of Assessments: Remedies of the Association. Any assessment not paid within ten (10) days after the due date shall incur a one-time late charge in the amount of \$10.00 and if not paid within thirty (30) days after the due date shall bear interest from the due date at a maximum rate of eighteen (18%) percent per annum or at the rate established by the Board of Directors at the beginning of the fiscal year of the Association, whichever is less. In accordance with the provisions of the North Carolina Planned Community Act, the Association may bring an action at law against the Owner personally obligated to pay the same or foreclose the lien against the Owner's property, and interest, costs and reasonable attorney's fees of such action or foreclosure shall be added to the amount of such assessment. Any foreclosure of the lien may be in such manner as is prescribed by the laws of the State of North Carolina for foreclosure of deeds of trust

under powers of sale or may be in any other manner permitted by applicable law. No Owner may waive or otherwise escape liability for the assessments provided for herein by non-use of the Common Areas, Common Open Space, or other property of the Association or by abandoning his Lot.

Section 7. Subordination of the Lien to Mortgages. The liens provided for herein shall be subordinate to the lien of any first mortgage or first deed of trust on a Lot. Sale or transfer of any Lot shall not affect any assessment lien. However, the sale or transfer of any Lot which is subject to any mortgage or deed of trust, pursuant to a foreclosure thereof or any proceeding in lieu of foreclosure thereof, shall extinguish the lien of such assessments as to the payment thereof which became due prior to such sale or transfer. No such sale or transfer shall relieve such Lot from liability for any assessments thereafter becoming due or from the lien thereof, but the liens provided for herein shall continue to be subordinate to the lien of any first mortgage or deed of trust.

Section 8. Exempt Property. All portions of the Property dedicated to, and accepted by, a local public authority and portions of the Property owned by a charitable or non-profit organization exempt from taxation by the laws of the State of North Carolina shall be exempt from the assessments created herein. All Common Areas shall also be exempt from the assessments created herein. However, no land or improvements devoted to residential dwelling use shall be exempt from said assessments.

Section 9. Adoption and Ratification of Budget. Within thirty (30) days after adoption of any proposed budget for the Association, the Board of Directors shall provide to all Owners a summary of the budget and a notice of a meeting to consider ratification of the budget, including a statement that the budget may be ratified without a quorum. The Board of Directors shall set a date for a meeting of the Owners to consider ratification of the budget, such meeting to be held not less than ten (10) days nor more than sixty (60) days after mailing of the summary and notice. There shall be no requirement that a quorum be present at the meeting. The budget is ratified unless at that meeting a majority of the Owners rejects the budget. In the event the proposed budget is rejected the periodic budget last ratified by the Owners shall be continued until such time as the Owners ratify a subsequent budget proposed by the Board of Directors.

ARTICLE XI

AMENDMENTS

These Bylaws may be amended or repealed and new bylaws may be adopted by the affirmative vote of a majority of the entire Board of Directors at any annual, regular or special meeting of the Board of Directors; and by a majority of the Members present at any meeting at which a quorum is present, provided that a notice of the meeting shall have been given which states that the purpose or one of the purposes of the meeting is to consider a proposed amendment to the Bylaws and includes a copy or summary of the proposed amendment or states the general nature of the amendment. Such notice may be waived as provided in these Bylaws. Until all Class II Lots cease to exist and are converted to Class I Lots as provided in Article II of the Declaration, the Department of Housing and Urban Development and the United States Department of Veterans Affairs shall have veto power over any amendment to the Bylaws. A copy of the amendment attested as correct by the Secretary or any Assistant Secretary of the Association shall be recorded in the Office of the Register of Deeds of Wakeletburg County, North Carolina. Notwithstanding the foregoing, where a larger vote in the Association is required for the Association to take or refrain from taking a specific action, as set forth in the Declaration, no amendment of these Bylaws shall be made unless and until the owners holding such larger percentage of the

vote in the Association approve said amendment. All persons or entities who own or hereafter acquire any interest in the Property shall be bound to abide by any amendment to these Bylaws which is duly approved and a copy thereof recorded as provided herein. No amendment to these Bylaws shall be adopted or passed which shall impair or prejudice the rights and priorities of any Mortgagee, without the consent of such Mortgagee. Notwithstanding anything to the contrary set forth herein so long as Declarant, or any of the present members of Declarant, own any one (1) Lot, these Bylaws and the Declaration may not be amended without its written consent.

Notwithstanding the terms of the immediately preceding paragraph, for a period of ten (10) years after the recordation of the Declaration, Declarant, without obtaining the approval of any Association member or any owner or owners other than Declarant shall have the unilateral right, in its sole and absolute discretion, to make any amendments or modifications hereto which Declarant deems necessary or desirable, including, without limitation, amendments or modifications to any procedural, administrative or substantive provision of these Bylaws. Furthermore, at any time during the term of the Declaration, Declarant, without obtaining the approval of any Association member or any owner or owners other than Declarant, shall have the unilateral right, in its sole and absolute discretion, to make any amendments or modifications to the Bylaws which are (i) correctional in nature and do not involve a change which materially affects the rights, duties or obligations specified herein and (ii) necessary to cause these Bylaws to comply with the requirements of FHA, VA, the Federal National Mortgage Association, or other governmental agency.

ARTICLE XII

MISCELLANEOUS

Section 1. Severability. Invalidation of any covenant, condition, restriction or other provisions of the Declaration or these Bylaws shall not affect the validity of the remaining portions thereof or hereof which shall remain in full force and effect.

Section 2. Successors Bound. The rights, privileges, duties and responsibilities set forth in the Declaration, as amended from time to time, shall run with the ownership of the Property and shall be binding upon all persons who own or hereafter acquire any interest in the Property.

Section 3. Gender, Singular, Plural. Whenever the context so permits, the use of the singular or plural shall be interchangeable in meaning and the use of any gender shall be deemed to include either gender.

Section 4. Conflict. In the case of any conflict between the Articles of Incorporation and these Bylaws, the Articles shall control; in the case of any conflict between the Declaration and these Bylaws, the Declaration shall control; and in the case of any conflict between the provisions of the North Carolina Planned Community Act and these Bylaws, Chapter 47F of the North Carolina General Statutes, as amended, shall apply.

Section 5. Nonprofit Corporation. No part of the Association's assets or net income shall inure to the benefit of any of the Members, the officers of the Association, the Directors, or any other private individual either during its existence or upon dissolution, except as reasonable compensation paid or distributions made in carrying out its declared nonprofit purposes as set forth in the Articles of Incorporation of the Association and these Bylaws.

Section 6. Fiscal Year. The fiscal year of the Association shall begin on the first day of January and end

on the 31 st day of December of every year, except that the first fiscal year shall begin on the date of incorporation.

Section 7. Attorneys' Fees. To the extent permitted by Section 47F-3-120 of the North Carolina Planned Community Act, in any action to enforce the provisions of the Declaration, these Articles, the Bylaws, or the rules and regulations duly adopted by the Association, the court may award reasonable attorneys' fees to the prevailing party.

ARTICLE XIII

INDEMNIFICATION OF OFFICERS AND DIRECTORS

The Association shall indemnify any and all persons who may serve or who have served at any time as directors or officers of the Association against any and all expenses, including amounts paid upon judgments, counsel fees and amounts paid in settlement (before or after suit is commenced), actually and necessarily incurred by such persons in connection with the defense or settlement of any claim, action, suit or proceeding in which they, or any of them, are made parties, or a party, which may be asserted against them or any of them, by reason of being or having been directors or officers or a director or an officer of the Association, except in relation to matters as to which any such director or officer or former director or officer or person shall be adjudged in any action, suit or proceeding guilty of willful and intentional negligence or misconduct in the performance of his or her duties to the Association. Provided, however, that in the event of a settlement, the indemnification herein shall apply only when the Board of Directors approves such settlement and reimbursement as being in the best interest of the Association.

The provisions hereof shall be in addition to and not exclusive of any and all other rights to which any director or officer may otherwise be entitled under any law, these Bylaws, agreement, vote of Members or otherwise. In the event of death of any officer or director, the provisions hereof shall extend to such person's legal heirs, representatives, successors and assigns. The foregoing rights shall be available whether or not such person or persons were in fact directors or officers at the time of incurring or becoming subject to such expenses, and whether or not the proceeding claim, suit or action is based on matters which antedate the adoption of these Bylaws.

CERTIFICATION

I, the undersigned, do hereby certify:

THAT I am the duly elected and acting Secretary of the Association, and,

THAT the foregoing Bylaws constitute the original Bylaws of said Anniston Homeowners Association, Inc. as duly adopted at a meeting of the Board of Directors thereof, held on the 20th day of February, 2005.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed the seal of said Association this 12th day of April, 2005.

C. Robin Belcher
Secretary

