

BY-LAWS
OF
MORRISON COVE AT OAK TREE HOMEOWNERS ASSOCIATION, INC.

ARTICLE I

NAME AND LOCATION

The name of the corporation is Morrison Cove at Oak Tree Homeowners Association, Inc. hereinafter referred to as the "Association". The principal office of the corporation shall be located in Charlotte, North Carolina, but meetings of members and directors may be held at such places within Iredell 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 Morrison Cove at Oak Tree recorded in Book _____ at Page _____ in the Iredell County Public Registry as the same may be amended from time to time, are adopted as part of the By-Laws of the Association and are incorporated herein by reference.

ARTICLE III

MEMBERSHIP AND VOTING RIGHTS

Section 1. Membership. Membership in the Association shall be composed of and limited to Owners. Each Owner, including Home Builder and Declarant, shall automatically be a Member of the Association and entitled to vote as set forth below. Membership shall be appurtenant to and may not be separated from ownership of a Lot. Upon termination of Ownership, an Owner's Membership shall automatically terminate and be automatically transferred to the new Owner of the Lot.

Section 2. Voting. The Association shall have two classes of voting Membership:

Class A. Class A Members shall be all Owners with the exception of Home Builder and Declarant; provided, however that Home Builder and Declaration shall become a Class A Member when their Class B Membership ceases as provided hereinafter. Class A Members shall be entitled to one (1) vote for each lot owned. When more than one person holds an ownership interest in any Lot, all such persons shall be Members, but not more than one vote shall be cast with respect to any Lot. The vote for any such Lot shall be exercised as the Members holding an interest in such Lot determine among themselves. In the event of disagreement, the decision of Members holding a majority of interest in such Lot shall govern. Unless otherwise notified by a co-owner as to a dispute between the co-owners regarding their vote prior to the casting of that vote, the vote of a co-owner shall be conclusively presumed to be the majority vote of the Owners of that Lot.

Class B. Class B Members shall be Declarant and Home Builder and shall be entitled to three (3) votes for each Lot owned; provided that Declarant's and Home Builder's Membership on the happening of either the following events, whichever occurs earlier: (I) the conveyance of seventy-five percent (75%) of all Lots within the Project to Owners other than Declarant or Home Builder or Builder, or (ii) seven (7) years after the first Lot is conveyed to an Owner for use as that Owner's residence.

Section 3. Suspension of Voting Right. Voting rights attributable to an ownership interest in a Lot shall be suspended throughout the term on any default under these By-Laws of the Declaration of Covenants, Conditions and Restrictions by an Owner of such Lot.

Section 4. Control by Declarant and Home Builder. Notwithstanding, any other language or provision to the contrary in these By-Laws, Declarant and Home Builder hereby retain the right to appoint and remove any Members of the Board of Directors of the Association and any officer or officers of the Association until ninety (90) days after the first of the events to transpire outlined in Section 2 concerning the termination of the Class B Member status of Declarant and Home Builder; or the surrender by Declarant and Home Builder of the authority to appoint and remove directors and officers by an express amendment to the Declaration of Covenants, Conditions and Restrictions executed and recorded by Declarant and Home Builder. Upon the expiration of the period of Declarant's and Home Builder's right to appoint and remove directors and officers of the Association pursuant to the provisions of this Section, such right shall automatically pass to the Owners, including Declarant and Home Builder if they then own one or more Lots; and a special meeting of the Association shall be called for and held within ninety (90) days from the date of expiration of Declarant's and Home Builder's rights hereunder. At such special meeting the Owners shall elect a new Board of Directors which shall undertake the responsibilities of running the Association and Declarant and Home Builder shall deliver the books, accounts, and records, if any, which they have kept on behalf of the Association as well as any agreements or contracts executed by or on behalf of the Association which may still be in effect or operation. Each owner by acceptance of a deed to or other conveyance of a Lot vests in Declarant and Home Builder such authority to appoint and remove directors and officers of the Association as provided in this Section.

Section 5. Re-establishment of Class B Member. In the event that after the conversion of Class B Membership to Class A Membership the general plan of development contemplated by Declarant and Home Builder is expanded to include Additional Lands contiguous to Morrison Cove at Oak Tree and an annexation of said lands into Morrison Cove at Oak Tree is recorded, the prior termination of Class B Membership shall not prevent the re-establishment of Class B Membership by reason of Declarant's or Home Builder's ownership of additional Lots for which assessments have commenced, which additional Lots, when added to Lots already owned by Declarant and Home Builder, are sufficient in number when multiplied by three (3), to exceed the number of Class A votes held by Owners other than Declarant and Home Builder.

ARTICLE IV

MEETING OF MEMBERS

Section 1. Annual Meetings. The annual meeting of the members shall be held on the third Tuesday of March, 1997, unless earlier called by the Board of Directors. Each subsequent annual meeting shall be held on the second Tuesday in February in each and every year.

Section 2. Special Meetings. Special meetings of the members may be called at any time by the President, Secretary or majority of the members of the Board of Directors, or upon written request of the members entitled to one-fourth (1/4) of the votes.

Section 3. Substitute Annual Meeting. If the annual meeting shall not be held on the day designated by these Bylaws, a Substitute Annual Meeting may be called in accordance with Section 2 of the Article. A meeting so called shall be designated and treated for all purposes as the Annual Meeting.

Section 4. Place of Meetings. All meetings of the members shall be held at such place, within Iredell County, North Carolina, as shall be determined by the Board of Directors of the Association.

Section 5. Notice of Meetings. Written notice of each meeting of the members shall be given by, or at the direction of, the Secretary or person authorized to call the meeting, by mailing a copy of such notice, postage prepaid, or by hand delivery, not less than 15 days nor more than 50 days before the date of the 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, meeting, the exact purposes of the meeting, including the text of any proposals to be voted on at such special meeting. Waiver by a member in writing of the notice required herein, signed by him before or after such meeting, shall be equivalent to the giving of such notice.

Section 6. Quorum. The presence at the meeting of members entitled to cast, or of proxies entitled to cast, twenty percent (20%) of the votes appurtenant to the Lots shall constitute a quorum for any action except as otherwise provided in the Articles of Incorporation, the Declaration, or these By-Laws. 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 7. 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 (prior to the opening of any meeting). Every proxy shall be revocable and shall automatically cease upon conveyance by the member of his Lot.

Section 8. Informal Action by Members. Any action which may be taken at a meeting of the members 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 action at a meeting, and filed with the Secretary of the Association to be kept in the Association minute book.

Section 9. Parliamentary Procedures. At all meetings, "Roberts Rules of Order, Revised" shall govern for any question of procedure not covered by the Bylaws.

ARTICLE V

BOARD OF DIRECTORS

Section 1. General Powers. The business and affairs of the Association shall be managed by a Board of Directors.

Section 2. Number, Term and Qualification. The number of initial directors of the Association shall be five (5). Following the occurrence of the first to occur of the events outlined in Section 2 of ARTICLE III or the surrender of the right to appoint and remove directors set out in Section 5 of ARTICLE III, at the special meeting referenced in Section 5 of ARTICLE III, the members shall elect one director to serve for a term of one year, two directors to serve for a term of two years and two directors to serve for a term of three years. At each annual meeting thereafter the members shall elect the number of directors needed to fill the space or spaces left by the director or directors whose terms are due to expire for a term of three years. Each director shall hold office until his death, resignation, retirement, removal, disqualification, or his successor is elected and qualifies. Directors need not be members of the Association.

Section 3. Nomination. Following the special meeting referenced in Section 5 of ARTICLE III and thereafter, nomination for election to the Board of Directors shall be made by a Nominating Committee. Nominations may also be made from the floor at the annual meeting. The Nominating Committee shall consist of a Chairman, who shall be a member of the Board of Directors. And two or more members of 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. The Nominating committee shall make as many nominations for election to the Board of Directors as it shall in its

discretion determine, but not less than the number of vacancies that are to be filled. Such nominations may be made from among members or non-members.

Section 4. Election. Except as provided in Section 5 of ARTICLE III and Section 6 of this Article, the directors shall be elected at the annual meeting of the members, by secret written ballot. At such election the members or their proxies may cast, in respect to each vacancy, as many votes as they are entitled under the provisions of Article III of these By-Laws. The persons receiving the highest number of votes shall be elected. Cumulative voting is not permitted.

Section 5. Removal. Following the special meeting referenced in Section 5 of ARTICLE III and thereafter, any director may be removed from the Board, with or without cause, by a majority vote of the members of the Association.

Section 6. Vacancies. Following the special meeting referenced in Section 5 of ARTICLE III and thereafter, a vacancy occurring in the Board of Directors may be filled by the selection by the remaining directors of a successor who shall serve for the unexpired term of his predecessor. The members may elect a director at any time to fill any vacancy not filled by the directors.

Section 7. 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.

Section 8. Bond. The Board of Directors may by resolution require any or all officers, agents, and employees of the Association to give a bond to the Association with sufficient sureties conditioned on the faithful performance of the duties of their respective offices or positions and to comply with such other conditions as may from time to time be required by the Board of Directors.

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(d) issue, or to cause an appropriate officer to issue, upon demand by any person, a certificate setting forth whether or not any assessment has been paid. A reasonable charge may be made by the Board for the issuance of these certificates. If a certificate states an assessment has been paid, such certificates shall be conclusive evidence of such payment;

(e) procure and maintain adequate liability insurance covering the Association in an amount determined by the Board and adequate hazard insurance on any real and personal property owned by the Association;

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

(g) cause the Common Areas to be maintained to a level deemed appropriate by the Board.

ARTICLE VIII

OFFICERS AND THEIR DUTIES

Section 1. Enumeration of Offices. The officers of this Association shall be a president, secretary, and a treasurer, and such other officers as the Board may from time to time by resolution create.

Section 2. Appointment of Officers. The appointment 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 appointed annually by the Board and each shall hold office for one (1) year unless he shall sooner resign, or shall be removed, or be otherwise disqualified to serve.

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

Section 5. Resignation and Removal. Any officer may be removed from office with or without cause by the Board. Any officer may resign at any time giving written notice to the Board, the president or the secretary. Such resignation shall take effect on the date of receipt of such notice or at any later time specified therein, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 6. Vacancies. A vacancy in any office may be filled by appointment by the Board. The officer appointed to such vacancy shall serve for the remainder of the term of the officer he replaces.

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

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

President

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

Vice-President

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

Secretary

(c) The secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board and of the members; keep the corporate seal of the Association and affix it on all papers requiring said seal; serve notice of meetings of the Board and of the members; keep appropriate current records showing the members of the Association together with their addresses, and shall perform such other duties as required by the Board.

Treasurer

(d) 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 check of the Association; keep proper books of account; cause an annual audit of the Association books to be made by a public accountant at the completion of each fiscal year; and shall prepare an annual budget and a statement of income and expenditures to be represented to the membership at its regular annual meeting, and deliver a copy of each to the members.

ARTICLE X

COMMITTEES

The Association shall appoint a Nominating Committee as provided in these By-Laws. In addition, the Board of Directors shall appoint other committees as deemed appropriate in carrying out its purpose. The Board of Directors making the appointment of a committee shall designate a chairman of said committee.

ARTICLE X

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. The Declaration, the Articles of Incorporation and the By-Laws 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 XI

ASSESSMENTS

As more fully provided in the Declaration, each member is obligated to pay to the Association Annual and Special Assessments as defined in the Declaration, which are secured by a continuing lien upon the property against which the assessment is made. Any assessments which are