

BY-LAWS
OF
HOLLY GLEN HOMEOWNERS ASSOCIATION, INC.

ARTICLE I - OFFICES

The offices of the Corporation shall be located in the city and state designated in the Articles of Incorporation and/or at such other places as the Board of Directors may, from time to time, determine.

The registered office and agent shall be as designated in the Articles of Incorporation unless changed by the Board of Directors.

ARTICLE II - MEETINGS OF MEMBERS

Section 1. Annual Meetings: The annual meeting of the members of the corporation shall be held within three (3) months after the close of the fiscal year of the corporation for the purpose of electing directors and transacting such other business as may properly come before the meeting.

Section 2. Special Meetings: Special meetings of the members may be called at any time by the Board of Directors, the president, or by the president or secretary at the written request of ten percent (10%) of the members entitled to vote thereat, or as otherwise required under the provisions of the laws of the State of North Carolina.

Section 3. Place of Meetings: All meetings of members shall be held at the principal office of the corporation or at such other places as shall be designated in the notices or waivers of notice of such meetings.

Section 4. Notice of Meetings:

(a) Written notice of each meeting of members, whether annual or special, stating the time when and place where it is to be held, shall be served either personally or by mail not less than seven (7) days before the meeting upon each member entitled to vote at such meeting and to any other member to whom the giving of notice may be required by law. Notice of a special meeting shall also state the purpose or purposes for which the meeting is called and shall indicate that it is being issued by or at the direction of the person or persons calling the meeting. If mailed, such notice shall be directed to each member at his address as it appears on the records of the members of the corporation, unless he shall have previously filed with the secretary of the corporation a written request that notices intended for him be mailed to some other address, in which case it shall be mailed to the address designated in such request.

(b) Notice of any meeting need not be given to any person

who becomes a member after the mailing of such notice and prior to the meeting, or to any member who attends such meeting, in person or by proxy, or to any member who, in person or by proxy, submits a signed waiver of notice either before or after such meeting. Notice of any adjourned meeting of members need not be given, unless otherwise required by statute.

Section 5. Quorum: Except as otherwise provided herein, or by statute, or in the Articles of Incorporation (such Articles and any amendments thereof being hereinafter collectively referred to as the "Articles of Incorporation"), or in the Declaration of Covenants and Restrictions for the Holly Glen Homeowners Association (hereinafter referred to as "Declaration"), at all meetings of members of the Corporation, the presence at the commencement of such meetings in person or by proxy of thirty percent (30%) of the members entitled to vote shall be necessary and sufficient to constitute a quorum for the transaction of business. The withdrawal of any member after the commencement of a meeting shall have no effect on the existence of a quorum after a quorum has been established at such meeting.

Section 6. Voting; Action Without Meeting:

(a) Except as otherwise provided by statute or by the Articles of Incorporation, or in the Declaration of Covenants and Restrictions for the Holly Glen Homeowners Association, any corporate action, other than the election of directors, to be taken by vote of the members shall be authorized by 51% of votes cast at a meeting of members.

(b) Except as otherwise provided by statute or by the Articles of Incorporation, or in the Declaration of Covenants and Restrictions for the Holly Glen Homeowners Association, at each meeting of members, each Class A member shall be entitled to one (1) vote for each Residential Lot or Family Dwelling Unit registered in his name, and each Class B member shall be entitled to seven (7) votes for each Residential Lot or Family Dwelling Unit registered in his name.

(c) Each member entitled to vote or to express consent or dissent without a meeting may do so by proxy; provided, however, the instrument authorizing such proxy to act shall have been executed in writing by the member himself, or by his attorney in fact duly authorized in writing. No proxy shall be valid after the expiration of eleven (11) months from the date of its execution, unless the persons executing it shall have specified therein the length of time it is to continue in force. Such instrument shall be exhibited to the secretary at the meeting and shall be filed with the records of the corporation.

(d) The members may act without a meeting if, prior to subsequent to such action, each member who would have been entitled to vote upon such action shall consent in writing to

such action. Such written consent or consent shall be filed in the minute book.

ARTICLE III - BOARD OF DIRECTORS

Section 1. Number, Election and Term of Office:

(a) The number of directors of the Corporation shall be not less than three (3) nor more than nine (9).

(b) Except as may otherwise be provided herein or in the Articles of Incorporation, or in the Declaration of Covenants and Restrictions for the Holly Glen Homeowners Association, the members of the Board of Directors of the corporation, who need not be members, shall be elected by 51% of the votes cast at a meeting of members.

(c) Each director shall hold office until the annual meeting of the members next succeeding his election, and until his successor is elected and qualified, or until his prior death, resignation, or removal.

Section 2. Duties and Powers: The Board of Directors shall be responsible for the control and management of the affairs, property, and interests of the corporation and may exercise all powers, duties and authority vested in or delegated to the corporation, except as are in the Articles of Incorporation or by statute expressly conferred upon or reserved to the members. Without limitation, the Board may carry out the permitted functions of the Association set forth in Article VI Sections 1 and 2, and shall carry out the mandatory functions set forth in Section 3, all in accordance with Section 4, of the Declaration of Covenants and Restrictions of the Holly Glen Homeowners Association. The Board may employ such managers, independent contractors, and employees as they deem necessary to carry out their duties; provided the Board shall supervise all officers, agents, and employees of the Corporation and see that their duties are properly performed.

Section 3. Annual and Regular Meetings; Notice:

(a) A regular annual meeting of the Board of Directors shall be held immediately following the annual meeting of the members, at the place of such annual meeting of members to elect officers and conduct such other business as may come before the meeting.

(b) The Board of Directors, from time to time, may provide for the holding of other regular meetings of the Board of Directors and may fix the time and place thereof.

(c) Notice of any non-annual regular meeting of the Board of Directors shall not be required to be given to those Directors

present at the time the meeting was scheduled and, if given, need not specify the purpose of the meeting; provided, however, in case the Board of Directors shall fix or change the time or place of any regular meeting, notice of such action shall be given to each director who shall not have been present at the meeting at which such action was taken within the time limit and in the manner set forth in Paragraph (b) of Section 4 of this Article III, with respect to special meetings, unless such notice shall be waived in the manner set forth in Paragraph (c) of such Section 4.

Section 4. Special Meetings; Notice:

(a) Special meetings of the Board of Directors shall be held whenever called by the president or by one of the directors, at such time and place as may be specified in the respective notices or waivers of notice thereof.

(b) Notice of special meetings shall be mailed directly to each director, addressed to him at his residence or usual place of business, at least two (2) days before the day on which the meeting is to be held, or shall be delivered to him personally or given to him orally, not later than one day before the day on which the meeting is to be held. A notice or waiver of notice, except as required in Section 8 of this Article III, need not specify the purpose of the meeting.

(c) Notice of any special meeting shall not be required to be given to any director who shall attend such meeting without protesting prior thereto or at its commencement the lack of notice to him, or who submits a signed waiver of notice, whether before or after the meeting.

Section 5. Quorum and Adjournments: At all meetings of the Board of Directors, the presence of a majority of the Board shall be necessary and sufficient to constitute a quorum for the transaction of business, except as otherwise required by law, by the Articles of Incorporation, or in the Declaration of Covenants and Restrictions for the Holly Glen Homeowners Association, or by these By-Laws.

Section 6. Manner of Acting:

(a) At all meetings of the Board of Directors, each director present shall have one (1) vote, irrespective of the number of Residential Lots or Family Dwelling Units, if any, which he may hold.

(b) Except as otherwise provided by statute, by the Articles of Incorporation, or in the Declaration of Covenants and Restrictions for the Holly Glen Homeowners Association, or by these By-Laws, action authorized by vote of fifty-one percent (51%) of the directors present at any meeting at which a quorum is present shall be the act of the Board of Directors. Any

action authorized, in writing, by all of the directors entitled to vote thereon and filed with the minutes of the corporation shall be the act of the Board of Directors with the same force and effect as if the same had been passed by unanimous vote at a duly called meeting of the Board.

Section 7. Vacancies: Any vacancy in the Board of Directors occurring by reason of an increase in the number of directors, or by reason of the death, resignation, disqualification, removal (unless a vacancy created by the removal of a director by the members shall be filled by the members at the meeting at which the removal was effected) or inability to act of any director, or otherwise, shall be filled for the unexpired portion of the term by the unanimous vote of the remaining directors, though less than a quorum, at any regular meeting or special meeting of the Board of Directors called for that purpose.

Section 8. Resignation: Any director may resign at any time by giving written notice to the Board of Directors, the president, or the secretary of the corporation. Unless otherwise specified in such written notice, such resignation shall take effect upon receipt thereof by the Board of Directors or such officer, and the acceptance of such resignation shall not be necessary to make it effective.

Section 9. Removal: Any director may be removed with or without cause at any time by the members at a special meeting of the members called for that purpose and may be removed for cause, including but not limited to absence from three (3) consecutive regular meetings without excuse acceptable to the Board, by action of the Board.

Section 10. Salary: No stated salary shall be paid to directors as such for their services but by resolution of the Board of Directors. A fixed sum and expenses of attendance, if any, may be allowed for attendance at each regular or special meeting of the Board; provided, however, nothing herein contained shall be construed to preclude any director for serving the corporation in any other capacity and receiving compensation therefor.

Section 11. Contracts:

(a) No contract or other transaction between this corporation and any other corporation shall be impaired, affected, or invalidated, nor shall any director be liable in any way by reason of the fact that any one or more of the directors of this corporation is or are interested in, or is a director or officer, or are directors or officers of such other corporation, provided that such facts are disclosed or made known to the Board of Directors.

(b) Any director, personally and individually, may be a party to or may be interested in any contract or transaction of this corporation, and no director shall be liable in any way by reason of such interest, provided that the fact of such interest be disclosed or made known to the Board of Directors and provided that the Board of Directors shall authorize, approve, or ratify such contract or transaction by the vote (not counting the vote of any such director) of a majority of a quorum, notwithstanding the presence of any such director at the meeting at which such action is taken. Such director or directors may be counted in determining the presence of a quorum at such meeting. This section shall not be construed to impair or invalidate or in any way affect any contract or other transaction which would otherwise be valid under the law (common, statutory, or otherwise) applicable thereto.

Section 12. Committees: The Board of Directors, by resolution adopted by the entire Board, may from time to time designate from among its members any executive committee and such other committees and alternate members thereof as then deem desirable, with such powers and authority (to the extent permitted by law) as may be provided in such resolution. Each such committee shall serve at the pleasure of the Board.

Section 13. Action Without Meeting: The Board may act without a meeting if, prior or subsequent to such action, each member of the Board shall consent thereto in writing.

ARTICLE IV - OFFICERS

Section 1. Number, Qualifications, Election, and Term of Office:

(a) The officers of the corporation shall consist of a president, a secretary, a treasurer, and such other officers as the Board of Directors may, from time to time, deem advisable. Any officer may be, but is not required to be, a director of the corporation. Any two or more offices may be held by the same person, except the offices of president and secretary.

(b) The officers of the corporation shall be elected by the Board of Directors at the regular annual meeting of the Board following the annual meeting of members.

(c) Each officer shall hold office until the annual meeting of the Board of Directors next succeeding his election and until his successor shall have been elected and qualified or until his death, resignation, or removal.

Section 2. Resignation: Any officer may resign at any time by giving written notice of such resignation to the Board of Directors or to the president or secretary of the corporation.

Unless otherwise specified in such written notice, such resignation shall take effect upon receipt thereof by the Board of Directors or by such officer, and the acceptance of such resignation shall not be necessary to make it effective.

Section 3. Removal: Any officer may be removed, either with or without cause, and a successor elected, by the Board at any time.

Section 4. Vacancies: A vacancy in any office by reason of death, resignation, inability to act, disqualification, or any other cause may at any time be filled for the unexpired portion of the term by the Board of Directors.

Section 5. Duties of Officers:

(a) The President shall be chief executive officer of the Corporation. Subject only to the authority of the Board, he shall have general charge and supervision over, and responsibility for, the business and affairs of the Corporation. Unless otherwise directed by the Board, all other officers shall be subject to the authority and supervision of the President. The President may enter into and execute in the name of the Corporation contracts or other instruments in the regular course of business or contracts or other instruments not in the regular course of business which are authorized, either generally specifically, by the Board. He shall have the general powers and duties of management usually vested in the office of President of the corporation.

(b) The Vice President shall perform such duties and have such authority as from time to time may be delegated to him by the President or by the Board. In the event of the absence, death, inability or refusal to act by the President, the Vice President shall perform the duties and be vested with the authority of the President.

(c) The Treasurer shall have the custody of, receive, and deposit into appropriate accounts the funds and securities of the Corporation, shall disburse same as directed by resolution of the Board, shall keep or cause to be kept regular books of account for the Corporation, shall cause an annual review of the Association books to be made by an independent public accountant or such other persons as directed by the Board, and shall prepare an annual budget and statement of income and expenses and present same to the Board and the members at their annual meetings. The Treasurer shall perform such other duties and possess such other powers as are incident to that office or as shall be assigned by the President or the Board.

(d) The Secretary or Clerk shall cause notices of all meetings to be served as prescribed in these By-Laws and shall keep or cause to be kept the minutes of all meetings of the

members and the Board. The Secretary or Clerk shall perform such other duties and possess such other powers as are incident to that office or as are assigned by the President or the Board.

Section 6. Sureties and Bonds: In case the Board of Directors shall so require, any officer, employee, or agent of the corporation shall execute to the corporation a bond in such sum and with such surety or sureties as the Board of Directors may direct, conditioned upon the faithful performance of his duties to the corporation, including responsibility for negligence and for the accounting for all property, funds, or securities of the corporation which may come into his hands. The corporation shall pay the cost of said bond.

Section 7. Shares of Other Corporations: Whenever the corporation is the holder of shares of any other corporation, any right or power of the corporation as such member (including the attendance, acting, and voting at members' meetings and execution of waivers, consents, proxies, or other instruments) may be exercised on behalf of the corporation by the President, any Vice President, or such other person as the Board of Directors may authorize.

ARTICLE V - MEMBERS

Section 1. Membership The Members of the Association shall be (a) The Company, (b) every Owner. Every Owner shall be a Member of the Association, except Owners who are exempt from the payment of Assessments shall not be Members of the Association unless otherwise specified herein.

Section 2. Voting Rights The Association shall have two (2) classes of regular voting membership:

(A) CLASS "A": Class "A" Members shall be all Owners other than the Company, its successors and assigns; except Company shall be a Class "A" member to the extent provided in (B) hereinafter. A Class "A" Member shall be entitled to one (1) vote for each Family Dwelling Unit or Residential Lot which he owns.

(B) CLASS "B": The Class "B" Member shall be the Company, its successors and assigns. The Class "B" Member shall be entitled to seven (7) votes for each Family Dwelling Unit or Residential Lot in which it holds a fee or undivided fee interest, provided that the Class "B" membership shall cease and be converted to Class "A" membership on the happening of either of the following events, whichever occurs earlier:

(1) when seventy-five percent (75%) of the Family Dwelling Units in the entire Holly Glen subdivision are deeded to homeowners, excluding builders; provided, however, that the Class "B" membership shall be reinstated with all rights, privileges and responsibilities if after conversion of the Class "B" membership to Class "A" membership as herein provided, additional

lands are annexed to the Property by the Company in the manner provided in Article II of the Declaration; or

(2) on January 1, 2010.

(C) Payment of Special Assessments shall not entitle Class "A" and "B" Members to additional votes.

(D) When any property entitling the Owner to membership as a Class "A" Member of the Association is owned of record in the name of two (2) or more persons or entities, whether fiduciaries, joint tenants, tenants in common, tenants in partnership or any other manner of joint or common ownership, or if two (2) or more persons or entities have the same fiduciary relationship respecting the same property, then unless the instrument or order appointing them or creating the tenancy otherwise directs and it or a copy thereof is filed with the Secretary of the Association, their acts with respect to voting shall have the following effect:

(1) If only one (1) votes, in person or by proxy, his act shall bind all;

(2) If more than one (1) votes, in person or by proxy, the act of the majority so voting shall bind all.

ARTICLE VI - FISCAL YEAR

The fiscal year of the corporation shall end on December 31 or at such other times as fixed by the Board of Directors.

ARTICLE VII - CORPORATE SEAL

The corporate seal, if any, shall be in such form as shall be approved by the Board of Directors.

ARTICLE VIII - AMENDMENTS

These By-Laws may be amended by affirmative vote or written agreement of two-thirds (2/3) of the members; provided, these By-Laws may not be amended without the consent of Air Vest, L.L.P., (The Developer/Declarant) so long as it owns any portion of the properties in Holly Glen Subdivision, and provided further that HUD/VA has the right to veto amendments while there is a Class B membership.

ARTICLE IX - CONFLICT

In the case of a conflict between the Articles of Incorporation and these Bylaws, the Articles shall control. In the case of a conflict between the Declaration of Covenants and Restrictions and these Bylaws, the Declaration shall control.

The undersigned certify the foregoing By-Laws have been adopted as the first By-Laws of the corporation, in accordance with the requirements of the Corporation Law.

Approved by the Board of Directors this 22 day of May, 1995.

 chairman