

BYLAWS OF
LARKSPUR HOMEOWNERS' ASSOCIATION

ARTICLE I
PURPOSES

The Larkspur Homeowners' Association, Inc. (the "Association") shall promote and protect the enjoyment and beneficial use and ownership of the Larkspur Subdivision in accordance with the following purposes:

1. To own, maintain and preserve the open space of the subdivision and the amenities located in such area;
2. To maintain all of the easements to and within the subdivision in accordance with all recorded deeds of easements and other instruments of record, and all applicable rules and regulations of the Association;
3. To enforce the provisions of the Declaration of Covenants, Conditions and Restrictions of the Subdivision, and of the Association's By-laws, as set forth herein, and all other rules and regulations promulgated by the Association;
4. To promote and protect the enjoyment and beneficial use and ownership of the lots owned by its members.

ARTICLE II
OFFICES

1. Registered or Statutory Office, and Agent. The registered or statutory office of the Corporation in the State of incorporation is at 180 Providence Road, Suite 1-B, Chapel Hill, Orange County, North Carolina 27514. The registered, statutory or resident agent of the Corporation at such office is Carol Ann Zinn.
2. Other Places of Business. Branch or subordinate offices or places of business may be established at any time by the Board of Directors at any place or places where the corporation is qualified to do business.

ARTICLE III
MEMBERS

1. Annual Meeting. The annual meeting of members shall be held upon not less than ten nor more than fifty days' written notice of the time, place and purposes of the meeting, at 10:00 A.M. on the 15th day of the month of February of each year, commencing in 2004, at the principal office

of the Corporation or at such other time and place as shall be specified in the notice of meeting, in order to elect directors and transact such other business as shall come before the meeting, including the election of any officers as required by law. If that date is a legal holiday, the meeting shall be held at the same hour on the next succeeding business day.

2. Special Meetings. A special meeting of members may be called for any purpose by the president or the Board of Directors or as permitted by law. A special meeting shall be held upon not less than ten nor more than fifty days' written notice of the time, place and purposes of the meeting.

3. Action Without Meeting. The members may act without a meeting if, prior or 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 consents shall be filed in the minute book.

4. Quorum. The presence at a meeting in person or by proxy of the holders of a majority of all votes which may be cast shall constitute a quorum.

5. Record Date. The record date for all meetings of members shall be as fixed by the Board of Directors or as provided by Statute.

6. Voting. The Association shall have two classes of voting members:

Class A: Class A members shall be all members, excepting Cazco, Inc. each of whom shall be entitled to one vote for each lot owned. When more than one person holds an interest in any lot, all such persons shall be members, subject, however, to the provision that only one vote may be cast per lot.

Class B: The Class B member shall be Cazco, Inc., its successors or assigns, which shall be entitled to ten (10) votes for each lot owned. The Class B membership shall cease and be converted to Class A membership on the occurrence of either of the following events:

- (1) When the total number of votes of Class A members equals the total number of votes of Class B members; or
- (2) On any date in Cazco, Inc.'s sole discretion on or before, but in no event later than December 31, 2007.

ARTICLE IV BOARD OF DIRECTORS

1. Number and Term of Office. The Board of Directors shall consist of three members until such time as all Class B memberships are converted to Class A memberships. Upon the occurrence of such event, these By-laws shall be amended to establish a new construction of the Board of Directors. Each director shall be elected by the members at each annual meeting and shall hold office until the next annual meeting of members and until that director's successor shall have been

elected and qualified.

2. Regular Meetings. A regular meeting of the Board shall be held without notice immediately following and at the same place as the annual members' meeting for the purposes of electing officers and conducting such other business as may come before the meeting. The Board, by resolution, may provide for additional regular meetings which may be held without notice, except to members not present at the time of the adoption of the resolution.

3. Special Meetings. A special meeting of the Board may be called at any time by the president or by two directors for any purpose. Such meeting shall be held upon not less than 5 days' notice if given orally (either by telephone or in person), or by telegraph, or upon not less than 10 days' notice if given by depositing the notice in the United States mails, postage prepaid. Such notice shall specify the time, place and purposes of the meeting.

4. Action Without Meeting. The Board may act without a meeting if, prior to such action, each member of the Board shall consent in writing thereto. Such consent or consents shall be filed in the minute book.

5. Quorum. A majority of the entire Board shall constitute a quorum for the transaction of business.

6. Vacancies in Board of Directors. Vacancies in the Board, whether caused by removal, death, mental or physical incapacitation or any other reason, including vacancies caused by an increase in the number of directors, may be filled by the affirmative vote of a majority of the remaining directors, even though less than a quorum of the Board, or by a sole remaining director.

ARTICLE V WAIVER OF NOTICE

Any notice required by these By-Laws, the certificate of incorporation or the law of the State of incorporation may be waived in writing by any person entitled to notice. The waiver or waivers may be executed either before, at or after the event with respect to which notice is waived. Each director or member attending a meeting without protesting the lack of proper notice, prior to the conclusion of the meeting, shall be deemed conclusively to have waived such notice.

ARTICLE VI OFFICERS

1. Election. At its regular meeting following the annual meeting of members, the Board shall elect a president, a treasurer and a secretary or clerk, except such officers as shall be elected by the members. It may elect such other officers, including one or more vice presidents or assistant secretaries, as it shall deem necessary. One person may hold two or more offices, but no person shall hold the offices of president and secretary at the same time.

2. Duties and Authority of President. 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 or specifically, by the Board. He/she shall have the general powers and duties of management usually vested in the office of president of a corporation.

3. Duties and Authority of Vice President. 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.

4. Duties and Authority of Treasurer. The treasurer shall have the custody of the funds and securities of the Corporation and shall keep or cause to be kept regular books of account for the Corporation. 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.

5. Duties and Authority of Secretary or Clerk. 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 have charge of the seal of the Corporation. 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.

6. Removal of Officers. The Board may remove any officer or agent of the Corporation if such action, in the judgment of the Board, is in the best interest of the Corporation. Appointment or election to a corporate office shall not, of itself, establish or create contract rights.

7. Vacancies in Offices. The Board, in its absolute discretion, may fill all vacancies in offices, regardless of the cause of such vacancies, for the remainder of the terms of the offices.

ARTICLE VII GENERAL PROVISIONS

1. Indemnification. Any person who at any time serves or has served as a director of the Corporation shall have a right to be indemnified by the Corporation to the fullest extent permitted by law against (a) expenses, including reasonable attorneys' fees, actually and necessarily incurred by him or her in connection with any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, whether formal or informal, and whether or not brought by or on behalf of the Corporation, arising out of his or her status as such director, or his or her status as an officer, employee or agent of the Corporation, or his or her service, at the request of the Corporation, as a director, officer, partner, trustee, employee or agent of any other corporation, partnership, joint venture, trust or other enterprise or as a trustee or administrator under an employee benefit plan, or his or her activities in any of the foregoing capacities, and (b) any liability incurred by him or her, including without limitation, satisfaction of any judgment, money

decree, fine (including any excise tax assessed with respect to an employee benefit plan), penalty or settlement, for which he or she may have become liable in connection with any action, suit or proceeding.

The Board of Directors of the Corporation shall take all such action as may be necessary and appropriate to authorize the Corporation to pay the indemnification required by this Bylaw, including without limitation, to the extent necessary, (a) making a good faith evaluation of the manner in which the claimant for indemnity acted and of the reasonable amount of indemnity due him or her and (b) giving notice to and obtaining approval by the members of the Corporation.

Any person who at any time after the adoption of this Bylaw serves or has served as a director of the Corporation shall be deemed to be doing or to have done so in reliance upon, and as consideration for, the right of indemnification provided herein, and any modification or repeal of these provisions for indemnification shall be prospective only and shall not affect any rights or obligations existing at the time of such modification or repeal. Such right shall inure to the benefit of the legal representatives of any such person, shall not be exclusive of any other rights to which such person may be entitled apart from the provisions of this Bylaw, and shall not be limited by the provisions for indemnification in Part 5 of Section 55A of the North Carolina Business Corporation Act or any successor statutory provisions.

Any person who is entitled to indemnification by the Corporation hereunder shall also be entitled to reimbursement of reasonable costs, expenses and attorneys' fees incurred in obtaining such indemnification.

2. Committees. The Board shall have the power to create committees to which any of its powers or obligations may be delegated, and on such terms and conditions as the Board in its discretion deems appropriate.

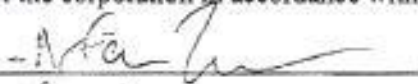
3. Force and Effect of By-Laws. These By-Laws are subject to the provisions of the law of the State of incorporation and the Corporation's certificate of incorporation, as it may be amended from time to time. If any provision in these By-Laws is inconsistent with a provision in the State statutes or the certificate of incorporation, the provision of the State statutes or the certificate of incorporation shall govern.

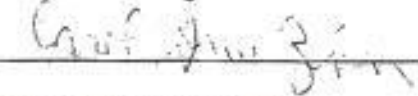
4. Titles. Wherever in these By-Laws references are made to more than one incorporator, director or member, they shall, if this is a sole incorporator, director or member corporation, be construed to mean the solitary person; and all provisions dealing with the quantum of majorities or quorums shall be deemed to mean the action by the one person constituting the corporation.

5. Amendment to By-Laws. These By-Laws may be altered, amended or repealed by the members or the Board.

6. Fiscal Year. The fiscal year of the Corporation shall begin on the 1st day of January of each year.

The officers of the corporation shall maintain a copy of these By-Laws on file in the office of the corporation in accordance with this Article.





Date: December 13, 2002