BYLAWS

OF

STILLWATER OWNERS ASSOCIATION, INC.

ARTICLE 1

NAME AND LOCATION

The name of the corporation is Stillwater Owners Association, Inc. The principal office of the corporation shall be located in Wake County, North Carolina.

ARTICLE 2

DEFINITIONS

The defined terms set forth in Article 1 of the Declaration of Covenants, Conditions and Restrictions for Stillwater ("Declaration"), recorded or to be recorded in the Wake County Public Registry are incorporated herein by reference and, unless specifically provided herein, the capitalized terms used in these Bylaws shall have the same meaning given them in the Declaration.

ARTICLE 3

MEMBERSHIP AND VOTING RIGHTS

The terms and provisions of Article 8 of the Declaration entitled "Membership and Voting Rights" are incorporated herein by reference.

ARTICLE 4

MEETING OF MEMBERS

Section 1. Annual Meetings. The first annual meeting of the Members shall be held within one (1) year after the commencement of regular annual assessments as provided in Section 9.09 of the Declaration, but in no event shall the meeting be held later than four (4) months after the conveyance by Declarant of seventy-five percent (75%) of all Lots in the Property to Owners for use as a residence. Subsequent regular annual meetings of the Members shall be held not less frequently than once each calendar year, at a date, time and place selected by the Board. If the day for the annual meeting of the Members is a legal or religious holiday, a Saturday or a Sunday, the meeting shall be held at the same hour on the first working day thereafter.

Section 2. Special Meetings. Special meetings of the Members shall be promptly scheduled in response to a majority vote of a quorum of the Board, or upon receipt of a written request signed by Members representing not less than ten percent (10%) of the total Voting Power of the Association.

Section 3. Notice of Meetings. Written notice of annual and special meetings of Members shall be given by, or at the direction of, the Secretary of the Association or other person authorized to call the meeting, by mailing a copy of such notice, first-class postage prepaid, not less than ten (10) days nor more than sixty (60) days before such meeting, to each Member entitled to vote, 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. Notice of a meeting shall specify the place, date and hour of the meeting and the items on the agenda including the general nature of any proposed amendment to the Declaration or these Bylaws, any budget changes, and any proposal to remove a director or officer. The notice of any meeting at which Directors are to be elected shall include the names of all those who are nominees at the time the notice is given to Members. Notice shall also be given to the Mortgagees on Lots at the address supplied by the Mortgagee to the Association, if any, and each such Mortgagee shall have the right to designate a representative to attend any meeting. Waiver by a Member in writing of the notice required herein, signed by him, shall be equivalent to the giving of such notice.

Section 4. Quorum. The presence at the beginning of any meeting of Members entitled to cast, or of proxy holders entitled to cast, ten percent (10%) of the total Voting Power of the Association shall constitute a quorum for any action, except as may otherwise be provided in the Articles, the Declaration or these Bylaws. The Members present at any duly called or held meeting at which a quorum is present may continue to transact business until adjournment, notwithstanding the withdrawal of enough Members to leave less than a quorum, if any action taken (other than adjournment) is approved by at least a majority of the Members required to constitute a quorum. In the absence of a quorum, the Members entitled to vote at such meeting shall have the power, upon an affirmative vote of a majority of those Members present in person or by proxy, to adjourn the meeting to another time without notice (other than announcement at the meeting); provided, however, the quorum requirement at the next meeting shall be one-half (1/2) of the quorum requirement applicable to the meeting adjourned for lack of a quorum. This section shall continue to reduce the quorum by fifty percent (50%) from that required at the previous meeting, as previously reduced, until such time as a quorum is present and business can be conducted. If a time and place for the adjourned meeting is not fixed by those in attendance at the original meeting or if for any reason a new date is fixed for the adjourned meeting after adjournment, notice of the time and place of the adjourned meeting shall be given to Members in the manner prescribed herein for regular meetings. Notwithstanding any term or provision herein, the affirmative vote of no less than two-thirds (2/3) of the Voting Power of the Association shall be required in order for the Association to: (1) file a complaint on account of an act or omission of Declarant with any governmental agency which has regulatory or judicial authority over the development or any part thereof, or (2) assert a claim against or sue Declarant.

Section 5. Proxies.

(a) At all meetings of Members, each Member may vote in person or by proxy. All proxies shall be in writing, dated and filed with the Secretary of the Association or other person designated at the meeting. Every proxy shall be revocable and shall automatically cease upon conveyance by the Member of his Lot or upon receipt by the Association of written notice of the death or incapacity of the Member who executed the proxy. Any proxy shall be invalid after expiration of eleven (11) months from the date it is executed (unless the proxy specifies a shorter term).

(b) Any form of proxy or written ballot distributed to ten (10) or more Members shall afford an opportunity on the proxy or form of written ballot to specify a choice between approval and disapproval of each matter or group of related matters intended, at the time the written ballot or proxy is distributed, to be acted upon at the meeting for which the proxy is solicited or by such written ballot, and shall provide, subject to reasonable specific conditions, that where the Member solicited specifies a choice with respect to any such matter, the vote shall be cast in accordance therewith.

(c) Every form of proxy or written ballot, which provides an opportunity to specify approval or disapproval with respect to any proposal, shall also contain an appropriate space marked "abstain," whereby a Member may indicate a desire to abstain from voting on the proposal. A proxy marked "abstain" by the Member with respect to a particular proposal shall not be voted either for or against such proposal.

(d) In any election of Directors, any form of proxy or written ballot in which the Directors to be voted upon are named therein as candidates and which is marked by a Member "withhold" or otherwise marked in a manner indicating that the authority to vote for the election of Directors is withheld shall not be voted either for or against the election of a Director.

(e) Failure to comply with this section shall not invalidate any corporate action taken, but may be the basis for challenging any proxy at a meeting and any court having jurisdiction may compel compliance therewith at the suit of any Member.

Section 6. Location. Meetings of Members shall be held within the Property or as close thereto as possible.

Section 7. Action Taken Without a Meeting. Any action which may be taken by the vote of Members at a regular or special meeting, except the election of the Board, may be taken in the absence of a meeting by written consent.

ARTICLE 5

BOARD OF DIRECTORS

Section 1. Number. The affairs of the Association shall be managed and governed by a Board of three (3) Directors, who shall be Members of the Association, except that a partner, member, employee, officer or director of any partnership, limited liability company, corporation or association that is an Owner shall be eligible to serve as a Director.

Section 2. Term of Office. As set forth in the Articles of Incorporation of the Association, the parties who are to act in the capacity of Directors until the election of their successors are **David Goracke, James Harvey and Troy Simpson.** These persons (or such other persons as may be appointed by the Declarant pursuant to Section 8.06 of Article 8 of the Declaration) will serve as Directors until the special meeting of the Association to be held within ninety (90) days from the date of expiration of Declarant's rights under Section 8.06 of Article 8 of the Declaration. At such special meeting of the Association, the Members shall elect three (3) Directors for a term to serve until the next following annual meeting of the Association. At such next following annual meeting, the Members shall elect a total of three (3) Directors, two (2) Directors for a term of two (2) years and one (1) Director for a term of one (1) year. At each annual meeting thereafter, the Members shall elect successor Directors for Directors whose terms have expired, each to serve for a term of one (1) year.

Section 3. Removal. Directors appointed by the Declarant pursuant to its rights under Section 8.06 of Article 8 of the Declaration may be removed, and their replacements appointed, by the Declarant. Directors other than those appointed by the Declarant pursuant to its rights under Section 8.06 of Article 8 of the Declaration may be removed from the Board, with or without cause, at any regular or special meeting of the Members called for such purpose, by a majority of the votes of the Members cast at such meeting, except no individual Director shall be removed if the number of votes cast against his removal would be sufficient to elect the Director if voted cumulatively at an election at which the same total number of votes were cast and the entire authorized Board were then being elected. In the event of death, resignation or removal of a Director, the remaining Directors may appoint his successor and his successor shall serve for the unexpired term of his predecessor.

Section 4. Compensation. No Director shall receive compensation for any service he may render to the Association. However, any Director may be reimbursed for his actual reasonable expenses incurred in the performance of his duties.

Section 5. Action Taken Without a Meeting. The Board shall have the right to take any action in the absence of a meeting which it could take at a meeting by obtaining the written consent of all the Directors. Any action so approved shall have the same effect as though taken at a meeting of the Board. All such written consents shall be filed with the minutes of the proceedings of the Board.

ARTICLE 6

NOMINATION AND ELECTION OF DIRECTORS

Section 1. Nomination. Nomination for election to the Board may be made by a nominating committee appointed by the Board prior to the annual meeting. The nominating committee shall consist of a chairman, who shall be a member of the Board, and two or more Members. The nominating committee shall make as many nominations for election to the Board as it shall in its discretion determine, but not less than the number of vacancies to be filled. Nominations may also be made from the floor at the annual meeting.

Section 2. Election. The first election of the Board shall be conducted at the first meeting of the Association and the authorized number of Directors shall be elected at that meeting. Election to the Board shall be by secret written ballot. Election of Directors shall be by cumulative voting in all elections in which more than two Directors are to be elected. The persons receiving the largest number of votes shall be elected. A Member shall be entitled to cumulate his or her votes for one or more candidates for the Board, if the candidate's name has been placed in nomination prior to voting, and if the Member has given notice at the meeting prior to the voting of his or her intention to cumulate votes. If any one Member has given such notice, all Members may cumulate their votes for candidates in nomination.

Section 3. Vacancies. Any vacancy on the Board caused by death, disability, resignation or increase in the number of Directors may be filled by appointment by a majority of the remaining Directors or by the sole remaining Director. Any vacancy on the Board caused by removal of a Director shall be filled by election pursuant to this Article.

Section 4. Rights of Declarant. The provisions of this Article 6 are subject to the rights of Declarant to appoint and remove Directors pursuant to its rights under Section 8.06 of Article 8 of the Declaration. Until expiration of the period during which Declarant has the sole right to appoint and remove Directors, as set forth in Section 8.06 of Article 8 of the Declaration, Declarant may appoint and remove the Directors from time to time in such manner and with such frequency as Declarant may elect in its sole discretion.

ARTICLE 7

MEETINGS OF DIRECTORS

Section 1. Regular Meetings. Regular meetings of the Board shall be held at such intervals as the Board considers necessary and desirable, but not less often than once every year until after the first annual meeting of Members, and then not less often than once every six (6) months. Regular meetings shall be held at such place as designated by the Board and at such hour as may be fixed from time to time by resolution of the Board. Notice of the time and place of regular meetings shall be communicated to all Directors not less than four (4) days prior to the meeting, provided, however, that notice of a meeting need not be given to any Director who has signed a waiver of notice or consent to holding of the meeting.

Section 2. Special Meetings. Special meetings of the Board shall be held when called by written notice signed by the president of the Association or by any two (2) Directors other than the president. The notice shall specify the time and place of the meeting and the nature of any special business to be considered. The notice shall be sent to all Directors and posted in the manner prescribed for notice of regular meetings not less than seventy-two (72) hours before the scheduled time of the meeting, provided, however, that the notice need not be given to any Director who has signed a waiver of notice or consent to holding the meeting.

Section 3. Quorum. A majority of the number of Directors shall constitute a quorum for the transaction of business. Every act or decision done or made by a majority of the Directors present at a duly held meeting at which a quorum is present shall be regarded as the act of the Board.

Section 4. Open Meetings. Regular and special meetings of the Board shall be open to all Members of the Association; provided, however, that Members who are not Directors may not participate in any deliberation or discussion unless expressly so authorized by the vote of a majority of a quorum of the Board. Notwithstanding the foregoing, during the period of Declarant control, the Board may determine in its sole and absolute discretion to hold regular and special meetings in closed session and shall not be required to allow attendance of the Members at such meetings.

Section 5. Executive Session. The Board may, with the approval of a majority of a quorum of its members, adjourn a meeting and reconvene in closed executive session to discuss and vote upon personnel matters, litigation in which the Association is or may become involved and orders of business of a similar nature. The nature of any and all business to be considered in executive session shall first be announced in open session.

ARTICLE 8

POWERS AND DUTIES OF THE BOARD OF DIRECTORS

Section 1. Powers. Except as may be specifically limited by the terms and provisions of the Act, the Board shall have power to:

(a) Adopt, publish, amend and enforce Rules and Regulations governing the Property, the use and enjoyment of the Common Area and any facilities thereon, and the personal conduct thereon of the Members, their guests, invitees, members of their families or households, and tenants, provided that (i) the Members may amend any such Rules and Regulations adopted by the Board at any regular or special meeting of the Members called for such purpose by the vote or written consent of sixty-seven percent (67%) of the total Voting Power of the Association; (ii) such Rules and Regulations shall be reasonable, shall not discriminate against Declarant, must be consistent with the Declaration, the Articles and these Bylaws, and must be approved by Declarant until such time as Declarant no longer owns a Lot or other portion of the Property; and (iii) Rules and Regulations shall be effective upon Board approval and shall be mailed to each Member addressed to the Member's address last appearing in the books of the Association, postage prepaid, within thirty (30) days of Board approval.

(b) After Notice and Opportunity for Hearing by the Board, (i) suspend an Owner's rights as a Member of the Association, including his voting rights and right to use any Common Area facilities on the Common Area, for any period during which any fine against such Member or any assessment against such Member's Lot remains unpaid; (ii) impose monetary penalties as provided in the Declaration for any infraction of the Rules and Regulations or any violation of or failure to comply with the provisions of the Declaration or these Bylaws, provided the Member shall have been warned in writing of a previous infraction within the preceding one (1) year; and (iii) suspend an Owner's rights as a Member of the Association for a period not to exceed thirty (30) days for any infraction of the Rules and Regulations;

(c) Enforce and carry out provisions of the Declaration, these Bylaws and the Articles, including, without limitation, all provisions related to the maintenance, repair and upkeep of all storm water facilitates located on the Property, and exercise all rights of the Association and the Board set forth in the Declaration, these Bylaws and the Articles;

(d) Pay any taxes or assessments which are or could become a lien on the Common Area or any portion thereof;

(e) Contract for casualty, liability and other insurance;

(f) Incur and pay expenses on behalf of the Association and contract for goods and services for the Common Area or any other real or personal property for which the Association is responsible and any other real or personal property for which the Association may be responsible or as to which the Association may have duties and obligations; provided, however, that: (i) no contract with a third person wherein the third person will furnish goods or services for the Common Area or any other real or personal property for which the Association is responsible or the Association shall exceed a term of one year (except for a contract with a public utility regulated by the Public Utilities Commission, in which case the contract shall be limited to the shortest term allowable by such public utility at the regulated rate, or prepaid casualty or liability insurance policies which shall not exceed three (3) years' duration, provided the policy permits short rate cancellation by the insured); and (ii) any management agreement for the Property shall be terminable for cause or without cause upon thirty (30) days' written notice, without payment of a termination fee. The restrictions contained in (i) and (ii) hereinabove shall not apply if the contract or expenditures are approved by the vote or written consent of sixty-seven percent (67%) of the Voting Power of the Association;

(g) Delegate to committees, officers, employees and other agents of the Association reasonable powers to carry out the powers and duties of the Board; provided, however, that the Board shall not delegate the power to impose discipline against Members or to levy fines against Members;

(h) Prepare and distribute budgets and financial statements of the Association;

(i) Enter any Lot, at reasonable hours, after forty-eight (48) hours' notice and with as little inconvenience to the Owners as possible, in connection with any work or thing required or

permitted to be performed or done by the Association by these Bylaws, the Declaration or the Rules and Regulations. In the event of emergency threatening injury to persons or property, or reasonable cause to believe there is such an emergency, the right of entry shall be immediate and may be exercised without notice, whether or not the Owner is present. The Association shall repair any damage caused by such entry;

(j) Employ a manager and such other employees as it deems necessary to carry out the powers and duties of the Association;

(k) Sell, transfer, dedicate, hypothecate, partition, subdivide, abandon, release or alienate the Common Area as permitted by the Act;

(l) Exercise all the powers set forth in the North Carolina Nonprofit Corporation Act and the Act, except those reserved to the Members by the provisions of these Bylaws, the Articles or the Declaration; and

(m) Compromise, settle, release and otherwise adjust claims, demands, causes of action and liabilities on behalf of the Association and Owners, as the case may be, provided any such claim, demand, cause of action or liability arises out of or relates to a condition or defect common to all or a majority of the Lots or improvements constructed thereon, or to the development, design, construction, condition, repair or maintenance of or damage or injury to or defect in the Common Area or part thereof, and make and receive all payment or other consideration necessary therefor or in connection therewith. For such purposes, the Board shall be, and hereby is, irrevocably appointed attorney-in-fact to act on behalf of all Owners upon such terms and conditions and for such consideration as may be approved by a majority of the Board.

Section 2. Non-Liability. A Director of the Board shall not be liable to the Members if he performs the duties of a Director, including the duties as a member of any committee of the Board upon which the Director may serve, in good faith, in a manner such Director believes to be in the best interests of the Association and with such care, including reasonable inquiry, as an ordinarily prudent person in a like position would use under similar circumstances. In performing the duties of a Director, a Director shall be entitled to rely on information, opinions, reports or statements, including financial statements and other financial data, in each case prepared and presented by:

(a) One or more officers or employees of the Association whom the Director believes to be reliable and competent in the matters presented;

(b) Counsel, independent accountants or other persons as to matters which the Director believes to be within such person's professional or expert competence; or

(c) A committee of the Board on which the Director does not serve, as to matters within its designated authority, which committee the Director believes to merit confidence; so long as, in any such case, the Director acts in good faith, after reasonable inquiry, when the need therefor is indicated by the circumstances and without knowledge that would cause such reliance to be unwarranted.

Section 3. Duties. The Board shall:

(a) Cause to be kept a complete record of all its acts and corporate affairs and to present to the Members, and any Mortgagee making written request therefor, the following:

(i) A pro forma operating statement (budget) for each fiscal year, which statement shall be distributed not less than fifteen (15) days and not more than sixty (60) days before the beginning of the fiscal year;

(ii) A balance sheet as of an accounting date which is the last day of the month closest in time to six (6) months from the date of closing of the first sale of a Lot in the Property and an operating statement for the period from said date of such first closing to said accounting date, which balance sheet and statement shall be distributed within sixty (60) days after the accounting date. The operating statement shall include a schedule of assessments received and receivable identified by Lot number and Owner's name;

(iii) An annual report, which annual report shall be distributed within ninety (90) days after the closing of the fiscal year, consisting of the following:

(A) A balance sheet as of end of the fiscal year;

(B) An operating (income) statement for the fiscal year; and

(C) A statement of changes in financial position for the fiscal year.

(b) Supervise the officers, agents and employees of the Association in the proper performance of their duties;

(c) As more fully provided in the Declaration and subject to any limitations contained therein:

(i) Fix the amount of the annual assessment against each Lot at least fifteen (15) days in advance of each annual assessment period and, if necessary, revise such annual assessment;

(ii) Send written notice of each assessment to every Owner in advance of each annual assessment period, provided that failure to comply with the provisions of this subparagraph shall not invalidate any assessment, lien or obligation to pay such assessment; and

(iii) Take appropriate action against any Owner who is delinquent in the payment of any assessment to the Association, which action may include, but is not limited to, commencement of an action against the Owner for payment thereof and/or foreclosure of the lien against the Lot of such Owner.

(d) Issue, or cause an appropriate officer to issue, upon demand by any person having a legitimate interest, a certificate setting forth whether or not any assessment has been paid, for which certificate a reasonable charge may be made by the Board;

(e) Procure and maintain liability, fire and extended coverage casualty insurance, as required by the Declaration, worker's compensation insurance, and such additional insurance and endorsements as the Board may deem desirable;

(f) Cause the Common Area, the amenities located thereon, any private streets, public streets or rights-of-way which have been dedicated but not yet accepted for maintenance by the appropriate governmental entity, and any other real and personal property for which the Association may be responsible or as to which the Association may have duties and obligations to be kept in a good state of maintenance and repair;

(g) Pay proper expenses of the Association; and

(h) Establish and maintain reserve funds for Common Area replacements and maintenance in accordance with the initial budget of the Association or such budgets as may subsequently be adopted from time to time by the Board. Funds deposited in reserve for a particular purpose shall be held for that purpose and shall not be expended for any other purpose without the vote or written consent of sixty-seven percent (67%) of the total Voting Power of the Association, except that if the Board determines that funds held in reserve for a particular purpose exceed an amount reasonably required as a prudent reserve for that purpose, then, without the vote or written consent of Members, the excess may be allocated to any other reserve fund established by the Board and expended for the purpose for which such other reserve fund has been established.

ARTICLE 9

OFFICERS AND THEIR DUTIES

Section 1. Enumeration of Offices. The officers of this Association shall be a president and vice-presidents, who shall at all times be members of the Board, a secretary, and a treasurer, and such other officers as the Board may, from time to time, by resolution create.

Section 2. Election of Officers. The election of officers shall take place at the first meeting of the Board following each annual meeting of the Members.

Section 3. Term. The officers of the Association shall be elected annually by the Board and each shall hold office for one (1) year unless such person sooner resigns, or is removed, or is otherwise disqualified to serve.

Section 4. Special Appointments. The Board may appoint 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 determine from time to time.

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

Section 6. Vacancies. A vacancy in any office may be filled 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. No person shall simultaneously hold more than one of any of the offices, except in the case of special offices created pursuant to section 4 of this Article 9; provided, however, that notwithstanding the foregoing, the offices of vice president, secretary and treasurer may be held by the same person.

Section 8. Duties. The duties of the officers shall be those usually vested in their respective offices, including the following:

(a) President: The President shall preside at all meetings of the Board and shall see that orders and resolutions of the Board are carried out;

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

(c) Secretary: The Secretary, or an assistant secretary elected and authorized by the Board, shall keep minutes of all meetings of the Board and of the Members and shall have custody and charge of the Association's corporate seal, minute books, membership transfer books, and such other books, papers and documents as the Board may prescribe; and

(d) Treasurer: The Treasurer, or an assistant treasurer elected and authorized by the Board, shall be responsible for Association funds and securities and shall keep or supervise the keeping by persons designated by resolution of the Board of books of account of Association receipts and disbursements.

Section 9. Checks and Drafts. All checks, drafts or other orders for payment of money, notes or other evidences of indebtedness issued in the name of or payable by the Association

shall be signed or endorsed by such person or persons and in such manner as, from time to time, shall be determined by the Board.

Section 10. Execution of Contracts and Other Documents. The Board by resolution may authorize any officer or officers, agent or agents to enter into any contract or execute any instrument in the name of and on behalf of the Association, and such authority may be general or confined to specific instances. Unless so authorized by the Board, no officer, agent or employee shall have any power or authority to bind the Association by any contract or agreement or to pledge its credit to render it liable for any purpose or for any amount.

Section 11. Rights of Declarant. The provisions of this Article 9 are subject to the rights of Declarant to appoint and remove officers pursuant to its rights under Section 8.06 of Article 8 of the Declaration.

ARTICLE 10

BOOKS AND RECORDS

The membership register, books of account and minutes of meetings of the Members, Board and committees of the Board shall be made available for inspection and copying by any Member, any Member's duly appointed representative and any Mortgagee during normal business hours for a legitimate purpose, at such place or places within the Property as the Board may prescribe. The Board shall establish reasonable rules with respect to notice to be given to the custodian of the records by the Member or Mortgagee desiring to make the inspection; hours and days of the week when such an inspection may be made; and payment of the cost of reproducing documents requested by a Member or Mortgagee. The Declaration, the Articles and these Bylaws shall be available for inspection by any Member at the principal office of the Association, where copies may be obtained at reasonable cost. Every Director shall have the absolute right at any reasonable time to inspect all books, records and documents of the Association and the physical properties owned or controlled by the Association, including the right to make extracts and copies of documents.

ARTICLE 11

ASSESSMENTS

The terms and provisions of the Declaration entitled "Covenants for Assessments" are incorporated herein by reference.

ARTICLE 12

CORPORATE SEAL

The Association may have a seal in circular form having within its circumference the word "SEAL."

ARTICLE 13

AMENDMENTS; DISSOLUTION AND INTERPRETATION OF DOCUMENTS

Section 1. Amendment. Any amendment of these Bylaws shall require the unanimous approval of the Board; provided, however, that no such amendment shall change any provision hereof where such provision is contained in or governed by the Articles or the Declaration, unless the applicable provisions of the Articles and/or Declaration are likewise amended as therein required, and provided further that the percentage of the Voting Power of the Association and of Members necessary to amend a specific provision of these Bylaws shall not be less than the prescribed percentage of affirmative votes required for action to be taken under that provision. Provided, further, any amendment or modification to these Bylaws must be consented to by Declarant so long as Declarant is the owner of any Lot or other portion of the Property, which consent Declarant may grant or withhold in its sole discretion. In addition, Declarant, without obtaining the approval of the Members, may make amendments or modifications to these Bylaws which either (a) are correctional in nature only and do not involve a change which materially adversely affects the rights, duties or obligations specified herein; (b) apply only to the portions of the Property then owned by Declarant; or (c) is necessary to cause these Bylaws to comply with the requirements of any governmental agency.

Section 2. Dissolution. The Association shall be dissolved upon the termination of the Declaration, or upon the written assent given in writing and signed by not less than sixty-seven percent (67%) of the Voting Power of the Association, or upon such more restrictive or additional conditions and in such manner as otherwise provided by the laws of the State of North Carolina. Upon dissolution or insolvency of the Association or upon loss of ownership of the Common Area (once such ownership has been acquired) by the Association for any reason whatsoever (except for exchange or dedication or conveyance of any part or all of the Common Area as allowed by the Declaration or by reason of merger and/or consolidation with any other association as allowed by the Declaration), any portion of the Common Area not under the jurisdiction and being maintained by the Association, shall be offered to the Town, or to some other appropriate governmental entity or public agency (as determined by the Board) to be dedicated for public use for purposes similar to those to which the Common Area and such assets were required to be devoted by the Association. If the Town or such other appropriate governmental entity or public agency accepts the offer of dedication, such portion of the Common Area and assets shall be conveyed by the Association to the Town or such other appropriate governmental entity or public agency, subject to the superior right of the Owner of each Lot to an easement (if necessary) for reasonable ingress and egress to and from such Owner's Lot and the public or private street(s) on which such Lot is located, and subject to all other applicable rights of way and easements and subject to ad valorem property taxes subsequent to the date of such conveyance.

In the event that the Town or such other appropriate governmental entity or public agency refuses the offer of dedication and conveyance, the Association may transfer and convey such Common Area and assets to any nonprofit corporation, association, trust or other entity which is or shall be devoted to purposes and uses that would most nearly conform to the purposes and uses to which the Common Area was required to be devoted by the Declaration, such

conveyance to be made subject to the rights of Owners and other matters set forth in the immediately preceding paragraph.

Section 3. Interpretation. In the case of any conflict between the Articles and these Bylaws, the Articles shall control. In the case of any conflict between the Declaration and these Bylaws, the Declaration shall control. In the case of any conflict between the Articles and the Declaration, the Declaration shall control.