

BYLAWS
OF
THE GREEN AT SCOTTS MILL MASTER OWNERS ASSOCIATION, INC.

ARTICLE I
NAME AND LOCATION

The name of the corporation is The Green at Scotts Mill Master Owners Association, Inc. hereinafter referred to as the "Association." The principal office of the corporation shall be located in the Town of Apex, Wake County, North Carolina, but meetings of Members and meetings of the Executive Board may be held at such places within the State of North Carolina, County of Wake, as may be designated by the Executive Board.

ARTICLE II
DEFINITIONS

Section 1. "Association" shall mean and refer to The Green at Scotts Mill Master Owners Association, Inc., its successors and assigns.

Section 2. "Declarant" shall mean and refer to **SCOTTS WOODS, LLC**, and its successors and assigns, if Declarant shall make an express conveyance of its rights as Declarant hereunder to such successor or assign, all of which rights, including Declarant's voting, annexation and architectural control rights, are assignable and may be apportioned..

Section 3. "Declaration" shall mean and refer to the Master Declaration of Covenants, Conditions and Restrictions for The Green at Scotts Mill applicable to the Properties and recorded in recorded in Book 8527, Page 329, in the Office of the Register of Deeds of Wake County, North Carolina, as the same is from time to time supplemented or amended in accordance with its terms. Except as otherwise herein defined, the capitalized terms used herein shall have the meaning set forth in the Declaration.

Section 4. "Properties" shall mean and refer to that certain real property described in the Declaration, and such additions thereto as may hereafter be brought within the jurisdiction of the Association.

ARTICLE III
MEMBERSHIP AND PROPERTY RIGHTS

Section 1. Membership. All Owners shall be Members of the Association. The voting rights of the Members shall be as provided by the Declaration. When more than one person holds an interest in any Tract, all such persons shall be Members. If more than one of the multiple Owners

are present, the votes allocated to that Tract may be cast only in accordance with the agreement of a majority in interest of the multiple Owners. Majority agreement is conclusively presumed if any one of the multiple Owners casts the votes allocated to that Tract without protest being made promptly to the person presiding over the meeting by any of the other Owners of the Tract. The principles of this paragraph shall apply, insofar as possible, to Referendums, to execution of proxies, waivers, consents or objections, and for the purpose of ascertaining the presence of a quorum.

Section 2. Property Rights. Each Member shall be entitled to the use and enjoyment of the Common Elements as provided in the Declaration.

ARTICLE IV

MEETINGS OF MEMBERS

Section 1. Annual Meetings. The first annual meeting of the Members shall be held within one year from the date of incorporation of the Association, and each subsequent regular annual meeting of the Members shall be held in the same month of each year thereafter at such time and place as the Executive Board may prescribe.

Section 2. Special Meetings. Special meetings of the Members may be called at any time by the president or by the Executive Board, or upon written request of the Members who are entitled to vote one-fourth (1/4) of all the votes of the Membership of the Association.

Section 3. Notice of Meetings. The notice required for any action authorized at a regular or special meeting of the Association shall be as follows: (i) written notice of any meeting of the Members of the Association called for the purposes of considering any Material Amendment to the Declaration or any Extraordinary Action of the Association shall be given at least 25 days but not more than 60 days in advance to all Members and at least 15 days but not more than 60 days advance notice is required in the case of a meeting for other purposes; (ii) any such notice shall state the place, day and hour of the meeting and the purpose of the meeting and contain a summary of the proposed action, amendment consent or approval to be voted on; and (iii) each such notice shall contain a copy of the proxy that can be cast in lieu of attendance at the meeting. Any notice required to be sent to any Member under the provisions of this Declaration shall be deemed to have been properly sent and notice thereby given when delivered personally or sent by mail with the proper postage affixed to the address appearing on the Association's Membership list. Notice to one (1) or two (2) or more co-owners or co-tenants of a Tract shall constitute notice to all co-owners. It shall be the obligation of every member to immediately notify the Secretary of the Association in writing of any change of address. Any person who becomes a Member following the first day in the calendar month in which said notice is delivered or mailed shall be deemed to have been given notice if notice was given to his predecessor in title.

Section 4. Quorum. The quorum required for any Membership Vote (as distinguished from a Referendum) shall be as follows:

(a) The first time a meeting of the Members of the Association is called to vote the presence at the meeting of Members, in person or by proxy, entitled to cast at least thirty percent (30%) of the total vote of the Membership entitled to vote on the proposed action shall constitute a quorum.

(b) If the required quorum is not present at any meeting described in subparagraph (a) above, with the exception of any meeting called to vote on the termination of this Declaration, any Material Amendment or any Extraordinary Action, another meeting or meetings may be called subject to the giving of proper notice, and the required quorum at such subsequent meeting or meetings shall be one-half (½) of the required quorum at the preceding meeting.

Unless otherwise provided, any reference herein to "votes cast at a duly called meeting" shall be construed to be subject to the notice requirements established by Article IV, Section 3 above and the quorum requirements established by this Article IV, Section 4, and any other requirements for such "duly called meeting" which may be established by the By-Laws of the Association.

Section 5. Proxies. All Members of the Association may vote and transact business at any meeting of the Association by proxy authorized in writing, provided, however, that Proxies shall not be required for any action which is subject to a Referendum, in which case the votes of all the Members polled shall be made by specifically provided ballots mailed or otherwise delivered to the Association.

ARTICLE V

EXECUTIVE BOARD; SELECTION; TERM OF OFFICE

Section 1. Number. The affairs of this Association shall be managed by an Executive Board who need not be Members of the Association. The first Executive Board of the Association and all succeeding Executive Boards during the period Declarant retains the right to appoint all of the Executive Board of the Association as set forth in the Declaration shall consist of three (3) persons. Thereafter, each succeeding Executive Board shall consist of no less than three (3) and no more than five (5) persons, as determined by the Executive Board.

Section 2. Term of Office. At the first annual meeting at which the Members are entitled to elect all of the members of the Executive Board, at least two-thirds of the members of the Executive Board shall be elected for a term of two (2) years and the remaining members of the Executive Board shall be elected for a term of one (1) year; and at each annual meeting thereafter the Executive Board members shall be elected for a term of two (2) years.

Section 3. Removal; Filling Vacancies. Any Executive Board member elected by the Members of the Association may be removed from the Board, with or without cause, by a majority vote of the Members of the Association. Vacancies in the Executive Board may be filled until the date of the next Annual Meeting of the Association or until a Special Meeting of the Members of the Association called for such purpose by the remaining Executive Board members, except that should

any vacancy in the Executive Board be created by any person appointed by Declarant to serve as a member of the Executive Board, such vacancy shall be filled by Declarant appointing, by written instrument delivered to any Officer of the Association, such successor to fill the vacated Executive Board position for the unexpired term thereof.

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

Section 5. Action Taken Without a Meeting. The Executive Board members shall have the right to take any action in the absence of a meeting which they could take at a meeting by obtaining the written approval of all the Executive Board members. Any action so approved shall have the same effect as though taken at a meeting of the Executive Board.

ARTICLE VI

NOMINATION AND ELECTION OF EXECUTIVE BOARD MEMBERS

Section 1. Appointment. Declarant from time-to-time shall appoint the members of Executive Board which it shall be entitled to appoint in accordance with the provisions of the Declaration by written instrument presented to an Officer of the Association. Each of said individuals so appointed by Declarant shall be deemed and considered for all purposes an Executive Board member, and shall thenceforth perform the offices and duties of such Executive Board member until his or her successor shall have been appointed or elected in accordance with the provisions of these Bylaws. Any Executive Board member designated by and selected by Declarant need not be a Member of the Association.

Section 2. Nomination. Nomination for the election of any Executive Board member the Declarant is not entitled to appoint pursuant to the terms of the Declaration 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 Executive Board, and two or more Members of the Association. The Nominating Committee shall be appointed by the Executive Board prior to each annual meeting to serve until the close of the next annual meeting and such appointment shall be announced at each annual meeting. The Nominating Committee shall make as many nominations for election to the Executive Board 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 3. Election. All Executive Board members whom Declarant shall not be entitled to designate and select under the terms and provisions of the Declaration shall be elected by a plurality of the votes cast at the Annual Meeting of the Members of the Association. At least a majority of the Executive Board members selected by the Members of the Association shall be Members of the Association or employees, shareholders, members or partners of a corporate, limited liability company or partnership Member of the Association. Election to the Executive Board shall be by secret written ballot. At such election the Members of the Association or their proxies may cast, in

respect to each vacancy, as many votes as they are entitled to exercise under the provisions of the Declaration. The persons receiving the largest number of votes shall be elected. Cumulative voting is not permitted.

ARTICLE VII

MEETINGS OF EXECUTIVE BOARD MEMBERS

Section 1. Regular Meetings. Regular meetings of the Executive Board shall be held at such time and place and with such notice as shall be determined by resolution of a majority of the Executive Board members.

Section 2. Special Meetings. Special meetings of the Executive Board shall be held when called by the president of the Association, or by any two Executive Board members, after not less than three (3) days notice to each Executive Board member.

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

ARTICLE VIII

POWERS AND DUTIES OF THE EXECUTIVE BOARD

Section 1. Powers. In addition to the powers enumerated in the Declaration and the Association's Articles of Incorporation, the Executive Board shall have power to:

(a) adopt and publish rules and regulations governing the use of the Common Elements and facilities, and the personal conduct of the Members, and their guests thereon, and to establish penalties for the infraction thereof.

(b) suspend the voting rights and right to the use of any recreational facilities or other General Common Elements (to the extent that access and utility service are not impaired) of a Member for any violation of the covenants, conditions or restrictions contained in this Declaration or for violation of any rule or regulation promulgated by the Association in accordance with this Declaration, such suspension to extend for a period not to exceed 60 days, unless such rights are suspended for failure to pay Assessments, in which case such rights may be suspended until the Assessments are fully paid.

(c) exercise for the Association all powers, duties and authority vested in or delegated to this Association and not reserved to the Membership by other provisions of these Bylaws, the Articles of Incorporation or the Declaration.

(d) declare the office of a member of the Executive Board to be vacant in the event such member shall be absent from three (3) consecutive regular meetings of the Executive Board.

(e) contract for the benefit of the Properties and to delegate to such contractors all of the powers and duties of the Association, except those which may be required by the Declaration to have approval of the Executive Board or Membership of the Association. The undertakings and contracts authorized by the initial Executive Board (including contracts for the management of The Green at Scotts Mill) shall be binding upon the Association in the same manner as though such undertakings and contracts had been authorized by any Executive Board duly elected by the Membership after the recording of this Declaration, so long as such undertakings and contracts are within the scope of the powers and duties which may be exercised by the Executive Board of the Association in accordance with the Declaration, the Articles of Incorporation and these Bylaws; and provided further that, any undertaking or contract entered into by the Association at a time before the Declarant has transferred control of the Association to Tract Owners shall contain a provision reserving the right of the Association to terminate such undertaking or contract upon not more than ninety (90) days written notice to the other party(ies) thereto.

(f) employ attorneys to represent the Association when deemed necessary.

Section 2. Duties. It shall be the duty of the Executive Board to:

(a) cause to be kept a complete record of all of its acts and corporate affairs and to present a statement thereof to the Members at the Annual Meeting of the Members, or any special meeting when such statement is requested in writing by the Members entitled to cast at least one-fourth (1/4) of the votes of either class of Association membership.

(b) supervise all officers, agents and employees of this Association, and to see that their duties are properly performed.

(c) as more fully provided in the Declaration, to:

(1) fix the amount of the annual assessment against each Tract at least thirty (30) days in advance of each annual assessment period.

(2) send written notice of each assessment to every Owner subject thereto at least thirty (30) days in advance of each annual assessment period (provided, however, that failure of any Owner to receive such notice shall in no way affect the obligation of such Owner to pay annual assessments); and

(3) in the discretion of the Executive Board, foreclose the lien against any property for which assessments are not paid within thirty (30) days after due date or to bring an action at law against the Owner personally obligated to pay the same.

(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 certificate shall be conclusive evidence of such payment.

(e) procure and maintain insurance covering the Association, its Executive Board members, officers, agents and employees and procure and maintain adequate hazard insurance on the real and personal property owned by the Association as follows:

(1) A policy of property insurance in an amount equal to the full replacement value (i.e., 100% of current "replacement cost" excluding land, foundations, excavations, streets and parking facilities) of the Common Elements owned by the Association (including all building service and related equipment) with an Agreed Amount Endorsement or its equivalent, if available, or an Inflation Guard Endorsement. Such insurance policy must protect against loss or damage by fire and other hazards covered by the standard extended coverage endorsement, and by sprinkler leakage, debris removal, cost of demolition, vandalism, malicious mischief and windstorm. If coverage is available, the policy may include coverage for water damage.

(2) A comprehensive policy of public liability insurance insuring the Association in an amount not less than One Million Dollars (\$1,000,000.00) for claims for personal injury and/or Property damage arising out of a single occurrence, such coverage to include protection against liability for non-owned and hired automobiles and liability for property of others, and, if available, may include coverage for water damage.

(3) If the Association elects to manage its own affairs and directly receive and disburse its own funds (or, if in addition to professional management, the officers or Executive Board members of the Association can and do directly receive or disburse the monies of the Association), the Executive Board shall maintain fidelity coverage against dishonest acts by the Association's officers, Executive Board members, trustees and employees, and all others who are responsible for handling funds of the Association. If the Association employs a professional property management Person or firm to manage the Association and to receive and disburse the monies of the Association, then such professional management person or firm shall have adequate fidelity coverage against dishonest acts and the existence of such coverage shall satisfy the requirement of this paragraph.

Any such fidelity bonds shall name the Association as an obligee; shall be written in an amount equal to at least 150% of the estimated annual operating expenses of the Association, including reserves; shall contain waivers of any defense based on the exclusion of persons who serve without compensation from any definition of "employee" or similar expression; and shall provide that they may not be canceled or substantially modified (including cancellation for non-payment of

premium) without at least thirty (30) days prior written notice to the Association and to any Institutional Lender who has given the notice required under Article IX, Section 3, of the Declaration.

(4) If any of the insurance described above is not reasonably available, the Association promptly shall cause notice of that fact to be hand-delivered or sent prepaid by United States mail to all Owners.

(5) Insurance policies carried pursuant to this subsection shall provide that (a) each Owner is an insured person under the policy to the extent of the Owner's insurable interest; (b) the insurer waives its right to subrogation under the policy against any Owner, Tenant or Resident; (c) no act or omission by an Owner, unless acting within the scope of the Owner's authority on behalf of the Association, will preclude recovery under the policy; and (d) if, at the time of a loss under the policy, there is other insurance in the name of the Owner covering the same risk covered by the policy, the Association's policy provides primary insurance.

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

(g) cause the Common Elements and the exterior of the Tracts and improvements located thereon to be maintained in accordance with the provisions of the Declaration.

(h) maintain any dedicated streets within the Properties which are not accepted for dedication by an appropriate governmental authority.

(i) maintain such properties and perform such services as set out in the Declaration.

(k) to take such other actions necessary or appropriate to conduct the affairs of the Association in accordance with the Declaration.

ARTICLE IX

OFFICERS AND THEIR DUTIES

Section 1. Enumeration of Offices. The officers of this Association shall be a president and one vice-president, who shall at all times be members of the Executive Board, a secretary, assistant secretary, and a treasurer, and such other officers as the Board may from time to time by resolution create, including additional vice-presidents who need not be members of the Executive Board.

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

Section 3. Term; Compensation. The officers of this Association shall be elected annually by the Board and each shall hold office for one (1) year unless he or she shall sooner resign, or shall be removed, or otherwise disqualified to serve. No officer shall receive compensation for services rendered in such capacity to the Association; provided, however, that an officer may be reimbursed for actual expenses incurred in the performance of such duties.

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 by giving written notice to the Board, the president or 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. Duties. The duties of the officers are as follows:

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

(b) Vice-President. 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.

(c) Secretary and Assistant Secretary. 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 Association together with their addresses, and shall perform such other duties as required by the Board. The assistant secretary shall assist the secretary and act in the place and stead of the secretary in the event of his or her absence.

(d) Treasurer. 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 Executive Board; shall sign all checks and promissory notes of the Association; keep proper books of account; cause an annual audit of the Association books to be made by an independent certified public accountant at the completion of each fiscal year; and shall prepare an annual budget and statement of income and expenditures

to be presented to the Membership at its regular annual meeting, and deliver a copy of each to the Members.

ARTICLE X

COMMITTEES

The Executive Board shall appoint a Nominating Committee, as provided in these Bylaws. In addition, the Executive Board shall appoint other committees as deemed appropriate in carrying out its purpose.

ARTICLE XI

BOOKS AND RECORDS

The books, records and papers of the Association, except for privileged or confidential information, shall be available for examination and copying by any Member, any Institutional Lender, as that term is defined in the Declaration, or their authorized agent, upon reasonable notice to the Association and for a reasonable copying charge. The Association is required to keep records of : (i) its governing documents (i.e., Association documents, rules and regulations and design standards); (ii) its actions (Executive Board resolutions, meeting minutes, etc.); and (iii) its financial condition (receipts and expenditures affecting the finances, operation and administration of the Association, budget, financial statements, etc.. Notwithstanding the foregoing, the Association is not required to maintain records in excess of three (3) years unless otherwise required under applicable law.

ARTICLE XII

WORKING CAPITAL FUND

In order to insure that the Association will have sufficient monies available to meet its initial operational, the Association shall establish a Working Capital Fund. At the time of the closing of the first sale of each Tract, the purchaser thereof shall pay into such Fund an amount equal to two-twelfths (2/12ths) of the current annual assessment established by the Association. No such payments made into the Working Capital Fund shall be considered advance or current payment of regular assessments. All monies paid into the Working Capital Fund shall be held and administered by the Association in accordance with the terms of the Declaration and these Bylaws.

ARTICLE XIII

ASSESSMENTS

As more fully provided in the Declaration, each Member is obligated to pay to the Association annual and special assessments which are secured by a continuing lien upon the

property against which the assessment is made. Any assessments which are not paid when due shall be delinquent. If the assessment is not paid within thirty (30) days after the due date, the assessment shall bear interest from the date of delinquency at a per annum rate from time-to-time established by the Executive Board of the Association not to exceed the lesser of: (i) eighteen percent (18%) per annum or (ii) that per annum rate charged by the Internal Revenue Service on delinquent taxes, and the Association may bring an action at law against the Owner personally obligated to pay the same or foreclose the lien against the property, and interest, costs and reasonable attorney's fees of any such action shall be added to the amount of the assessments. No Owner may waive or otherwise escape liability for the assessments provided for herein by nonuse of the Common Elements or abandonment of his Tract.

ARTICLE XIV

CORPORATE SEAL

The Association shall have a seal in circular form having within its circumference the words: The Green at Scotts Mill Master Owners Association, Inc., North Carolina.

ARTICLE XV

AMENDMENTS

Section 1. These Bylaws may be amended, at a regular or special meeting of the Members, by the vote of a majority of the quorum of Members present and entitled to vote in person or by proxy, except that any Material Amendment (as defined in the Declaration) to these Bylaws shall require the affirmative vote of the Members to which at least sixty-seven percent (67%) of the votes of the Association are allocated, such vote to include at least fifty-one percent (51%) of the votes of all Members present, in person or by proxy, and voting at such meeting other than the Declarant, or, if the Executive Board elects not to call a meeting of the Members, with the written consent of the Members entitled to cast at least sixty-seven percent (67%) of the total authorized votes of all Members of the Association, such consent to include the consent of the Members entitled to cast at least fifty-one percent (51%) of the total authorized votes of all Members of the Association other than Declarant, said consent having been obtained after written notice to all Members of the proposed amendment. During any Period of Declarant Control, a Material Amendment to these Bylaws also shall require the prior approval of the Federal Housing Administration ("FHA") or the Department of Veterans Affairs ("VA"), provided that FHA or VA insured loans have been obtained to purchase one or more Tracts and during Declarant's Development Period, a Material Amendment to these Bylaws also shall require the prior approval of Declarant. No amendment purporting to revoke or curtail any right herein conferred to Declarant shall be effective unless executed by Declarant and no amendment relating to the maintenance or ownership of any permanent detention or retention pond shall be effective unless reviewed and approved by the governmental office having jurisdiction for watershed protection. Declarant may unilaterally terminate or restrict any right herein reserved

in favor of Declarant by recording in the Wake County Registry a notice of such termination or restriction.

Section 2. In the case of any conflict between the Articles of Incorporation and these Bylaws, the Articles shall control; in the case of any conflict between the Declaration and these Bylaws, the Declaration shall control; and in the case of any conflict between the Articles and the Declaration, the Declaration shall control.

ARTICLE XVI

MISCELLANEOUS

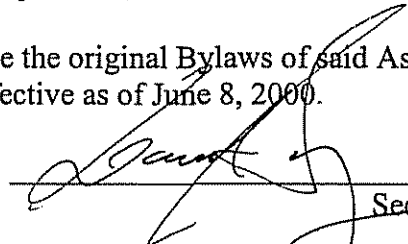
The fiscal year of the Association shall begin on the first day of January and end on the 31st day of December of every year, except that the first fiscal year shall begin on the date of incorporation.

CERTIFICATION

I, the undersigned, do hereby certify:

THAT I am the duly elected and acting Secretary of The Green at Scotts Mill Master Owners Association, Inc., a North Carolina corporation, and

THAT the foregoing Bylaws constitute the original Bylaws of said Association, as duly adopted by action of the Executive Board, effective as of June 8, 2000.


Secretary

(CORPORATE SEAL)