

BYLAWS
OF
SCOT'S LAUREL HOMEOWNERS ASSOCIATION, INC.

ARTICLE I
NAME AND LOCATION

The name of the corporation is SCOT'S LAUREL HOMEOWNERS ASSOCIATION, INC. (hereinafter referred to as "Scot's Laurel"). The principal office shall be located at 1201 Edwards Mill Road, Suite 301, Raleigh, Wake County, North Carolina. The location of the principal office of the Association may be changed by the Board of Directors. Meetings of Members and directors shall be held at such places within Wake County, North Carolina as shall be designated by the Board of Directors.

ARTICLE II
DEFINITIONS

Section 1. "Act" is defined as the "North Carolina Planned Community Act", currently contained in Chapter 47F of the North Carolina General Statutes, and including all amendments, supplements and replacements as enacted from time to time.

Section 2. "Additional Property" is defined as all real property subjected to or annexed to this Declaration subsequent to the recording of this Declaration in the Registry, either by Supplemental Declaration or by merger or consolidation, as provided herein.

Section 3. "Assessment" shall mean and refer to the share of the Common Expenses from time to time assessed against a Lot and its Owner by the Association in the manner herein provided.

Section 4. "Association" shall mean and refer to Scot's Laurel Homeowners Association Inc., its successors and assigns.

Section 5. "Board of Directors" or "Board" shall mean and refer to the Board of Directors of the Association, which is the governing body of the Association.

Section 6. "Bylaws" shall mean and refer to the Bylaws of the Association as amended from time to time.

Section 7. "Common Area" shall mean that certain portion of the Properties (including the improvements thereto) owned by the Association for the common use and enjoyment of the Owners, including open space areas, open space/protective yard, parking areas, private streets and any recreational facilities. Any Stormwater Control Measures serving more than one Lot, which are situated outside the public street rights of way, are Common Areas, including any stormwater management area.

Section 8. "Common Expenses" shall mean and refer to all sums lawfully assessed against a Lot by the Association; expenses of administration, maintenance, repair or replacement of the Common Areas, expenses agreed upon as Common Expenses by the Association; expenses declared Common Expenses by the provisions of this Declaration or the Bylaws; and insurance premiums.

Section 9. "Declarant" shall mean and refer to Lennar Carolina, Inc. a Delaware corporation, its successors and assigns if such successors or assigns should acquire more than one undeveloped Lot from the Declarant for the purpose of development.

Section 10. "Declaration" shall mean the Declaration of Covenants, Conditions and Restrictions for Scot's Laurel Homeowners Association, Inc. recorded in the Office of the Register of Deeds of Wake County, North Carolina, and all valid amendments thereto.

Section 11. "Lot" shall mean and refer to any plot of land shown upon any recorded subdivision map of the Properties with the exception of the Common Area and road rights-of-way which are offered for public dedication. Except where otherwise indicated by context, the term "Lot" shall include the improvements on such Lot.

Section 12. "Member" shall mean and refer to every person or entity who holds membership in the Association.

Section 13. "Owner" shall mean and refer to the record owner, whether one or more persons or entities, of a fee simple title to any Lot which is a part of the Properties, including contract sellers, but excluding those having such interest merely as security for the performance of an obligation.

Section 14. "Properties" shall mean and refer to that certain real property more particularly described on Exhibit A attached hereto and incorporated herein by this reference, and such additions thereto as may hereafter be brought within the jurisdiction of Association.

Section 15. "Stormwater Control Measures" shall mean and refer to the stormwater facilities situated outside the public street rights-of-way and serving more than one lot and located on the Property as private drainage easements or stormwater management areas designated on recorded plats of the Property.

Section 16. "Subdivision Plan" is defined as the most current development plan approved by the Town of Holly Springs for any portion of the Properties or the Declarant Additional Property, including a subdivision plan, site plan, group housing plan or cluster unit development plan. When two or more Subdivision Plans are approved for the same portion of The Properties (for example, a phase or section within a cluster unit development), the most current and most specific plan controls.

ARTICLE III MEETINGS OF MEMBERS

Section 1. Members. Declarant, for so long as it shall be an Owner, and every person or entity who is a record Owner of a fee simple or undivided fee simple interest in any Lot that is subject by the Declaration to assessments by the Association shall be a Member of the Association; provided, however, that any such person or entity who holds such title or interest merely as security for the performance of an obligation shall not be a Member of the Association. Membership shall be appurtenant to and may not be separated from ownership of any Lot which is subject to assessment by the Association. Ownership of a Lot shall be the sole qualification for Membership. The Board of Directors of the Association may make reasonable rules relating to the proof of ownership of a Lot in SCOT'S LAUREL SUBDIVISION. No Owner shall have more than one Membership, except as expressly provided hereinafter.

Section 2. The Association shall have three classes of voting membership:

Class A: Class A Members are all Owners of Lots containing or intended for a single family attached dwelling units excluding the Declarant during the Declarant Control Period. Provided, following the end of the Declarant Control Period, the Declarant also is a Class A Member with respect to all Lots and Unsubdivided Land owned by the Declarant. Except as otherwise provided herein, Class A Members are entitled to the following votes:

(1) A Class A Member is entitled to one (1) vote for each Attached Lot owned by such Class A Member. When the Class C Membership terminates, Declarant shall be entitled to one (1) vote for each Lot owned. Only one (1) vote is entitled to be cast for each Lot, regardless of the number of Owners thereof and fractional voting is prohibited;

Class B: Class B Members are all Owners of Lots containing or intended for a single family detached dwelling units, excluding the Declarant during the Declarant Control Period. Provided, following the end of the Declarant Control Period, the Declarant also is a Class B Member with respect to all Lots and Unsubdivided Land owned by the Declarant. Except as otherwise proved herein, Class B Members are entitled to the following votes.

(1) A Class B Member is entitled to one (1) vote for each Detached Lot owned by such Class B Member. When the Class C Membership terminates, Declarant shall be entitled to one (1) vote for each Lot owned. Only one (1) vote is entitled to be cast for each Lot, regardless of the number of Owners thereof and fractional voting is prohibited;

Class C: The Class C Member(s) shall be the Declarant, or its assigns, and shall be entitled to three (3) votes for each Lot owned. The foregoing allocation of votes is in recognition of the fact that the Properties likely will be developed in phases and there may be times during the development of the Properties when Declarant owns less, if any, Lots. The Class C membership shall be reinstated if before December 31, 2011 additional lands are annexed to this Declaration as

hereinafter provided. The Class C membership shall cease and be converted to Class A or Class B membership on the happening of either of the following events, whichever occurs earlier:

- (a) When 75% of the maximum number of Lots allowed for the Properties (as amended and supplemented from time to time) under the subdivision plan have been conveyed to Owners; or
- (b) on December 31, 2011; or
- (c) the date specified by the Declarant in a written notice to the Association.

Section 3. Voting Right Suspension. The right of any Member to vote may be suspended by the Board of Directors for just cause pursuant to its rules and regulations and for any period during which any assessment of a Member remains unpaid according to the provisions of Article IV, Section 8 of the Declaration.

Section 4. Voting. The total vote of the Association shall consist of the sum of the votes of the Class A Members and the votes of Class B Members present in person or by Proxy at a legally constituted meeting at which a quorum is present. The number of votes present at a meeting that will constitute a quorum shall be as set forth in the By-Laws, as amended from time to time. Notice requirements for all action to be taken by the Members of the Association shall be as set forth herein as the same may be amended from time to time. Quorum and notice requirements shall be as provided in By-Laws except when otherwise specified in the Declaration.

When more than one person holds an interest in any dwelling unit or Lot, all such persons shall be Members; and the vote for such dwelling unit or Lot shall be exercised as they among themselves determine; however, in no event may more than one vote be cast with respect to any one dwelling unit or Lot owned by Class A Members and in no event shall fractional votes be allowed. When one or more co-Owners signs a proxy or purports to vote for his or her co-Owners, such vote shall be counted unless one or more other co-Owners is present and objects to such a vote or, if not present, submits a proxy or objects in writing delivered to the Secretary of the Association before the vote is counted. Cumulative voting is not allowed.

A persons or entity's Membership in the Association shall terminate automatically whenever such person or entity ceases to be an Owner, but such termination shall not release or relieve any such person or entity from any liability or obligation incurred under or in any way connected with the Association or this Declaration during the period of such ownership, or impair any rights or remedies which the Association or any other Owner has with regard to such former Owner.

Section 5. Right of Declarant to Representation on Board of Directors of the Association. Notwithstanding anything contained herein to the contrary, until December 31, 2011, or until Declarant shall have conveyed seventy-five percent (75%) of the Properties, whichever occurs first, Declarant (or its expressed assignee of the right granted in this section) shall have the right to designate and select any person or persons to serve on any Board of Directors, the manner in which

such person or persons shall be designated shall be as provided in the Articles of Incorporation and/or By-Laws of the Association.

Declarant shall have the right to remove any person or persons selected by it to act and serve on said Board of Directors and replace such person or persons with another person or persons to act and serve in the place of any director or directors so removed. Any director designated and selected by Declarant need not be an Owner. Any representative of Declarant serving on the Board of Directors of the Association shall not be required to disqualify himself from any vote upon any contract or matter between Declarant and the Association where Declarant may have pecuniary interest or other interest.

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. Each subsequent regular meeting of the Members shall be held in the same month of each year thereafter unless a different date is fixed by the Board of Directors.

Section 2. Substitute Annual Meeting. If the annual meeting shall not be held within the month designated by these By-Laws, a substitute annual meeting may be called in accordance with the provisions of Section 3 of this Article IV. A meeting so called shall be designated and treated for all purposes as the Annual Meeting.

Section 3. Special Meetings: Special meetings of the Members may be called at any time by the President or Board of Directors of the Association, or by any Member pursuant to the written request of the holders of not less than one-tenth of all votes of Class A and Class B Membership. The notice of any special meeting shall state the time and place of such meeting and the purpose thereof. No business shall be transacted at a special meeting except as stated in said notice.

Section 4. Place of Meetings. Meetings of the Members shall be held at such place, within Wake County, as may be determined by the Board of Directors.

Section 5. Notice of Meeting: Except as otherwise provided in the Articles of Incorporation, the Declaration, or these By-Laws, written or printed notice stating the time and place of the meeting shall be delivered not less than twenty nor more than sixty days before the date of any Membership meeting, either personally or by U.S. Mail, by or at the direction of the President, the Secretary, or other person calling the meeting, to each Member of record entitled to vote at such meeting; provided that such notice must be given not less than twenty days before the date of any meeting at which a merger or consolidation is to be considered. If mailed, such notice shall be deemed to be delivered to the Member at his address as it appears on the record of Members of the association, with postage thereon prepaid.

In the case of a special meeting, the notice of meeting shall specifically state the purpose or purposes for which the meeting is called; but, in the case of an annual or substitute annual meeting, the notice of meeting need not specifically state the business to be transacted thereat unless such a statement is required by the provisions of the North Carolina Non-profit Corporation Act.

When a meeting is adjourned for thirty days or more, notice of the adjourned meeting shall be given as in the case of an original meeting. When a meeting is adjourned for less than thirty days, it is not necessary to give any notice of the adjourned meeting other than by announcement at the meeting at which the adjournment is taken.

Section 6. Voting List. At least ten days before each meeting of the Members, the Secretary of the Association shall prepare an alphabetical list of the Members entitled to vote at such meeting or any adjournment thereof, with the address of and number of votes by each, which list shall be kept on file at the registered office of the Association for a period of ten days prior to such meeting, and shall be subject to inspection by any Member at any time during normal business hours. This list shall be produced and kept open at the time of the meeting and shall be subject to inspection by any Member during the time of the meeting. If more than one person owns a Lot, the vote allocated to such Lot shall be cast in accordance with the provisions of the Planned Community Act.

Section 7. Quorum: Except as otherwise provided in the Articles of Incorporation, the Declaration, or these By-Laws, the presence at the meeting of Members or of proxies entitled to cast, twenty percent (20%) of the votes appurtenant to each Class of Lots in combination (Class A and B) shall constitute a quorum for any action. If, however, such quorum shall not be present or represented at any meeting, the Members entitled to vote thereat shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum as aforesaid shall be present or represented.

Section 8. Proxies: Voting may be either in person or by one or more agents authorized by a written proxy executed by the Member or by his duly authorized attorney in fact. All proxies shall be in writing and filed with the Secretary. Every proxy shall be revocable and shall automatically cease upon conveyance by the Member of his Lot or may cease upon written notice of cancellation of proxy by Member.

Section 9. Voting. The vote on any matter of a majority of the votes of each Class of Members present at a meeting of Members shall be the act of the Members on that matter, unless the vote of a greater number is required by the Declaration, these By-Laws, the Planned Community Act or by law.

Section 10. Informal Action by Members. Any action which may be taken at a meeting of the Members may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the persons who would be entitled to vote upon such action at a meeting and filed with the Secretary of the Association to be kept in the minute book of the Association.

Section 11. Waiver of Notice. Any Member may, at any time, waive notice of any meeting with the Members in writing and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a Member at any meeting of the Members shall constitute a waiver of notice by him of the time and place thereof except where a Member attends a meeting for the express purpose of objecting to the transaction of any business because the meeting was not lawfully called. If all the Members are present at any meeting of the Members, no notice is required and any business may be transacted at such meeting.

Section 12. Loss of Right to Vote. The vote of any Member who is shown on the books or records of the Association to be more than sixty (60) days delinquent in any payment due the Association shall not be an eligible vote and shall not be counted for purposes of deciding any question so long as such delinquency is not cured, nor shall such Member be eligible to be elected to or remain on the Board of Directors.

Section 13. Presiding Officer. The President of the Association, or in the absence of the President, the Vice President, shall preside at all meetings of the Members. The Secretary of the Association shall act as the Secretary of the meeting, or in the absence of the Secretary, the President shall designate some other person to act as the Secretary of the meeting. In the absence of both the President and Vice President, the Members present at the meeting shall elect a Presiding Officer for such meeting.

Section 14. Order of Business. The order of business at the annual meeting and any special meeting of the Members shall be as follows:

- (a) The calling of the meeting to order;
- (b) The calling of the roll;
- (c) The announcement by the Presiding Officer of the purpose of the meeting and of the nature of the business which may be presented at it;
- (d) The reading and approval of the minutes of any former meeting of the Member if such minutes have not been previously read and approved;
- (e) The presentation of and action, if required, upon reports of officers and committees;
- (f) Unfinished business;
- (g) New Business, including the election of directors for the forthcoming year if the meeting be an annual meeting; and
- (h) Adjournment.

ARTICLE V BOARD OF DIRECTORS

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

Section 2. Number, Term and Qualifications. The number of directors constituting the Board of Directors shall be three. At the first annual meeting of the Association after which transition to homeowner control has taken place, the number of Directors may be increased to five

(5). At this first annual meeting after transition, the Members may elect one director to serve for a term of one year, two directors to serve for a term of two years, and two directors to serve for a term of three years, should they elect to increase the number of directors to five (5). If the Members elect to continue to maintain a board of three (3) Members, they shall elect a one, two and three year director. At subsequent annual meetings thereafter, the Members shall elect the number of directors needed to fill the vacancy or vacancies created by the director or directors whose term(s) is (are) expiring to serve for a term of three (3) years. Directors need not be Members of the Association.

Section 3. Nomination. After the first election of directors, nominations for election to the Board may be made by a Nominating Committee established by the Board of Directors. Nominations may also be made from the floor at the annual meeting. Nominations at the first meeting will be from the floor. The Nominating Committee, if formed, shall consist of a Chairman, who shall be a member of the Board, and two or more Members of the Association. The Nominating Committee shall be appointed by the Board prior to each annual meeting of the Members, to serve from the close of such annual meeting until the close of the next annual meeting and such appointment shall be announced at each annual meeting. 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.

Section 4. Election of Directors. Except as provided in Section 6 of this Article V, the directors shall be elected at the annual meeting of Members or their proxies; and those persons who receive the highest number of votes shall be deemed to have been elected. If any Member so demands, the election of directors shall be by ballot. Cumulative and fractional voting is prohibited.

Section 5. Election. The directors may be elected by secret written ballot, if a Member so demands, at the annual meeting of the Members. In such election, the Members or their proxies may cast, with respect to each vacancy, as many votes as they are entitled under the provisions of Article III of these By-Laws. The persons receiving the highest number of votes shall be elected. Cumulative voting is not permitted.

Section 6. Removal. Any director may be removed at any time with or without cause, by a majority vote of the Members. If any Directors are so removed, new directors may be elected at the same meeting. Additionally, any Director who has three (3) consecutive unexecuted absences may be removed by a majority vote of the remaining Directors.

Section 7. Vacancies. Any vacancy occurring in the Board of Directors may be filled by the selection of a successor by the remaining Directors, who shall serve for the unexpired term of his predecessor. The Members may elect a director at any time to fill any vacancy not filled by the Directors. Any directorship to be filled by reason of an increase in the authorized number of Directors shall be filled only by election at an annual meeting or at a special meeting of Members called for that purpose.

Section 8. Compensation. No Director shall receive compensation for any service he may render to the Association in the capacity of Director. However, any Director may be reimbursed for actual expenses incurred in the performance of his duties.

ARTICLE VI MEETINGS OF DIRECTORS

Section 1. Regular Meetings: A regular meeting of the Board of Directors shall be held immediately after the annual meeting of the Members for the purpose of electing officers. In addition, a regular meeting of the Board of Directors shall be held at least quarterly, without notice and at such place and hour as may be fixed from time to time by resolution of the Board of Directors.

Section 2. Special Meetings: Special meetings of the Board of Directors shall be held when called by the President of the Association, or by any two Directors. Such a meeting may be held as fixed by the person or persons calling the meeting.

Section 3. Notice of Meetings. Regular meetings of the Board of Directors may be held without notice. The person or persons calling a special meeting of the Board of Directors shall, at least ten (10) days and not more than sixty (60) days before the meeting, give notice thereof by any usual means of communication. Such notice need not specify the purpose for which the meeting is called.

Section 4. Waiver of Notice. Any Director may waive notice of any meeting. The attendance by a Director at a meeting shall constitute a waiver of notice of such meeting, except where a Director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened.

Section 5. 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 6. Informal Action by Directors. Any action which may be taken at a meeting of the Board of Directors may be taken without a meeting if written consent to the action so taken is signed by all the Directors and filed with the minutes of the proceedings of the Board, whether done before or after the action is so taken.

Section 7. Chairman. A Chairman of the Board of Directors shall be elected by the Directors and shall preside over all Board meetings until the President of the Association is elected. Thereafter, the President shall serve as Chairman. In the event there is a vacancy in the office of President, a Chairman shall be elected by the Board of Directors to serve until a new President is elected.

Section 8. Participation in Meetings by Means of Conference Telephone. Members of the Board of Directors, or any committee of the Board, may participate in a meeting of the Board or of such committee by means of a conference telephone or similar communications device by means of which all persons participating in the meeting can hear each other, and participation by such means shall constitute presence in person at such meeting.

Section 9. Committees of the Board. The Board of Directors shall designate three (3) individuals, who need not be Members, to constitute an Architectural Control Committee as provided in the Declaration and may appoint other committees as it deems appropriate. The designation of any committee and the delegation thereto of authority shall not operate to relieve the Board of Directors of any responsibility or liability imposed upon it or him by law.

Section 10. Liability of the Board. The members of the Board of Directors shall not be liable to the Owners for any mistake of judgment, negligence, gross negligence, inexcusable neglect or otherwise except for their own individual willful misconduct, fraud or bad faith. The Owners shall defend, indemnify and hold harmless each of the members of the Board against all contractual liability to others arising out of contracts made by the Board on behalf of the Association unless any such contracts have been made in bad faith or contract to the provisions of the Declaration or these By-Laws and be defended, indemnified and held harmless of all common law or tort suits for all covered claims as identified in the first sentence of this Section 10. It is intended that the members of the Board shall have no personal liability with respect to any contract made by them on behalf of the Association, except to the extent that they are Owner(s).

The indemnification and hold harmless rights provided herein shall not be deemed exclusive of any other rights to which those indemnified may be entitled under any statute, bylaw, agreement, vote by Members or disinterested directors otherwise, both as to action in his or her official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be a directors officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

The Association may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Association, or is or was serving at the request of the Association as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him or her and incurred by him or her in such capacity, or arising out of his or her status as such, whether or not the Association would have the power to indemnify him or her against such liability.

The Association's indemnity of any person who is or was a director, officer, employee or agent of the Association, or who is or was serving at the request of the Association, as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall be reduced by any amounts such person may collect as indemnification (i) under any policy of insurance purchased and maintained on his or her behalf by the Association, or (ii) from such other corporation, partnership, joint venture, trust or other enterprise.

Nothing contained in this Article, or elsewhere in there By-Laws, shall operate to indemnify any director or officer if such indemnification is for any reason contrary to any applicable state or federal law.

ARTICLE VII
POWERS AND DUTIES OF THE BOARD OF DIRECTORS

Section 1. Powers. The Board of Directors shall have power to:

(a) adopt and publish rules and regulations governing the use of the Association Common Area and the personal conduct of the Members and their guests thereon, and to establish fines and penalties for the infraction thereof;

(b) suspend a Member's voting rights during any period in which he shall be in default in the payment of any assessment levied by the Association pursuant to the provisions of the Declaration. Such rights may also be suspended after such notice and hearing as the Board, in its discretion, may determine, for a period not to exceed 60 days for infraction of the published rules and regulations of the Association;

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

(d) declare the office of a Member of the Board of Directors to be vacant in the event such director shall be absent from three (3) consecutive regular meetings of the Board of Directors, unless such absence or absences are excused by the Board of Directors.

(e) employ a manager, independent contractors, or such other employees or agents as it may deem necessary and to prescribe their duties. In the event a contract is entered into with a management company to manage the affairs of the Association, such contract must be terminable by the Board of Directors without cause or penalty on not more than ninety (90) days notice;

(f) employ attorneys to represent the Association when necessary;

(g) to grant easements for the installation and maintenance of sewerage, utilities or drainage facilities upon, over, under or across the Common Areas without the assent of the membership when such easements are requisite for the convenient use and enjoyment of the Properties;

(h) to execute deeds or other legal documents to effectuate the transfer of Association Common Areas as allowed under the Declaration;

(i) to exercise any other powers necessary and proper for the governance and operation of the Association; and

(j) appoint and remove at pleasure all officers, agents and employees of the Association, prescribe their duties, fix their compensation, and require of them such security or fidelity bond as it may deem expedient.

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

(a) cause to be kept a complete record of all its acts and corporate affairs and to present a statement thereof to the Members at the annual meeting of the Members or at any special meeting when such statement is requested in writing by Members entitled to at least one-fourth (1/4) of the votes appurtenant to Class A Lots;

(b) supervise all officers, agents and employees of the Association and 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 Lot at least thirty (30) days before January 1 of each year;

(2) send written notice of each assessment to every Owner subject thereto at least fifteen (15) days before January 1 of each year; and

(3) as to any Lot for which an assessment is not paid within sixty (60) days after it becomes due, bring an action at law against the Owner personally obligated to pay the assessment or foreclose the lien against such Lot.

(d) issue, or cause an appropriate officer to the Association 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 of Directors for the issuance of such certificates. If a certificate states that an assessment has been paid, such certificate shall be conclusive evidence of such payment as of the date of its issuance;

(e) procure and maintain adequate liability insurance covering the Association in an amount not less than \$1,000,000.00, and adequate hazard insurance if available at reasonable cost, and adequate hazard insurance on the real and personal property owned by the Association;

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

(g) cause the Association Common Areas and all facilities erected thereon including private streets, if any, to be maintained;

(h) if necessary, establish and maintain an adequate reserve fund for the periodic maintenance, repair and replacement of improvements constructed on the Association Common Areas; and

(i) provide such notices to and obtain such consents from the Owners and holders of first deeds of trust on Lots within the Property as is required by the Declaration or these By-Laws;

(j) pay all ad valorem and public assessments levied against the real and personal property owned by the Association;

(k) direct and supervise the affairs of the Association and require the Association to fulfill all of its obligations and duties set forth in the Declaration; and

(l) appoint Members to the Architectural Control Committee and the Nominating Committee for such terms as deemed appropriate.

Section 3. Delegation of Powers. The Board of Directors and the officers may delegate to other persons or a management agent the powers to collect assessments, fines, late fees, interest and other charges provided by the Declaration and these By-Laws; to maintain bank accounts in the name of the Association and to deposit all funds of the Association into such bank accounts; to hire and discharge other agents and independent contractors; to supervise the use, maintenance, repair, replacement and modification of the Common Areas; to pay from the funds of the Association, the expenses and liabilities of the Association, including but not limited to compensation and reimbursements to such person or management agent; and to prepare statements of Common Expenses and statements concerning the status of paid and unpaid assessments.

ARTICLE VII OFFICERS AND THEIR DUTIES

Section 1. Enumeration of Officers. The officers of the Association shall be a President and Vice President, who shall at all times be Members of the Board of Directors, a Secretary, and a Treasurer and such other officers as the Board may from time to time by resolution create. Two offices may be held by the same person, but no officer may act in more than one capacity where the action of two or more officers is required.

Section 2. Election of Officers. The election of officers shall take place at the first meeting of the Board of Directors following each annual meeting of the Members. Officers shall include a President, Vice President, a Secretary, and a Treasurer, and such other officers as the Board may from time to time by resolution create.

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 he shall sooner resign, be removed, or be otherwise disqualified to serve.

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

Section 5. Resignation and Removal. Any officer may be removed from office, with or without cause, by the Board. Any officer may resign at any time 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. The offices of Secretary and Treasurer may be held by the same person. No person shall simultaneously hold more than one of any of the other offices except in the case of special offices created pursuant to Section 4 of this Article.

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

(a) President. The President shall be the principal executive officer of the Association and, subject to the control of the Board of Directors, shall in general supervise and control all of the business and affairs of the Association. The President shall, when present, preside at all meetings of the Board of Directors, shall see that orders and resolutions of the Board are carried out, shall sign all leases, promissory notes, mortgages, deeds and other written instruments, and, in the absence of the Treasurer, shall sign all checks.

(b) Vice Presidents. The Vice President shall act in the place instead of the President in the event of his death, inability or refusal to act, and when so acting shall have all the powers of and be subject to the restrictions upon the President. The Vice President shall exercise and discharge such other duties as may be required of him by the President or the Board.

(c) Secretary. The Secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board, of the Members, and of all Committees, keep the corporate seal of the Association and affix it on all papers requiring a seal, serve notice of meetings of the Board and of the Members, keep appropriate current records showing the Members of the Association and their addresses, cause to be prepared the voting lists prior to each meeting of the Members, and perform such other duties as required by the President or the Board.

(d) Treasurer. The Treasurer shall receive and deposit in appropriate bank accounts all funds of the Association and shall disburse such funds as directed by resolution of the Board of Directors, shall sign all checks of the Association, shall keep proper books of account, shall cause an annual audit of the Association books to be made by an independent public accountant at the completion of each fiscal year, and shall prepare an annual budget and a 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. Any or all of the duties may be delegated to a Management Company at the order of the Board of Directors.

Section 9. Officers to Certify Amendments. The President or Vice President and the Secretary may prepare, execute, certify and record amendments to the Declaration on behalf of the Association.

ARTICLE IX COMMITTEES

The Board of Directors of the Association may appoint a Nominating Committee, as provided in these By Laws, and shall appoint an Architectural Control Committee, as provided in the Declaration. The Board of Directors may appoint such other committees as it deems appropriate in carrying out its purpose.

ARTICLE X BOOKS AND RECORDS

The books, records and papers of the Association shall at all time, during reasonable business hours, be subject to inspection by any Member or his authorized agent by appointment. The Declaration, the Articles of Incorporation and the By-Laws of the Association and the financial statements for the Association for the immediately preceding year shall be available for inspection by any Member and any first mortgage holders, their insurer or guarantors, at the principal office of the Association, where authorized copies, as outlined in a resolution by the Board of Directors, may be purchased at a reasonable cost.

ARTICLE XI ASSESSMENTS

As more fully provided in Article IV of the Declaration, each Member is obligated to pay to the Association annual and special assessments which are secured by a continuing lien upon the Lot against which the assessment is made. Any assessments which are not paid when due shall be delinquent. The Association shall have the option to declare the outstanding balance of any assessment due and payable if any installment thereof shall become delinquent as defined herein. 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 the rate of eighteen percent (18%) per annum or the maximum interest rate charge as may be established by the Board of Directors, but said rate shall not exceed the maximum rate allowed under the laws of North Carolina and shall be subject to late fees as approved by the Board of Directors and permitted by law. The Association may bring an action at law against the Owner personally obligated to pay the same and/or foreclose the lien against the Lot for which such assessment is due. Interest, costs, and reasonable attorneys' fees of any such action shall be added to the amount of such assessment. Each such Owner, by acceptance of a deed to a Lot expressly grants to the Association, its agents or assigns, the right and power to bring all actions against such Owner personally liable for the collection of such charges as a debt and to enforce the aforesaid lien by all methods available for the enforcement of such lines, including foreclosure by an action brought in the name of the Association in a like manner as a Mortgage or a deed of trust lien on real property and such Owner hereby expressly grants to the Association a power of sale in connection with foreclosure of said lien. Such lien shall be in favor of the Association, which shall have the power to purchase the Lot subject to the lien at foreclosure and to acquire and hold, lease, mortgage and convey the same. No Owner may waive or otherwise escape liability for the assessments provided for herein by non use of the Association Common

Area or abandonment of his Lot. The lien of the assessments provided for herein shall be subordinate to the lien of any first mortgage on a Lot. Mortgagees are not required to collect assessments and nothing in these By-Laws shall require that failure to pay assessments shall constitute a default under a Mortgage insured by the U. S. Department of Housing and Urban Development, the U.S. Department of Veterans Affairs or by any other governmental mortgage insurance program, such as those by the Federal Home Loan Mortgage Corporation, the Government National Mortgage Corporation or the Federal National Mortgage Association.

ARTICLE XII CORPORATE SEAL

The Association may have a seal in circular form having within its circumference the words: SCOT'S LAUREL HOMEOWNERS ASSOCIATION, INC. and the year of incorporation.

ARTICLE XIII AMENDMENTS AND CONFLICTS

Section 1. Amendments. Unless a higher percentage is required for certain amendments by applicable law, the Declaration or the By-Laws may be amended by the affirmative vote or written ballot (as provided by law) of Members entitled to cast in the aggregate at least 67% of the votes of the Association, at a regular or special meeting of the Members, duly called for such purpose, in person or by proxy. Unless otherwise provided by the amendment, or as otherwise may be provided by applicable law, any amendment of the By-Laws shall be effective when approved in accordance with this Article XIII. Unless then required by applicable law, such amendment need not be set forth in an amendment to the Declaration duly recorded in the Office of the Register of Deeds in Wake County, North Carolina, in order to be effective. Notwithstanding any provision in this instrument to the contrary, as long as the Declarant controls the Association and if the Properties have been approved by the U.S. Department of Veterans Affairs ("VA") and/or the U.S. Department of Housing and Urban Development ("HUD") for loans guaranteed by the VA or HUD (but not otherwise), any amendment to these By-Laws may be vetoed by the VA or HUD.

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

ARTICLE XIV FISCAL YEAR

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.

ARTICLE XV GENERAL PROVISIONS

Section 1. Compliance with Statutes. These By-Laws are set forth subject to the requirements of Chapter 47F (the Planned Community Act) and Chapter 55A (the Non-Profit Corporation Act) of the North Carolina General Statutes, as amended, replaced and re-codified from time to time. In the event these By-Laws conflict with the provisions of said statutes, it is hereby acknowledged and agreed that the provisions of such statute shall control.

Section 2. Arbitration. Excluding claims for injunctive relief, all claims which shall be made against one or more members of the Board of Directors shall be settled by final and binding arbitration except as otherwise provided herein, in the Declaration or under any applicable law, and judgment upon the award may be entered in any court having jurisdiction thereof. Such arbitration shall be commenced upon the delivery of such claim, in writing, to one or more members of the Board; and shall be before one disinterested arbitrator if one can be agreed upon, otherwise before three disinterested arbitrators, one named by the Director(s), one by the Owner(s), and one by the two thus chosen. The arbitrator or arbitrators shall determine the controversy in accordance with the laws of North Carolina as applied to the facts found by him or them. If the Director(s) or the Owner(s) shall refuse or fail to so name an arbitrator within thirty (30) days after written notice from the other party requiring the naming of an arbitrator, then the arbitrator so named by the party not in default hereunder shall have the power to proceed to arbitrate and determine the matters in controversy as if he or she were an arbitrator appointed by both parties for that purpose and his or her award in writing signed by him or her shall be final. The rules of procedure for the arbitration hearing may be adopted by the arbitrator(s). The arbitration proceedings hereunder shall be conducted in Raleigh, North Carolina and shall be concluded within one hundred eighty (180) days of the filing of the arbitration demand.

CERTIFICATION

I, the undersigned, do hereby certify: THAT I am duly elected and acting Secretary of the Scot's Laurel Homeowners Association, Inc. a North Carolina non-profit corporation, and that the foregoing By-Laws constitute the original By-Laws of said Scot's Laurel Homeowners Association, Inc. as duly adopted at a meeting of the Board of Directors thereof, held on the _____ day of _____, 2005.

IN WITNESS WHEREOF, I hereunto subscribed my name and affixed the seal of said SCOT'S LAUREL HOMEOWNERS ASSOCIATION, INC. this _____ day of _____, 2005.

Secretary

EXHIBIT A

(LEGAL DESCRIPTION TO BE PROVIDED LATER)