DELMAR SUBDIVISION OWNERS' ASSOCIATION, INC. BYLAWS

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OF
DELMAR SUBDIVISION OWNERS' ASSOCIATION, INC.
A NON-PROFIT CORPORATION

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BYLAWS
OF
DELMAR SUBDIVISION OWNERS' ASSOCIATION, INC.

A NON-PROFIT CORPORATION

ARTICLE I
NAME AND OFFICE

SECTION 1. NAME. The name of the organization shall be DelMar Subdivision Owners' Association, Inc.

SECTION 2. OFFICE. The principal office shall be at 10410 - 500G Park Road, Charlotte, North Carolina 28210.

ARTICLE II
DEFINITIONS

For purposes of these Bylaws, the terms specifically defined in the Declaration of Covenants, Conditions and Restrictions for DelMar Subdivision recorded in the Office of the Register of Deeds of Davidson County, as amended from time to time, (hereinafter referred to as the "Declaration") shall have the same meaning herein.

ARTICLE III
PURPOSES

The purposes for which the Corporation is organized are:

(a) To administer the operation and management of that certain development known as DelMar Subdivision located on that certain parcel of land in Davidson County, North Carolina, more particularly described in the formal Declaration;

(b) To undertake the performance of the acts and duties incident to the ownership, maintenance, and administration of the common area in DelMar Subdivision, to administer and enforce the covenants and restrictions contained in the Declaration, to collect and disburse the assessments and charges created in the Declaration in order to efficiently preserve, protect, and enhance the values and amenities in DelMar Subdivision to ensure the residents' enjoyment of the specific rights, privileges, and easements in the common amenities, and to the provide for the maintenance and upkeep of the common amenities;

(c) To do any and all things necessary in order to realize the purposes herein set forth, and, to the extent consistent with the preceding clause, to engage in any lawful activity or activities for which corporations may be organized under Chapter 55A and Chapter 47F of the General Statutes of North Carolina; and the foregoing clause shall be construed as both objects and purposes and the foregoing enumeration of specific

objects and purposes shall not limit or restrict in any manner the objects and powers of this corporation.

ARTICLE IV
MEMBERSHIP AND VOTING RIGHTS

SECTION 1. MEMBERS. Every Owner of a Lot shall be a Member of the Association. Membership shall be appurtenant to and may not be separated from ownership of any Lot.

During any period in which a member shall be in default in the payment of any annual, special or other periodic assessment levied by the Association, the voting rights and right to the use of the Common Areas or any other facilities which the Association may provide may be suspended by the Board of Directors of the Association until such assessment is paid. In the event of violation by a Member of any rules or regulations established by the Board of Directors of the Association, such Member's voting and use rights may be suspended by the Board of Directors of the Association after a hearing at which the general requirements of due process shall be observed. Such hearing shall only be held by the Board of Directors of the Association (or a committee thereof) after giving the member ten (10) days prior written notice specifying each alleged violation and setting the time, place and date of the hearing. Determination of violation shall be made by a majority vote of the Board of Directors of the Association or a committee thereof.

No membership fee shall be charged, nor shall Members be required to pay at any time any amount to carry on the business of the Association except to pay when due the charges, assessments and special assessments levied upon each Member's Lot as specified in the Declaration or as the Members of the Association may from time to time hereafter adopt.

SECTION 2. VOTING AND VOTING RIGHTS.

(a) The voting rights of the membership shall be appurtenant to the ownership of Lots. There shall be two classes of Lots with respect to voting rights:

(1) Class A Lots. Class A lots shall be all Lots except Class B Lots as defined below. Each Class A Lot shall entitle the Owner(s) of said Lot to one (1) vote. When more than one person owns an interest (other than a leasehold or security interest) in any Lot, all such persons shall be Members and the voting rights appurtenant to said Lot shall be exercised as they, among themselves, determine, but in no event shall more than one (1) vote be case with respect to any Class A Lot.

(2) Class B Lots. Class B Lots shall be all Lots owned by Declarant which have not been conveyed to purchasers who are not affiliated with the Declarant. The Declarant shall be entitled to five (5) votes for each Class B Lot owned by it. The Class B Lots shall be converted to Class A Lots on the happening of either of the following events, whichever occurs earlier: (i) when the total votes outstanding in the

Class A Lots equals the total votes outstanding in the Class B Lots, or (ii) on December 31, 2010.

(b) When two or more persons hold an interest, other than a leasehold or security interest in any Lot, all such persons shall be Members. The vote for such Lot shall be exercised by one of such persons as proxy and nominee for all persons holding an interest in a Lot and in no event shall more than one (1) vote be cast with respect to any Lot (except with respect to Lots owned by Declarant, nor shall any fractional vote be cast.

(c) Any Member who is delinquent in the payment of any charges duly levied by the Association against a Lot owned by such Member shall not be entitled to vote until all such charges, together with such reasonable penalties as the Board of Directors of the Association may impose, have been paid.

(d) Members shall vote in person or by proxy executed in writing by the Member. No proxy shall be valid after eleven (11) months from the date of its execution or upon conveyance by the Member of his Lot. A corporate Member's vote shall be cast by the President of the member corporation or by any other officer or proxy appointed by the President or designated by the Board of Directors of such corporation, which designation must, if requested by the Association, be in writing.

(e) Voting on all matters except the election of directors shall be by voice vote or by show of hands unless a majority of the Members present at the meeting shall, prior to voting on any matter, demand a ballot vote on that particular matter. Where directors or officers are to be elected by the members, the solicitation of proxies for such elections may be conducted by mail.

SECTION 3. PLACE OF MEETINGS. All meetings of Members shall be held at the principal office of the Corporation or at such other place, either within or without the State of North Carolina, as shall be designated in the notice of the meeting or agreed upon by a majority of the Members entitled to vote thereat.

SECTION 4. ANNUAL MEETINGS. The annual meeting of the membership of this Corporation shall be held immediately following the Annual Meeting of the Board of Directors. Notice of the time and place of such meeting shall be given in writing at least two (2) weeks in advance, unless such actual notice is not required by the laws of the State of North Carolina or these Bylaws for the validity of the Members' actions at such meeting.

SECTION 5. SUBSTITUTE ANNUAL MEETINGS. If the annual meeting shall not be held on the day designated by these Bylaws, a substitute annual meeting may be called in accordance with the provisions of SECTION 7 of this ARTICLE IV. A meeting so called shall be designated and treated for all purposes as the annual meeting.

SECTION 6. SPECIAL MEETINGS. Special meetings of the Members may be called at any time by the President of the Corporation, or by any Member pursuant to the written request of not less than one-tenth (1/10th) of all the Members entitled to vote at the meeting.

SECTION 7. NOTICE OF MEETINGS. Written or printed notice stating the time and place of the meeting shall be delivered not less than thirty (30) nor more than sixty (60) days from the date of any Members' meeting either personally or by mail, by or at the direction of the Chairman, President, or other person calling the meeting to each member of record entitled to vote at such meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States Mail addressed to the member at his address as it appears on the record of the Members of the Corporation 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 (30) 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 (30) days in any one adjournment, 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 8. VOTING LISTS. At least ten (10) days before each meeting of Members, the Secretary of the Corporation 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 shares held by each, which list shall be kept on file at the registered office of the Corporation for a period of ten (10) days prior to such meeting and shall be subject to inspection by any member at any time during the usual business hours. This list shall also be produced and kept open at the time and place of the meeting and shall be subject to inspection by any member during the whole time of the meeting.

SECTION 9. QUORUM. A quorum is present throughout any meeting of the association if persons entitled to cast ten percent (10%) of the votes which may be cast for election of the Board of Directors are present in person or by proxy at the beginning of the meeting. The Members present at a duly organized meeting may continue to transact business until adjournment notwithstanding the withdrawal of enough Members to leave less than a quorum. If the required quorum is not present, another meeting may be called subject to the same notice requirement, and the required quorum at the subsequent meeting shall be one-half of the required quorum at the preceding meeting. The requirement for a quorum shall continue to be reduced by fifty percent (50%) from that required at the previous meeting as previously reduced, until such time as a quorum

is present. No subsequent meeting shall be held more than sixty (60) days following the preceding meeting.

In the absence of a quorum at the opening of any meeting of Members, such meeting may be adjourned from time to time by a vote of the majority of the Members voting on the motion to adjourn and at any adjourned meeting at which a quorum is present any business may be transacted which might have been transacted at the original meeting.

SECTION 10. PROXIES. Votes may be cast either in person or by one or more agents authorized by a written proxy executed by the Members or by his duly authorized attorney in fact. A proxy is not valid after the expiration of eleven (11) months from the date of its execution unless the person executing the proxy specifies a shorter term.

SECTION 11. INFORMAL ACTION BY MEMBERS: Any action which may be taken at a meeting of Members may be taken without a meeting if a consent in writing setting forth the action 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 Corporation to be kept as a part of the corporate records.

ARTICLE V
BOARD OF DIRECTORS

SECTION 1. GENERAL POWERS. Except as otherwise provided in the Articles of Incorporation or in these Bylaws, all the corporate powers shall be and are hereby vested in and shall be exercised by the Board of Directors. The Board of Directors may by general resolution delegate to committees of their own number or a management agent such powers as they may see fit.

SECTION 2. NUMBER, NOMINATIONS, ELECTIONS AND TERM.

(a) Number and Qualification: Until the end of the period of Declarant's Control of the majority of votes of the Members as determined pursuant to Article III Section 6 of the Declaration (hereinafter "Period of Declarant Control"), the number of Board of Directors Members shall be three (3). After the Period of Declarant Control, the number of Board Members shall be five (5).

(b) Nominations: After the Period of Declarant Control, at least twenty (20) days prior to the next Annual Meeting, the Nominating Committee shall present to the Board of Directors a slate of the nominees to be elected to serve on the Board of Directors at the Annual Meeting. Other candidates may be nominated by the members of the Board of Directors from the floor to be added to those selected by the Nominating Committee, provided that the nominee's willingness to serve has been determined in advance of the nomination.

(c) Election: Declarant under the Declaration, shall have the right to designate and select all the members of the Board of Directors of the Corporation through the Period of Declarant Control. After the Period of Declarant Control, the Members by a majority vote, shall have the right to designate and select the Board of Directors of the Corporation in accordance with Article V, Section 2(d) below. Prior to the end of the Period of Declarant Control, Declarant and/or Builder shall have the right to remove any persons selected by it and to replace such persons with other persons to act and serve in their place for the remainder of the unexpired term of any Board Member so removed. Any Board Member designated and selected by Declarant need not be the Owner of a Lot in the DelMar Subdivision development. Any person chosen by Declarant to serve on the Board of Directors shall not be required to disqualify himself from any vote on any contract or matter between Declarant and the Corporation where Declarant may have a pecuniary or other interest. The Declarant shall not be required to disqualify itself upon any contract or matter between itself and the Corporation where the Declarant may have a pecuniary or other interest. Subsequent to the Period of Declarant Control, each of the five (5) Board Members shall be elected at the Annual Meeting by the vote of a majority of the Members.

(d) Term: Members of the Board of Directors shall take office at the Annual Meeting at which they are elected. At the first election of board members following the period of Declarant Control, the three (3) persons receiving the highest number of votes shall be elected to serve two (2) year terms and the two (2) persons receiving the next highest number of votes shall be selected to serve one (1) year terms. All subsequent elections shall be for two (2) year terms. Board Members may serve two (2) consecutive terms. In the event of the death, resignation, retirement, removal or disqualification of a Board Member during his elected term or office, his successor shall be elected to serve such term consistent with these Bylaws.

(e) Vacancies: Any vacancy occurring in the Board of Directors may be filled at any time by the affirmative vote of a majority of the remaining Board Members even though less than a quorum, or by the sole remaining Board Member. A Board Member so elected to fill a vacancy shall serve such term consistent with these Bylaws.

SECTION 3. RESIGNATIONS. Board Members may resign at any time by giving written notice of such resignation to the Chairman of the Board of Directors.

SECTION 4. REMOVAL. Removal of Board Members elected by the Members shall be by the affirmative vote of a majority of the Members present at any regular or any special meeting called for that purpose and for such reason as may be satisfactory to the Board of Directors. Any Board member proposed to be removed shall be entitled to at least two (2) weeks written notice of any meeting at which such removal is to be voted upon and shall be entitled to appear before and be heard by the Board of Directors at such meeting. Prior to end of the Period of Declarant Control, Declarant shall have the right to remove any persons selected by it and to replace such persons with

other persons to act and serve in their place for the remainder of the unexpired term of any Board Member so removed.

SECTION 5. CHAIRMAN OF THE BOARD OF DIRECTORS. The Chairman of the Board of Directors shall be the President of the Corporation and shall preside at all meetings of the Board of Directors and shall perform all other such duties as are incident to his/her office or may properly be required of him/her by the Board of Directors. He/She shall be, ex officio, a member of all committees.

ARTICLE VI
STANDING COMMITTEES

SECTION 1. NOMINATING COMMITTEE. Subsequent to the Period of Declarant Control, the Board Members shall appoint a committee of three (3) Members to act as a Nominating Committee for purposes of nominating a slate of proposed Board Members for election consistent with the provisions of these Bylaws. The Nominating Committee shall prior to nominating determine any nominee's willingness to serve as a Board Member of this Corporation.

SECTION 2. ARCHITECTURAL CONTROL COMMITTEE.

The following provisions of this Section 2 have been taken from Article V of the Declaration:

Section 1. Architectural Committee. Except for improvements made upon the Properties, or any Lot, by Declarant, or except as otherwise provided under this Declaration, no building, fence, wall or other structure or improvement shall be commenced, erected or maintained upon the Properties, nor shall any exterior addition to or change or alteration therein be made until the plans and specifications showing the nature, kind, shape, height, materials and location of the same shall have been submitted to and approved in writing as to harmony of external design and location in relation to surrounding structures and topography by the Architectural Committee. For purposes of this Article V, the Declarant shall function as the Architectural Committee (the "**Committee**") so long as Declarant is a Class B Member of the Association and does not surrender its right of architectural control. After the termination of the Declarant's right to be the Committee, the Board of Directors of the Association shall appoint the members of the Committee to carry out the functions set forth in this Article. In the event the Committee fails to approve or disapprove such design and location within thirty (30) days after said plans and specifications have been submitted to it, approval will not be required and this Article will be deemed to have been fully complied with.

Section 2. Definitions. For purposes of this Article V, the following terms shall have the following meanings unless the context clearly requires a different meaning:

(a) "**accessory building**" means every detached garage, carport, tool shed, storage or utility building, detached guest quarters, detached servants' quarters or other similar building constructed on a Lot or incidental thereto which is not a dwelling;

(b) "**buildings**" means accessory buildings and dwellings;

(c) "**dwelling**" means a building constructed for single family residential use but excluding detached servants' quarters and guest quarters; and

(d) "**improvements**" or "**structures**" mean buildings, walls, fences, decks, patios, planters, statuary, terraces, swimming pools, tennis courts or anything else constructed or placed on a Lot.

Section 3. General Guidelines. The placement and construction of improvements on the Lots shall be subject to the following general requirements:

(a) Since the establishment of standard inflexible building setback lines for the location of dwellings on Lots tends to force construction of dwellings both directly behind and directly to the side of other dwellings with detrimental effects on privacy, preservation of important trees, and other concerns, no specific setback lines are established by these covenants except as shown on the Map, which comply with the regulations and guidelines of the applicable governmental authorities. In order to assure, however, that location of dwellings will be staggered where practical and appropriate, so that the maximum amount of view will be available to each dwelling, and that all structures will be located with regard to the topography of each individual Lot, taking into consideration the elevation contours of the Lot, the location of large trees and fields and similar considerations, the Declarant reserves unto itself, its successors and assigns, the right to control absolutely and solely to decide the precise site and location of any structure, improvement, dwelling, building, and accessory building upon all Lots and every Lot within the subdivision; provided, however, that such location shall be determined only after reasonable opportunity is afforded the Owner to recommend a specific site, and in any event, all buildings shall be constructed beyond the minimum setback lines established on the Map.

(b) All storage areas and facilities must be screened and hidden from view.

(c) Unless specifically otherwise approved in writing by the Committee, all structures constructed or placed on any Lot shall be built of substantially new materials and no used structures shall be relocated or placed on any such Lot.

(d) All structures approved by the Committee must be completed within one (1) year after the receipt of such approval; provided, however, the Committee may waive this requirement if construction delays have been caused by strikes, war, fire, acts of God or other events which render the completion of construction within such time impossible.

(e) All driveways, turning areas and parking areas shall be paved and must be completed prior to the occupancy of any dwelling on the Lot. If any driveway is to cross a drainage ditch, the Owner will be required to install, at his own expense, all necessary culverts and coverings prior to the commencement of any other construction on

the Lot. The installation of the culvert and any covering must be approved by the Committee and by any local, state or other governing agency or authority.

(f) The Committee shall have the right to approve or disapprove the design and construction of all mailboxes.

(g) The Committee shall have the right to approve decorative statues, birdbaths, fountains, ornaments, figurines, or any other decorative fixture in the front or side yard.

Section 4. Approval of Plans, Specifications, and Construction. In addition to the requirements imposed by all applicable governmental agencies governing the issuance of building permits and certificates of occupancy, no structure shall be erected on any Lot without the approval of the Committee as provided in this Section.

(a) Prior to commencing any construction or reconstruction on a Lot, the Owner thereof shall submit to the Committee one set of all building plans and specifications (the "**Plans**") covering such construction which have been prepared by a qualified registered architect or reviewed, approved and sealed by a registered architect for the specific use of the Owner submitting the same. The Plans shall contain the following: (i) foundation plans, (ii) elevation drawings of all exterior walls, (iii) roof plan, (iv) plot plan showing location and orientation of all structures proposed to be built on the Lot, (v) the square footage of the proposed structures on a floor-by-floor basis, (vi) a list and description of all proposed building materials, and (vii) the location of any driveway, and, where the driveway is to cross a drainage ditch adjacent to any roadway, the installation of the culvert and covering to be used under the proposed driveway.

(b) The Committee shall have the absolute and exclusive right to refuse to approve the proposed Plans. In passing upon such Plans, the Committee may take into consideration the suitability and desirability of the proposed construction and the proposed materials for the Lot involved, the harmony of the external design with the natural features, the existing structures of the surrounding neighborhood, and the appearance of such proposed improvements as viewed from neighboring Lots. Refusal to approve the proposed Plans may be based by the Committee on any grounds, including purely aesthetic considerations. If the Committee approves the construction of such improvements, it shall issue a letter evidencing such approval. No alterations in the external appearance of any structure shall be made without approval by the Committee as provided herein; provided, however, that no approval by the Committee granted hereunder shall constitute or be construed as approval by Declarant or any other person of the structural stability or quality of any structure.

(c) Upon completion of approved construction, the Committee shall inspect the construction to ensure that the approved Plans were complied with by the Owner. If the construction is approved by the Committee and the Owner so requests, the Committee will issue to the Owner a letter of compliance. The letter of compliance shall be issued by the Committee without fee; provided, however, that in the event that the Committee's first inspection of the construction reveals deviations or deficiencies from

the approved Plans, the Committee may charge a fee of $50.00 for every subsequent inspection which is necessary to ensure compliance with the approved Plans. Any such fee must be paid before the issuance of the compliance letter.

(d) Notwithstanding the foregoing, the Declarant shall not be subject to the provisions set forth in this Article V, Section 4.

SECTION 3. OTHER COMMITTEES. The Board of Directors may appoint such committees as it deems advisable, not inconsistent with these Bylaws. The designation of any committee and the delegation thereto of authority shall not operate to relieve the Board of Directors, or any member thereof, of any responsibility or liability imposed upon it or him/her by law.

ARTICLE VII
MEETINGS OF THE BOARD OF DIRECTORS

SECTION 1. ANNUAL MEETING. An annual meeting of the Board of Directors of this Corporation shall take place within ninety (90) days after the end of each fiscal year of the Corporation on a date determined by the Board of Directors, at a place designated by the Chairman of the Board of Directors. Notice of the time and place of such meeting shall be given in writing at least two (2) weeks in advance, unless such actual notice is not required by the laws of the State of North Carolina or these Bylaws for the validity of the Board Members' actions at such meeting.

SECTION 2. QUORUM. A quorum to transact business at any meeting of the Board of Directors shall consist of at least a simple majority in number of the members of the Board of Directors.

SECTION 3. REGULAR MEETINGS. The Board of Directors shall hold regular meetings at such times as are designated by the Chairman of the Board of Directors. At least ten (10) days advance written notice shall be given for each meeting, unless such actual notice is not required by the laws of the State of North Carolina or these Bylaws for the validity of the Board Members' actions at such meeting.

SECTION 4. SPECIAL MEETINGS. Special meetings of the Board of Directors for a specific purpose may be called at any time by its Chairman or by the request of at least one (1) member of the Board of Directors. The specific purpose must be stated in the notice and no other business shall be transacted thereat. Unless actual notice is not required by the laws of the State of North Carolina or these Bylaws for the validity of the Board Members' actions at any such special meeting, notice must be given not less than forty-eight (48) hours prior to any special meeting. Such notice may be given by any usual means of communication. Meetings shall be held at the principal office of the Corporation at such time as shall be fixed by the Chairman or Board of Directors members calling the meeting.

SECTION 5. ATTENDANCE. All Board of Directors members are expected to attend all meetings.

SECTION 6. MANNER OF ACTING. Except as otherwise provided in these Bylaws, the act of the majority of the members of the Board of Directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.

SECTION 7. PRESUMPTION OF ASSENT. A member of the Board of Directors of the Corporation who is present at a meeting of the Board of Directors at which action on any corporate matter is taken shall be presumed to have assented to the action taken unless his contrary vote is recorded or his dissent is otherwise entered in the minutes of the meeting or unless he shall file his written dissent to such action with the person acting as the secretary of the meeting before the adjournment thereof or shall forward such dissent by registered mail to the Secretary of the Corporation immediately after the adjournment of the meeting. Such right to dissent shall not apply to a Board Member who voted in favor of such action.

SECTION 8. INFORMAL ACTION BY BOARD MEMBERS. Action taken by a majority of the Board of Directors without a meeting is nevertheless Board of Directors action if written consent to the action in question is signed by all the members of the Board of Directors and filed with the minutes of the proceedings of the Board of Directors, whether done before or after the action so taken.

ARTICLE VIII
OFFICERS

SECTION 1. OFFICERS. Officers of the Corporation shall consist of a President, Vice President, Secretary and Treasurer and other officers as the Board of Directors may from time to time elect.

SECTION 2. NOMINATION. In the event the Board of Directors has appointed a nominating committee to act, such committee shall present a slate of candidates for each office to be filled at least ten (10) days prior to the Annual Meeting. Other candidates may be nominated by the Board of Directors from the floor to be added to those selected by the Nominating Committee provided that the nominee's willingness to serve has been determined in advance of the nomination.

SECTION 3. ELECTIONS. Officers shall be elected at the Annual Meeting of the Board of Directors by a majority in number of the members of the Board of Directors present. Officers shall assume their duties immediately after the Annual Meeting and shall serve for a one (1) year term and until their successors are duly elected.

SECTION 4. PRESIDENT. The President shall in general supervise and control all of the business and affairs of the Corporation, shall be the Chairman of the Board of Directors and shall perform all such other duties as are incident to his/her office or may properly be required of him/her by the Corporation. He/She shall be, ex officio, a

member of all committees. The President may enter into an agreement with a management agent to conduct the day-to-day operations of the Association.

SECTION 5. VICE PRESIDENTS. In the absence of the President, or in the event of his death, inability or refusal to act, the Vice Presidents, in the order of their length of service as such, unless otherwise determined by the Board of Directors, shall perform the duties of the President, and when so acting shall have all the powers of and be subject to all the restrictions upon the President. Any Vice President may sign with the Secretary or an Assistant Secretary certificates for shares of the corporation, if any; and shall perform such other duties as from time to time may be prescribed by the President or Board of Directors.

SECTION 6. SECRETARY. The Secretary shall:

(a) keep the minutes of the meetings of the Board of Directors in one or more books provided for that purpose;

(b) see that all notices are duly given in accordance with the provisions of these Bylaws or as required by law;

(c) be custodian of the corporate records and of the seal of the Corporation and see that the seal of the Corporation is affixed to all documents the execution of which on behalf of the Corporation under its seal is duly authorized; and

(d) in general, perform all duties incident to the office of Secretary and such other duties as from time to time may be assigned to him/her by the President or by the Board of Directors.

SECTION 7. TREASURER. The Treasurer shall:

(a) have charge and custody of and be responsible for all funds and securities of the Corporation; receive and give receipts for monies due and payable to the Corporation from any source whatsoever; and deposit all such monies in the name of the Corporation in such depositories as shall be selected in accordance with the provisions of these Bylaws;

(b) prepare, or cause to be prepared, a true statement of the Corporation's assets and liabilities as of the close of each fiscal year, and a statement of the Corporation's gross receipts and all expenses for such fiscal year, all in reasonable detail, which statements shall be made and filed at the Corporation's registered office or principal place of business in the State of North Carolina within three (3) months after the end of such fiscal year and thereat kept available for a period of at least ten (10) years; and

(c) in general, perform all of the duties incident to the office of Treasurer and such other duties as from time to time may be assigned to him/her by the President or by the Board of Directors, or by these Bylaws.

SECTION 8. ASSISTANT OFFICERS. Vice Presidents, Assistant Secretaries or Assistant Treasurers, as may be elected by the Board of Directors, shall perform the duties and exercise the powers of the Secretary or the Treasurer, respectively, in their absence, and shall perform such other duties incident to their office as may properly be required by the Board of Directors.

ARTICLE IX
INDEMNIFICATION

SECTION 1. RIGHT OF INDEMNIFICATION. To the fullest extent from time to time permitted by law, every person who at any time serves or has served as a Board Member, officer or employee shall be entitled as a matter of right to be indemnified by the Corporation against liability and litigation expense, including reasonable attorney fees, paid or incurred by such person in connection with any actual, threatened, pending or completed claim, action, suit or proceeding, civil, criminal, administrative, investigative or other, whether brought by or in the right of the Corporation or otherwise (herein called "claim"), in which such person may be involved, as a party or otherwise, arising out of such person's status as such or such person's activities in any of the foregoing capacities. "Liability" shall include amounts of judgments, excise taxes, fines, penalties, and amounts paid in settlement whether before or after any such claim is filed. The Corporation will not indemnify any such person against such liability or litigation expense incurred on account of such person's activities which were at the time taken known or believed by such person to be clearly in conflict with the best interests of the Corporation.

SECTION 2. RIGHT TO ADVANCEMENT OF EXPENSES. To the fullest extent from time to time permitted by law, the Corporation will advance to such person litigation expenses, including reasonable attorneys fees, as incurred by such person in defending any such action, suit or proceeding in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such person to repay such amount unless it shall ultimately be determined that such person is entitled to be indemnified by the Corporation against such expenses.

SECTION 3. RIGHT OF SUCH PERSON TO BRING SUIT. If a written claim for indemnification is made under this Article and such written claim is not paid in full by the Corporation within thirty (30) days after such written claim has been received by the Corporation, such person may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim, and, if successful in whole or in part, such person shall also be entitled to recover to the fullest extent from time to time permitted by law from the Corporation such person's reasonable costs, expenses and attorney fees in connection with the enforcement of rights of indemnification granted herein. It shall be a defense to any such action that the conduct of such person was such

that under North Carolina law the Corporation would be prohibited from indemnifying such person for the amount claimed, but the burden of proving such defense shall be on the Corporation. The Board of Directors of the Corporation (or independent legal counsel appointed by the Board of Directors), within thirty (30) days after receipt of a written claim for indemnification shall take all such action as may be reasonably necessary to make a good faith determination as to whether such person is entitled to have the claim for indemnification paid; provided, however, such determination shall not be a defense to any action brought under this Section or create a presumption that such indemnification would be prohibited by law.

SECTION 4. INSURANCE. The Corporation may purchase and maintain insurance to protect itself and any such person against any such liability or expense asserted against or incurred by such person in any such capacity, or arising out of such person's status as such, whether or not the Corporation would have the power to indemnify such person against such liability and expense by law or under the provisions of this Article.

SECTION 5. INDEMNIFICATION AGREEMENTS. The Corporation may enter into agreements with any such person, which agreements may grant rights to any such person eligible to be indemnified hereunder or create obligations of the Corporation in furtherance of, different from, or in addition to, but not in limitation of, those provided in this Article upon approval of the Board of Directors.

SECTION 6. NON-EXCLUSIVITY, NATURE AND EXTENT OF RIGHTS. The rights of indemnification and advancement of expenses provided for in this Article (i) shall not be deemed exclusive of any other rights, whether now existing or hereafter created, to which those seeking indemnification may be entitled under any agreement, bylaw or charter provision, vote of the Board of Directors, or any law or otherwise, (ii) shall be deemed to create contractual rights in favor of such persons entitled to indemnification hereunder, (iii) shall continue as to such persons who have ceased to have the status pursuant to which they were entitled or were denominated as entitled to indemnification hereunder and shall inure to the benefit of the heirs and legal representatives of such persons entitled to indemnification, and (iv) shall be applicable to claims made after the adoption hereof, whether arising from acts or omissions occurring before or after the adoption hereof.

SECTION 7. PARTIAL INDEMNIFICATION. If any such person is entitled under any provision of this Article to indemnification by the Corporation of a portion, but not all, of the liability and litigation expenses resulting from an actual, threatened, pending or completed claim, the Corporation shall nevertheless indemnify such person for the portion thereof to which such person is entitled.

SECTION 8. LIMITATION OF LIABILITY. To the fullest extent that the laws of the State of North Carolina in effect on the date of the adoption of this Bylaw or as thereafter amended permit elimination or limitation of the liability of any such person who at any time serves or has served as a Board Member, officer or employee of the

Corporation, no such person shall be personally liable for monetary damages as such for any action taken, or any failure to take any action, as such. The provisions of this Section shall be deemed to be a contract with each such person who serves as such at any time while these provisions are in effect and each such person shall be deemed to be serving as such in reliance on the provisions contained herein.

SECTION 9. SEVERABILITY. If any provisions of this Article shall be held to be invalid, illegal or unenforceable for any reason (i) such provision shall be invalid, illegal or unenforceable only to the extent of such prohibition and the validity, legality and enforceability of the remaining provisions of this Article shall not in any way be affected or impaired thereby, and (ii) to the fullest extent possible, the remaining provisions of this Article shall be construed so as to give effect to the intent manifested by the provision held invalid, illegal or unenforceable.

SECTION 10. AMENDMENT, ALTERATION OR REPEAL. This Article may be amended, altered or repealed at any time in the future by a three-fourths (3/4) majority of the entire Board of Directors of the Corporation; and provided further, any such amendment, alteration or repeal of this Article which has the effect of limiting the rights granted under this Article shall operate prospectively only and shall not limit in any way the indemnification provided for herein with respect to any action taken or failure to act, occurring prior thereto.

ARTICLE X
AMENDMENTS

Until the earlier of the expiration of the Period of Declarant Control or December 31, 2010, these Bylaws can be amended solely by the Board of Directors. These Bylaws may thereafter be amended by a majority vote of the Members, in regular meeting assembled, either annual or special, and if special, then the purpose of the meeting with the proposed amendment or amendments must be stated in the call.

ARTICLE XI
DISSOLUTION

Upon the dissolution of the Corporation, the Board of Directors shall, after paying or making provision for the payment of all of the liabilities of the Corporation, dispose of all of the assets of the Corporation exclusively for the purposes of the Corporation in such manner or to such organization or organizations except under Section 528 of the Internal Revenue Code of 1986 (or the corresponding provision of any future United Stated Internal Revenue law) as the Board Members shall determine. Any such assets not to disposed of shall be disposed of by the Superior Court of the county in which the principal office of the Corporation is then located, exclusively for such purposes or to such organization or organizations as said Court shall determine, which are organized and operated exclusively for such purposes.

ARTICLE XII
MISCELLANEOUS

SECTION 1. DEBTS. No Officer, Committee, Board Member or employee may incur any expenses or obligation chargeable to the Corporation except as authorized by the Board of Directors.

SECTION 2. SALARIES. Board Members shall serve without compensation.

SECTION 3. INVESTMENTS. The Corporation shall have the right to retain all or any part of any securities or property acquired by it in whatever manner and to invest and reinvest any funds held by it, according to the judgment of the Board of Directors, without being restricted to the class of investments which a member of the Board of Directors is or may hereafter be permitted by law to make or any similar restriction; provided, however, that no action shall be taken by or on behalf of the Corporation if such action is a prohibited transaction or would result in the denial of the tax exemption under Section 528 of the Internal Revenue Code and its Regulations as they now exist or as they may hereafter be amended.

SECTION 4. FISCAL YEAR AND AUDITS.

(a) The fiscal year of the Corporation shall be set by the Board of Directors.

(b) The books of the Corporation and of its fiscal agent shall be audited annually as directed by the Board of Directors.

SECTION 5. CONFLICTS WITH DECLARATION. To the extent of any inconsistency or conflict between the provisions of these Bylaws and the Declaration, the Declaration shall control and govern in all events. Capitalized terms within the Declaration shall have the same meaning as set forth herein. The Declaration shall be deemed incorporated herein by reference.

APPROVED BY THE BOARD OF DIRECTORS
OF DELMAR SUBDIVISION OWNERS'
ASSOCIATION, INC.
effective this the 5 day of June, 2007.

Kenneth B. Lindholm, Board Member