

**INDEX TO BYLAWS
OF
SWANSGATE HOMEOWNERS ASSOCIATION, INC.
A NON-PROFIT CORPORATION**

ARTICLE I - NAME AND OFFICE	1
Section 1. Name	1
Section 2. Office	1
ARTICLE II - DEFINITIONS	1
ARTICLE III - PURPOSES	1
ARTICLE IV - MEMBERSHIP AND VOTING RIGHTS	2
Section 1. Members	2
Section 2. Classes of Members	2
Section 3. Place of Meetings	2
Section 4. Annual Meetings	2
Section 5. Substitute Annual Meetings	3
Section 6. Special Meetings	3
Section 7. Notice of Meetings	3
Section 8. Voting Lists	3
Section 9. Quorum	3
Section 10. Proxies	4
Section 11. Informal Action by Members	4
ARTICLE V - BOARD OF DIRECTORS	4
Section 1. General Powers	4
Section 2. Number, Nominations, Election and Term	4
Section 3. Resignations	5
Section 4. Removal	5
Section 5. Chairman of the Board of Directors	6
ARTICLE VI - STANDING COMMITTEES	6
Section 1. Nominating Committee	6
Section 2. Architectural Control Committee	6
Section 3. Other Committees	8
ARTICLE VII - MEETINGS OF BOARD OF DIRECTORS	8
Section 1. Annual Meeting	8
Section 2. Quorum	8
Section 3. Regular Meetings	8
Section 4. Special Meetings	9
Section 5. Attendance	9

Section 6.	Manner of Acting	9
Section 7.	Presumption of Assent	9
Section 8.	Informal Action by Directors	9
ARTICLE VIII - OFFICERS		9
Section 1.	Officers	9
Section 2.	Nomination	9
Section 3.	Elections	10
Section 4.	President	10
Section 5.	Vice President	10
Section 6.	Secretary	10
Section 7.	Treasurer	10
Section 8.	Assistant Officers	11
ARTICLE IX - INDEMNIFICATION		11
Section 1.	Right of Indemnification	11
Section 2.	Right to Advancement of Expenses	11
Section 3.	Right of Such Person to Bring Suit	12
Section 4.	Insurance	12
Section 5.	Indemnification Agreements	12
Section 6.	Non-Exclusivity, Nature & Extent of Rights	12
Section 7.	Partial Indemnification	13
Section 8.	Limitation of Liability	13
Section 9.	Severability	13
Section 10.	Amendment, Alteration or Repeal	13
ARTICLE X - COVENANT FOR MAINTENANCE AND ASSESSMENTS		13
Section 1.	Definitions	13
Section 2.	Creation of the Lien and Personal Obligation of Assessments	14
Section 3.	Purpose of Assessments	14
Section 4.	Maximum Annual Assessment	15
Section 5.	Special Assessments for Capital Improvements	16
Section 6.	Notice and Quorum for Any Action Authorized under Sections 4 and 5	16
Section 7.	Effect of Nonpayment of Assessments, Remedies of the Corporation	16
Section 8.	Effect of Default in Payment of Ad Valorem Taxes or Assessments for Public Improvements by Corporation	17
Section 9.	Subordination of the Lien to Mortgages	17
Section 10.	Exempt Property	17
ARTICLE XI - AMENDMENTS		17
ARTICLE XII - DISSOLUTION		18

ARTICLE XIII - MISCELLANEOUS	18
Section 1. Debts	18
Section 2. Seal	18
Section 3. Salaries	18
Section 4. Investments	18
Section 5. Fiscal Year and Audits	18
Section 6. Conflicts with Declaration	19

**BYLAWS
OF
SWANSGATE HOMEOWNERS ASSOCIATION, INC.
A NON-PROFIT CORPORATION**

**ARTICLE I
NAME AND OFFICE**

SECTION 1. NAME. The name of the organization shall be Swansgate Homeowners Association, Inc.

SECTION 2. OFFICE. The principal office shall be at 1220 N. Main Street, High Point, NC, 27260.

**ARTICLE II
DEFINITIONS**

For purposes of these Bylaws, the terms specifically defined in the Declaration of Covenants, Conditions and Restrictions for Swansgate as recorded in Book 0913, Page 0220 of the Davidson County Registry on August 1, 1994 and amended by that certain Addition to and Partial Modification of Covenants, Conditions and Restrictions for Swansgate as recorded in Book 0974, Page 1485 of the Davidson County Registry on February 8, 1996 (hereinafter collectively referred to as the "Declaration"), and as they may be from time to time amended, 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 residential housing development known as Swansgate Subdivision located on that certain parcel of land in Abbotts Creek Township, Davidson County, North Carolina, more particularly described in the formal Declaration;

(b) To undertake the performance of the acts and duties incident to the administration of the operation and management of said real property in accordance with the terms, provisions, conditions and authorization contained in the Declaration; to maintain a common entry way into the Swansgate Subdivision and to own, operate, lease, sell, trade and otherwise deal with the real property as may be necessary or convenient in the administration of the same;

(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 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 which is subject to a lien for assessments shall 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.

SECTION 2. CLASSES OF MEMBERS. The Association shall have two classes of voting membership.

Class A. Class A Members shall be all Owners with the exception of the Declarant, and shall be entitled to one (1) vote for each Lot owned. When more than one person holds an interest in any Lot, all such persons shall be Members. The vote or votes for such Lot shall be exercised as they among themselves determine, but in no event shall more than one (1) vote be cast with respect to any Lot.

Class B. The Class B Member shall be the Declarant and shall be entitled to four (4) votes for each Lot owned. The Class B membership shall ~~cease and be converted to Class A membership on the happening of either of the following events, whichever occurs earlier:~~

(a) ~~when the total votes outstanding in the Class A membership equal the total votes outstanding in the Class B membership;~~

(b) on January 1, 2000.

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 6 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 ten (10) nor more than fifty (50) days from the date of any Members' meeting either personally or by mail, by or at the direction of the Chairman 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 (20) 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 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 majority of the Members of the Corporation entitled to vote represented in person or by proxy shall constitute a quorum at a meeting of Members except that at a substitute annual meeting of Members, the number of Members there represented either in

person or by proxy, even though less than a majority, shall constitute a quorum for the purpose of such 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.

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 it specifies therein the length of time for which it is to continue in force or limits its use to a particular meeting, but no proxy shall be valid after ten (10) years from the date of its execution.

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 such powers as they may see fit.

SECTION 2. NUMBER, NOMINATIONS, ELECTIONS AND TERM.

(a) Number and Qualification: Until January 1, 2000, the number of Directors shall be three (3). After January 1, 2000, the number of Directors shall be five (5).

(b) Nominations: After January 1, 2000, at least twenty (20) days prior to the 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: Swansgate Properties Limited Partnership as Declarant under the Declaration (hereinafter the "Declarant") shall have the right to designate and select a majority of the Board of Directors of the Corporation through January 1, 2000. After January 1, 2000, the Class A 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 January 1, 2000, 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 Director so removed. Any Director designated and selected by Declarant need not be the Owner of a Lot in the Swansgate 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 January 1, 2000, each of the five (5) Directors shall be elected at the Annual Meeting by the vote of a majority of the Class A Members.

(d) Term: Members of the Board of Directors shall take office at the Annual Meeting at which they are elected and shall serve terms of three (3) years. Directors may serve two (2) consecutive terms. The initial Board of Directors shall consist of the following individuals: William B. Millis, William E. Price, Jr. and Will Armfield and notwithstanding the foregoing to the contrary, William B. Millis shall serve an initial term of three (3) years, William E. Price, Jr. shall serve an initial term of two (2) years and Will Armfield shall serve an initial term of one (1) year. In the event of the death, resignation, retirement, removal or disqualification of a Director 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 Directors even though less than a quorum, or by the sole remaining Director. A Director so elected to fill a vacancy shall serve such term consistent with these Bylaws.

SECTION 3. RESIGNATIONS. Directors 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 Directors elected by the Class A Members after January 1, 2000 shall be by the affirmative vote of a majority of the Class A 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 January 1, 2000, 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 Director 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. After January 1, 2000, or earlier upon the death or resignation of William B. Millis as a Director of this Corporation, the Directors shall appoint a committee of three (3) of the Class A Members to act as a Nominating Committee for purposes of nominating a slate of proposed Directors 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 Director of this Corporation.

SECTION 2. ARCHITECTURAL CONTROL COMMITTEE. An Architectural Control Committee consisting of three (3) or more persons shall be appointed by the Declarant as the Class B Member. When the Class B membership expires, the Board of Directors of the Association shall appoint a new committee of three or more persons. The Architectural Control Committee shall designate a chairman among them. The Declarant as the Class B member, and subsequently the Board of Directors of the Association, may remove a committee member and appoint a new one at any time, with or without cause or reason.

(a) Purpose. The Architectural Control Committee shall regulate the external design, appearance, use, location, and maintenance of the Properties and of improvements thereon in such a manner so as to preserve and enhance values and to maintain a harmonious relationship among structures and the natural vegetation and topography. To that end, no construction, improvements, alterations, repairs, change of paint colors, plantings, excavations, changes in grade or other work which in any way alters the exterior of any Lot or the improvements located thereon from its natural or improved state existing on the date such Lot was first conveyed in fee by the Declarant to an Owner shall be made or done without the prior written approval of the Architectural Control Committee. No building, fence, wall, residence, or other structure shall be commenced, erected, maintained or improved, altered, removed, made or done without the prior written approval of the Architectural Control Committee.

(b) Procedure. At least thirty (30) days prior to the anticipated commencement of any landscaping, construction of any structure, repair or improvement on any Lot, the Owner of such Lot (or his duly appointed agent) shall submit to the Chairman of the Architectural Control Committee a survey of the Lot, which survey shall show each Lot corner.

There shall further be shown on said survey the proposed location of all proposed and existing structures or improvements, including driveways, patios, decks and hallways, and of all improvements that will result in the creation of impervious surfaces as defined by any applicable governmental agency enforcing stormwater or watershed regulations relating to density of construction or allowed impervious surface development. There shall further be provided to the Architectural Control Committee sufficient building elevations and other site plans, including a statement of exterior building materials and proposed exterior colors, to allow the Architectural Control Committee to appropriately and accurately evaluate what is proposed for construction of the Lot. There shall be submitted two copies of all information required to be submitted.

Prior to grading and/or construction on any Lot, a Soil Erosion and Sedimentation Control Plan shall be submitted to the Architectural Control Committee for approval. Any builder and/or homeowner shall comply with the Soil Erosion and Sedimentation Control Plan approved by the Architectural Control Committee. Any clean-up on a Lot shall be the responsibility of the property owner and/or builder.

Within thirty (30) days after receipt of all required information, the Architectural Control Committee shall give in writing to the Owner of the Lot notice about whether or not the requested improvements are approved. Unless a response is given by the Architectural Control Committee within thirty (30) days, the plan shall be deemed approved. The response of the Association may be an approval, a denial, an approval with conditions, or a request for additional information. A request for additional information shall be deemed a determination that the information submitted was inadequate, and the thirty (30) day time for response shall only commence upon receipt of the requested additional information. If approval with conditions is granted, and construction then begins, the construction shall be deemed approval by the Owner of the Lot of the conditions imposed.

Any Owner of any Lot disagreeing with the finding of the Architectural Control Committee may appeal the decision to the Board of Directors of the Association by giving written notice of appeal to the President of the Association within fifteen (15) days following receipt of notice of denial. The Board of Directors of the Association shall then review the plans, giving the Chairman of the Architectural Control Committee the opportunity to present to the Board of Directors of the Association specific reasons why the plans were denied, in the presence of the Owner of the Lot or his agent, and the Owner of the Lot or his agent may present information challenging the findings of the Architectural Control Committee. The decision of the Architectural Control Committee shall only be overridden by two-thirds (2/3) vote of the Board of Directors of the Association.

All notices required to be given herein shall be given in writing, hand-delivered or mailed postage prepaid, return receipt requested, and the Architectural Control Committee shall be obligated to specify the particular grounds upon which denial of any application is founded. One set of plans, denoted as approved (or approved with specified conditions) shall

be retained by the Architectural Control Committee and the other shall be returned to the applicant.

As a condition to the granting of approval of any request made under this Article, the Architectural Control Committee may require that the Owner requesting such change be liable for any cost of maintaining or repairing the approved project. If such condition is imposed, the Owner shall evidence his consent thereto by a written document in recordable form satisfactory to the Architectural Control Committee. Thereafter, the Owner, and any subsequent Owner of the Lot, by acceptance of a deed therefor, whether or not it shall be so expressed in such deed, is deemed to covenant and agree that any cost of maintenance and repair of such improvement shall be a part of the annual assessment or charge set forth in Article X, Section 2, and subject to the lien rights described in said Article X.

Notwithstanding any of the provisions of these Restrictive Covenants, including the provisions of this Article V, until Declarant by written instrument or as otherwise described herein transfers approval authority to the Association, no Owner of any Lot shall be required to submit plans to the Architectural Control Committee, nor shall Architectural Control Committee approval be required until such time. Declarant shall review all such requests for change or improvement, in accordance with the review standards established for the Architectural Control Committee in this Article V, and Declarant shall approve or deny such request in accordance with such standards, and in accordance with the procedures, and within the time limits, set out herein.

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 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 in High Point, North Carolina 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 Directors' 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 Directors' 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 Directors' 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 Director who voted in favor of such action.

SECTION 8. INFORMAL ACTION BY DIRECTORS. 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, provided, however, for such time as William B. Millis, William E. Price, Jr. and Will Armfield are Directors they shall elect William B. Millis as the President/Treasurer, and William E. Price, Jr. as Secretary of the Corporation.

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 a director 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.

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; 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 and of all 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 director, 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 contrac-

tual 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 director, 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 COVENANT FOR MAINTENANCE AND ASSESSMENTS

SECTION 1. DEFINITIONS. For purposes of this Article X, the capitalized terms set forth below shall have the following meanings:

(a) "Association" shall mean and refer to SWANSGATE HOMEOWNERS ASSOCIATION, INC., its successors and assigns.

(b) "Common Area" shall be all that area so designated on maps, surveys, and plats of Swansgate designated for the common use and enjoyment of the Association and all its Members.

(c) "Declarant" shall mean and refer to Swansgate Properties Limited Partnership, and its respective heirs, successors, and assigns

(d) "Lot" shall mean and refer to any numbered plot of land shown upon any recorded subdivision map of the Properties with the exception of the Common Area and Open Space and dedicated streets and roads.

(e) "Member" shall mean and refer to every person or entity who holds membership in the Association.

(f) "Open Space" shall be all that area so designated on maps, surveys, and plats of Swansgate designated for the common use and enjoyment of the Association and all its Members.

(g) "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.

(h) "Properties" or "Property" shall mean and refer to that certain real property hereinabove described, and such additions thereof as may hereafter be brought within the jurisdiction of the Association.

SECTION 2. CREATION OF THE LIEN AND PERSONAL OBLIGATION OF ASSESSMENTS. Declarant, for each Lot owned within the Properties, hereby covenants, and each Owner for any Lot, by acceptance of a deed therefor, whether or not it shall be so expressed in such deed, is deemed to covenant and agree to pay to the Association: (1) annual assessments or charges; (2) special assessments for capital improvements, such assessments to be established and collected as hereinafter provided; and, (3) to the appropriate governmental taxing authority: (a) a pro rata share of ad valorem taxes levied against the Common Area and Open Space; and (b) a pro rata share of assessments for public improvements to or for the benefit of the Common Area and Open Space if the Association shall default in the payment of either or both for a period of six (6) months, all as hereinafter provided. The annual and special assessments, together with interest, costs, and reasonable attorney's fees, shall be a charge on the Lot and shall be a continuing lien upon the Lot against which each such assessment is made.

SECTION 3. PURPOSE OF ASSESSMENTS.

(a) The assessments levied by the Association shall be used exclusively for capital improvements to or for the benefit of the Common Area and Open Space, to promote the recreation, health, safety, and welfare of the residents of the Properties and in particular for the acquisition, improvement, and maintenance of properties, services, and facilities (including a reasonable provision for contingencies and replacements) devoted to this purpose or for the use and enjoyment of the Common Area and Open Space, including but not limited to, the costs of repairs, replacements, and additions, the cost of labor, equipment, materials, management, and supervision, the payment of taxes assessed against the Common Area and Open Space, the procurement and maintenance of insurance and liability insurance in accordance with the By-Laws, the employment of attorneys to represent the Association when necessary, and such other needs as may arise.

(b) Declarant shall maintain all streets within the property until said streets are accepted for purposes of maintenance by a governmental entity. The Association shall maintain in good, working condition all street lights or area lights constructed within the property for common benefit, until such time as such street lights or area lights are accepted for maintenance by a public utility or governmental agency. The Association shall have the responsibility of maintaining a sightly appearance along all street rights-of-way and utility easements. The Association shall have the responsibility of constructing, maintaining, and repairing any ponds, lakes, and/or dams on the Properties.

(c) All monies collected by the Association shall be treated as the separate property of the Association, and such monies shall be applied by the Association to the payment of any expense of operating and managing the Properties, or to the proper undertaking of all acts and duties imposed upon it by virtue of this Declaration, the Articles of Incorporation, and the By-Laws of the Association. As monies for any assessment are paid unto the Association by any Lot Owner, the same may be commingled with monies paid to the Association by the other Lot Owners. All funds and common surplus, including other assets of the Association, and any increments thereto or profits derived therefrom shall be held for the benefit of the Members of the Association. No Member of the Association shall have the right to assign, hypothecate, pledge or in any manner transfer his membership interest therein, except as an appurtenance to his Lot. When a Lot Owner shall cease to be a Member of the Association by reason of his divestment of ownership of his Lot, by whatever means, the Association shall not be required to account to such Owner for any share of the fund or assets of the Association, or which may have been paid to the Association by such Owner, as all monies which any Owner has paid to the Association shall be and constitute an asset of the Association which may be used in the operation and management of the Properties.

SECTION 4. MAXIMUM ANNUAL ASSESSMENT.

(a) The maximum annual assessment for a calendar year shall be an amount

established by the Board of Directors as of January 1 of each year.

(b) From and after January 1 of the year immediately following the conveyance of the first Lot to an Owner, the maximum annual assessment may be increased each year by not more than fifteen percent (15%) above the maximum assessment for the previous year without a vote of the membership.

(c) From and after January 1 of the year immediately following the conveyance of the first Lot to an Owner, the maximum annual assessment may be increased by more than fifteen percent (15%) of the maximum assessment for the previous year by a majority vote of each class of Members who are voting in person or by proxy at a meeting duly called for this purpose.

(d) The annual assessments provided for herein shall commence as to each Lot on the first day of the month following the conveyance of such Lot to someone or an entity other than the Declarant. The first annual assessment shall be adjusted according to the number of months remaining in the calendar year.

(e) Annual assessments shall become due on January 1 of each year and shall become past due on January 31 of each year.

SECTION 5. SPECIAL ASSESSMENTS FOR CAPITAL IMPROVEMENTS. In addition to the annual assessments authorized above, the Association may levy, in any year, a special assessment applicable to that year only for the purpose of defraying in whole or in part the costs of any construction, reconstruction, or repair or replacement of a capital improvement upon the Common Area and Open Space, including fixtures and personal property related thereon, provided that any such assessment shall have the assent of a majority of the votes of each class of Members who are voting in person or by proxy at a meeting duly called for this purpose. All special assessments shall be fixed at a uniform rate for all Lots and shall be collected as determined by the action of a majority vote of the Association.

SECTION 6. NOTICE AND QUORUM FOR ANY ACTION AUTHORIZED UNDER SECTIONS 4 AND 5. Written notice of any meeting for the purpose of taking any action authorized under Section 4 or 5 shall be sent to all Members not less than fifteen (15) days nor more than sixty (60) days in advance of the meeting. At the first such meeting called, the presence of Members or of proxies entitled to cast sixty percent (60%) of all the votes of each class of membership shall constitute 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 (1/2) of the required quorum at the preceding meeting. No such subsequent meeting shall be held more than sixty (60) days following the preceding meeting. The foregoing shall supersede any conflicting provisions of these Bylaws.

SECTION 7. EFFECT OF NONPAYMENT OF ASSESSMENTS: REMEDIES OF

THE ASSOCIATION. Any assessment not paid by January 31 of each year shall bear interest from that date at a ten percent (10%) rate per annum. The Association may bring an action at law against the Owner personally obligated to pay the same or foreclose the lien created herein against the property in the same manner prescribed by the laws of the State of North Carolina for the foreclosures of Deeds of Trust, and interest, costs, and reasonable attorney's fees for representation of the Association in such action or foreclosure shall be added to the amount of such assessment. No Owner may waive or otherwise escape liability for the assessment provided for herein by non-use of the Common Area and Open Space or abandonment of his Lot nor shall damage to or destruction of any improvements on any Lot by fire or other casualty result in any abatement or diminution of the assessments provided for herein.

SECTION 8. EFFECT OF DEFAULT IN PAYMENT OF AD VALOREM TAXES OR ASSESSMENTS FOR PUBLIC IMPROVEMENTS BY ASSOCIATION. Upon default by the Association in the payment to the governmental authority entitled thereto of any ad valorem taxes levied against the Common Area and Open Space or assessments for public improvements to or for the benefit of the Common Area and Open Space, which default shall continue for a period of six (6) months, each Owner of a Lot in the development shall become personally obligated to pay to the taxing or assessing governmental authority a portion of such unpaid taxes or assessments in an amount determined by dividing the total taxes and/or assessments due the governmental authority by the total number of Lots. If such sum is not paid by the Owner within thirty (30) days following receipt of notice of the amount due, then such sum shall become a continuing lien on the Lot of the Owner, his heirs, devisees, personal representatives, and assigns, and the taxing or assessing governmental authority may either bring an action at law against the Owner or may elect to foreclose the lien against the Lot of the Owner.

SECTION 9. SUBORDINATION OF THE LIEN TO MORTGAGES. The liens provided for herein shall be subordinate to the lien of any first mortgage or deed of trust. Sale or transfer of any Lot shall not affect the assessment lien or liens provided for in the preceding sections. However, the sale or transfer of any Lot which is subject to any such bona fide first mortgage or deed of trust, pursuant to a foreclosure thereof or any proceeding in lieu of foreclosure thereof, shall extinguish the lien of such assessments as to the payment thereof which became due prior to such sale or transfer. No such sale or transfer shall relieve such Lot from liability for any assessments thereafter becoming due or from the lien thereof, but the liens provided for herein shall continue to be subordinate to the lien of any first mortgage or deed of trust.

SECTION 10. EXEMPT PROPERTY. All property dedicated to, and accepted by, a local public authority and all properties owned by a charitable or nonprofit organization exempt from taxation by the laws of the State of North Carolina shall be exempt from the assessments created herein. However, no land or improvements devoted to dwelling use shall be exempt from said assessments.

ARTICLE XI

AMENDMENTS

Amendments to these Bylaws can be made by the Board of Directors until January 1, 2000 and thereafter by a majority vote of the Class A 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 XII
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 States Internal Revenue law) as the Directors shall determine. Any such assets not to be 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 XIII
MISCELLANEOUS**

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

SECTION 2. SEAL. The seal of the Corporation shall be circular in form and shall bear on its outer edge the words "SWANSGATE HOMEOWNERS ASSOCIATION, INC." and elsewhere thereon the words and figures "corporate seal," "1998" and "North Carolina." The Board of Directors may change the form of the seal or the inscription thereon at pleasure.

SECTION 3. SALARIES. Directors shall serve without compensation.

SECTION 4. 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 5. 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 6. 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.

APPROVED BY THE BOARD OF DIRECTORS OF
SWANSGATE HOMEOWNERS ASSOCIATION, INC.
this the ____ day of _____, 1998.

William B. Millis, Director

William E. Price, Jr., Director

Will Armfield, Director