

**BY-LAWS
OF
CARDINAL PRESERVE HOA, INC.**

ARTICLE I

Offices

1.1 *Principal office.* The principal office of the Corporation shall be located at 216 US Hwy 70 W, Garner NC 27529, or at such other location designated by the Board of Directors.

1.2 *Registered office.* The registered office of the Corporation required by law to be maintained in the State of North Carolina may be, but need not be, identical with the principal office.

1.3 *Other offices.* The Corporation may have offices at such other places, either within or without the State of North Carolina, as the Board of Directors may designate or as the affairs of the Corporation may require from time to time.

ARTICLE II

Meetings of Shareholders

2.1 *Place of meetings.* All meetings of shareholders shall be held at such place, either within or without the State of North Carolina, as may be designated by the Board of Directors or agreed upon by a majority of the shareholders entitled to vote at the meeting.

2.2 *Annual meetings.* The annual meeting of shareholders, for the election of Directors and the transaction of any other business properly brought before the meeting, shall be held within one year of previous meeting. If the day fixed for the annual meeting shall be a Saturday, Sunday, or legal holiday, the meeting shall be held on the next succeeding business day that is not a Saturday, Sunday, or legal holiday.

2.3 *Substitute annual meeting.* If the annual meeting is not held on the day designated in Section 2.2, a substitute annual meeting may be called as provided in Section 2.4. A substitute annual meeting shall be designated and treated for all purposes as the annual meeting.

2.4 *Special meetings.* Special meetings of the shareholders for any purpose or purposes may be called at any time by the President, Secretary, or Board of Directors of the Corporation. The Corporation shall also hold a special meeting upon receipt by the Secretary of a dated, written demand, signed by the holders of not less than 10 percent of all the votes entitled to be cast on the issue to be considered at the meeting, which demand shall specify the purpose for which the meeting is to be held.

2.5 *Notice of meetings.*

(a) Written notice stating the place, date, and hour of every meeting of shareholders shall be personally delivered or mailed not less than 10 days nor more than 60 days before the date of the meeting to each shareholder of record, determined in accordance with Section 8.4 of Article VIII, entitled to vote at the meeting. Notice shall be given by or at the direction of the President, the Secretary, or the other person calling the meeting. If mailed, such notice shall be effective when deposited in the United States mail, addressed to the shareholder at his address as it appears on the record of shareholders of the Corporation, with postage prepaid.

(b) In the case of a special meeting, the notice of meeting shall specifically state the purpose or purposes for which the meeting is called, and no business shall be transacted or corporate action taken other than that stated in the notice unless a waiver of notice is obtained from all shareholders entitled to vote on the matter. In the case of an annual or substitute annual meeting, the notice of meeting need not specifically state the business to be transacted unless required by the provisions of the North Carolina Business Corporation Act.

(c) When a meeting is adjourned for 120 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 120 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.

(d) The transactions of any meeting of shareholders, however called and with whatever notice, if any, are as valid as though taken at a meeting duly held after regular call and notice, if:

(i) All the shareholders entitled to vote are present in person or by proxy and no objection to holding the meeting is made by any shareholder; or

(ii) A quorum is present either in person or by proxy and no objection to holding the meeting is made by anyone so present and if, either before or after the meeting, each person entitled to vote who is not present, in person or by proxy, signs a written waiver of notice, a consent to the holding of the meeting, or an approval of the action taken as shown by the minutes thereof. All such waivers, consents, or approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

2.6 *Voting lists.* After the record date for any meeting has been fixed in accordance with Section 8.4, an HOA management company employee shall prepare a list of the shareholders entitled to vote at the meeting or any adjournment thereof, arranged in alphabetical order, and by voting group (including by class and series within a class), if applicable, with the address of and number of shares held by each. The list shall be kept on file and shall be made available for inspection and copying, following written demand by any shareholder and at such shareholder's expense, at the principal office of the Corporation at any time during the usual business hours or at a place identified in the notice of the meeting in the city where the meeting will be held for a period beginning two business days following the record date established with respect to such meeting. The list shall also be produced and kept open at the time and place of the meeting and shall be subject to inspection by any shareholder during the whole time of the meeting or any adjournment.

2.7 *Quorum.*

(a) Shareholders holding a majority of the outstanding shares of the capital stock of the Corporation entitled to vote, represented in person or by proxy, shall constitute a quorum at a meeting of shareholders. In the event the Corporation has classes or series of shares entitled to vote as a separate voting group, action requiring the vote of such voting group may be taken only if a majority of those shares is represented in person or by proxy.

(b) The shareholders present at a meeting at which a quorum is present may continue to transact business until adjournment, notwithstanding the withdrawal of enough shareholders to leave less than a quorum.

(c) In the absence of a quorum at the opening of any meeting of shareholders, or in the absence of a quorum of a voting group required to take action at such meeting, such meeting may be adjourned from time to time by a vote of the majority of the shares voting on the motion to adjourn, without notice except as required by Section 2.5(c) of this Article II. At any adjourned meeting at which a quorum is present, any business may be transacted that might have been transacted at the original meeting.

2.8 *Proxies.* Shares may be voted either in person or by one or more agents authorized by a written proxy executed by the shareholder or by his duly authorized attorney-in-fact. A telegram, telex, facsimile, or other form of wire or wireless communication appearing to have been transmitted by a shareholder or a photocopy or equivalent reproduction of a writing appointing one or more proxies shall be a valid form to appoint a proxy. A proxy is not valid after the expiration of 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. No proxy shall be valid after 10 years from the date of its execution.

2.9 *Voting of shares.*

(a) Each shareholder entitled to vote on a matter coming before the meeting shall be entitled to one vote as to that matter for each share of capital stock held of record by the shareholder.

(b) Except in the election of directors as governed by the provisions of Section 3.3, the vote of a majority of the shares present at a meeting of shareholders at which a quorum is present shall be the act of the shareholders on that matter, unless the vote of a greater number is required by law or by the Articles of Incorporation or these Bylaws.

(c) Shares of its own stock owned by the Corporation, directly or indirectly, through a subsidiary corporation or otherwise, shall not be voted and shall not be counted in determining the total number of shares entitled to vote, except that shares held in a fiduciary capacity may be voted and shall be counted to the extent provided by law.

2.10 *Inspectors.* The HOA management company employee present at the meeting will open and close the polls, will receive and take charge of the ballots, and will decide all questions as to the qualifications of voters, validity of proxies and ballots, and the number of votes properly cast.

2.11 *Informal action by shareholders.* Any action that may be taken at a meeting of the shareholders may be taken without a meeting if a consent in writing, setting forth the action taken, is signed by all of the shareholders who would be entitled to vote upon such action at a meeting, and is filed with the Secretary of the Corporation to be kept as part of the corporate records, whether done before or after the action so taken.

ARTICLE III

Board of Directors

3.1 *General powers.* The business and affairs of the Corporation shall be directed by its Board of Directors. Except as otherwise expressly provided by law, the Articles of Incorporation, or these Bylaws, all of the powers of the Corporation shall be vested in the Board of Directors.

3.2 *Number, term, and qualifications.* The number of directors constituting the Board of Directors may vary, but shall not be more than five nor less than two. Each director shall hold office until the next annual meeting of shareholders or until his successor shall have been elected and qualified, or until his earlier death, resignation, retirement, removal, or disqualification. Directors need not be residents of the State of North Carolina or shareholders of the Corporation.

3.3 *Election of directors.* Except as provided in Sections 3.4 and 3.5, the directors shall be elected at the annual meeting of shareholders. Those nominees who receive the highest numbers of votes cast by the shares entitled to vote in the election at a meeting at which a quorum is present shall be deemed to have been elected. If any shareholder so demands, the election of directors shall be by ballot.

3.4 *Removal and resignation.* Any director may be removed at any time with or without cause by a vote of the shareholders if the number of votes cast to remove him exceeds the number of votes cast not to remove him. [If cumulative voting is permitted, an individual director shall not be removed when the number of shares voting against the proposal for removal would be sufficient to elect a director if such shares could be voted cumulatively at an annual election.] If any director is removed, a successor director may be elected at the same meeting. A director may not be removed at a meeting (other than an annual meeting at which election of directors normally occurs) unless the notice of the meeting states that one of the purposes of the meeting is removal of the director. A director may resign at any time by communicating his resignation to the Board of Directors, its President, or the Corporation. Such resignation is effective when communicated unless it specifies in writing a later date or subsequent event upon which it will become effective.

3.5 *Vacancies.* Any vacancy occurring on the Board of Directors, including a vacancy caused by an increase in the authorized number of directors or a failure of the shareholders to elect the full authorized numbers of directors, may be filled by the affirmative vote of a majority of the remaining directors even though less than a quorum, or by the sole remaining director. The term of a director elected to fill a vacancy shall expire at the next meeting of shareholders at which directors are elected.

3.6 *President of the Board.* There may be a President and Vice-President of the Board of Directors elected by the directors from their number at any meeting of the Board of Directors. The President, or in his absence the Vice-President, shall preside at all meetings of the Board of Directors, and each shall perform such other duties as may be directed by the Board of Directors. The President and Vice-President shall be officers of the Corporation.

3.7 *Compensation.* The Board of Directors may compensate directors for their services as such and may provide for the payment of any or all expenses incurred by directors in attending regular and special meetings of the Board of Directors. This provision shall not preclude directors from serving the Corporation in other capacities and receiving compensation for such other services.

3.8 *Cumulative voting.* Every shareholder entitled to vote at an election of directors shall have the right to vote the number of shares standing of record in his name for as many persons as there are directors to be elected and for whose election he has a right to vote, or to cumulate his votes by giving one candidate as many votes as the number of such directors multiplied by the number of his shares shall equal, or by distributing such votes on the same principle among any number of such candidates. This right of cumulative voting shall not be exercised unless the meeting notice or proxy statement accompanying such notice states conspicuously that cumulative voting is authorized, or some shareholder or proxy holder who has the right to cumulate his votes announces in open meeting, before the voting for the directors starts, his intention to vote cumulatively. If such an announcement is made, the chair shall declare that all shares entitled to vote have the right to vote cumulatively and shall grant a recess of not less than one nor more than four hours, as he shall determine, or of such other period of time as is unanimously then agreed upon.

ARTICLE IV

Meetings of Directors

4.1 *Regular meetings.* A regular meeting of the Board of Directors shall be held after the annual meeting of shareholders, within 1 month of election. In addition, the Board of Directors may provide, by resolution, the time and place, either within or without the State of North Carolina, for the holding of additional regular meetings.

4.2 *Special meetings.* Special meetings of the Board of Directors may be called by or at the request of the President or any two directors. Such a meeting may be held either within or without the State of North Carolina, as fixed by the person or persons calling the meeting.

4.3 *Notice of meetings.* Regular meetings of the Board of Directors may be held without notice. The person or persons calling a special meeting of the Board of Directors shall, at least 24 hours before the meeting, give notice thereof by any usual means of communication. Notice of a regular or special meeting need not specify the purpose for which the meeting is called. Notice of an adjourned meeting need not be given if the time and place are fixed at the meeting at which adjournment is taken and if the period of adjournment does not exceed 10 days in any one adjournment.

4.4 *Waiver of notice.* Any director may waive notice of any meeting, either before or after the meeting. Except as set forth in the next sentence, a waiver of notice shall be in writing and shall be filed by the Secretary with the corporate records or as part of the minutes of the meeting. The attendance

by a director at a meeting shall constitute a waiver of notice of such meeting, except where a director at the beginning of the meeting (or promptly upon his arrival) objects to the holding of the meeting or transacting business at the meeting and does not vote for or assent to any action taken at the meeting.

4.5 *Quorum*. A majority of the number of directors fixed by these Bylaws [*or, if the size of the board varies, A majority of the number of directors in office immediately before the meeting begins*] shall constitute a quorum for the transaction of business at any meeting of the Board of Directors.

4.6 *Manner of acting*. Except as otherwise provided in these Bylaws or as required by law, the act of the majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.

4.7 *Presumption of assent*. A director 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 (a) he objects to holding the meeting or transacting business at the meeting at the outset, (b) his dissent or abstention from the action is entered in the minutes of the meeting, or (c) he files his written dissent to or abstention from such action with the person acting as the secretary of the meeting before the adjournment thereof or forwards his written dissent by registered mail to the Secretary of the Corporation immediately after the adjournment of the meeting. The right to dissent shall not apply to a director who voted in favor of such action.

4.8 *Informal action by directors*. Action taken by a majority of the directors without a meeting is nevertheless action of the Board of Directors if written consent to the action in question is signed by all of the directors and filed with the minutes of the proceedings of the Board of Directors, whether done before or after the action so taken.

4.9 *Participation by telephone*. Any one or more directors or members of a committee may participate in a meeting of the Board of Directors or committee by means of a conference telephone or similar communications device that allows all persons participating in the meeting to hear each other. Participation by this means shall be deemed presence in person at the meeting.

ARTICLE V

Committees

5.1 *Optional Executive Committee*.

(a) The Board of Directors, by resolution adopted by a majority of the number of directors fixed by these Bylaws, may appoint from among its members an Executive Committee, which shall consist of not fewer than two directors, including the President. When the Board of Directors is not in session, the Executive Committee shall have all power vested in the Board of Directors by law, by the Articles of Incorporation, or by these Bylaws, provided that the Executive Committee shall not have power:

- (i) To declare dividends or authorize distributions;
 - (ii) To approve or propose to shareholders any action that is required to be approved by shareholders under the North Carolina Business Corporation Act;
 - (iii) To approve an amendment to the Articles of Incorporation of the Corporation;
 - (iv) To approve a plan of dissolution, merger, or consolidation;
 - (v) To approve the sale, lease, or exchange of all or substantially all of the property of the Corporation;
 - (vi) To designate any other committee, or to fill vacancies in the Board of Directors or other committees;
 - (vii) To fix the compensation of directors for serving on the Board of Directors or any committee;
 - (viii) To amend or repeal the Bylaws, or to adopt new Bylaws;
 - (ix) To authorize or approve reacquisition of shares, except according to a formula or method approved by the Board of Directors;
 - (x) To authorize or approve the issuance or sale or contract for sale of shares, or to determine the designation and relative rights, preferences, and limitations of a class or series of shares, unless the Board of Directors specifically authorizes the Executive Committee to do so within limits established by the Board of Directors;
 - (xi) To amend or repeal any resolution of the Board of Directors that by its terms is not so amendable or repealable; or
 - (xii) To take any action expressly prohibited in a resolution of the Board of Directors.
- (b) The Executive Committee shall report at a regular or special meeting of the Board of Directors all action that the Executive Committee may have taken on behalf of the Board of Directors since the last regular or special meeting of the Board of Directors.

5.2 Optional Finance Committee. The Board of Directors, by resolution adopted by a majority of the number of directors fixed by these Bylaws, may appoint a Finance Committee, which shall consist of not fewer than two directors. The Finance Committee shall consider and report to the Board of Directors with respect to plans for corporate expansion, capital structure, and long-range financial requirements. The Finance Committee shall also consider and report to the Board of Directors with respect to such other matters relating to the financial affairs of the Corporation as may be requested by the Board of Directors or the appropriate officers of the Corporation. The Finance Committee shall report periodically to the Board of Directors on all action that it might have taken.

5.3 *Other committees.* The Board of Directors, by resolution duly adopted, may appoint shareholders to such other standing or special committees as it might deem advisable, consisting of not fewer than two directors. The members, terms, and authority of such committees shall be on a yearly basis, and they shall be appointed by the Board of Directors after their re-election annually. No committee shall have the power to take actions prohibited in Section 5.1.

5.4 *Meetings.* Regular and special meetings of any committee established pursuant to this Article V may be called and held subject to the same requirements with respect to time, place, and notice as are specified in these Bylaws for regular and special meetings of the Board of Directors.

5.5 *Quorum and manner of acting.* A majority of the members of any committee serving at the time of any meeting thereof shall constitute a quorum for the transaction of business at such meeting. The action of a majority of those members present at a committee meeting at which a quorum is present shall constitute the act of the committee.

5.6 *Term of office.* Members of any committee shall be elected as provided above and shall hold office until their successors are elected by the Board of Directors or until such committee is dissolved by the Board of Directors.

5.7 *Resignation and removal.* Any member of a committee may resign at any time by giving written notice of his intention to do so to the President or the Secretary of the Board of Directors, or may be removed, with or without cause, at any time by such vote of the Board of Directors as would suffice for his election.

5.8 *Vacancies.* Any vacancy occurring in a committee resulting from any cause whatsoever may be filled by the Board of Directors.

ARTICLE VI

Officers

6.1 *Officers of the Corporation.* The officers of the Corporation shall consist of a President, Secretary, and Treasurer. Other officers, including a President and Vice-President of the Board of Directors (as provided in Article III), one or more Vice-Presidents (whose seniority and titles, including Executive Vice-Presidents and Senior Vice-Presidents, may be specified by the Board of Directors), Assistant Secretaries, and Assistant Treasurers, may from time to time be elected by the Board of Directors. Any two or more offices, except President and Secretary, may be held by the same person. No officer may act in more than one capacity where the action of two or more officers is required.

6.2 *Election and term.* The officers of the Corporation shall be elected by the Board of Directors, and each officer shall hold office until his death, resignation, retirement, removal, or disqualification or until his successor shall have been elected and qualified.

6.3 *Compensation.* The compensation of all officers of the Corporation shall be fixed by the Board of Directors, and no officer shall serve the Corporation in any other capacity and receive compensation therefor unless such additional compensation is authorized by the Board of Directors prior to the rendition of such services.

6.4 *Removal and resignation.* Any officer or agent elected or appointed by the Board of Directors may be removed by the Board of Directors with or without cause, but such removal shall be without prejudice to the contract rights, if any, of the person so removed. An officer may resign at any time, by communicating his resignation to the Corporation, but such resignation shall be without prejudice to the contract rights, if any, of the Corporation with such officer.

6.5 *Bonds.* The Board of Directors may by resolution require any officer, agent, or employee of the Corporation to give bond to the Corporation, with sufficient sureties, conditioned on the faithful performance of the duties of his respective office or position, and to comply with such other conditions as may from time to time be required by the Board of Directors.

6.6 *President.* The President shall be the chief executive officer of the Corporation and shall be primarily responsible for the implementation of policies of the Board of Directors. He shall have authority over the general management and direction of the business and operations of the Corporation and its divisions, if any, subject only to the ultimate authority of the Board of Directors. He shall be a director and, except as otherwise provided in these Bylaws or in the resolutions establishing such committees, he shall be *ex officio* a member of all committees of the Board of Directors. In the absence of the President and the Vice-President of the Board, or if there are no such officers, the President shall preside at all corporate meetings. He may sign and execute in the name of the Corporation stock certificates, deeds, mortgages, bonds, contracts, or other instruments except in cases where the signing and the execution thereof shall be expressly delegated by the Board of Directors or by these Bylaws to some other officer or agent of the Corporation or shall be required by law otherwise to be signed or executed. In addition, he shall perform all duties incident to the office of the President and such other duties as from time to time may be assigned to him by the Board of Directors.

6.7 *Vice-Presidents.* Each Vice-President, if any, shall have such powers and duties as may from time to time be assigned to him by the President or the Board of Directors or delegated to him by the President. Any Vice-President may sign and execute in the name of the Corporation deeds, mortgages, bonds, contracts, share certificates, or other instruments authorized by the Board of Directors, except where the signing and execution of such documents shall be expressly delegated by the Board of Directors or the President to some other officer or agent of the Corporation or shall be required by law or otherwise to be signed or executed. In the absence of the President or in the event of his death or inability or refusal to act, the Vice-Presidents in the order of their length of service as Vice-Presidents, 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.

6.8 *Secretary.* The Secretary shall keep the minutes of the meetings of shareholders and, unless another person is designated by the Board of Directors, meetings of the Board of Directors. When requested, he shall also act as secretary of the meetings of any committee of the Board of Directors.

He shall keep all minutes of all such meetings in books designated for those purposes. The Secretary shall see that all notices are duly given in accordance with the provisions of these Bylaws or as required by law. He shall have custody of the deeds, leases, contracts, and other important corporate documents and shall have charge of the books, records, and papers of the Corporation relating to its organization and management as a Corporation. He shall have custody 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. He shall keep a register of the post office address of each shareholder that is furnished to the Secretary by such shareholder. He shall sign with the President, or a Vice-President, certificates for shares of the Corporation, the issuance of which shall have been authorized by resolution of the Board of Directors, and he shall have general charge of the stock transfer books of the Corporation. He shall keep or cause to be kept, in the State of North Carolina at the Corporation's registered office or principal place of business, a record of the Corporation's shareholders, giving the names and addresses of all shareholders and the number and class of shares held by each, and shall prepare or cause to be prepared voting lists prior to each meeting of shareholders as required by law. He shall 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 by the President, by the Board of Directors, or by these Bylaws.

6.9 *Assistant Secretaries.* In the absence of the Secretary or in the event of his death or inability or refusal to act, any Assistant Secretary designated by the President, unless otherwise determined by the Board of Directors, shall perform the duties of the Secretary and when so acting shall have all the powers of and be subject to all the restrictions upon the Secretary. The Assistant Secretaries shall perform such other duties as may be assigned to them by the Secretary, by the President, or by the Board of Directors. Any Assistant Secretary may sign, with the President or a Vice-President, documents authorized to be signed by the Secretary and certificates for shares of the Corporation.

6.10 *Treasurer.* The Treasurer shall have charge of and be responsible for all funds and securities, receipts, and disbursements of the Corporation, and shall deposit all money and securities of the Corporation in such banks and depositories as shall be designated by the Board of Directors pursuant to Section 7.4. He shall be responsible for (a) maintaining adequate financial accounts and records in accordance with generally accepted accounting practices; (b) preparing appropriate operating budgets and financial statements; (c) preparing and filing all tax returns required by law; (d) preparing a true statement of the Corporation's assets and liabilities as of the close of each fiscal year, all in reasonable detail, which statement shall be filed at the Corporation's registered office or principal place of business in the State of North Carolina within four months after the end of such fiscal year and kept available there for a period of at least ten years; and (e) performing all of the duties incident to the office of Treasurer and such other duties as from time to time may be assigned to him by the President, by the Board of Directors, by the Finance Committee, or by these Bylaws.

6.11 *Assistant Treasurers.* In the absence of the Treasurer, or in the event of his death or inability or refusal to act, the Assistant Treasurers in the order of their length of service as Assistant Treasurer, unless otherwise determined by the Board of Directors, shall perform the duties of the Treasurer, and when so acting shall have all the powers of and be subject to all the restrictions upon the Treasurer. They shall perform such other duties as may be assigned to them by the Treasurer, by the President, by the Board of Directors, or by the Finance Committee.

6.12 *Voting of stock held.* Unless otherwise provided by vote of the Board of Directors, the President, any Vice-President, or the Secretary may from time to time appoint an attorney or attorneys or agent or agents of the Corporation to cast the votes that the Corporation may be entitled to cast as a shareholder or otherwise in any other corporation, any of whose stock or securities may be held by the Corporation, at meetings of the holders of the stock or other securities of such other corporation, to waive notice of meetings, or to consent in writing to any action by any other such corporation, and may instruct the person or persons so appointed as to the manner of casting votes, waiving notice, or giving consent, and may execute or cause to be executed on behalf of the Corporation written proxies, consents, waivers, or other instruments he may deem necessary or proper. The President, any Vice-President, or the Secretary may himself attend any meeting of the holders of stock or other securities of such other corporation and vote or exercise any powers of the Corporation as the holder of such stock or other securities.

ARTICLE VII

Contracts, Loans, Checks, and Deposits

7.1 *Contracts.* The Board of Directors may authorize any officer or officers, agent or agents, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Corporation, and such authority may be general or confined to specific instances.

7.2 *Loans.* No loans shall be contracted on behalf of the Corporation and no evidence of indebtedness shall be issued in its name unless authorized by a resolution of the Board of Directors. Such authority may be general or confined to specific instances.

7.3 *Checks and drafts.* All checks, drafts, or other orders for the payment of money, issued in the name of the Corporation, shall be signed by such officer or officers, agent, or employees of the Corporation, or by an employee of the Corporation's HOA management company, and in such manner, including facsimile signatures, as shall from time to time be determined by resolution of the Board of Directors.

7.4 *Deposits.* All funds of the Corporation not otherwise employed shall be deposited from time to time to the credit of the Corporation in such depositories as the Board of Directors may select.

ARTICLE VIII

Certificates for Shares and Their Transfer

8.1 *Certificates for shares.* Certificates representing shares of the capital stock of the Corporation shall be in such form, stating thereon the information required by law, as shall be determined by the Board of Directors. The Corporation shall issue and deliver to each shareholder certificates representing all fully paid shares owned by him. Certificates shall be signed by the President or a Vice-President and by the Secretary or Treasurer or an Assistant Secretary or an Assistant Treasurer. Transfer agents or registrars, or both, for one or more classes of the stock of the Corporation may be appointed by the Board of Directors and may be required to countersign certificates representing stock of such class or classes. The signatures of any such officers upon a certificate may be facsimiles or may be engraved or printed or omitted if the certificate is countersigned by a transfer agent, or registered by a registrar, other than the Corporation itself or an employee of the Corporation. In case

any officer who has signed or whose facsimile or other signature has been placed upon a certificate ceases to hold the office before the certificate is issued, the certificate may be issued by the Corporation with the same effect as if he held the office on the date of issuance. All certificates for shares shall be consecutively numbered or otherwise identified. The name and address of the person to whom the shares represented thereby are issued, with the number and class of shares and the date of issuance, shall be entered on the stock transfer books of the Corporation.

8.2 *Transfer of shares.* Transfer or assignment of shares of the Corporation shall be made only on the stock transfer books of the Corporation by the holder of record thereof or by his legal representative, who shall furnish proper evidence of authority to transfer, or by his attorney thereunto authorized by power of attorney duly executed and filed with the Secretary, upon surrender of the certificate for such shares duly endorsed.

8.3 *Lost or destroyed certificate.* The Board of Directors may direct that a new certificate be issued in place of any certificate previously issued by the Corporation claimed to have been lost or destroyed, upon receipt of an affidavit of such fact from the person claiming loss or destruction. When authorizing the issuance of a new certificate, the Board of Directors shall require that the owner of the certificate, or his legal representative, give the Corporation a bond in such sum as the Board of Directors may direct as indemnity against any claim that may be made against the Corporation with respect to the certificate claimed to have been lost or destroyed, except where the Board of Directors by resolution finds that in its judgment the circumstances justify omission of a bond.

8.4 *Closing transfer books and fixing record date.*

(a) For the purpose of determining shareholders entitled to notice of or to vote at any meeting of shareholders or any adjournment thereof, or entitled to receive payment of any dividend, or in order to make a determination of shareholders for any other proper purpose, the Board of Directors may provide that the stock transfer books shall be closed for a stated period but not to exceed, in any case, 70 days. If the stock transfer books shall be closed for the purpose of determining shareholders entitled to notice of or to vote at a meeting of shareholders, such books shall be closed for at least 10 days immediately preceding such meeting.

(b) In lieu of closing the stock transfer books, the Board of Directors may fix in advance a date as the record date for any such determination of shareholders, such record date in any case to be not more than 50 days and, in case of a meeting of shareholders, not less than 10 days immediately preceding the date on which the particular action requiring such determination of shareholders is to be taken.

(c) If the stock transfer books are not closed and no record date is fixed for the determination of shareholders entitled to notice of or to vote at a meeting of shareholders, or shareholders entitled to receive payment of a dividend, the date on which notice of the meeting is mailed or the date on which the resolution of the Board of Directors declaring such dividend is adopted, as the case may be, shall be the record date for such determination of shareholders.

(d) When a determination of shareholders entitled to vote at any meeting of shareholders has been made as provided in this section, such determination shall apply to any adjournment thereof except

where the determination has been made through the closing of the stock transfer books and the stated period of closing has expired.

8.5 Holder of record. Except as otherwise provided by law, the Corporation may treat as the absolute owner of shares the person in whose name the shares stand of record on its books just as if that person had full competency, capacity, and authority to exercise all rights of ownership, irrespective of any knowledge or notice to the contrary or any description indicating a representative, pledge, or other fiduciary relation or any reference to any other instrument or to the rights of any other person appearing upon the records of the Corporation or upon the share certificate.

8.6 Treasury shares. Treasury shares of the Corporation shall consist of such shares as have been issued and thereafter acquired but not canceled by the Corporation. Treasury shares shall not carry voting or dividend rights.

8.7 Uncertificated shares. The Board of Directors may authorize the issuance of some or all of the shares of the Corporation, or some or all of any class of shares, without certificates. In the event uncertificated shares are issued, the Corporation shall send each holder of such shares a written statement containing the name of the Corporation, the state of its incorporation, the name of the person to whom issued, the number and, if applicable, the class of shares and designation of series, and the designation, relative rights, preferences, and limitations applicable to such shares, all as required under *N.C.G.S. § 55-6-25(b)* and *(c)*. In addition, if transfer of the shares is restricted, such restriction must be noted on the written statement provided to the holder of such shares as required by *N.C.G.S. § 55-6-27*. The Board of Directors shall comply with *N.C.G.S. § 55-6-26* with respect to all uncertificated shares.

ARTICLE IX

General Provisions

9.1 Dividends. The Board of Directors may from time to time declare, and the Corporation may pay, dividends on its outstanding shares in cash, property, or its own shares pursuant to law and subject to the provisions of its Articles of Incorporation.

9.2 Seal. The corporate seal of the Corporation [shall consist of two concentric circles between which is the name of the Corporation (with abbreviations, if necessary) and in the center of which is inscribed "SEAL"] [shall be in the form approved from time to time by the Board of Directors].

9.3 Waiver of notice. In addition to provisions elsewhere in these Bylaws regarding waiver of notice, whenever any notice is required to be given to any shareholder or director by law, by the Articles of Incorporation, or by these Bylaws, a waiver thereof in writing signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be equivalent to the giving of such notice.

9.4 Indemnification.

(a) In addition to any indemnification required or permitted by law, and except as otherwise provided in these Bylaws, any person who at any time serves or has served as a director or officer of

the Corporation, or in such capacity at the request of the Corporation for any other corporation, partnership, joint venture, trust, or other enterprise, shall have a right to be indemnified by the Corporation to the fullest extent permitted by law against (i) reasonable expenses, including attorneys' fees, actually and necessarily incurred by him in connection with any threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative, or investigative, seeking to hold him liable by reason of the fact that he is or was acting in such capacity, and (ii) payments made by him in satisfaction of any judgment, money decree, fine, penalty, or reasonable settlement for which he may have become liable in any such action, suit, or proceeding.

(b) The Corporation shall not indemnify any person hereunder against liability or litigation expense he may incur on account of his activities that were at the time taken known or believed by him to be clearly in conflict with the best interests of the Corporation. Furthermore, the Corporation shall not indemnify any director with respect to any liability of that director arising out of *N.C.G.S. § 55-8-33* (relating to unlawful declaration of dividends) or any transaction from which the director derived an improper personal benefit as provided in *N.C.G.S. § 55-2-02(b)(3)*.

(c) If any action is necessary or appropriate to authorize the Corporation to pay the indemnification required by this Bylaw, the Board of Directors shall take such action, including (i) making a good faith evaluation of the manner in which the claimant for indemnity acted and of the reasonable amount of indemnity due him, (ii) giving notice to, and obtaining approval by, the shareholders of the Corporation, and (iii) taking any other action.

(d) Any person who at any time after the adoption of this Bylaw serves or has served in any of the capacities indicated in subsection (a) of this Bylaw shall be deemed to be doing or to have done so in reliance upon, and as consideration for, the right of indemnification provided herein. Such right shall inure to the benefit of the legal representatives of any such person and shall not be exclusive of any other rights to which such person may be entitled apart from the provision of this Bylaw.

(e) The provisions of subsection (a) of this Bylaw shall not be deemed to preclude the Corporation from indemnifying persons serving as agents or employees of the Corporation, or in such capacity at the request of the Corporation for any other corporation, partnership, joint venture, trust, or other enterprise, to the extent permitted by law.

(f) The Corporation shall be entitled to pay the expenses incurred by a director or officer in defending a civil or criminal action, suit, or proceeding in advance of final disposition upon receipt of an undertaking by or on behalf of the director or officer to repay such amount unless it shall ultimately be determined that he is entitled to be indemnified by the Corporation against such expenses.

9.5 Insurance. As provided in *N.C.G.S. § 55-8-57*, the Corporation shall have the power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee, or agent of the Corporation, or who is or was serving at the request of the Corporation as a director, officer, or employee or agent of another corporation, partnership, joint venture, trust, or other enterprise or as a trustee or administrator under an employee benefit plan against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the Corporation has the power to indemnify him against such liability.

9.6 *Fiscal year.* The fiscal year of the Corporation shall be as fixed by the Board of Directors.

9.7 *Amendment of Bylaws.*

(a) Except as otherwise provided by law, by the Articles of Incorporation or herein, these Bylaws may be amended or repealed and new Bylaws may be adopted by the affirmative vote of shareholders holding a majority of shares of the capital stock of the Corporation entitled to vote or by the affirmative vote of a majority of the directors then holding office at any regular or special meeting of the Board of Directors.

(b) The Board of Directors shall have no power to adopt a Bylaw: (i) prescribing quorum or voting requirements for action by shareholders or directors different from those prescribed by law; (ii) increasing or decreasing the number of directors; or (iii) classifying and staggering the election of directors. A Bylaw that fixes a greater quorum or voting requirement may be adopted by a majority of the Board of Directors then in office, but only if originally adopted by the Board of Directors; otherwise, such amendment must be approved by the shareholders.

(c) No Bylaw adopted or amended by the shareholders shall be amended or repealed by the Board of Directors, except to the extent that such Bylaw expressly authorizes its amendment or repeal by the Board of Directors.

9.8 *Emergency Bylaws.*

(a) In accordance with *N.C.G.S. § 55-2-07(d)*, the Bylaws set forth in this Section 9.8 shall be effective only in the event that a quorum of the Board of Directors cannot be assembled because of some catastrophic event.

(b) In the event of an emergency described in subsection (a) above and in *N.C.G.S. § 55-2-07(d)*, a meeting of the Board of Directors may be called by giving notice only to those directors whom it is practicable to reach and may be given by any practicable manner, including by publication and radio. One or more of the officers present at the meeting of the Board of Directors may be deemed to be a director for the meeting, in order of rank and within the same rank in order of seniority, as necessary to achieve a quorum.

(c) During the emergency, the Board of Directors may modify lines of succession to accommodate the incapacity of any director, officer, employee, or agent, and relocate the principal office, designate alternate principal offices or regional offices, or authorize the officers of the Corporation to do any of the foregoing.

(d) [*Bylaws may authorize any other provisions necessary for managing corporate affairs.*] All other provisions of these Bylaws consistent with this Section 9.8 shall remain effective during the emergency described in subsection (a) above.

(e) Corporate action taken in good faith in an emergency pursuant to these Bylaws and *N.C.G.S. § 55-3-03* to further the ordinary business affairs of the Corporation shall be binding upon the Corporation.

(f) These emergency Bylaws can be repealed only by action of the shareholders.