

NORTH CAROLINA
ONslow COUNTY

**BYLAWS OF THE HIGHLANDS AT QUEENS CREEK
HOMEOWNERS ASSOCIATION**

THESE BYLAWS OF THE HIGHLANDS AT QUEENS CREEK HOMEOWNERS ASSOCIATION, INC., hereinafter referred to as "Bylaws", are made on the 21 day of October, 2008, by NORTHERN INVESTORS GROUP, LLC, a North Carolina limited liability company, hereinafter referred to as "Declarant";

WITNESSETH:

WHEREAS, Declarant is the owner of certain property located in Swansboro Township, Onslow County, North Carolina, known as HIGHLANDS AT QUEENS CREEK (hereinafter called the Property), and

WHEREAS, the Declarant desires and has agreed to establish a general plan of development as herein set out to restrict the use and occupancy of the Property made subject to these Bylaws for the benefit of the present and future owners thereof and has recorded by separate instrument a Declaration of Conditions, Reservations and Restrictions of Highlands at Queens Creek (hereinafter "Restrictive Covenants") in the Office of the Register of Deeds of Onslow County, North Carolina, reference to which is made as if fully set forth herein; and

WHEREAS, the Restrictive Covenants provide for the creation of a Highlands at Queens Creek Homeowners Association; and

WHEREAS, these Bylaws shall control the operation of said Association; and

WHEREAS, the Declarant desires to provide for the preservation of the values, now existing and to be developed, of Highlands at Queens Creek, and for the preservation and maintenance of the Common Areas.

NOW, THEREFORE, the Declarant hereby declares that all of the Property shall be held, sold and conveyed subject to the following rights and obligations which shall burden and run with said real property and be binding on all parties having a right, title or interest in the described properties or any part thereof, their heirs, successors and assigns, and shall inure to the benefit of each owner thereof.

ARTICLE I: DEFINITIONS

Section 1. "Association" shall mean and refer to the Highlands at Queens Creek Homeowners Association, a non-profit North Carolina association, its successors and assigns.

Section 2. "Owner" shall mean and refer to the record owner, whether one or more persons or entities, of a fee simple title to any Lot or Tract which is a part of the Property, but excluding those having such interest merely as security for the performance of an obligation.

Section 3. "Properties" shall mean and refer to that certain real Property hereinbefore described, and such additions thereto as may hereafter be brought within the jurisdiction of the Association, as provided for in the Restrictive Covenants.

Section 4. "Lot" shall mean and refer to any plot of land shown upon any recorded subdivision map of the Properties with the exception of the roadway.

Section 5. "Declarant" shall mean and refer to Northern Investors Group, LLC, its successors and assigns.

Section 6. "Common Area" shall mean and refer to any roadway shown on the aforesaid plats, and any other areas which may be owned and/or administered by the Association.

ARTICLE II: RIGHTS AND DUTIES OF THE ASSOCIATION

The Association shall have all rights, obligations and duties imposed by the Restrictive Covenants and these Bylaws, including the duty to repair replace and maintain all common property, including all streets, roads, road right-of-ways, and other common property, and the right to establish reasonable assessments therefor, and for the operation and administrative expenses of the Association. In addition, the Declarant, at its sole and absolute discretion, may assign any right, obligation or duties imposed on Declarant to the Association.

ARTICLE III: MEMBERSHIP AND VOTING RIGHTS

Section 1. Membership. Every owner of a Lot which is subject to assessment 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. Voting Rights. 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 vote for each Lot owned. When more than one person holds an interest in any Lot, all such persons shall be members. The vote for such Lot shall be exercised as they determine, but in no event shall more than one vote be cast with respect to any Lot.

Class B. The Class B member(s) shall be the Declarant and shall be entitled to three (3) 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, or

b. On the fifth anniversary of the conveyance of a Lot or other parcel within the development.

ARTICLE IV: MEETINGS OF MEMBERS

Section 1. Place of Meetings: All meetings of members shall be at the principal office of the Association, 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 as agreed upon by a majority of the membership.

Section 2. Annual Meetings: The annual meeting of members shall be held at 9:00 a.m. on the first Saturday in February of each year, if not a legal holiday (but if a legal holiday, on the next following day not a legal holiday) for the purpose of electing Directors of the Association and for the transaction of such other business as may be properly brought before the meeting. If the annual meeting shall not be held on the day designated by these Bylaws, a substitute meeting may be called in accordance with the next provision of this Article; any meeting so called shall be designated and treated for all purposes as an annual meeting.

Section 3. Special Meetings: Special meetings of the members may be called at any time by the Board of Directors, or by any other member pursuant to the written request of the holders of not less than one-tenth of all votes entitled to be cast on any issue to be considered at the special meeting. Only those matters that are within the purpose(s) described in the required meeting notice may be acted upon at a special meeting of the members.

Section 4. Notice of Meetings: Written notice stating the time and place of the meeting shall be sent not less than ten (10) days but not more than sixty (60) days before the date thereof, and delivered personally or by first class, certified or registered mail, by or at the direction of the President, the Secretary, or other person calling the meeting, to each member of record entitled to vote at such meeting.

In the case of an annual or substitute annual meeting, the notice of meeting need not

specifically state the business to be transacted unless it is a matter other than the election of Directors, on which the vote of the members is expressly required by the provisions of the North Carolina Nonprofit Corporation Act. In the case of a special meeting, the notice of meeting shall specifically state the purpose for which the meeting is called.

When the Association gives notice of any meeting of the members, the Association shall give notice of a matter a member intends to raise at the meeting if requested in writing to do so by a person entitled to call a special meeting; and if the request is received by the Secretary or President of the Association at least ten (10) days before the Association gives notice of the meeting.

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.

The transactions of any meeting of members, 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: (1) all the members entitled to vote are present in person or by proxy and no objection to holding the meeting is made by any member; or (2) if 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.

Section 5. Voting Lists: At least five (5) days and not more than thirty (30) days before a notice is sent of a meeting of members (hereinafter referred to as "record date"), the Secretary of the Association shall prepare an alphabetical list of the members entitled to vote at such meetings, with the address and number of votes entitled to be cast by each said member, which list shall be kept on file at the registered office of the Association, or at a reasonable place identified in the meeting notice, for a period of ten (10) days prior to each meeting, and shall be subject to inspection by any member at any time during regular business hours. Persons who become members after the record date shall not be entitled to vote at a meeting. The voting list shall also be produced and kept open for inspection by any member at the time and place of the meeting. Any member who is acting in good faith may receive a copy of the voting list, upon paying a reasonable cost of copying said list, but under no circumstances may the list be used to solicit money or property or for any other commercial purpose, or sold to or purchased by any other person.

Section 6. Quorum: The holders of a majority of votes entitled to be cast, represented in person or by proxy, shall constitute a quorum at meetings of members. If there is not a quorum at the opening of the meeting, such meeting may be adjourned from time to time by a majority vote of members present on a 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; the required quorum at any such adjourned meeting shall be one-half (1/2) of the required quorum at the original meeting. The members at a meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough members to leave less than a quorum.

Section 7. Proxies: Votes may be cast either in person or by one or more agents

authorized by a written proxy executed by a member or his duly authorized attorney in fact.

Section 8. Action Without a Meeting: Any action required or permitted by these Bylaws or the North Carolina Nonprofit Corporation Act may be taken without a meeting if the action is taken by all members entitled to vote on the action. The action shall be evidenced by one or more written consents describing the action taken, signed before or after such action by all members entitled to vote thereon, delivered to the Association for inclusion in the minutes or filing with Association records.

Section 9. Suspension of Voting Rights: The Association shall have the right to suspend the voting rights of a member for any period during which the assessment of his lot remains unpaid.

ARTICLE V: DIRECTORS AND OFFICERS

Section 1. Board of Directors: There shall be three (3) members of the Board of Directors, nominated and elected by the members at the annual meeting, each of whom shall serve until such time as their successors are duly elected and agree to serve. The directors shall have annual meetings and such other meetings as may be called at the request of the President of the Association or by any two (2) directors. So long as the Declarant (or its successors and assigns) is the Class B member, it shall select the Board of Directors, provided that it must select one (1) of the board members from the lot owners other than the Declarant. All meetings of the Board of Directors shall be held at the principal office of the Association, or at such other place either within or without the State of North Carolina as may be designated in the notice of the meeting or agreed upon by a majority of the Directors. Meetings and actions of the Board of Directors shall otherwise be in accordance with the North Carolina Nonprofit Corporation Act.

Section 2. Officers: The Board of Directors shall appoint one Director to act as President, one to act as Secretary, and one to act as Treasurer of the Association, and such other officers as may be deemed necessary from time to time. The same person may act as both Secretary and Treasurer. Said officers shall only have such authority to act as the Board confers upon them, subject to the provisions of the North Carolina Nonprofit Corporation Act.

Section 3. Duties of President: The President shall, when present, preside at all meetings of members and Directors. He or she shall sign, with any other proper officer, such instruments which may be lawfully executed on behalf of the Association.

Section 4. Duties of Secretary: The Secretary shall keep accurate records of the acts and proceedings of all meetings of members and Directors. He or she shall give all notices required by law and these Bylaws, and shall prepare and file all reports required by law. He or she shall have general charge of all Association books and records, and of the corporate seal, if any, and shall affix the corporate seal, if any, to any lawfully executed instrument requiring such seal.

Section 5. Duties of Treasurer: The Treasurer shall have custody of all funds of the Association, and shall receive, deposit and disburse the same under the direction of the Board of

Directors. He or she shall keep full and accurate accounts of the finances of the Association in books specifically provided for that purpose, and shall cause a true statement of its assets and liabilities as of the close of each fiscal year, all in reasonable detail, to be made and filed at the registered or principal office of the Association within four (4) months after the end of such fiscal year.

ARTICLE VI: ASSESSMENTS

Section 1. Purpose of Assessments. The assessments described herein and levied by the Association or Declarant shall be used exclusively for the purpose of promoting the recreation, health, safety and welfare of the Owners and their Lots, and in particular the maintenance and upkeep of the private roadway(s) located within the development in an all-weather passable condition, and for services and facilities devoted to this purpose, including, but not limited to the maintenance, repair, replacement and additions to the roadways, entranceways with gates and signs, recreation areas, drainageways, the common septic drainfield areas and all lines, and for the cost of labor, equipment, materials, repairs, management and supervision thereof.

Section 2. Creation of the Lien and Personal Obligation of Assessments. The Declarant, for each Lot owned within the Properties, hereby covenants, and each Owner of any Lot by acceptance of a deed therefore, 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, and (2) Special assessments for capital improvements, such assessments to be established and collected as hereinafter provided. The annual and special assessments, together with interest, costs and reasonable attorney's fees, shall be a charge on the land and shall be a continuing lien upon the property against which each such assessment is made. Each such assessment, together with interest, costs, and reasonable attorney's fees, shall also be the personal obligation of the person who was the Owner of such property at the time when the assessment fell due. The personal obligation for delinquent assessments shall not pass to his successors in title unless expressly assumed by them.

Section 3. Maximum Annual Assessment. Until January 1 of the year immediately following the conveyance of the first Lot to an Owner, the maximum annual assessment shall be **\$350.00** per Lot. There shall be an extra **\$150.00** per year assessment for each of the forty-eight (48) Lots utilizing the six (6) common septic drainfield areas.

a. 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 not more than twenty (20%) percent above the maximum assessment for the previous year without a vote of the membership.

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 above twenty (20%) percent by a vote of two-thirds (2/3) of each class of members who are voting in person or by proxy, at a meeting duly called for this purpose.

c. The Board of Directors may fix the annual assessment at an amount not in excess of the maximum.

Section 4. Special Assessments for Capital Improvements. In addition to the annual assessments authorized above, the Association may levy, in any assessment year, a special assessment applicable to that year only for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, repair or replacement of a capital improvement upon the Common Area, including fixtures and personal property related thereto, provided that any such assessment shall have the assent of two-thirds (2/3) of the votes of each class of members who are voting in person or by proxy at a meeting duly called for this purpose.

Section 5. Notice and Quorum for Any Action Authorized Under Sections 3 and 4. Written notice of any meeting called for the purpose of taking any action authorized under Section 3 or 4 shall be sent to all members not less than 30 days nor more than 60 days in advance of the meeting. At the first such meeting called, the presence of members or of proxies entitled to cast fifty (50%) percent 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 to the required quorum at the subsequent meeting shall be one-half (1/2) of the required quorum at the preceding meeting. No subsequent meeting shall be held more than 60 days following the preceding meeting nor less than five (5) days following the preceding meeting.

Section 6. Uniform Rate of Assessment. Both annual and special assessments must be fixed at a uniform rate for all Lots (except for the additional assessments for Lots utilizing the common drainfields) and shall be collected on a regular basis. However, notwithstanding this section or any other section contained herein, Declarant shall not be obligated to pay the Uniform Assessment provided the lot is unoccupied and has not been conveyed from the Declarant.

Section 7. Date of Commencement of Annual Assessments: Due Date. The annual assessments provided for herein shall commence as to all Lots on the date of the conveyance of the Lot from Declarant to Owner. The first annual assessment shall be adjusted according to the number of days remaining in the calendar year. The first year's Association dues shall be collected at the time of the purchase from the Declarant. The Board of Directors shall fix the amount of the annual assessment against each Lot at least thirty (30) days in advance of each annual assessment period. Written notice of the annual assessment shall be sent to every Owner subject thereto. The due dates shall be established by the Board of Directors. The Association shall, upon demand, and for a reasonable charge, furnish a certificate signed by an officer of the Association setting forth whether the assessments on a specified Lot have been paid. A properly executed certificate of the Association as to the status of assessments on a Lot is binding upon the Association as of the date of its issuance.

Section 8. Effect of Nonpayment of Assessments: Remedies of the Association. Any assessment not paid within thirty (30) days after the due date shall bear interest from the due date at the rate of twelve (12%) percent per annum or such other rate as the Association may determine. The Association may bring an action at law against the Owner personally obligated

to pay the same or foreclose the lien against the property. No owner may waive or otherwise escape liability for the assessments provided for herein by non-use of the Common Area or abandonment of his Lot. Should the Association (or Declarant) find it necessary to employ counsel to enforce any of the foregoing covenants, conditions, reservations or restrictions, all costs incurred in such enforcement, including court costs and a reasonable fee for counsel, shall be paid by the owner of such Lot or Lots against which such enforcement action is taken, and the Association (or Declarant) shall have a lien upon such Lot or Lots to secure payment of such costs.

Section 9. Subordination of the Lien to Mortgages. The lien of the assessments provided for herein shall be subordinate to the lien of any first mortgage. Sale or transfer of any Lot shall not affect the assessment lien. However, the sale or transfer of any Lot pursuant to mortgage foreclosure or any proceeding in lieu thereof, shall extinguish the lien of such assessments as to payments which became due prior to such sale or transfer. No sale or transfer shall relieve such Lot from liability for any assessments thereafter becoming due or from the lien thereof.

ARTICLE VII: GENERAL PROVISIONS

Section 1. Dissolution: The Association may dissolved by an affirmative vote of at last sixty-five percent (65%) of the membership and the affirmative vote of the Declarant, its successors and assigns. No dissolution may be voted on or enacted unless and until the Restrictive Covenants are properly terminated, said termination being a condition precedent to the authority of the Association to dissolve and file Articles of Dissolution, if required by law. Upon dissolution, and after all liabilities and obligations of the Association are paid and discharged, or adequate provisions made therefor, and after any assets of the Association which are held upon condition requiring return, transfer or conveyance, which condition occurs by reason of the dissolution, have been returned transferred or conveyed in accordance with such requirements, then the members shall receive a proportionate share of the Association's assets based upon the ratio of the number of lots owned by any such member to the total number of lots owned by all members.

Section 2. Indemnification: The Association shall indemnify any director, officer or agent against expenses (including attorney's fees), judgments, fines, and amounts paid in settlement actually and reasonable incurred in connection with an action, suit or proceeding, if the Association determines that he or she acted in good faith and in a manner he or she reasonably believed to be in the best interest of the Association. Determination of any action, suit or proceeding by judgment, order, settlement or conviction, will not in itself create a presumption that such person did not act in good faith and in a manner in which he or she reasonably believed to be in the best interest of the Association, and with respect to any criminal action or proceeding, had reasonable cause to believe that his or her conduct was unlawful.

Section 3. Severability: Invalidation of any one of these Bylaws by judgement or court order shall in no wise affect any other provisions, all of which shall remain in full force and effect.

Section 3. Enforcement: Enforcement shall be by proceedings at law or in equity against any person or persons violating or attempting to violate any Bylaw or restrictive covenant, either to restrain violation or to recover damages. In the event it is necessary to enforce these Bylaws by appropriate legal or equitable proceedings, the party or parties violating or attempting to violate the same shall be liable for the cost of such proceedings, including reasonable attorney's fees.

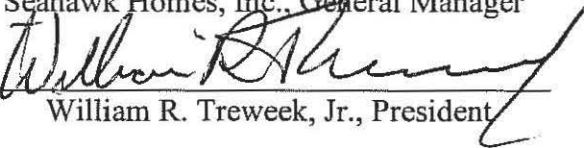
Section 4. Amendment: These Bylaws may be amended by an affirmative vote of at least sixty-six percent (66%) percent of the membership and the affirmative vote of the Declarant, its successors and assigns.

21 IN WITNESS WHEREOF, the Declarant has caused the due execution hereof on this day of October, 2008.

DECLARANT: NORTHERN INVESTORS GROUP, LLC

By: Seahawk Homes, Inc., General Manager

By:


William R. Treweek, Jr., President