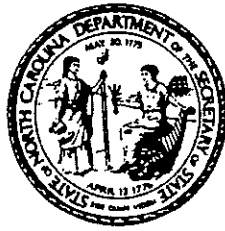


STATE OF
NORTH
CAROLINA



Department of The
Secretary of State

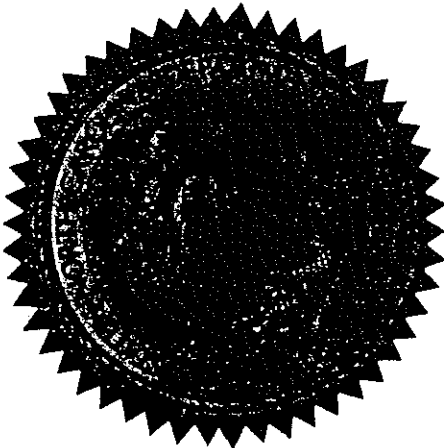
To all whom these presents shall come, Greetings:

I, Rufus L. Edmisten, Secretary of State of the State of North Carolina, do hereby certify the following and hereto attached to be a true copy of

ARTICLES OF INCORPORATION
OF
STERLING POINTE TOWNHOMES
HOMEOWNERS ASSOCIATION, INC.

the original of which was filed in this office on the 31st day of August, 1995.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal at the City of Raleigh, this 31st day of August, 1995.



Rufus L. Edmisten

Secretary of State

C - 0376853

FILED

9:00 AM

AUG 31 1995

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ARTICLES OF INCORPORATION
OF

STERLING POINTE TOWNHOMES HOMEOWNERS ASSOCIATION, INC.

EFFECTIVE
RUFUS L. EDMISTEN
SECRETARY OF STATE
NORTH CAROLINA

In compliance with the requirements of Chapter 55A of the General Statutes of North Carolina, the undersigned, who is a resident of Pitt County, North Carolina, and who is of full age, has this day executed these articles for the purpose of forming a corporation not for profit and does hereby certify:

ARTICLE I

The name of the corporation is STERLING POINTE TOWNHOMES HOMEOWNERS ASSOCIATION, INC. hereinafter called the "Association".

ARTICLE II

LOCATION OF REGISTERED OFFICE

The principal and registered office of the Association is located at Route 1, Box 233, Snow Hill, Greene County, North Carolina, 28530.

ARTICLE III

REGISTERED AGENT AND ADDRESS

Charles R. Vandiford, whose address is Route 1, Box 233 Snow Hill, Greene County, North Carolina 28530, is hereby appointed the initial registered agent of the Association.

ARTICLE IV

PURPOSE AND POWERS OF THE ASSOCIATION

This Association does not contemplate pecuniary gain or profit to the members thereof, and the specific purposes for which it is formed are to provide for maintenance, preservation and architectural control of the residence Lots and Common Area within the certain tract or property described as:

Lying and being in the Winterville Township, Pitt County, North Carolina and being more particularly described as follows: Beginning at the intersection of the centerlines of NC Highway 11 and NCSR 1134 and running thence N 32-09-11 W 685.90 feet along the centerline of NCSR 1134 to a Point of Intersection, thence N 88-31-46 W 1,297.63 feet to a point, thence S 00-02-32 W 30.01 feet to a point in the southern right of way line of NCSR 1134, thence S 00-02-32 W 50.00 feet to a point, thence S 06-54-20 W a chord distance of 50.22 feet, to a point, thence S 06-54-20 W a chord distance of 50.22 feet to a point, thence S 00-20-32 W 998.93 feet to a point, thence N 86-13-45 W 50.11 feet to the

POINT OF BEGINNING, and running from said POINT OF BEGINNING N 86-13-45 W 98.66 feet to a point, thence S 44-54-40 W 154.96 feet to a point; thence S 53-27-16 W 172.63 feet to a point, thence S 04-42-37 E 191.60 feet to a point, a corner; thence N 89-16-36 W 95.66 feet to a point, a corner; thence N 13-54-50 W 176.90 feet to a point, thence N 42-00-00 W 429.00 feet to a point, a corner; thence N 31-24-42 E 279.74 feet to a point, thence N 26-19-06 E 290.42 feet to a point, a corner; thence S 87-51-27 E 518.14 feet to a point, a corner; thence S 00-02-32 W 501.80 feet to the POINT OF BEGINNING and containing 9.802 acres as shown on survey entitled "Map for Record STERLING POINTE, SECTION ONE" dated August 9, 1994 and drawn by Michael West Baldwin RLS.

There is also conveyed herewith a nonexclusive easement of ingress, egress and regress more particularly described as follows: Lying and being in the City of Greenville, Winterville Township, Pitt County, North Carolina and being more particularly described as follows: Beginning at the intersection of the centerlines of N.C. Highway 11 and NCSR 1134 and running thence N 32-09-11 W 685.90 feet along the centerline of NCSR 1134 to a Point of Intersection, thence N 88-31-46 W 1,297.63 feet to a point, thence S 00-02-32 W 30.01 feet to a point in the southern right of way line of NCSR 1134, the POINT OF BEGINNING thence S 00-02-32 W 50.00 feet to a point, thence S 06-54-20 W a chord distance of 50.22 feet to a point, thence S 00-20-32 W 998.93 feet to a point, thence N 86-13-45 W 50.11 feet to a point, a corner; thence N 00-02-32 E 1,146.87 feet to a point, a corner; thence S 88-34-55 E 62.02 feet to the POINT OF BEGINNING.

and also any other property conveyed to this Association pursuant to this agreement and the general scheme of development of STERLING POINTE TOWNHOMES; and to promote the health, safety and welfare of the residence within the above-described property and any additions thereto as may hereafter be brought within the jurisdiction of this purpose to:

(a) exercise all of the power and privileges and to perform all of the duties and obligations of the Association as set forth in that certain Declaration of Covenants, Conditions and Restrictions, hereinafter called the "Declaration", applicable to the property and recorded, or to be recorded in the Office of the Register of Deeds of Pitt County, North Carolina, and as the same may be amended from time to time as therein provided, said Declaration being incorporated herein as if set forth at length;

(b) fix, levy, collect and enforce payment by any lawful means, all charges or

assessments pursuant to the terms of the Declaration; to pay all expenses in connection therewith and all office and other expenses incident to the conduct of the business of the Association, including all licenses, taxes or governmental charges levied or imposed against the property of the Association;

(c) acquire (by gift, purchase or otherwise), own, hold, improve, build upon, operate, maintain, convey, sell, lease, transfer, dedicate for public use or otherwise dispose of real or personal property in connection with the affairs of the Association;

(d) borrow money, and with the assent of two-thirds (2/3) of each class of members, mortgage, pledge, deed of trust, or hypothecate any or all of its real or personal property as security for money borrowed or debts incurred;

(e) dedicate, sell or transfer all or any part of the Common Area to any public agency, authority, or utility for such purposes and subject to such conditions as may be agreed to by the members. No such dedication or transfer shall be effective unless an instrument has been signed by two-thirds (2/3) of each class of members, agreeing to such dedication, sale or transfer;

(f) participate in mergers and consolidations with other nonprofit corporations organized for the same purposes or annex additional residential property and Common area, provided that any such merger, consolidation or annexation shall have the assent of two-thirds (2/3) of each class of members;

(g) have and to exercise any and all powers, rights and privileges which a corporation organized under the Non-Profit Corporation Law of the State of North Carolina by law may now or hereafter have or exercise.

ARTICLE V

MEMBERSHIP

Every person or entity who is a record owner of a fee or undivided fee interest in any Lot which is subject by covenants of record to assessment by the Association, including contract sellers, shall be a member of the Association. The foregoing is not intended to include persons or entities who hold an interest merely as security for the performance of an obligation.

Membership shall be appurtenant to and may not be separated from ownership of any Lot which is subject to assessment by the Association.

ARTICLE VI

VOTING RIGHTS

The Association shall have two classes of voting membership:

Class A. Class A members shall be all Owners, with the exception 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 (as defined in the Declaration), and shall be entitled to three (3) votes for each Lot owned. The class B membership shall cease, if not sooner terminated as herein provided, on April 1, 1987. Class B membership shall cease and be converted to Class A membership when the total votes outstanding in the Class A membership equal the total votes outstanding in the Class B membership.

ARTICLE VII

BOARD OF DIRECTORS

The affairs of the Association shall be managed by a Board of five (5) Directors, who need not be members of the Association. The number of directors may be changed by amendment of the By-Laws of the Association. The names and addresses of the persons who are to act in the capacity of directors until the selection of their successors are:

NAME:	ADDRESS:
Charles R. Vandiford	Route 1, Box 223 Snow Hill, Greene County North Carolina, 28530
Mary B. Vandiford	Route 1, Box 223 Snow Hill, Greene County North Carolina, 28530
Julie Vandiford	Route 1, Box 223 Snow Hill, Greene County North Carolina, 28530
Charles Keith Vandiford	Route 1, Box 232 Snow Hill, Greene County North Carolina, 28530
Stephen F. Horne, II	300 Cotanche Street Greenville, Pitt County North Carolina, 27834

At the first annual meeting, the members shall elect five directors for a term of one year, and at such annual meeting thereafter the members shall elect five directors for a term of three years.

ARTICLE VIII

DISSOLUTION

The Association may be dissolved with the assent given in writing and signed by not less than two-thirds (2/3) of each class of members. Upon dissolution of the Association, other than

incident to a merger or consolidation, the assets of the Association shall be dedicated to an appropriate public agency to be used for purposes similar to those for which this Association was created. In the event that such dedication is refused acceptance, such assets shall be granted, conveyed and assigned to any nonprofit corporation, association, trust or other organization to be devoted to such similar purposes.

ARTICLE IX

DURATION

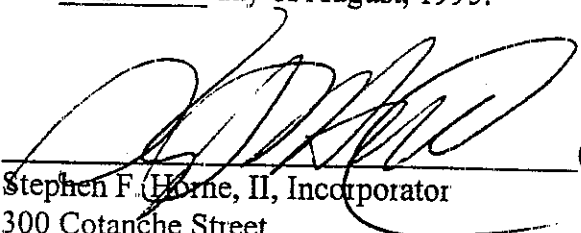
The corporation shall exist perpetually.

ARTICLE X

AMENDMENTS

Amendment of these Articles shall require the assent of seventy-five (75% percent of the entire membership.

IN WITNESS WHEREOF, for the purpose of forming this corporation under the laws of the State of North Carolina, the undersigned, being the incorporator of this Association, has executed these Articles of Incorporation, this the 28th day of August, 1995.



Stephen F. Horne, II, Incorporator
300 Cotanche Street
P.O. Drawer 755
Greenville, NC 27835
Telephone (919) 758-4333

(SEAL)

NORTH CAROLINA
COUNTY OF PITT

I, Beverly F. McMullen, a Notary Public of the aforesaid County and State do hereby certify that STEPHEN F. HORNE, II, Incorporator, personally appeared before me this day, and, after first being duly sworn, acknowledged the due execution of the foregoing Articles of Incorporation of STERLING POINTE TOWNHOMES HOMEOWNERS ASSOCIATION, INC. and certify that the same is true.

Witness my hand and Notarial Seal, this the 28th day of August, 1995.

Beverly F. McMullen
NOTARY PUBLIC



My Commission Expires:

10-14-98

STATE OF NORTH CAROLINA



Department of The
Secretary of State

To all whom these presents shall come, Greetings:

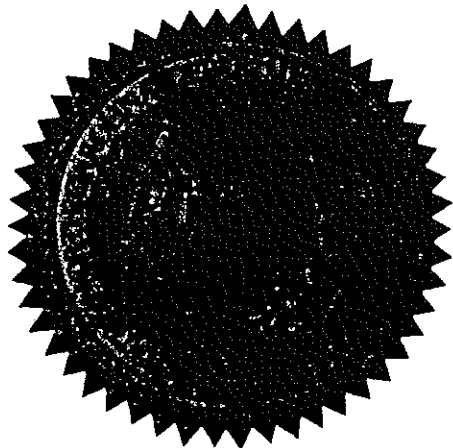
I, Rufus L. Edmisten, Secretary of State of the State of North Carolina, do hereby certify the following and hereto attached to be a true copy of

ARTICLES OF AMENDMENT

OF

STERLING POINTE TOWNHOMES HOMEOWNERS ASSOCIATION,
INC.

*the original of which was filed in this office on the 18th day of
October, 1995.*



*IN WITNESS WHEREOF, I have hereunto set my
hand and affixed my official seal at the City of
Raleigh, this 18th day of October, 1995.*

Rufus L. Edmisten

Secretary of State

C-0376853

FILED

2:16 pm

OCT 18 1995

95 2 9 1 9 0 1 5

ARTICLES OF AMENDMENT
TO THE CHARTER
OF
STERLING POINTE TOWNHOMES HOMEOWNERS ASSOCIATION

EFFECTIVE
RUFUS L. EDMISTEN
SECRETARY OF STATE
NORTH CAROLINA

The undersigned corporation, for the purpose of amending its Articles of Incorporation and pursuant to the provisions of Section 55A-10-03 of the General Statutes of North Carolina, hereby execute the following Articles of Amendment.

I.

The name of the corporation is Sterling Pointe Townhomes Homeowners Association, Inc.

II.

At a special meeting of members of the corporation held on the 3rd day of October, 1995, the following amendment to the charter of the corporation was adopted by vote of the members:

The Class B membership termination date is hereby changed from April 1, 1987 to August 1, 1997.

III.

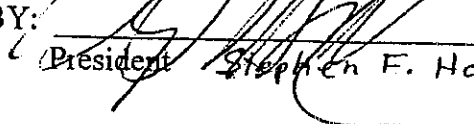
Membership approval was obtained as required by Section 55A-10-04 of the General Statutes of North Carolina. The number of members of the corporation outstanding at the time of the adoption of said amendment was 1 Class B member and 0 Class A members, and the number of members entitled to vote thereon was 1 Class B member.

IV.

The number of Class B members voting for amendment was 1; and the number of Class B members voting against the amendment was none.

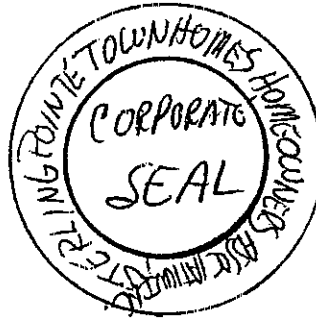
IN TESTIMONY WHEREOF, this statement is signed by the President and Secretary this the 12th day of October, 1995.

STERLING POINTE TOWNHOMES
HOMEOWNERS ASSOCIATION, INC.

BY: 
President Stephen F. Horne II

ATTEST:

Kimberly S. Jordan
Secretary



NORTH CAROLINA
COUNTY OF PITT

This is to certify that on this the 12th day of October, 1995, personally appeared before me Stephen F. Horne II and Kimberly S. Jordan each of whom, being by me first dully sworn, deposes and says that he signed the foregoing Articles of Amendment in the capacity indicated, that he was authorized so to sign, and that the statements therein contained are true.

Beverly J. McMiles
Notary Public

My Commission Expires: 10-14-98

sterling.amd

PREPARED BY: HORNE AND BROWN, L.L.P.

NORTH CAROLINA

RESTRICTIVE COVENANTS

PITT COUNTY

THIS DECLARATION, made on the date hereinafter set forth by VANRACK, INC., a North Carolina Corporation with its principal offices in Greene County, North Carolina hereinafter referred to as "Declarant".

WITNESSETH:

WHEREAS, Declarant is the owner of certain property in or near the City of Greenville, North Carolina, which is more particularly described as follows:

Lying and being in the Winterville Township, Pitt County, North Carolina and being more particularly described as follows: Beginning at the intersection of the centerlines of NC Highway 11 and NCSR 1134 and running thence N 32-09-11 W 685.90 feet along the centerline of NCSR 1134 to a Point of Intersection, thence N 88-31-46 W 1,297.63 feet to a point, thence S 00-02-32 W 30.01 feet to a point in the southern right of way line of NCSR 1134, thence S 00-02-32 W 50.00 feet to a point, thence S 06-54-20 W a chord distance of 50.22 feet, to a point, thence S 06-54-20 W a chord distance of 50.22 feet to a point, thence S 00-20-32 W 998.93 feet to a point, thence N 86-13-45 W 50.11 feet to the POINT OF BEGINNING, and running from said POINT OF BEGINNING N 86-13-45 W 98.66 feet to a point, thence S 44-54-40 W 154.96 feet to a point; thence S 53-27-16 W 172.63 feet to a point, thence S 04-42-37 E 191.60 feet to a point, a corner; thence N 89-16-36 W 95.66 feet to a point, a corner; thence N 13-54-50 W 176.90 feet to a point, thence N 42-00-00 W 429.00 feet to a point, a corner; thence N 31-24-42 E 279.74 feet to a point, thence N 26-19-06 E 290.42 feet to a point, a corner; thence S 87-51-27 E 518.14 feet to a point, a corner; thence S 00-02-32 W 501.80 feet to the POINT OF BEGINNING and containing 9.802 acres as shown on survey entitled "Map for Record STERLING POINTE, SECTION ONE" dated August 9, 1994 and drawn by Michael West Baldwin RLS.

There is also conveyed herewith a nonexclusive easement of ingress, egress and regress more particularly described as follows: Lying and being in the City of Greenville, Winterville Township, Pitt County, North Carolina and being more particularly described as follows: Beginning at the intersection of the centerlines of N.C. Highway 11 and NCSR 1134 and running thence N 32-09-11 W 685.90 feet along the centerline of NCSR 1134 to a Point of Intersection, thence N 88-31-46 W 1,297.63 feet to a point, thence S 00-02-32 W 30.01 feet to a point in the southern right of way line of NCSR 1134, the POINT OF BEGINNING thence S

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NOW, THEREFORE, Declarant hereby declares that all of the properties described above shall be held, sold and conveyed subject to the following easements, restrictions, covenants, and conditions, which are for the purpose of protecting the value and desirability of, and which shall run with, the real property and be binding on all parties having any 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

Section 1: "Association" shall mean and refer to Sterling Pointe Townhomes Homeowners Association, Inc. its successors and assigns.

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

Section 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.

Section 4: "Common Area" shall mean all real property (including the improvements thereto) owned by the Association to be reserved to the Association at the time of the conveyance of the first lot is described as follows:

Section 5: "Lot shall mean and refer to any plot of land shown upon any recorded subdivision map of the Properties with the exception of the Common Area.

Section 6: "Declarant" shall mean and refer to Vanrack, Inc. its successors and assigns, if such successors or assigns should acquire more than one undeveloped Lot from the Declarant for the purpose of development.

Section 7: "Member" shall mean and refer to every person or entity who holds membership in the Association.

ARTICLE II

Section 1: Owner's Easement of Enjoyment. Every owner shall have a right and easement of enjoyment in and to the Common Area which shall be appurtenant to and shall pass with the title to every Lot, subject to the following provisions:

(a) the right of the Association to charge reasonable admission and other fees for the use of any recreational facility situated upon the Common Area;

(b) the right of the Association to suspend the voting rights and right of use of the recreational facilities by an owner for any period during which any assessment against his Lot remains unpaid; and for a period not to exceed 60 days for any infraction of its published rules and regulations;

(c) the right of the Association to dedicated or transfer all or any part of the Common Area to any public agency, authority, or utility for such purposes and subject to such conditions as may be agreed to by the members. No such dedication or transfer shall be effective unless an instrument agreeing to such dedication or transfer signed by 2/3rds of each class of members has been recorded.

(d) the right of individual owners to the exclusive use of parking spaces as

provided in this article.

Section 2: Declaration of Use. Any owner may delegate, in accordance with the By-Laws, his right of enjoyment to the Common Area and facilities to the members of his family, his tenants, or contract purchasers who reside on the property.

Section 3: Parking Rights. Ownership of each lot shall entitle the owner or owners thereof to the use of not more than two automobile parking spaces, which shall be as near and convenient to said lot as reasonably possible, together with the right of ingress and egress in and upon said parking area. The Association shall permanently assign two vehicle parking spaces for each dwelling.

ARTICLE III

MEMBERSHIP AND VOTING RIGHTS

Section 1: Every owner of a lot which is subject to assessment shall be a member of the Association. Membership shall be appurtenant to any map not be separated from ownership of any Lot which is subject to assessment.

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

Class A. Class A membership shall be all Owners, with the exception of the Declarant, and shall be entitled to one vote for such 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 then determined, but in no event shall more than one vote be case 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, and notwithstanding any other provisions herein, shall be assessed at a rate of not more than twenty-five (25) per cent of the Class A membership rate.

Class B membership shall cease and be converted to the Class A membership when the total votes outstanding in the Class A membership equals the total votes outstanding in the Class B membership, and in all events no later than April 1, 1997.

ARTICLE IV

COVENANT FOR MAINTENANCE ASSESSMENTS

Section 1: 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 assessment 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 shall not pass to his successors in title unless expressly assumed by them.

Section 2: Purpose of Assessments. The assessments levied by the Association shall be used exclusively 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 devoted to this purpose and related to the exterior maintenance of homes situated upon Townhouse Lots or for the use and enjoyment of the Common Area, including but not limited to, the cost of repairs, replacements and additions, the cost of labor, equipment, materials management and supervision, the payment of taxes assessed against the Common Area,

the procurement and maintenance of insurance in accordance with the By-Laws, the payment of charges for common television antenna service to Townhouse Lots, the employment of attorneys to represent the Association when necessary, and such other needs as may arise.

Section 3. Basis and Maximum of Annual Assessments. Until January 1 of the year immediately following the conveyance of the first lot to an Owner, the maximum annual assessment shall be \$25.00 per lot, prorated for the remainder of said year.

(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 effective January 1 of each year without a vote of the membership in conformance with the rise, if any, of the Consumer Price Index (published by the Department of Labor, Washington D.C.) from the preceding month of July. (b) From and after January 1 of the year immediately following the conveyance of the first Lot to an Owner, the maximum annual assessment for the next succeeding two (2) years may be increased above that established by the Consumer Price Index formula by a vote of the members, and for each succeeding period of two (2) years thereafter, provided that any such change shall have the assent of two-thirds (2/3rds) of the votes of each class of members who are voting in person or by proxy, at a meeting duly called for this purpose, written notice of which shall be sent to all members not less than thirty (30) days nor more than sixty (60) days in advance of the meeting setting forth the purpose of the meeting. The limitations hereof shall not apply to any change in the maximum and basis of the assessments undertaken as an incident to a merger or consolidation in which the Association is authorized to participate under its Articles of Incorporation.

(c) The Board of Directors may fix an 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 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 (2/3rds) of the votes of each class of members who are voting in person or by proxy at the 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 thirty (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 sixty (60%) per cent 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 requirements, 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.

Section 6: Uniform Rate of Assessment. Except as provided for Class B members, both annual and special assessments must be fixed at a uniform rate for all Lots and may be collected on a monthly basis.

Section 7: Date of Commencement of Annual Assessments. Due Dates. The annual assessments provided for herein shall commence as to all Lots on the first day of the month following the conveyance of the Common Area. The first annual assessment shall be adjusted according to the number of months remaining in the calendar year. The Board of Directors shall

fix the amount of the annual assessments 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 property 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 Assessment. 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 eight per cent per annum. 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 or deny liability for the assessments provided for herein by non-use of the Common Area or abandonment of his Lot.

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.

Section 10: Exempt Property. All property dedicated to and accepted by, a local 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 V

PARTY WALLS

Section 1: General Rules of Law to Apply. Each wall which is built as a part of the original construction of the homes upon the Properties and placed on the dividing line between the Lots shall constitute a party wall, and, to the extent not inconsistent with the provisions of this Article, the general rules of law regarding party walls and liability for property damage due to negligence or wilful acts or omissions shall apply thereto.

Section 2: Sharing of Repair and Maintenance. The cost of reasonable repair and maintenance of a party wall shall be shared by the Owners who make use of the wall in proportion to such use.

Section 3: Destruction by Fire or Other Casualty. If a party wall is destroyed or damaged by fire or other casualty, any Owner who has used the wall may restore it, and if the Owners thereafter make use of the wall, they shall contribute to the cost of restoration thereof in proportion to such use without prejudice, however, to the right of any such Owners to call for a larger contribution from the others under any rule of law regarding liability for negligent or willful acts or omissions.

Section 4: Weatherproofing. Notwithstanding any other provisions of this Article, an Owner who by his negligent or willful act causes the party wall to be exposed to the elements shall bear the whole cost of furnishing the necessary protections against such elements.

Section 5: Right to Contribution Runs with Land. The right of any Owner to contribution from any other Owner under this Article shall be appurtenant to the land and shall

pass to such Owner's successors in title.

Section 6: Arbitration. In the event of any dispute arising concerning a party wall, or under the provisions of this Article, each party shall choose one arbitrator, and such arbitrators shall choose one additional arbitrator, and the decision shall be by a majority of all the arbitrators, and binding on the parties.

ARTICLE VI

EXTERIOR MAINTENANCE

Section 1: Types of Maintenance. In addition to maintenance upon the Common Area, the Association shall provide exterior maintenance upon each Townhouse Lot which is subject to assessment hereunder, as follows: Paint, repair, replace and care of roofs, gutters, downspouts, exterior building surfaces, trees, shrubs, walks, and other exterior improvements. Such exterior maintenance shall not include glass surfaces. In order to enable the Association to accomplish the foregoing, there is hereby reserved to the Association the right to unobstructed access over and upon such Lot at all reasonable times to perform maintenance as provided in this Article.

Section 2: Costs Subject to Assessments. In the event that the need for maintenance, repair, or replacement is caused through the willful or negligent act of the Owner, his family, guests, or invitees, or tenants, or is caused by fire, lightning, windstorm, hail, explosion, riot, riot attending a strike, civil commotion, aircraft, vehicles, and smoke, as the foregoing are defined and explained in North Carolina Standard Fire and Extended Coverage insurance policies, the cost of such maintenance, replacement, or repairs, shall be added to and become a part of the assessment to which such Lot is subject.

ARTICLE VII

ARCHITECTURAL CONTROL

No building, fence, wall or other structure shall be commenced, erected or maintained upon the Properties, nor shall any exterior addition to or change or alteration therein be made until the plans and specifications showing the nature, kind, shape, height, materials and location of the same shall have been submitted to and approved in writing as to harmony of external design and location in relation to surrounding structures and topography by the Board of Directors of the Association, or by an architectural committee composed of three (3) or more representatives appointed by the Board. In the event said Board, or its designated committee, fails to approve or disapprove such design and location within thirty (30) days after said plans and specifications have been submitted to it, approval will not be required and this Article will be deemed to have been fully complied with. For the purpose of this Article, storm windows and a storm door on the rear entrance may be placed and maintained on townhouses without need for approval of the architectural committee; but a storm door placed and maintained at the entrance, or front door, to a townhouse must be approved by the architectural committee in accordance with the provisions of this Article.

ARTICLE VIII

USE RESTRICTIONS

Section 1: Land use and Building Type. No Lot shall be used except for residential purposes.

Section 2: Nuisance. No noxious or offensive activity shall be conducted upon any lot nor shall anything be done thereon which may be or may become an annoyance or nuisance to the neighborhood.

Section 3: Animals. No animals, livestock or poultry of any kind shall be kept or

maintained on any Lot or in any dwelling except that dogs, cats or other household pets may be kept or maintained provided that they are not kept or maintained for commercial purposes.

Section 4: Outside Antennas. No outside radio or television antennas shall be erected on any Townhouse unless and until permission for the same has been granted by the Board of Directors of the Association or its architectural control committee.

ARTICLE IX

EASEMENTS

Easements for installation and maintenance of utilities and drainage facilities are reserved as shown on the recorded plat. Within these easements no structure, planting or other material shall be placed or permitted to remain which may interfere with the installation and maintenance of utilities, or which may change the direction of flow of drainage channels in the easements, or which may obstruct or retard the flow of water through drainage channels in the easements.

All Lots and Common Areas shall be subject to easements for the encroachment of initial improvements constructed on adjacent Lots by the Declarant to the extent that such initial improvements actually encroach, including, but not limited to, such items as overhanging eaves, stoops, chimneys, bay windows, gutters and downspouts, misaligned common walls, foundation footings and walls. Declarant shall have a reasonable construction easement across the Common Area for the purpose of constructing improvements on the lots.

ARTICLE X

GENERAL PROVISIONS

Section 1: Enforcement. The Association, or any Owner, shall have the right to enforce, by any proceeding at law or in equity, all restrictions, conditions, covenants, reservations, liens and charges now or hereafter imposed by the provisions of this Declaration. Failure by the

Association or by any Owner to enforce any covenant or restrictions herein contained shall in not event be deemed a waiver of the right to do so thereafter.

Section 2: Severability. Invalidation of any one of these covenants or restrictions by judgment or court order shall in no wise affect any other provisions which shall remain in full force and effect.

Section 3: Amendment. The covenants and restrictions of this Declaration shall run with and bind the land, for a term of twenty (20) years from the date of this Declaration is recorded, after which time they shall be automatically extended for successive periods of ten (10) years. This Declaration may be amended during the first twenty (20) year period by an instrument signed by not less than ninety (90) per cent of the Lot Owners, and thereafter by an instrument signed by not less than seventy-five (75) percent of the Lot Owners. Any amendment must be recorded.

Section 4: Annexation. Except as provided in Section 5(b) in this Article, additional residential property and Common Area may be annexed to the Properties with the consent of two-thirds (2/3) of each class members.

Section 5: FHA/VA Approval

(a) As long as there is a Class B membership, the following actions will require the prior approval of the Federal Housing Administration or the Veterans Administration: Annexation of additional properties, dedication of Common Area, and amendment of this Declaration of

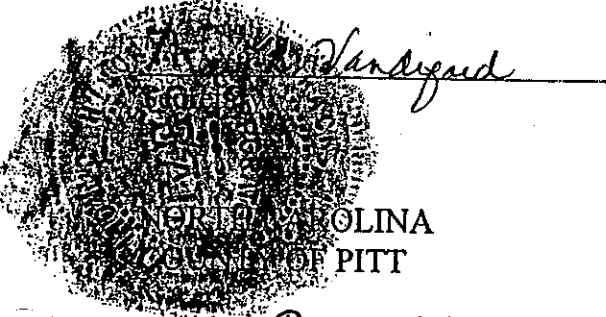
Covenants, Conditions and Restrictions.

IN WITNESS WHEREOF, Vanrack, Inc., the Declarant, has caused this instrument to be executed in its name by its Partners, this the 18th day of August, 1995.

VANRACK, INC.

BY: *Charles R. Vandiford*
CHARLES R. VANDIFORD, President

ATTEST:



I, *Beverly F. McMullen*, a Notary Public of the aforesaid County and State do hereby certify that MARY B. VANDIFORD personally appeared before me this day and acknowledged that she is Secretary of VANRACK, INC. a corporation, and that by authority duly given and as the act of the corporation, the foregoing instrument was signed in its name by its President, sealed with its corporate seal, and attested by herself as its Secretary.

Witness my hand and Notarial Seal, this the 18th day of August, 1995.

Beverly F. McMullen
NOTARY PUBLIC



NORTH CAROLINA: Pitt County
The foregoing certificate(s) of *Beverly F. McMullen*

Notary(ies) Public is (are) certified to be correct. Filed for registration at 4:54 o'clock PM. this 28 day of August 19 95.

ANNIE G. HOLDER, Register of Deeds
By *Annie G. Holder*
Assistant/Deputy Register of Deeds

PREPARED BY: HORNE AND BROWN, L.L.P.

NORTH CAROLINA

RESTRICTIVE COVENANTS

PITT COUNTY

THIS AMENDED DECLARATION, made on the date hereinafter set forth by VANRACK, INC., a North Carolina Corporation with its principal offices in Greene County, North Carolina hereinafter referred to as "Declarant".

WITNESSETH:

THAT WHEREAS, Declarant has heretofore recorded a Declaration of covenants for Sterling Pointe Townhomes as is recorded in Book 597, Page 268 of the Pitt County Public Registry; and

WHEREAS, the Declarant is now the owner of all of the lots and land subject to said Declaration and now desires to amend said Declaration.

NOW, THEREFORE, Declarant hereby amends the Declaration recorded in Book 597, Page 268 as follows:

ARTICLE I, Section 4 is deleted and the following substituted therefore:

Section 4: "Common Area" shall mean all real property (including the improvements thereto) owned by the Association to be reserved to the Association at the time of the conveyance of the first lot is described as follows:

Lying and being in Winterville Township, Pitt County, North Carolina and being all that tract or parcel of land as shown on that map entitled "STERLING POINTE TOWNHOMES" dated June 29, 1995 prepared by Baldwin & Associates, and appearing of record in Map Book 46, Page 20 of the Pitt County Public Registry.

THERE IS EXCEPTED FROM THE FOREGOING, the lots or unit ownership areas shown on said map as Lots 1 through 10 in Block A, Lots 1 through 10 in Block B, Lots 1 through 6 in Block C, Lots 1 through 9 in Block D, Lots 1 through 6 in Block E, Lots 1 through 10 in Block F, Lots 1 through 11 in Block G, Lots 1

through 6 in Block H, Lots 1 through 9 in Block I, Lots 1 through 9 in Block J, Lots 1 through 7 in Block K, Lots 1 through 9 in Block L, Lots 1 through 10 in Block M, Lots 1 through 10 in Block N, Lots 1 through 6 in Block O and Lots 1 through 7 in Block P, inclusive.

The aforesaid property is subject to all easements, set-back lines and restrictions as shown on the recorded map hereinabove referred to.

IN WITNESS WHEREOF, Vanrack, Inc., the Declarant, has caused this instrument to be executed pursuant to corporate authority duly given this the 12th day of October, 1995.



VANRACK, INC.

BY: *Charles R. Vandiford*
CHARLES R. VANDIFORD, President

ATTEST:

Mary B. Vandiford
Secretary

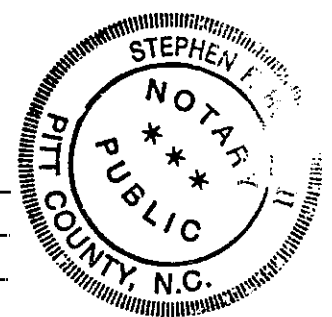
NORTH CAROLINA
COUNTY OF PITT

I, *Stephen F. Horne, II*, a Notary Public of the aforesaid County and State do hereby certify that MARY B. VANDIFORD personally appeared before me this day and acknowledged that she is Secretary of VANRACK, INC. a corporation, and that by authority duly given and as the act of the corporation, the foregoing instrument was signed in its name by its President, sealed with its corporate seal, and attested by herself as its Secretary.

Witness my hand and Notarial Seal, this the 12th day of October, 1995.

Stephen F. Horne, II
NOTARY PUBLIC

My Commission Expires: *July 6, 1999*
stringam.cov



NORTH CAROLINA: Pitt County
The foregoing certificate(s) of *Stephen F. Horne, II*

Notary(ies) Public is (are) certified to be correct. Filed for registration at *1:59* o'clock *P* M. this *12*
day of *October* 19 *95*

ANNIE G. HOLDER, Register of Deeds
By *Annie G. Holder*

BY-LAWS

OF

STERLING POINT HOMEOWNERS ASSOCIATION, INC.

ARTICLE I

NAME AND LOCATION

The name of the corporation is Sterling Pointe Townhomes Homeowners Association, Inc., hereinafter referred to as the "Association". The principal office of the corporation shall be located at Route 1, Box 233 Snow Hill, NC 28580, but meetings of the members and directors may be held at such places within the State of North Carolina, County of Pitt, as may be designated by the Board of Directors.

ARTICLE II

DEFINITIONS

Section 1: "Association" shall mean and refer to Sterling Pointe Townhomes Homeowners Association, Inc., its successors and assigns.

Section 2: "Properties" shall mean and refer to that certain real property described in the Declaration of Covenants, Conditions and Restrictions for Sterling Pointe Townhomes, and such additions thereto as may hereafter be bought within the jurisdiction of the Association.

Section 3: "Common Area" shall mean all real property owned by the Association for the common use and enjoyment of the Owners.

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 Common Area.

Section 5: "Owner" shall mean and refer to the record owner, whether one or more persons or entities, of the fee simple title to any Lot which is a part of the Properties, including contract sellers, but excluding those having such interest merely as security for the performance of an obligation.

Section 6: "Declarant" shall mean and refer to Vanrack, Inc., its successors and assigns, if such successors or assigns should acquire more than one undeveloped Lot from the Declarant for the purpose of development.

Section 7: "Declaration" shall mean and refer to the Declaration of Covenants, Conditions and Restrictions applicable to the Properties recorded in the Office of the Register of Deeds of Pitt County, North Carolina.

Section 8: "Member" shall mean and refer to those persons entitled to membership as provided in the Declaration.

Section 9: "Mortgagee" shall mean and refer to persons, firms or corporations holding a recorded lien appearing of record in the Pitt County Registry against any Lot as defined in Section 4 hereof.

ARTICLE III

MEETING OF MEMBERS

Section 1: Annual Meetings. The first annual meeting of the members shall be held within one year from the date of incorporating of the Association, and each subsequent regular annual meeting of the members shall be held on the same day and the same month of each year thereafter, at the hour of 8:00 o'clock p.m. If the day for the annual meeting of the members is a legal holiday, the meeting will be held at the same hour on the first day following which is not a legal holiday.

Section 2: Special Meetings. Special meetings of the members may be called at any time by the president or by the Board of Directors, or upon written request of the members who are entitled to vote one-fourth (1/4) of all of the votes of the Class A membership.

Section 3: Notice of Meetings. Written notice of each meeting of the members shall be given by, or at the direction of the secretary or person authorized to call the meeting, by mailing a copy of such notice, postage prepaid, at least 15 days before such meeting to each member entitled to vote thereat, addressed to the member's address last appearing on the books of the Association, or supplied by such member to the Association for the purpose of notice. Such notice shall specify the place, day and hour of the meeting, and, in the case of a special meeting, the purpose of the meeting.

Section 4: Quorum. The presence at the meeting of members entitled to cast, or of proxies entitled to cast, one-tenth (1/10) of the votes of each class of membership shall constitute a quorum for any action except as otherwise provided in the Articles of Incorporation, the Declaration, or these By-Laws. If, however, such quorum shall not be present or represented at

any meeting, the members entitled to vote thereat shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum as aforesaid shall be present or be represented.

Section 8: Proxies. At all meetings of members, each member may vote in person or by proxy. All proxies shall be in writing and filed with the secretary. Every proxy shall be revocable and shall automatically cease upon conveyance by the member of his Lot.

ARTICLE IV

BOARD OF DIRECTORS: SELECTION: TERM OF OFFICE

Section 1: Number. The affairs of this Association shall be managed by a Board of three (3) directors, who need not be members of the Association.

Section 2: Term of Office. At the first annual meeting the members shall elect one director for a term of one year, one director for a term of two year and one director for a term of one year, and at each annual meeting thereafter the members shall elect one director for a term of one year.

Section 3: Removal. Any director may be removed from the Board, with or without cause, by a majority vote of the members of the Association. In the event of death, resignation or removal of a director, his successor shall be selected by the remaining members of the Board and shall serve for the unexpired term of his predecessor.

Section 4: Compensation. No director shall receive compensation for any service he may render to the Association. However, any director may be reimbursed for his actual expenses incurred in the performance of his duties.

Section 5: Action Taken Without a Meeting. The directors shall have the right to take any action in the absence of a meeting which they could take at a meeting by obtaining the written approval of all the directors. Any action so approved shall have the same effect as though taken at a meeting of the directors.

Section 1: Nomination. Nomination for election to the Board of Directors shall be made a Nominating Committee. Nominations may also be made from the floor at the annual meeting. The Nominating Committee shall consist of a Chairman, who shall be a member of the Board of Directors, and two or more members of the Association. The Nominating Committee shall be appointed by the Board of Directors prior to each annual meeting of the members to serve from

the close of such annual meeting until the close of the next annual meeting and such appointment shall be announced at each annual meeting. The Nominating Committee shall make as many nominations for election to the Board of Directors as it shall in its discretion determine, but not less than the number of vacancies that are to be filled. Such nominations may be made from among members or non-members.

Section 2: Election. Election to the Board of Directors shall be by secret written ballot. At such election the members or their proxies may cast, in respect to each vacancy, as many votes as they are entitled to exercise under the provisions of the Declaration. The persons receiving the largest number of votes shall be elected. Cumulative voting is not permitted.

ARTICLE VI

MEETINGS OF DIRECTORS

Section 1: Regular Meetings. Regular meetings of the Board of Directors shall be held monthly without notice, at such place and hour as may be fixed from time to time by resolution of the Board. Should said meeting fall upon a legal holiday, then that meeting shall be held at the same time on the next day which is not a legal holiday.

Section 2: Special Meetings. Special Meetings of the Board of Directors shall be held when called by the president of the Association, or by any two directors, after not less than three (3) days notice to each director.

Section 3: Quorum. A majority of the number of directors shall constitute a quorum for the transaction of business. Every act or decision done or made by a majority of the directors present at a duly held meeting at which a quorum is present shall be regarded as the act of the Board.

ARTICLE VII

POWERS AND DUTIES OF THE BOARD OF DIRECTORS

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

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

(b) suspend the voting rights and right of use of the recreational facilities of a member during any period in which such member shall be in default in the payment of any assessment

levied by the Association. Such rights may also be suspended after notice and hearing, for a period not to exceed 60 days for infraction of published rules and regulations;

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

(d) declare the office of a member of the Board of Directors to be vacant in the event such member shall be absent from three (3) consecutive regular meetings of the Board of Directors; and

(e) employ a manager, an independent contractor, or such other employees as they deem necessary, and to prescribe their duties; provided always, any contract for professional management must contain a clause requiring not more than 90 days termination notice.

(f) procure, maintain and pay premiums on a master policy of hazard insurance on the buildings standing on the "lots" on the "properties" in an adequate amount, and to equitably assess the owners of the same for their pro-rata portion of such expenses.

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

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

(b) supervise all officers, agents and employees of this Association, and to see that their duties are properly performed;

(c) as more fully provided in the Declaration to:

(1) fix the amount of the annual assessment against each Lot at least thirty (30) days in advance of each annual assessments period;

(2) send written notice of each assessment to every Owner subject thereto at least thirty (30) days in advance of each annual assessment period; and

(3) foreclose the lien against any property for which assessments are not paid within thirty (30) days after due date or to bring an action at law against the owner personally obligated to pay the same.

(d) issue, or to cause an appropriate officer to issue, upon demand by any person, a

certificate setting forth whether or not any assessment has been paid. A reasonable charge may be made by the Board for the issuance of these certificates. If a certificate states an assessment has been paid, such certificate shall be conclusive evidence of such payment;

(e) procure and maintain, at all times, adequate hazard insurance on the property owned by the Association and sufficient liability insurance to adequately protect the Association;

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

(g) cause the Common Area to be maintained;

(h) cause the private road shown as a 50' easement for ingress-egress on the plat referred to in the Declaration to be maintained.

ARTICLE VIII

OFFICERS AND THEIR DUTIES

Section 1: Enumeration of Officers. The officers of this Association shall be a president and vice-president, who shall at all times be members of the Board of Directors, a secretary, and a treasurer, and such other officers as the Board may from time to time by resolution create.

Section 2: Election of Officers. The election of officers shall take place at the first meeting of the Board of Directors following each annual meeting of the members.

Section 3: Term. The officers of this Association shall be elected annually by the Board and each shall hold office for one (1) year or until his successor is elected and qualified, unless he shall sooner resign, or shall be removed, or otherwise be disqualified to serve.

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

Section 5: Resignation and Removal. Any officer may be removed from office with or without cause by the Board. Any officer may resign at any time giving written notice to the Board, the president or the secretary. Such resignation shall take effect on the date of receipt of such notice or at any later time specified therein, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 6: Vacancies. A vacancy in any office may be filled by appointment by the Board. The officer appointment to such vacancy shall serve for the remainder of the term of the

officer her replaced.

Section 7: Multiple Officer. The offices of secretary and treasurer may be held by the same person. No person shall simultaneously hold more than one of any of the other offices except in the case of special offices created pursuant to Section 4 of this Article.

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

President

(a) The president shall preside at all meetings of the Board of Directors; shall see that orders and resolutions of the Board are carried out; shall sign all leases, mortgages, deeds and other written instruments and shall co-sign all checks and promissory notes.

Vice President

(b) The vice-president shall act in the place and stead of the president in the event of his absence, inability or refusal to act, and shall exercise and discharge such other duties as may be required of him by the Board.

Secretary

(c) The secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board and all of the members; keep the corporate seal of the Association and affix it on all papers requiring said seal; serve notice of meetings of the Board and of the members; keep appropriate current records showing the members of the Association together with their addresses, and shall perform such other duties as required by the Board. He shall maintain a registry for mortgagees or properties of members of the Association, and, upon satisfactory arrangements for reimbursement of expenses incurred, advise such mortgagees of an owner or any delinquency of as much as thirty (30) days of the payment of such owner's annual assessment, and to furnish to such mortgagee annual reports and other financial data; and he shall notify such mortgagee of any condemnation procedures filed against the Association and to advise them if such action results in an award for damages to the Association's property of \$10,000.00 or more.

Treasurer

(d) The treasurer shall receive and deposit in appropriate bank accounts all monies of the Association and shall disburse such funds as directed by resolution of the Board of Directors; shall sign all checks and promissory notes of the Association; keep proper books of account;

cause an annual audit of the Association books to be made by a public accountant at the completion of each fiscal year; and shall prepare an annual budget and a statement of income and expenditures to be presented to the membership at its regular annual meeting, and deliver a copy of each to the members.

ARTICLE IX

MORTGAGEES OR LIENHOLDERS

Any Mortgage of or lienholder on, any lot may file with the Homeowners Association a declaration of his interest therein. Thereafter, the consent of seventy-five percent (75%) of the mortgagees or lienholders on all lots in Sterling Pointe Townhomes, then under mortgagees or lien, shall be required in order for the association to:

(a) Remove, abandon, or substantially alter any property taken under its control for the use and benefit of the owners of properties in Sterling Pointe Townhomes, from its original use and purpose, or from its status for common use.

(b) Diminish the voting interest of any lot owner to less than one vote for each lot in Sterling Pointe Townhomes, or increase the total votes to a larger number than the total number of lots in Sterling Pointe Townhomes.

(c) Dedicate any common areas to any public agencies other than for normal utility easements.

(d) Substantially alter the terms of the By-Laws of the Sterling Pointe Townhomes Homeowners Association, Inc., or the Declaration of Covenants, Conditions and Restrictions of Sterling Pointe Townhomes.

(e) Abridge the right of a mortgagee of lots in Sterling Pointe Townhomes, to protect the common area from jeopardy for unpaid taxes, liens and assessments, and in the event any mortgagee shall pay overdue taxes, insurance premiums or assessments on common property, impair the right to such mortgage to immediate reimbursement from the Association for all sums so expended in the protection of the common elements.

ARTICLE X

COMMITTEES

The Association shall appoint an Architectural Control Committee, as provided in the Declaration, and a nominating Committee, as provided in these By-Laws. In addition, the Board

of Directors shall appoint other committees as deemed appropriate in carrying out its purpose.

ARTICLE XI

BOOKS AND RECORDS

The books, records and papers of the Association shall at all times, during reasonable business hours, be subject to inspection by any member or a mortgagee of any member. The Declaration, the Articles of Incorporation and the By-Laws of the Association shall be available for inspection by any member at the principal office of the Association, where copies may be purchased at reasonable cost.

ARTICLE XII

ASSESSMENTS

As more fully provided in the Declaration, each member is obligated to pay to the Association annual and special assessments which are secured by a continuing lien upon the property against which the assessment is made. Any assessments which are not paid when due shall be delinquent. If the assessment is not paid within thirty (30) days after the due date, the assessment shall bear interest from the date of delinquency at the rate of eight (8%) per cent per annum, and the Association may bring an action at law against the Owner personally obligated to pay the same or foreclose the lien against the property, and interest, costs, and reasonable attorney's fees of any such action shall be added to the amount of such assessment. No Owner may waiver or otherwise escape liability for the assessment provided for herein by nonuse of the Common Area or abandonment of his Lot.

ARTICLE XIII

CORPORATE SEAL

The Association shall have a seal in circular form having within its circumference the words: Sterling Pointe Homeowners Association, Inc. and the words: "CORPORATE SEAL", in the center thereof.

ARTICLE XIV

AMENDMENTS

Section 1: These By-Laws may be amended, at a regular or special meeting of the members, by a vote of a majority of a quorum of members present in person or by proxy.

Section 2: In the case of any conflict between the Articles of Incorporation and these By-

Laws, the Articles shall control; and in the case of any conflict between the Declaration and these By-Laws, the Declaration shall control.

ARTICLE XV

INSURANCE AND CASUALTY LOSSES

Section 1: Insurance. The Association's Board of Directors or its duly authorized agent shall have the authority to and shall obtain insurance for all insurable improvements constructed on the Common Property against loss or damage by fire or other hazards, including extended coverage, vandalism and malicious mischief, in an amount sufficient to cover the full replacement cost of any repair or reconstruction in the event of damage or destruction from any such hazard. The Board of Directors of the Association or its manager shall also obtain a public liability policy covering the Common Property and facilities thereon in such amounts and in such form as shall be determined by the Board of Directors of the Association covering the Association, the Board of Directors and officers of the Association, all agents and employees of the Association, and all Lot Owners and other persons entitled to use the Common Property and facilities thereon. Premiums for all such insurance shall be common expenses paid for by the Association. Such insurance shall be governed by the following provisions:

(a) All policies shall be written with a company licensed to do business in the State of North Carolina.

(b) Exclusive authority to negotiate and accept settlement under policies hereafter in force on the Common Property shall be vested in the Association's Board of Directors.

(c) The Association's Board of Directors or its manager shall conduct an annual insurance review which shall include a replacement cost appraisal, without respect to depreciation, of all insurable improvements constructed on the Common Property.

(d) The Association's Board of Directors or its manager shall be required to make every reasonable effort to secure insurance policies that will provide for the following: (1) a waiver of subrogation by the insurer as to any claims against the Association, its Board of Directors, its manager, or its members and their respective families, tenants, agents and guests, with respect to property coverage, except for arson and fraud; (2) a waiver by the insurer of its right to repair or reconstruct instead of paying cash; (3) that the policies cannot be cancelled, invalidated or suspended on account of the conduct of any one or more members or on account of the conduct

of any director, office or employee of the Association or its manager without prior demand in writing delivered to the Association to cure the defect and the allowance of a reasonable time thereafter within which the defect may be cured by the Association, its agent, mortgagee or any member.

Section 2: Insurance Trustee. All casualty insurance policies purchased by the Association shall provide that proceeds covering property losses shall be paid to an insurance trustee, which shall be the Association or a bank or other financial institution having trust powers with offices in North Carolina, as may from time to time be approved by the Board of Directors of the Association, which insurance trustee in herein sometimes referred to as the "Depositary". In the event the Association shall act as insurance trustee, then the provisions of this Declaration which by their context contemplate the "Depositary" as a party separate from the Association shall not apply. The duty of the Depositary shall be to receive such proceeds as are paid and hold the same for the purposes elsewhere stated herein.

Section 3: Damage and Destruction.

(a) Immediately after any damage or destruction by fire or other casualty to all or any part of the Common Property and common facilities, the Association's Board of Directors or its manager shall proceed with the filing and adjustment of all claims arising under such insurance and obtain reliable and detailed estimates of the cost of repair or reconstruction of the damages or destroyed property. Repair or reconstruction, as used in this Article means repairing or restoring the property to substantially the same condition in which it existed prior to the fire or other casualty. Subject to subsection (b) and (d) hereof, all such damage or destruction shall be repaired or reconstructed as soon as practicable after any such casualty shall occur.

(b) If the estimated cost to repair or reconstruct the property which is damaged or destroyed exceeds the amount of insurance proceeds and other funds, if any, available to meet the same, then, subject to the assent of at least two-thirds (2/3rds) or the votes of each Class of members in the Association who are voting in person or by proxy at a meeting duly called for such purpose, the Association's Board of Directors may levy a special assessment against the Lot Owners to provide the additional funds needed for such repair or reconstruction. Unless the estimated cost to repair or reconstruct is \$5,000.00 or less, the proceeds from insurance and special assessments, if any, shall be deposited with the Depositary and disbursed as hereinafter

provided.

(c) In the event that the insurance proceeds and assessments, if any, paid to the Depository are in excess of the Depository's expenses and cost of repair or reconstruction, such excess shall be disbursed to the Association as hereinafter provided.

(d) Any such damage or destruction to the Common Property and common facilities shall be repaired or reconstructed unless a special assessment requiring membership approval shall be required and the members of the Association shall fail to approve the same within sixty (60) days after the casualty, in which event the damaged or destroyed area or areas shall not be repaired or reconstructed, but rather shall be cleaned up and maintained in a neat and attractive condition. If, for any reason, the amount of the insurance proceeds to be paid as a result of such damage or destruction is not made available to the Association within thirty (30) days after the casualty, then said sixty (60) day period shall be extended correspondingly until such information shall be made available to the Association. In all cases, the Depository may rely upon a certificate signed by the manager of the Association, if any, or by the President and Secretary of the Association, to determine whether damage or destruction is to be repaired or reconstructed.

Section 4: Disbursement of Proceeds.

(a) If the damage or destruction is not to be repaired, then, after paying or making provision for the expenses of the Depository, the net proceeds of any insurance paid to the Depository shall be disbursed to the Association to pay for the cost of cleaning up the Common Property and for such other purposes as the Board of Directors of the Association shall determine.

(b) If the damage or destruction for which the insurance proceeds are paid to the Depository is to be repaired or reconstructed, then, after paying or making provision for the expenses of the Depository, the remaining proceeds shall be disbursed to defray the cost of such repairs or reconstruction as herein provided. Any proceeds remaining after defraying such costs shall be disbursed to the Association for such purposes as the Board of Directors of the Association shall determine.

(i) Minor Damage. If the amount of the estimated cost of reconstruction and repair is \$5,000.00 or less, then the construction fund shall be disbursed in payment of such costs

upon the order of the Association; provided, however, that upon written request to the Depository by the holder of any mortgage affecting that portion of the Common Property being repaired or reconstructed, such fund shall be disbursed in the manner hereafter provided for the reconstruction and repair of major damage. Under the latter circumstances, any special assessments collected by the Association for repair or construction shall also be deposited with the Depository and disbursed in the same manner.

(ii) Major Damage. If the amount of the estimated cost of reconstruction and repair is more than \$5,000.00 , then the construction fund shall be disbursed in payment of such costs in the manner required by the Board of Directors of the Association and upon approval of a registered architect or licensed professional engineer selected and employed by the Board of Directors of the Association to supervise work, or upon approval of a builder selected and employed by the Board of Directors of the Association to supervise or perform the work provided such builder is approved by the holder of any mortgage affecting that portion of the Common Property being repaired or reconstructed.

(iii) Certificate. Notwithstanding the provisions herein, the Depository shall not be required to determine whether or not sums paid by Lot Owners upon assessment shall be deposited by the Association with the Depository, nor to determine whether the disbursements from the construction fund are to be upon the order of the Association or upon approval of any third party, nor whether a disbursement is to be made from the construction fund, nor to determine any other fact or matter relating to its duties hereunder. Instead, the Depository may rely upon a certificate of the Association made by its President and Secretary or manager, if any, as to any or all of such matters and stating the name of the payee and the amount to be paid; provided that when the holder of any mortgage encumbering that portion of the Common Property which is being repaired or reconstructed shall specifically request the Depository to do so in writing, the approval of a registered architect, licensed professional engineer or approved builder shall be first obtained by the Association.

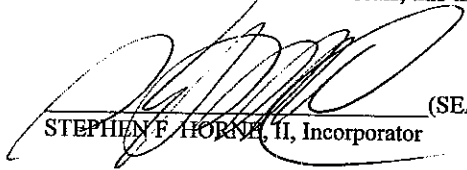
ARTICLE XVI

MISCELLANEOUS

The fiscal year of the Association shall begin on the first day of January and end on the 31st day of December of every year, except that the first fiscal year shall begin on the date of

incorporation

IN WITNESS WHEREOF, we, being all of the Incorporators of the Sterling Pointe Townhomes Homeowners Association, Inc. have hereunto set our hands and seals, this the 18th day of August, 1995



(SEAL)
STEPHEN F. HORNE, II, Incorporator

NORTH CAROLINA
COUNTY OF PITT

I, Beverly F. McMullen, a Notary Public of the aforesaid County and State, hereby certify that STEPHEN F. HORNE, II, personally appeared before me this day and after being duly sworn, acknowledged the due execution of the foregoing By-Laws of Sterling Pointe Townhomes Homeowners Association, Inc. and certify that the same is true

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed my Notarial Seal this the 18th day of August, 1995

Beverly F. McMullen

NOTARY PUBLIC

My Commission Expires: 10-14-98



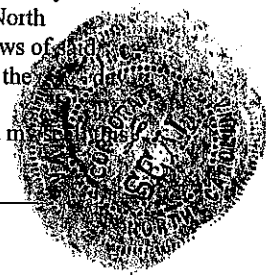
CERTIFICATION

I, the undersigned, do hereby certify that I am the duly elected and acting Secretary of STERLING POINTE TOWNHOMES HOMEOWNERS ASSOCIATION, INC a North Carolina Corporation, and that the foregoing By-Laws constitute the original By-Laws of the Association, as duly adopted at a meeting of the Board of Directors thereof, held on the 18th day of August, 1995

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed my seal this the 18th day of August, 1995

Mary B. Vandymond

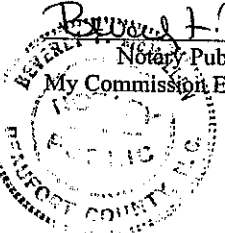
SECRETARY



Sworn to and subscribed before me, this the 18th day of August, 1995.

Beverly F. McMullen

Notary Public
My Commission Expires: 10-14-98



NORTH CAROLINA: Pitt County
The foregoing certificate(s) of Beverly F. McMullen

Notary(ies) Public is (are) certified to be correct. Filed for registration at 4:54 o'clock PM. this 28 day of August 19 95

ANNIE G. HOLDER, Register of Deeds
By Annie G. Holder

Assistant/Deputy Register of Deeds