

BYLAWS

of

WINFIELD HOMEOWNERS ASSOCIATION, INC.

ARTICLE I

OFFICES

Section 1. NAME: The name of the corporation is WINFIELD HOMEOWNERS ASSOCIATION, INC. ("the Association").

Section 2. SEAL: The seal of the Association shall be Circular in form and shall bear the words "CORPORATE SEAL." The Board of Directors may change the form of the seal or the inscription thereon at its pleasure.

Section 3. OFFICES: The Association shall be at the office of BBJ Builders Lexington, North Carolina or at such other places as the Board of Directors may from time to time designate.

ARTICLE II

DEFINITIONS

Section 1. The real property is located in the Hampton Township, County of Davidson and the State of North Carolina, as shown on a certain map entitled Winfield will be submitted to the provisions of certain Declaration of Covenants, Conditions and Restrictions, dated the __ day of March, 2005 (the "Declaration"), by the Declarant and will be subdivided into Lots and Common Properties in accordance with the map, creating a system of ownership of the Lots having a nonexclusive easement of enjoyment over Common Properties (except as may be limited in the Declaration or noted on any recorded map of the Properties), and each Lot being subject to a reciprocal obligation to contribute assessments for the maintenance and operation of the Common Properties. The Plan of Ownership will be extended to additions to the Properties by the submission of any additional real property by supplemental Declarations of Covenants, Conditions and Restrictions in accordance with Article One of the Declaration.

Section 2. APPLICABILITY OF BYLAWS: The provisions of these Bylaws are applicable to The Properties and to the use and occupancy thereof.

Section 3. PERSONAL APPLICATION: All present and future Lot Owners, trust beneficiaries, mortgagees, and occupants of the Lots, their employees, and any other person who may use any portion of The Properties in any manner are subject to these Bylaws, the Declarations, and to the Rules and Regulations established by the Board of Directors as hereinafter set forth. The acceptance of the deed of conveyance constitute an agreement that these Bylaws, the Rules and Regulations, and the provisions of the Declarations, as they may be amended from time to time, are accepted, ratified, and will be complied with.

Section 4. OTHER DEFINITIONS: The following words when used in the Declaration, any amended or supplemental Declaration, or these Bylaws or any amendment hereto (unless the context shall require otherwise) shall have the following meanings:

(a) "Assessments" or "assessments" or "Common Charges" shall mean and refer to the assessments and charges levied against the Owners of Lots in the Properties, as hereinafter defined, and the words assessments or Assessment shall be and mean the same thing as Common Charges, unless the context requires otherwise.

(b) "Association" shall mean and refer to the Winfield Association, Inc.; and "Bylaws" shall mean and refer to the Bylaws of the Association.

(c) "Board" shall mean and refer to the Board of Directors of the Association.

(d) "Common Expense" shall mean and refer to:

(i) Expense of administration, maintenance, repair or replacement of the Common Properties.

(ii) Expense declared Common Expense by the provisions of the Declaration or these Bylaws.

(iii) Expense agreed upon as Common Expense by the Association and lawfully assessed against Owners of Lots, in accordance with these Bylaws or the Declaration.

(iv) Any valid charge against the Association or against the Common Properties as a whole.

(e) "Common Properties" shall mean and refer to those areas of land shown on any recorded subdivision plat of The Properties labeled as "Common Properties" or shown as streets or roads (together with all improvements located thereon) and as such intended to be devoted to the common use and enjoyment of the Owners of the Lots, subject to special rights, if any, granted Owners of particular Lots, which are a part of The Properties.

(f) "Declarant" shall mean and refer to Buel B. Barker, Jr. and wife, Vickie B. Barker, their successors and assigns and any person or entity who is specifically assigned to the rights and interests of Declarant hereunder.

(g) "Declaration" shall mean and refer to the Declaration of Covenants, Con

(g) "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 Properties.

(h) "Member" shall mean and refer to all those Owners who are members of the Association as provided in the Declaration.

(i) "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.

(j) "The Properties" shall mean and refer to all the Existing Property and any additions thereto as are made subject to the Declaration by any Supplemental Declaration under the provisions of Article One of the Declaration.

ARTICLE III

MEMBERSHIP

Section 1. MEMBERS: Every person or entity who is a record Owner of a fee simple interest in any Lot shall be a Member of the Association pursuant to the Declaration with the limitations and voting powers therein.

Section 2. ASSESSMENTS: The rights of membership are subject to the payment of annual and special assessments levied by the Association, the obligation of which assessments is imposed against each Owner, of, and becomes a lien upon, the property against which such assessments are made and the personal obligation of the then

Member as provided by ARTICLE SEVEN of the Declaration pursuant to the terms therein.

Section 3. SUSPENSION OF MEMBERSHIP: The membership rights of any Member whose membership of interest in The Properties is subject to assessments under ARTICLE SEVEN of the Declaration, whether or not he be personally obligated to pay such assessments, may be suspended by action of the Directors during the period when the assessments remain unpaid, but, upon payment of such assessments, his rights and privileges shall be automatically restored. If the Directors have adopted and published rules and regulations governing the use of the Common Properties as provided herein, the Directors may, in their discretion, suspend the rights of any such person for violation of such rules and regulations for a period not to exceed thirty (30) days, in addition to levying the liquidated charges provided herein.

ARTICLE IV

PROPERTY RIGHTS AND RIGHTS OF ENJOYMENT OF COMMON PROPERTIES

Section 1. Each Member shall be entitled to the use and enjoyment of the Common Properties and facilities as may be provided by the Declaration.

Section 2. Any Owner may share his rights of enjoyment in the Common Properties with the members of his family who reside upon The Properties or delegate said rights to any of his tenants who reside thereon, under any leasehold interest or rental agreement. Such Owner shall notify the secretary of the Association in writing of the name of any such tenant together with a copy of said lease. The rights and privileges of such persons are subject to suspension under ARTICLE III, Section 3, herein, to the same extent as those of the Member.

ARTICLE V

PURPOSE AND POWERS

The Association shall operate on a not-for-profit basis in accordance with its Articles of Incorporation. The Association will not provide pecuniary gain or profit, direct or indirect, to its members. The purposes for which it is formed are:

Section 1. GENERAL: To promote the recreation, health, safety, and welfare of the residents within The Properties, and such additions thereto as may hereafter be

brought within the jurisdiction of this Association by annexation as provided in the Declaration, and for this purpose to:

(a) Own, acquire, build, operate, and maintain any roads, utilities, trails, parking lots, open space, pools, tennis courts, board walks, lakes, docks, piers, clubhouses, streets, footways, including building structures and personal properties incident thereto, any and all of which is hereinafter referred to as the "Common Properties"; (b) maintain unkept lands or trees; (c) supplement municipal services; (d) fix Assessments or Common Charges to be levied against The Properties; (e) enforce any and all covenants, restrictions and agreements applicable to The Properties; (f) pay taxes, if any, on the Common Properties; and (g) insofar as permitted by law, to do any other thing that, in the opinion of the Board of Directors, will promote the common benefit and enjoyment of the resident of The Properties.

Section 2. DISPOSE OF ASSETS: To mortgage, pledge, hypothecate or otherwise grant any form of security interest in and to its properties or accounts receivable, to dispose of its assets, provided that upon dissolution, the assets shall be dedicated to an agency or utility to be devoted to purposes, as nearly as practicable, the same as to those which they were required to be devoted by the Association. 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 purposes as nearly as practicable the same as to those to which they were required to be devoted by the Association. No such disposition of Association properties shall be effective to divert or diminish any right or title of any Member vested in him under the recorded covenants and deeds applicable to The Properties unless made in accordance with the provisions of such covenants and deeds.

Section 3. ADDITIONS TO THE PROPERTIES AND MEMBERSHIPS:
Additions to The Properties described in the Declaration may be made only in accordance with the provisions of the recorded covenants and restrictions applicable to The Properties. Such additions, when properly made in the applicable covenants, shall extend the jurisdiction, functions, duties and membership of this Association to such properties.

Section 4. MERGERS AND CONSOLIDATIONS: Subject to the provisions of the recorded covenants and restrictions applicable to The Properties described in the Declaration, and to the extent permitted by law, the Association may participate in mergers and consolidations with other corporations organized for the same purposes, provided that any such merger or consolidation shall have the assent of sixty-seven percent (67%) of the votes of each class of members eligible to vote at a meeting duly

called for this purpose, written notice of which shall be mailed to all members at least thirty (30) days in advance and shall set forth the purpose of the meeting.

Section 5. MORTGAGES: OTHER INDEBTEDNESS: The Association shall have the power to mortgage or grant deeds of trust (hereinafter referred to as "mortgages") on the Common Properties only to the extent authorized in this Section 5.

The total debts of the Association including the principal amount of such mortgages, outstanding at any time, shall not exceed the total of two (2) years' annual Assessments established at that time, provided that authority to exceed said maximum in any particular case may be given by affirmative vote of sixty-seven percent (67%) of the votes of each class of Members at a meeting fully called for the purpose, written notice of which shall be mailed to all Members at least thirty (30) days in advance and shall set forth the purpose of the meeting.

Section 6. DEDICATION OF PROPERTIES OR TRANSFER OF FUNCTION TO PUBLIC AGENCY OR UTILITY: The Association shall have power to dispose of the Common Properties only as authorized under the recorded covenants and restrictions applicable to said properties.

Section 7. Dissolution: The Association may be dissolved only with the assent given in writing and signed by the Members entitled to cast sixty-seven percent (67%) of each class of its membership eligible to vote. Written notice of a proposal to dissolve, setting forth the reasons therefor and the disposition to be made of the assets shall be mailed to every Member and mortgages at least ninety (90) days in advance of any action taken.

Section 8. DISPOSITION OF ASSETS UPON DISSOLUTION: Upon dissolution of the Association, the assets, both real and personal of the Association, shall be dedicated to an appropriate public agency or association to be devoted to purposes as nearly as practicable the same as those to which they were required to be devoted by the Association.

ARTICLE VI

MEMBERS

Section 1. ELIGIBILITY: Membership in the Association shall in accordance with the Declaration.

Section 2. VOTING: Voting shall be in accordance with the Declaration. A majority of the total votes cast at a meeting at which a quorum is present shall be binding upon all Owners for all purposes except when a percentage is required by these Bylaws, the Declaration or by law.

Section 3. VOTES IN THE EVENT OF MULTIPLE OWNERSHIP OF A LOT: In the event a Lot is owned by more than one person, if such persons cannot agree upon the exercise of their right to vote pursuant to these Bylaws, each person shall have a fractional share of ownership of the Lot. A co-owner of a Lot may permit the other co-owner of the Lot to vote his interest by furnishing the other co-owner by proxy. In the absence of any co-owner, a vote for a Lot cast by a co-owner shall be held to be by valid proxy of the absent co-owner, unless challenged at the time the vote is cast.

Section 4. ANNUAL MEETINGS: Annual meetings shall be held on the third Thursday of April each year. At each annual meeting, there shall be elected by ballot of the Owners, a Board of Directors in accordance with the provisions of ARTICLE VII, Section I herein, and Members may also transact such other business as may properly come before them.

Section 5. PLACE OF MEETINGS: Meetings of the members shall be held at the Office of Smith Realty of Lexington, Inc.

Section 6. SPECIAL MEETINGS: It shall be the duty of the President to call a special meeting of the Members when so directed by resolution of the Board of Directors, or, upon petition signed by not less than 25% of the aggregate of members. The notice of any special meeting shall state the time and place of such meeting and the purpose thereof. No business shall be transacted at a special meeting except as stated in the notice.

Section 7. NOTICE OF MEETINGS: It shall be the duty of the secretary to mail a notice of each annual special meeting of the Members, at least ten (10) days but not more than eighty (80) days prior to such meeting, stating the purpose thereof as well as the time and place where it is to be held, to each Member as recorded on the records of the Association, at the Lot address or at such other Address as such member shall have designated by notice in writing to the secretary. The mailing of a notice of meeting in the manner provided in this section shall be considered service of notice.

Section 8. WAIVER OF NOTICE: Any Member may at any time waive notice of any meetings of the Members in writing, and such Waiver shall be deemed equivalent to the giving of such notice. Presence of a Member at the meeting will be considered a waiver or the right to such notice.

Section 9. ORDER OF BUSINESS: The order of business at all meetings of the Members shall be, to the extent required, as follows:

- (a) Roll Call
- (b) Proof of notice of meeting or waiver of notice.
- (c) Reading of minutes of preceding meeting
- (d) Reports of officers.
- (e) Report of Board of Directors.
- (f) Report of Committees.
- (g) Election of members of the Board of Directors.
- (h) Unfinished business.
- (i) New business.
- (j) Adjournment.

Section 10. PARLIAMENTARY PROCEDURE: At all meetings of the members, or of the Board of Directors, Roberts' Rule of Order, as to such date amended, shall be followed, except in the event of conflict, these Bylaws or Declaration, as the case may be, shall prevail.

Section 11. QUORUM: A majority of the Members present, in person or by proxy, shall constitute a quorum at any meeting of the Members.

Section 12. PROXIES: Votes may be cast in person or by proxy. A member may designate any person, who need not be a Member, to act as proxy. The designation of any such proxy shall be made in writing, signed by the Member, and shall be revocable at any time by written notice to the secretary by the Member designating the proxy.

ARTICLE VII

BOARD OF DIRECTORS

Section 1. FUNCTION, NUMBER AND QUALIFICATION:
The affairs of the Common Properties, and appurtenant duties on the Lots shall be operated by the Association, which in turn shall be governed by a Board of Directors (not more than five (5) in number), who need not be Member of the Association. Unless the Members shall otherwise determine at a meeting duly noticed, the Board of Directors shall consist of three (3) directors who shall hold office until the election of their successors. Each of the initial directors shall have one (1) vote. Beginning with the first annual

meeting to be held in April, 2000, the Members shall elect a director for a term of one (1) year, and a director for a term of two (2) years, and a director for a term of three (3) years, and at each annual meeting thereafter, the Members shall elect one (1) director for a term of three (3) years.

Section 2. POWER AND DUTIES: The Board of Directors shall have the powers and duties necessary for the administration of the affairs of the Association and shall do all such acts and things as are not by law or by the Bylaws directed to be exercised and done by the Owners. Such powers and duties of the Board of Directors shall include, but shall not be limited to, the following:

- (a) Operation, care, upkeep and maintenance of the Common Properties, and such duties with respect to the Lots as provided in the Declaration.
- (b) Determination of an annual budget and the Common Expenses required for the affairs of the Properties.
- (c) The establishment, levying, assessment and collection of the Assessments (Common Charges) from the Owners.
- (d) The employment and dismissal of the personnel necessary for the maintenance, repair, replacement and operation of the Common Properties.
- (e) Opening of bank accounts in the name of the Association and designating the signatures required therefor.
- (f) Purchasing or leasing or otherwise acquiring in the name of the Association or its designee, corporate or otherwise, Lots offered for sale or lease, or surrendered by their Owners to the Board of Directors or to the Association.
- (g) Purchasing of Lots, including at foreclosure or other judicial sales in the name of the Association, or its designee, corporate or otherwise.
- (h) Selling, leasing, subleasing, encumbering, mortgaging, voting the votes appurtenant to (other than for the election of members of the Board of Directors), or otherwise dealing with, Lots acquired by the Association or its designee, corporate or otherwise.
- (i) Organizing corporations to act as designees of the Association in acquiring title to or Lots on behalf of all Owners.

- (j) Granting of licenses over the Common Properties.
- (k) Obtaining and maintaining insurance on The Properties, and, designating a commercial bank, insurance company or similar institution with trust powers as Trustee.
- (l) Making of repairs, additions and improvements to or alterations to and restoration of The Properties.
- (m) Leasing or otherwise acquiring the title to use, either exclusively or in common with others, recreational and other facilities for the benefit of Owners.
- (n) Adopting and amending reasonable Rules and Regulations governing the conduct of all people on The Properties and the operation and use of The Properties. The Board shall have the power to levy liquidated damages against the Owners for violation thereof or for violation of any provision of these Bylaws or the Declaration, for which any Owner (or his guests or tenants) is responsible, provided that no such levy may be for more than \$5.00 for any violation; but for each day a violation continues after notice, it shall be considered a separate violation. Collection of damages may be enforced against the Owner or Owners responsible as if the damages were a Common Charge owed by the particular Owner or Owners.
- (o) The Board of Directors may also enforce, by any legal means, the provisions of the Declaration, the Bylaws and the Rules and Regulations for the use of the Properties.
- (p) To appoint and remove at pleasure all officers, agents and employees of the Association, prescribe their duties, fix their compensation, and require of them such security or fidelity bond as it may seem expedient. Nothing contained in these Bylaws shall be construed to prohibit the employment of any Member, Officer or Director of the Association in any capacity whatsoever.

Section 3. MANAGEMENT: The Board of Directors may employ or enter into a contract or agreement with a Manager for The Properties, for a period of not more than twelve (12) months with the right of the Association to cancel such contract within thirty (30) days notice for cause, at a compensation or consideration established by the Board to perform such duties and services as the Board shall authorize. The Board of Directors shall send all Owners a copy of any such cancellation notice. The Board of Directors may authorize such Manager to perform such duties as it deems appropriate.

Section 4. REMOVAL OF DIRECTORS: At any time, at any regular or special meeting of the Owners, any one or more of the members of the Board of Directors may be removed with cause by a majority of all of the Owners following notice thereof in the call of the meeting and a successor or successors may then or thereafter be elected to fill the vacancy thus created.

Section 5. VACANCIES: Vacancies on the Board of Directors caused by any reason other than the removal of a member thereof by a vote of the Owners eligible to vote shall be filled by vote of a majority of the remaining directors at a regular or special meeting of the Board of Directors held promptly after the occurrence of any such vacancy, even though the directors present at such meeting shall constitute less than a quorum and each person so elected shall be a member of the Board of Directors for the remainder of the term or the director so replaced, and until his successor shall be duly elected.

Section 6. ORGANIZATION MEETING: The first regular meeting of the Board of Directors following a meeting of the Owners at which directors are elected, shall be held at within ten (10) days thereafter at such time and place as shall be fixed by the Owners at such meeting. No notice shall be necessary to the Members of the Board of Directors in order legally to constitute such a meeting provided a quorum shall be present at such first regular meeting.

Section 7. REGULAR MEETING: Regular meetings of the Board of Directors may be held at such time and place as shall be determined from time to time by a majority of the directors. Notice of regular meetings of the Board of Directors shall be given by the secretary of each director personally or by mail or telegraph at least three (3) days prior to the day named for the meeting.

Section 8. SPECIAL MEETINGS: Special meetings of the Board of Directors may be called by the President on three (3) days' notice to each director, given personally or by mail or telegraph, which notice shall state the time and place and purpose of the meeting. Special meetings of the Board of Directors shall be called by the President or secretary in like manner on like notice on the written request of at least two (2) directors.

Section 9. WAIVER OF NOTICE: Any director may at any time waive notice of any meeting of the Board of Directors in writing and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a director at any meeting of the Board shall constitute a waiver of notice by him of the time and place thereof. If all members of the Board are present at any meeting of the Board, no notice shall be required and any business may be transacted at such meeting.

Section 10. QUORUM OF BOARD OF DIRECTORS: At all meetings of the Board of Directors, one-half (1/2) of the directors being present shall constitute a quorum for the transaction of business, and the votes of a majority of the directors present shall constitute the decision of the Board of Directors.

Section 11. FIDELITY BONDS: The Board of Directors shall have the option, but not the obligation to obtain, to the extent reasonably available, for all officers, employees and agents of the Association handling or responsible for Association funds, a fidelity bond in the amount of 150% of anticipated funds to be held by such officers, employees and agents. The premiums on such bonds shall constitute a Common Expense.

Section 12. COMPENSATION: No member of the Board of Directors shall receive any compensation from the Association for acting as a director.

Section 13. LIABILITY OF THE BOARD OF DIRECTORS: The directors shall be liable to the Association or the Members for any mistake of judgment, negligence, or otherwise, except for their own individual willful misconduct or bad faith. The Association shall defend, indemnify and hold harmless, to the extent permitted by law, each of the directors against all liability arising out of their conduct on behalf of the Association, unless such conduct shall have been willful misconduct or in bad faith. It is intended that the directors shall have no personal liability with respect to any contract made by them on behalf of the Association (except as Members). It is also intended that the liability of any Member arising out of any contract made by the Association with respect to the Common Properties, or out of the aforesaid indemnity in favor of the Board of Directors, shall be limited to the Member's interest in the Common Properties.

Section 14. FISCAL YEAR: The Board of Directors shall establish a fiscal year.

Section 15. FISCAL AFFAIRS: It shall be the duty of the Board of Directors :

a) To 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 is requested in writing by one-fourth (1/4) of the membership.

b) To 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 applicable to the Properties:

- 1) To fix the amount of the assessment against each Lot for each assessment period at least thirty (30) days in advance of such date or period and, at the same time;
- 2) Cause to be prepared a roster of the Lots and assessments applicable thereto which shall be kept in the office of the Association and shall be open to inspection by any Member or his designee, and, at the same time;
- 3) To cause to be sent written notice of each assessment to every Owner subject thereto.
- d) To issue, or cause an appropriate officer to issue, upon demand by any person a certificate setting forth whether any assessment has been paid. Such certificate shall be conclusive evidence of any assessment therein stated to have been paid.

ARTICLE VIII

OFFICERS

Section 1. DESIGNATION: The principal officers of the Association shall be the President, the Secretary, and the Treasurer, all of whom shall be elected by the Board of Directors. The President and the Vice-President shall be elected from among the members of the Board of Directors. The Board of Directors may elect a Treasurer, an Assistant Treasurer, a Secretary, an Assistant Secretary and such other officers as in its judgment may be necessary, who need not be Owners. Any person or officer or employee of a corporate, partnership or fiduciary Owner shall be eligible for such election.

Section 2. ELECTION OF OFFICERS: The officers of the Association shall be elected annually by the Board of Directors and shall hold office at the pleasure of the Board.

Section 3. REMOVAL OF OFFICERS: Upon the affirmative vote of a majority of member of the Board of Directors, any officer may be removed, either with or without cause and his successor elected at any regular meeting of the Board of Directors, or at any special meeting of the Board of Directors, or at any special meeting of the Board call for such purposes.

Section 4. PRESIDENT: The President shall be the chief executive officer of the Association. He shall preside at all meetings of the Members and of the Board of Directors. He shall have all the general powers and duties which are usually vested in the

office of president of a corporation, organized under the laws of the State of North Carolina, including but not limited to the Power to appoint committees from time to time as he may, in his discretion, decide is appropriate to assist in the conduct of the affairs of the Association.

Section 5. VICE-PRESIDENT: The Vice President shall take the place of the President and perform his duties whenever the President shall be absent or unable to act, the Board of Directors shall appoint some other member of the Board to act in the place of the President on an interim basis. The Vice President shall also perform such other duties as shall, from time to time, be assigned to him by the Board of Directors or by the President.

Section 6. SECRETARY: The Secretary shall keep the minutes of all meetings of the Members and of the Board of Directors; he shall have charge of such books and papers as the Board of Directors and these Bylaws may direct; he shall give all notices required by the Bylaws unless otherwise provided; and he shall, in general, perform all of the duties incident to the office of the Secretary of a corporation organized under the laws of the State of North Carolina.

Section 7. TREASURER: The Treasurer shall have responsibility for Association funds and securities and shall cause the financial records and books of account in books belonging to the Association to be kept. He shall be responsible for the deposit of all monies and other valuable effects in the name and to the credit of the Association, in such depositories as may from time to time be designated by the Board of Directors, and he shall, in general perform all of the duties incident to the office of Treasurer of corporation organized under the laws of the State of North Carolina.

Section 8. SIGNATORIES TO DOCUMENTS: All agreements, contracts, deeds, leases, checks and other documents of the Association shall be executed by any officer of the Association or by such other person or persons as may be designated by the Board of Directors. Vouchers for the payment of Association funds shall be approved by the Treasurer before payment.

Section 9. COMPENSATION OF OFFICERS: No officer shall receive any compensation from the Association for acting as such.

ARTICLE IX

OPERATION OF THE PROPERTIES

Section 1. DETERMINATION OF COMMON EXPENSES AND FIXING OF COMMON CHARGES: The Board of Directors shall from time to time, and at least annually, prepare a budget for The Properties, determine the amount of the Common Charges payable by the Owners to meet the Common Expenses and allocate and assess such Common Charges among the Owners according to their share as established by the Declaration. The Board of Directors shall advise all Owners promptly, in writing, of the amount of Common Charges payable by each of them respectively, as determined by the Board of Directors, as aforesaid, and shall furnish copies of each budget on which such Common Charges are based to all Owners and to their mortgagees upon request. The Common Expense shall include, among other things:

- a) The cost of repairs and maintenance of the Common Properties and appurtenant interest;
- b) all insurance premiums on all policies of insurance required to be or which have been obtained by the Board of Directors pursuant to the provisions of ARTICLE VII herein; provided, however, that as long as the Declarant is engaged in the construction or erection of insurance premiums allocable to builder's risk insurance (including liability coverage for construction operations and completed operations).
- c) such amounts as the Board of Directors may deem proper for the improvement and operation of The Properties, including without limitation on amount for its working capital, a general operating reserve, a reserve fund for replacements, and sums necessary to make up any deficit in the Common Expenses for any prior year;
- d) expenses incurred in leasing or otherwise acquiring the right to use either exclusively or in the common with others, recreational or other facilities for the benefit of Owners;
- e) any other expense in connection with the Common Properties or their improvements which the Board of Directors deems to be of mutual benefit to the Owners or Members.

Section 2. PAYMENT OF COMMON CHARGES: All Owners shall be obligated to pay the Common Charges assessed by the Board of Directors annually or such other time or times as the Board of Directors shall determine. The Board may authorize Common Charges to be collected by a mortgagee of one or more Lots or by the Manager.

Section 3. NO WAIVER OF LIABILITY FOR COMMON EXPENSE: No Member may exempt himself from liability for his contribution toward the Common Expenses by Waiver of the use or enjoyment of any of the Common Properties or by abandonment of his Lots.

Section 4. NON-LIABILITY AFTER CONVEYANCE: No Owner shall be liable for the payment of any part of the Common Charges assessed against his Lot subsequent to a sale, transfer or other conveyance made pursuant to the provisions of these Bylaws.

Section 5. SUCCESSOR'S LIABILITY FOR COMMON CHARGES: A grantee who acquired a Lot shall not be, unless expressly assured, personally liable for any charge for unpaid assessments due prior to his purchase, however, the Lot conveyed shall be subject to a lien for any such unpaid assessment.

Section 6. DEFAULT IN PAYMENT OF COMMON CHARGES: In the event of default by any Member in paying to the Association the Common Charges as determined by the Board of Directors, such Members shall be obligated to pay interest at the highest rate permitted by applicable law on such Common Charges from the due date thereof, until collected, together with all expenses, including attorneys' fees incurred by the Association in any proceeding brought to collect such unpaid charges. The Association shall attempt to recover such Common Charges, together with interest thereon and the expenses of the proceeding including such attorneys' fees, by an action to recover same brought against such Member, or by foreclosure of the line on such Lot under powers granted by the Declaration. The use of Recreational Facilities and the facilities of the Club by any Member entitled to such use may be suspended by action or the Board of Directors during the period when Common Charges remain in default.

Section 7. FORECLOSURE OF LIENS FOR UNPAID COMMON CHARGES:
In any action brought by the Association to foreclosure a lien on a Lot because of any unpaid Common Charges, the Owner shall be required to pay reasonable rental for the use of his Lot from the date of non-payment of Common Charges and the plaintiff in such foreclosure action shall be entitled to the appointment of a receiver to collect the same. The Association acting on behalf of all Owners, shall have the power to purchase such Lots at the foreclosure sale and to acquire, hold, lease, mortgage, vote the votes appurtenant thereto (other than for the election of members of the Board of Directors), convey or otherwise deal with the same. A suit to recover a money judgment for unpaid Common Charges shall be maintainable without foreclosing or waiving the liens securing the same.

Section 8. MAINTENANCE, REPAIR AND REPLACEMENT: The Association shall maintain, repair and replace all improvements (including landscaping) located on the Common Properties; and in the event that such maintenance, repair replacement was caused by the negligence or misuse of an Owner of a Lot, such expense shall be charged to such Owner.

ARTICLE X

USE OF PROPERTIES

Section 1. RESTRICTIONS ON THE USE OF THE PROPERTIES: In order to provide for congenial occupancy of the Properties and for the protection of the values of the Lots, the use of The Properties shall be restricted to, and shall be in accordance with the terms of the Declaration.

ARTICLE XI

INSURANCE

The Board of Directors may obtain and maintain public liability insurance for bodily injury and property damage with such limits as the Board of Directors may from time to time determine, insuring the Association; the Board of Directors with respect to their liability arising from the ownership, maintenance or repair of the Common Properties which is the responsibility of the Association including without limitation, liability arising from construction operations. Such liability insurance shall also cover cross-liability claims against Owners and the Association. The Board of Directors shall review such limits at least annually.

The Board of Directors is to obtain and maintain such other insurance as it may from time to time deem appropriate.

ARTICLE XII

RECORDS

Section 1. RECORDS: The Association shall keep detailed records of the actions of the Board of Directors, minutes of the meetings of the Board of Directors, minutes of the meetings of the Owners, names of the Owners and Mortgagees, and financial records and books of account for The Properties, including chronological listing

of receipts and expenditures, as well as a separate account for each Lot, which, among other things, shall contain the amount of each assessment of Common Charges against such Lot, the date when due, the amount paid thereon, and balance remaining unpaid. Unless the Owner notifies the Association of change in ownership, the Association may rely on the names of Owners appearing on the municipal tax assessor's list as of the last municipal assessment date.

Section 2. STATEMENT: A written report and statement summarizing all receipts and expenditures of the Association shall be rendered by the Board of Directors to all Owners at least annually.

Section 3. ANNUAL REPORT: In addition to the annual statement referred to above, an Annual Report of the receipts and expenditures of the Association, prepared but not necessarily audited by an independent certified public accountant, shall be rendered by the Board of Directors to all Owners and to all Mortgagees of Lots whose names appear in the book entitled "Mortgagees of Lots" and who make written request to the Association, promptly after the end of each fiscal year.

Section 4. EXAMINATION OF RECORDS: Each Owner and Mortgagee shall be permitted to examine the books of account of the Association at reasonable times on business days, but not more than once a quarter.

ARTICLE XIII

PROXIES

Section 1. At all corporate meetings of Members, each Member may vote in person or by proxy.

Section 2. All proxies shall be in writing and filed with the Secretary. No proxy shall be extended beyond a period of eleven (11) months, and every proxy shall automatically cease upon sale by a Member of his Lot in The Properties.

ARTICLE XIV

MISCELLANEOUS

Section 1. NOTICES: All notices hereunder shall be sent by mail to the Association at its office, in Lexington, North Carolina, to Owners to the address of the Lot, or to such other address as may have been designated by such Owner from time to time in

writing to the Association; to Mortgagees at their addresses as designated by them from time to time in writing to the Association. All notices from or to the Association shall be deemed to have been given when mailed, except notice of changes of address which shall be deemed to have been given when received.

Section 2. CAPTIONS: The Captions herein are inserted as a matter of convenience and for reference, and in no way define, limit or describe the scope of these Bylaws or the intent of any provisions thereof.

Section 3. GENDER: The use of the masculine or neuter gender in these Bylaws shall be deemed to include the feminine gender, the use of singular shall be deemed to include the plural, when the context so requires.

Section 4. TORT LIABILITY: Each shall be deemed to have released and exonerated each other Owner and the Association, and the Association shall be deemed to have released and exonerated each Owner, from any tort liability other than that based on fraud or criminal acts to the extent which such liability is satisfied by the proceeds of liability insurance carried by an Owner or by the Association.

ARTICLE XV

INVALIDITY, CONFLICT AND WAIVER

Section 1. INVALIDITY: The invalidity of any part of these Bylaws shall not impair or affect in any manner the validity, enforceability or effect of the balance of the Bylaws.

Section 2. CONFLICT: These Bylaws are set forth to comply with the requirements of the North Carolina Non-Profit Corporation Act, and the Declaration. In the event of any conflict between these Bylaws and the provisions of such Act, or of the Declaration, the provisions of such Act, or of the Declaration, as the case may be, shall control.

Section 3. WAIVER: No restriction, condition, or covenant contained in these Bylaws shall be deemed to have been a or waived by reason of failure to enforce the same, irrespective of the number of violations or breaches thereof which may occur.

ARTICLE XVI

AMENDMENTS TO BYLAWS

Section 1. METHOD OF AMENDMENT: These Bylaws may be altered, amended or added to at any duly called meeting of the Owners, provided:

- a) That the notice of the meeting shall contain a substantial statement of the proposed amendment;
- b) that the amendment be approved in writing by the holders of the mortgages on not less than seventy-five percent (75%), in the aggregate, of the Lots subject to mortgages;
- c) that the amendment be approved by the Board of Directors of the Association, and
- d) that said amendment shall be fully consistent in a duly recorded amendment to the Declaration executed by the President and Secretary of the Association; however, no amendment to the Declaration, or the recordation thereof, shall be necessary unless such amendment to these Bylaws creates an inconsistency with the Declaration.

Section 2. EFFECT OF AMENDMENTS UPON ENCUMBRANCES: No amendment or modification of Bylaws will effect or impair the validity or priority of any mortgage encumbering any Lot, nor the validity or priority of any other proper lien.

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