BYLAWS
OF
FOX HILL FARM
MASTER HOMEOWNER ASSOCIATION, INC.

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BYLAWS

OF

FOX HILL FARM MASTER HOMEOWNER ASSOCIATION, INC.

ARTICLE ONE

INTRODUCTORY PROVISIONS

SECTION 1.1 Name: The name of this corporation shall be Fox Hill Farm Master Homeowner Association, Inc. (hereinafter sometimes referred to as the "Association").

SECTION 1.2 Principal Office: The principal office of the Association shall be located in Suite 102, 2726 Croasdaile Drive, Durham, North Carolina, or at such other location as may, from time to time, be determined by the Board of Directors of the Association.

SECTION 1.3 Registered Office: The registered office of the Association may be, but need not be, the same as the principal office. The Association may have offices at such other places within North Carolina, as the Board of Directors may determine, from time to time.

ARTICLE TWO

DEFINITIONS

SECTION 2.1 "Assessments": shall mean the General and Special Assessments for the upkeep and maintenance of the Common Areas as

set forth in the Declaration of Covenants, Conditions and Restrictions for Fox Hill Farm, as amended, from time to time.

SECTION 2.2 "Association": shall mean and refer to Fox Hill Farm Master Homeowner Association, Inc., its successors and assigns.

SECTION 2.3 "Board of Directors" or "Board": shall mean, the elected body governing the Association as provided by North Carolina corporate law.

SECTION 2.4 "Common Areas": shall mean all real and personal property now or hereafter owned by the Association for the common use and enjoyment of the Owners. The Board of Directors may promulgate reasonable Rules and Regulations, from time to time, conditioning the use of Common Areas and other amenities.

SECTION 2.5 "Common Expenses": shall mean the actual and estimated expenses of operating, managing and maintaining the Association and its real and personal property, including such reserve funds as may be found necessary or desirable by the Board of Directors.

SECTION 2.6 "Community-Wide Standards": shall mean the architectural, landscape, arboreal, vegetative and aesthetic standards of the Fox Hill Farm Community as determined and promulgated by the Design Review Committee, from time to time.

SECTION 2.7 "Declaration": shall mean the Declaration of Covenants, Conditions and Restrictions for Fox Hill Farm, as amended, from time to time, which is duly recorded in the Office of the Register of Deeds of Orange County, North Carolina. This corporation is the Association referred to in the said Declaration.

SECTION 2.8 "Design Review Committee": shall mean the committee appointed by the Board of Directors, from time to time, to establish Community—Wide Standards for the construction, alteration or improvement of property within the Fox Hill Farm Community.

SECTION 2.9 "Member": shall mean and refer to a Person who is a Member of the Association. All Owners of Lots shall be Members of the Association.

SECTION 2.10 "Owner": shall mean one or more Persons who hold record title to any Lot which is part of the Properties, but excluding in all cases any party holding an interest merely as security for the performance of an obligation. If a Lot is sold under a recorded contract of sale, the purchaser (rather than the fee Owner) will be considered the Owner. For the purpose of these Bylaws, the Owner of a Residential Unit within an apartment building shall be as follows: (A) for the purpose of voting and assessments, the record Owner of the apartment building or buildings; and (B) for the purpose of use and enjoyment of common facilities and amenities

which are part of the Common Areas, the Person residing in the Residential Unit.

SECTION 2.11 "Person": shall mean a natural person, a corporation, a partnership, trustee or other legal entity and the heirs, successors and assigns thereof.

SECTION 2.12 "Properties": shall mean and refer to the real property which is now subject to the Declaration and to such additional real property as may hereafter be subjected to 'the Declaration by the Declarant, Randolph D. Fox, his heirs, successors or assigns.

SECTION 2.13 "Residential Unit": shall mean the portion of the Properties intended for use and occupancy as a residence and shall include, but not be limited to, condominium units, apartment units, single family detached housing and lots, and patio or zero lot line housing and lots. The term Residential Unit includes a vacant lot. Each lot, as originally platted and recorded in the Office of the Register of Deeds of Orange County, North Carolina, shall always be considered to be a separate Residential Unit regardless of whether the lot is subdivided or whether a dwelling is built upon one or more lots. The term Residential Unit shall not include any commercial space which might be subject to all or part of the Declaration.

ARTICLE THREE

THE ASSOCIATION

SECTION 3.1 Membership: Every Person who is the record Owner of a fee simple interest or an undivided fee simple interest in a Residential Unit that is subject to the Declaration shall automatically be a Member of the Association. Membership shall be appurtenant to and may not be separated from such ownership. Members agree to be bound by the terms and provisions of the Declaration, the Bylaws of the Association and such Rules and Regulations as shall be promulgated, from time to time, by the Board of Directors. Membership in the Association shall cease upon termination of an Owner's fee simple interest in said real property or upon recordation of a Contract of Sale as provided in the Declaration. Provided, however, that a Member shall not include any Person who holds an interest merely as security for the performance of an obligation and the granting of a security interest in a Residential Unit shall not terminate the Owner's membership. No Owner, whether one or more Persons, shall have more than one membership per Residential Unit owned. The rights and privileges of membership, including the right to vote, may be exercised by the Member, but in no event shall more than one (1) vote be cast for each particular Residential Unit. Each dwelling unit in an apartment building shall be considered a separate Residential Unit. Such membership shall be appurtenant to the Residential Unit giving rise to such membership and shall not be assigned, transferred,

pledged, hypothecated, conveyed or alienated in any way except upon the transfer of title to such Residential Unit. Any attempt to make a prohibited transfer shall be void. Any transfer of title to a Residential Unit shall operate automatically to transfer the membership in the Association appurtenant thereto to the new Owner thereof. Each Member shall be subject to the Bylaws of the Association and any Rules and Regulations of the Association and the provisions of the Declaration, all as may be amended, from time to time.

SECTION 3.2 Classes of Membership and Voting: The Association shall have two (2) classes of membership, Class "A" and Class "B", defined as follows:

(A) Class "A": The Class "A" Members shall be all Owners with the exception of Class "B" Members, if any. Class "A" Members shall be entitled to one (1) vote for each Residential Unit in which they hold the interest required for membership provided for in the Declaration. There shall be only one (1) vote per Residential Unit. When more than one Person or an entity holds such interest in any Residential Unit, the vote for such Residential Unit shall be exercised by the Person specifically designated in a writing delivered to the Secretary of the Association prior to any Association meeting. The Person designated shall continue to have the right to exercise the vote for such Residential Unit until such time as the said

authorization is revoked by the Owners in a writing delivered to the Secretary of the Association. The Board of Directors shall have authority to promulgate Rules and Regulations, from time to time, regarding the format and signatures required to designate the voting Member. Failure to designate the Person who shall exercise the vote for such Residential Unit or an attempt to exercise said vote by more than one person or entity shall result in the automatic suspension of said Residential Unit's vote. This suspension shall continue in effect until the Person designated in a writing delivered to the Association by the Owner(s) is the only Person attempting to exercise the vote.

An Owner of a Residential Unit which is leased may, in the lease or other written instrument, assign the voting right appurtenant to that Residential Unit to the lessee, provided that a signed copy of the lease or other written instrument is delivered to the Secretary of the Association. The lessee shall, have this voting right during the time period set forth in the lease or other written instrument conferring such right, or if no time is set forth therein, then the lessee shall have the right to vote until his lease expires or the Owner revokes such right in a writing delivered to the Secretary of the Association.

(B) Class "B": The Class "B" Member shall be Randolph D. Fox, his heirs, successors and assigns, and he shall originally be entitled to Two Thousand (2,000) votes. The number of Class "B" votes shall be decreased by one (1) vote for each vote to which the Class "A" Members are entitled at any one time. The Class "B" Member shall be entitled to vote on any matter upon which Class "A" Members may vote. In any event, the Class "B" membership shall terminate and automatically be converted into Class "A" membership upon the happening of the first to occur of the following:

(1) Twelve o'clock noon, local time, on December 31, 2015; or

(2) When in his discretion Randolph D. Fox or his successor so determines.

From and after the happening of the first to occur of the above events, the Class "B" Member shall be deemed to be a Class "A" Member entitled to one (1) vote for each Residential Unit which he owns. The Association shall advise the Class "A" Members of the happening of the first to occur of the above events.

SECTION 3.3 Transferability of Membership: Class "A" membership shall be appurtenant to and may not be separated from ownership of a Residential Unit and such membership may not be assigned, transferred, pledged, hypothecated, conveyed or alienated except upon the transfer of title to such Residential Unit. Any attempt

to make a prohibited transfer shall be void. A transfer of title to a Residential Unit shall operate automatically to transfer the Class "A" membership in the Association.

The Class "B" membership may be conveyed, transferred or alienated as provided in the Declaration.

Nothing herein contained shall be construed to give the general public a right of ingress or egress over any portion of the Common Areas.

SECTION 3.4 New Members: As additional land is annexed and subjected to the terms and conditions of the Declaration, the owners of Residential Units within such annexed land shall automatically become Members of the Association effective upon annexation.

SECTION 3.5 Annual Meeting: An annual meeting of the Association shall be held on the second Monday of November of each year for the purpose of electing the Board of Directors, approving the annual budget and for the transaction of such other business as may properly come before the meeting.

SECTION 3.6 Special Meetings: The President of the Association may call a special meeting at any time. In addition, it shall be the duty of the President to call a special meeting of the Association if so directed by a resolution of a majority of a quorum of the

Board of Directors or upon a petition signed by the Class "B" Member or a petition signed by not less than twenty-five percent (25%) of the Class "A" Members.

SECTION 3.7 Notice of Meetings: Written or printed notice stating the place, day and hour of a meeting of Members shall be delivered personally or by deposit in the United States mail, not less than ten (10) days nor more than thirty (30) days before the date of the meeting, to each person entitled to vote at such meeting.

In the case of an annual or substitute annual meeting, the notice of meeting need not specifically state the business to be transacted unless it is a matter on which the vote of the Members is expressly required by the provisions of the Declaration. In the case of a special meeting, the notice of meeting shall specifically state the purposes for which the meeting is called.

When a meeting is adjourned for thirty (30) days or more, notice of the adjourned meeting shall be given as in the case of an original meeting. When a meeting is adjourned for less than thirty (30) days in any one adjournment, it is not necessary to give any notice of the adjourned meeting other than by announcement at the meeting at which the adjournment is effective.

SECTION 3.8 Quorum: Except as may be otherwise provided in the Declaration or these Bylaws, the presence in person or by proxy at any meeting of the voting Members having a majority of the total votes of each class shall constitute a quorum. Unless otherwise

expressly provided herein or in the Declaration, any action may be taken at any meeting of the Association at which a quorum is present upon the affirmative vote of the voting Members of each class having a majority of the total votes present at such meeting. If there is no quorum at the opening of the meeting of the Association, such meeting may be adjourned from time to time by the vote of a majority of the voting Members present, either in person or by proxy, and at any adjourned meeting at which a quorum is present any business may be transacted which might have been transacted at the original meeting.

The voting Members at a meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough voting Members to leave less than a quorum.

SECTION 3.9 Waiver of Notice: Any Member may, at any time waive notice of any meeting of the Association in writing, and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a Member at any meeting of the Association shall constitute a waiver of notice by him of the time and place thereof except where the Member attends a meeting for the express purpose of objecting to the transaction of any business because the meeting was not lawfully called. If all the Members are present at any meeting of the Association, no notice shall be required and any business may be transacted at such meeting.

SECTION 3.10 Informal Action by Members: Any action which may be taken at a meeting of the Association may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the persons who would be entitled to vote upon such action at a meeting, (that is, the voting Members) and filed with the Secretary of the Association to be kept in the Association Minute Book.

SECTION 3.11 Order of Business: The order of business at annual meetings of the Association's Members, and as far as practical at other meetings of the Members, shall be:

(A) Calling of the roll and certifying of proxies;

(B) Proof of notice of meeting or waiver of notice;

(C) Reading and disposal of any unapproved minutes;

(D) Reports of officers;

(E) Reports of committees;

(F) Election of directors;

(G) Unfinished business;

(H) New business; and

(I) Adjournment.

SECTION 3.12 Rules and Regulations: Members shall at all times comply with the Rules and Regulations of the Association and amendments thereto, and use their best efforts to see that said

Rules and Regulations are faithfully observed by lessees, employees, invitees and persons over whom they have or may exercise control and supervision.

ARTICLE FOUR

BOARD OF DIRECTORS

SECTION 4.1 Number, Term and Qualification: The number of Directors shall be not less than three (3) or more than nine (9) and shall be elected by the Members at the annual meeting of the membership of the Association. The exact number of Directors shall be determined by the Members each year at the annual meeting. At the first annual meeting of the Members, the term of office of one-third (1/3) of the Directors shall be fixed for three (3) years, the term of office of another one-third (1/3) of the Directors shall be fixed at two (2) years and the term of office of another one-third (1/3) of the Directors shall be fixed at one (1) year. At the expiration of the initial term of office of each respective Director, his successor shall be elected to serve a term of three (3) years. A director need not be an Owner.

SECTION 4.2 Election of Directors: Except as provided in Section 4.4, the Directors shall be elected at the annual meeting of the Association. Those persons who receive the highest number of votes shall be deemed to have been elected. A Director shall continue to hold office until his successor has been duly elected.

SECTION 4.3 Removal: Directors may be removed from office with or without cause by affirmative vote of the Members having a majority of the total votes of each class entitled to vote at an election of Directors. However, unless the entire Board is removed, an individual Director may not be removed if the number of votes against the removal would be sufficient to elect a Director if such votes were voted cumulatively at an annual meeting. If any Directors are so removed, new Directors may be elected at the same meeting.

SECTION 4.4 Vacancies: A vacancy occurring in the Board of Directors, including Directorships not filled by the Members, may be filled by a majority of the remaining Directors, though less than a quorum, or by the sole remaining Director. However, a vacancy created by an increase in the authorized number of Directors shall be filled only by election at an annual meeting or a special meeting of the Members called for that purpose. The Members may elect a Director at any time to fill any vacancy not filled by the Directors.

SECTION 4.5 Compensation: The Board of Directors shall receive no compensation for their services unless expressly authorized by the Board of Directors and approved by Members of each class having two-thirds (2/3) of the total votes.

SECTION 4.6 Executive Committee: The Board of Directors may, by resolution adopted by a majority of the Directors, designate two (2) or more Directors to constitute an Executive Committee, which Committee to the extent provided in such resolution shall have and may exercise all of the authority of the Board of Directors in the management of the Association.

SECTION 4.7 Powers and Duties: The Board of Directors shall have all powers necessary or desirable for the administration of the affairs of the Association and may take any action not otherwise precluded by law, by the Declaration or by these By-Laws. Such powers and duties of the Board of Directors shall include, but not be limited to, the following:

(A) To determine and levy Assessments to cover the cost of Common Expenses and capital expenditures. The Board of Directors may increase the General Assessment or authorize a Special Assessment, if required, to meet any additional expenses;

(B) To operate, maintain and care for the Common Areas and Association property;

(C) To open bank accounts on behalf of the Association and to designate the signatories to such bank accounts;

(D) To insure and to keep insured the Common Areas and other Association property;

(E) To provide Directors' and Officers' liability insurance for errors and omissions in their capacity as such;

(F) To enforce the terms of the Declaration, the Restrictive Covenants affecting any property in Fox Hill Farm Community, the Community-Wide Standards, these Bylaws and such Rules and Regulations as the Board of Directors may adopt, from time to time;

(G) To promulgate, from time to time, Rules and Regulations for the operation and use of the Common Areas, the Association property and the operation and maintenance of the Fox Hill Farm Community. A copy of such Rules and Regulations, as amended, shall be mailed to each Owner as soon as practical after their adoption;

(H) To collect delinquent Assessments by suit or otherwise;

(I) To abate nuisances and to enjoin or seek damages from any Person violating, or attempting to violate, the terms of the Declaration, any applicable Restrictive Covenants or these Bylaws;

(J) To organize corporations or other entities to act as a nominee of the Association in acquiring title to real property;

(K) To enter into contracts and generally exercise the powers conferred upon non-profit corporations under the laws of the State of North Carolina;

(L) To bring actions against and to defend actions by any Owner. The Board of Directors may fund the cost of such litigation out of either General or Special Assessments. The Association may also engage in any litigation it deems

necessary or desirable to carry out the provisions of the Declaration, these Bylaws, the Community-Wide Standards and any Rules and Regulations of the Association, all as may be amended, from time to time.

(M) To grant and convey to any third party easements and rights-of-way in, on, over or under the Common Areas for the purposes of constructing, operating or maintaining thereon, therein or thereunder: (1) underground or overhead lines, cables, wires or other devices for the transmission of electricity and for lighting, heating, power, telephone, cablevision and other appropriate purposes and (2) public sewers, storm water drains, water systems, gas lines or any similar public or quasi-public improvements or facilities; and

(N) To borrow money on behalf of the Association for the construction, upkeep and maintenance of the Common Areas.

ARTICLE FIVE

MEETINGS OF DIRECTORS

SECTION 5.1 Organization Meeting: The organizational meeting of the newly elected members of the Board of Directors shall immediately follow the initial meeting of the Members. No notice shall be necessary to the newly elected members of the Board of Directors in order to legally constitute such meeting, providing a quorum shall be present.

SECTION 5.2 Regular Meeting: A regular meeting of the Board shall be held immediately after, and at the same place as the annual meeting or substitute annual meeting of the Members. In addition, the Board of Directors may provide by resolution the time and place within the State of North Carolina for the holding of a regular meeting of the Board.

SECTION 5.3 Notice of Meetings: Regular meetings of the Board of directors may be held without notice. Special meetings of the Board of Directors may be called by the Chairman, the President of the Association or by any two (2) Directors. The person or persons calling a special meeting of Directors shall, at least 24 hours before the meeting, give notice thereof by any usual means of communication. Such notice need not specify the purpose for which the meeting is called.

SECTION 5.4 Waiver of Notice: Any member of the Board of Directors 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 of Directors shall constitute a waiver of notice by him of the time and place thereof except where a Director attends the meeting for the express purpose of objecting to the transaction of any business because the meeting was not lawfully called. If all

the Members of the Board of Directors are present at any meeting of the Board, no notice shall be required and any business may be transacted at such meeting.

SECTION 5.5 Quorum: A majority of the number of Directors fixed by these Bylaws, as amended from time to time, shall be required for and shall constitute a quorum for the transaction of business at any meeting of the Board of Directors.

SECTION 5.6 Manner of Acting: Except as otherwise provided in this section, the act of the majority of Directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.

SECTION 5.7 Organization: Each meeting of the Board of Directors shall be presided over by the Chairman of the Board, and in the absence of the Chairman, by any person selected to preside by vote of the majority of the Directors present. The Secretary, or in his absence, an Assistant Secretary, or in the absence of both the Secretary and Assistant Secretary, any person designated by the Chairman shall act as secretary of the meeting.

SECTION 5.8 Informal Action of Directors: Action taken by the Directors without a meeting is nevertheless Board action if written consent to the action in question is signed by all of the Directors

and filed with the minutes of the proceedings of the Board, whether done before or after the action so taken.

SECTION 5.9 Minutes: The Board shall keep written minutes of its proceedings.

SECTION 5.10 Fidelity Bonds: The Board of Directors may require officers and employees of the Association handling or responsible for Association funds to be covered by adequate fidelity bonds. The premium for such bonds shall constitute a Common Expense.

SECTION 5.11 Liability of the Board: The members of the Board of Directors shall not be liable to the Members of the Association for any mistake of judgment, negligence or otherwise, except for their own individual willful misconduct or bad faith. It is intended that the members of the Board of Directors shall have no personal liability with respect to any contract made by them on behalf of the Association. Every agreement authorized or approved on behalf of the Association shall incorporate by reference all of the terms and provisions of the said Declaration and these Bylaws.

SECTION 5.12 Amendments to Bylaws:

(A) Except as otherwise provided herein, these Bylaws may be amended or repealed and new Bylaws may be adopted by the affirmative vote of a majority of the Directors. However, the Board of Directors shall have no power to adopt a

Bylaw: (1) requiring more than a majority of the votes cast to constitute action by the Members of the Association, except where higher percentages are otherwise required; (2) providing for the management of the Association otherwise than by the Board of Directors or its Executive Committee; (3) increasing or decreasing the number of Directors; or (4) classifying and staggering the election of Directors.

(B) A resolution amending, adopting or repealing any Bylaw may also be proposed by the Members of the Association. Members not present in person or by proxy at the meeting considering the said amendment, adoption or repeal may express their approval or disapproval in writing, providing such notice is delivered to the Secretary at or prior to the meeting of the Members called for such purpose. Such approval must be by the affirmative vote of at least sixty percent (60%) of both the Class "A" and Class "B" Members.

(C) A copy of each amendment to the Bylaws shall be certified by the Secretary of the Association as having been duly adopted and shall be effective as of the date of adoption by the Board of Directors or the Members.

SECTION 5.13 Adjourned Meetings: If at any meeting of the Board of Directors, there be less than a quorum present, the majority of those present may adjourn the meeting from time to time until a

quorum is present. At any adjourned meeting any business that might have been transacted at the meeting as originally called may be transacted without further notice.

SECTION 5.14 Order of Business: The order of business at the annual meeting of the Board of Directors and as far as practical at other meetings of the Directors shall be:

(A) Calling of roll;

(B) Proof of due notice of meeting or waiver of notice;

(C) Reading and disposal of any unapproved minutes;

(D) Reports of officers and committees;

(E) Election of officers;

(F) Unfinished business;

(G) New business; and

(H) Adjournment.

ARTICLE SIX

OFFICERS

SECTION 6.1 Number: The officers of the Association shall be a President, who shall also be a Director, one or more Vice Presidents, a Treasurer, a Secretary and such Assistant Treasurers, Assistant Secretaries and other officers as the Board of Directors may from time to time determine. Any person may hold two or more offices except that the President shall not also be the Secretary or an Assistant Secretary.

SECTION 6.2 Election and Term: The officers of the Association shall be elected by the Board of Directors. Such elections may be held at the annual meeting of the Board or at a special meeting called for that purpose. Each officer shall hold office for a period of one (1) year or until his death, resignation, retirement, removal, disqualification or his successor is duly elected by the Board of Directors.

SECTION 6.3 Removal: Any officer elected by the Board of Directors may be removed by the Board with or without cause; but such removal shall be without prejudice to the contract rights, if any, of the person so removed.

SECTION 6.4 Compensation: The compensation of all officers of the Association shall be fixed by the Board of Directors.

SECTION 6.5 President: The President shall be the chief executive officer of the Association and shall exercise general supervision over its property and affairs. He shall sign on behalf of the Association all conveyances, mortgages, deeds of trust and material contracts, and shall do and perform all acts and things that the Board of Directors may direct from time to time. The President shall be invited to attend meetings of each committee, and shall in each case, be an ex-officio member of each committee.

SECTION 6.6 Vice Presidents: The Vice President, or the Senior Vice President if there be more than one Vice President, in the absence or disability of the President, shall exercise all of the powers and perform all of the duties of the President or as may be directed by the Board of Directors. If the Board of Directors shall elect more than one Vice President, the Board shall designate the order of seniority of such Vice Presidents.

SECTION 6.7 Secretary: The Secretary shall keep accurate records of the acts and proceedings of all meetings of Members and the Board of Directors. He shall give, or cause to be given, all notices required by law and by these Bylaws. He shall have general charge of the minute books, seal and records of both the Members and the Board. He shall sign such instruments as may require his signature, and, in general, shall perform all duties incident to the office of Secretary and such other duties as may be assigned to him, from time to time, by the Directors or the President. An Assistant Secretary may be elected who shall in the event of the Secretary's absence or disability perform the duties and functions of the Secretary.

SECTION 6.8 Treasurer: The Treasurer shall have custody of all Association funds and securities and shall receive, deposit or disburse the same under the direction of the Board of Directors or the President. He shall keep full and accurate accounts of the finances of the Association in books especially provided for that

purpose. He shall cause a true statement of its assets and liabilities as of the close of each fiscal year, and of the results of its operations and of changes in surplus for such fiscal year, all in reasonable detail, to be prepared and distributed to all Members and to members of the Board of Directors on or before the 15th day of the third month following the close of each fiscal year. The statement so filed shall be kept available for inspection by a Member for a period of three (3) years. The Treasurer shall also prepare and file all reports and returns required by Federal, State or local law and shall generally perform all other duties that may be assigned to him, from time to time, by the President or the Board of Directors. The Treasurer, under the direction of the Board of Directors, shall also be responsible for determining the annual operating and capital budgets and for recommending to the Board of Directors the amount of any General or Special Assessments. An Assistant Treasurer may be elected who shall in the event of the Treasurer's absence or disability perform the duties and functions of the Treasurer.

SECTION 6.9 Bonds: The Board of Directors may by resolution, require any or all officers, agents and employees of the Association to give bond to the Association, with sufficient sureties, conditioned on the faithful performance of the duties of their respective offices or positions, and to comply with such other conditions as may, from time to time, be required by the Board of Directors.

ARTICLE SEVEN

ASSESSMENTS

SECTION 7.1 Assessments: Each Member is obligated to pay to the Association such Assessments for the upkeep, maintenance and expenses of the Common Areas, insurance costs and operating expenses of the Association as shall be determined by the Board of Directors from time to time. There shall be two kinds of Assessments, namely:

(A) General Assessments; and

(B) Special Assessments.

All Assessments shall be authorized by the Board of Directors.

SECTION 7.2 General Assessments: General Assessments levied by the Association each year shall be used for the improvement, operation and maintenance of the Association property and to promote the recreation, safety and welfare of the Members. These Assessments shall be adequate to finance the operation and activities of the Association, to maintain the Common Areas and to maintain adequate repair and replacement reserves. General Assessments shall be allocated equally among all Residential Units subject to this Declaration. Each apartment in a multi-family structure shall be considered a separate Residential Unit for purposes of assessing the Owner of the land upon which the multi-family structure is built.

SECTION 7.3 Special Assessments: In addition to General Assessments, the Association may levy a Special Assessment or Assessments during any fiscal year for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, unexpected repair or replacement of a capital improvement upon the Common Areas, including the necessary fixtures and personal property related thereto or for any other matter deemed necessary or desirable by the Board of Directors. A Special Assessment must be approved by not less than two-thirds (2/3) of the total number of Directors.

SECTION 7.4 Personal Obligation for Assessments: Each of the aforementioned Assessments, together with interest, costs and reasonable attorney's fees, shall also be the personal obligation of the Person or Persons who was (were) the Owner(s) of such Residential Unit at the time the Assessment was levied. No first mortgagee who obtains title to a Residential Unit pursuant to the remedies provided in his mortgage shall be liable for unpaid Assessments which accrued prior to the said mortgagee's acquisition of title. If two or more Owners subdivide a lot that lies between them, each such Owner shall be jointly and severally liable for any and all Assessments levied against such lot. The subdivided lot shall continue to be a Residential Unit for all purposes. Assessments shall be paid in such manner and on such dates as may be determined by the Board of Directors, from time to time. The Board

of Directors shall also have authority to accelerate the balance owed on any Assessment if an Owner is delinquent in making the required payments.

SECTION 7.5 Computation of General Assessments: It shall be the duty of the Board of Directors, at least thirty (30) days prior to the Association meeting at which the budget shall be presented to the membership, to prepare an operating budget covering the estimated costs of operating the Association during the coming year. The budget may establish a reserve fund or funds in accordance with a separately prepared capital budget. The Board of Directors shall cause a copy of the proposed budget and the amount of the General Assessment to be levied against each Residential Unit for the following year to be delivered to each Member at least fifteen (15) days prior to the Association meeting called for the purpose of approving the budget. The said budget and the said Assessments shall become effective unless disapproved by the vote of at least fifty-one percent (51%) of the vote of all then existing classes of Members of the Association at a meeting of the Members called for that purpose.

In the event the Members disapprove the proposed budget or the Board of Directors should fail, for any reason, to prepare and submit a budget for the succeeding year, then, and until such time as a budget shall have been determined as provided herein, the

budget in effect for the then current year shall continue in force. In addition, the prior year's Assessment shall remain in force until a new budget is approved.

SECTION 7.6 Capital Budget: The Board of Directors shall annually prepare a capital budget which shall take into account the number and nature of replaceable assets, the expected life of each asset and the expected repair or replacement cost of same during the succeeding fiscal year. The Board of Directors shall establish the amount sufficient to permit the Association to satisfy its projected capital needs, as presented in the capital budget. The amount so determined by the Board of Directors shall be included within the budget and Assessments as provided in this Article Seven. A copy of the capital budget shall be distributed to each Member in the same manner as the operating budget.

SECTION 7.7 Lien for Assessments: If an Assessment, of any kind, is not paid within sixty (60) days of the due date established by the Board of Directors, the said Assessment shall be delinquent and subject to an interest charge at the maximum interest rate permitted by law. The interest shall be computed from the due date of the payment until the delinquent payment or payments are paid in full. Any Assessment remaining unpaid for more than sixty (60) days, together with interest, costs of collection thereof and reasonable attorney's fees shall constitute a lien upon the delinquent Residential Unit when filed of record in the Office of the Clerk of

Superior Court of Orange County, North Carolina, in the manner provided for in the General Statutes of North Carolina, as amended. This lien may be enforced by the Association in the manner provided by law. The Association shall have the power to bid for and acquire title to a Residential Unit at a foreclosure sale and may then hold, lease, mortgage and convey the same. If the Association acquires title to a Residential Unit under this Section then:

(A) no right to vote shall be exercised on its behalf;

(B) no Assessments shall be levied against such Residential Unit; and

(C) each other Residential Unit shall be charged, in addition to its usual Assessment, its pro rata share of the Assessment that would have been charged said Residential Unit if it had not been acquired by the Association in a foreclosure sale.

Suit to recover a money judgement for unpaid Assessments and attorney's fees shall be maintainable without foreclosing or waiving the lien securing same. Any Member who is delinquent in paying an Assessment may have his voting rights suspended until such time as the said Member is no longer delinquent. The lien for Assessments provided for herein shall not be subordinate to the lien of any mortgage or deed of trust except the lien of a first mortgage or deed of trust given and made in good faith and for value that is of record as an encumbrance against said Residential Unit prior to the recordation of a claim of lien for Assessments as provided for herein. The sale, conveyance or other transfer of a Residential

Unit shall not affect the lien for Assessments provided for herein nor shall such sale, conveyance or other transfer diminish or defeat the personal obligation of the Owner for delinquent Assessments as provided in this Article Seven. However, a sale or transfer of a Residential Unit pursuant to a foreclosure, or other judicial sale or proceeding in lieu of foreclosure, of a first mortgage or deed of trust shall extinguish the lien for Assessments against said Residential Unit which arose prior to the time of said foreclosure sale or transfer. Liens on account of Assessments which become due after such sale or transfer shall attach, be created, become effective and be foreclosed in accordance with the terms of this Article Seven and the General Statutes of North Carolina.

SECTION 7.8 Property Not Subject to Assessment: The following real property subject to the Declaration shall be exempt from the Assessments created herein:

(A) Portions of the Properties dedicated to any public authority or agency; and

(B) Common Areas.

SECTION 7.9 Mortgagee Protection Clause: No breach of the covenants, conditions or restrictions herein contained, nor the enforcement of any lien provisions herein shall defeat the lien of any first mortgage or deed of trust made in good faith and for value; provided, however, said first mortgage or deed of trust was recorded in the Office of the Register of Deeds of Orange County,

North Carolina, prior to the recording in said Office of a claim of lien for Assessments by the Association. However, all of said covenants, conditions and restrictions shall be binding upon and effective against any Member, his heirs, successors and assigns whose title is derived through foreclosure or other judicial sale or conveyance in lieu of foreclosure of any said first mortgage or deed of trust.

ARTICLE EIGHT

DESIGN REVIEW COMMITTEE

SECTION 8.1 Design Review Committee: The Board of Directors shall appoint a Design Review Committee (hereinafter sometimes referred to as "DRC") each year consisting of not less than three Persons, none of whom need be a Member of the Association. The DRC shall establish and promulgate, from time to time, the Community-Wide Standards for construction or alteration of Residential Units, landscaping, arboreal and vegetative requirements of Fox Hill Farm Community. The said Community-Wide Standards shall be made available by the Association to Owners, builders and developers who seek to engage in development of or construction upon the Common Areas or the Properties, and they shall conduct their operations in accordance with this Article Eight and the said Standards. Community-Wide Standards are independently amendable by the DRC, from time to time, in accordance with the terms set forth therein and any amendments thereto shall not constitute nor require an

amendment to these Bylaws. An amendment to the Community-Wide Standards shall be effective upon adoption by the DRC and need not be recorded in the Office of the Register of Deeds of Orange County, North Carolina. The DRC shall be subject to the jurisdiction and authority of the Board of Directors.

SECTION 8.2 Improvements and Alterations: Unless and until a plan of construction is approved by the DRC in writing, no structure or appurtenance thereto, whether of a temporary or a permanent nature and whether or not affixed to the ground, shall be commenced, erected, installed, added or permitted to remain on the Common Areas or the Properties. The plans for any grading and landscaping of property shall also require the prior written approval of the DRC.

Unless and until a plan of alteration is approved by the DRC in writing, no construction, alteration or repair, including, but not limited to, a change in exterior color of any structure, shall be undertaken which affects the external appearance of any improvements to the Common Areas, to a Residential Unit or to the Properties.

No building on the Common Areas or the Properties shall be utilized for a type of use other than that for which it was originally designed without the prior written approval of the DRC. In addition, mature live trees on the Properties, as defined in the Community-Wide Standards, may not be cut down or removed without the prior written approval of the DRC.

Nothing contained herein shall be construed to limit the right of an Owner to remodel the interior of his Residential Unit or to paint the interior thereof any color desired.

ARTICLE NINE

INSURANCE

SECTION 9.1 Ownership of Policies: All insurance policies upon the Common Areas and other Association property shall be purchased by the Association, or its agent, for the benefit of the Association, the Members and their mortgagees as their interests may appear. Members may, at their option, obtain additional insurance coverage at their own expense upon their own real and personal property, for their personal liability and such other coverage as they may desire.

SECTION 9.2 Property Insurance: All buildings and improvements upon the Association's property and all personal property included in the term "Common Areas" shall be insured in an amount equal to the maximum insurable replacement value, excluding foundation and excavation costs or by ninety percent (90%) co-insurance blanket coverage or by such other form of policy as the Board of Directors shall determine, from time to time. Such coverage shall afford protection against: (1) loss or damage by fire or other hazards covered by a standard extended coverage endorsement and (2) such other risks as the Board of Directors shall determine, including vandalism and malicious mischief.

SECTION 9.3 Public Liability Insurance: Public liability insurance shall be purchased by the Association, or its agent, in such amounts and with such coverage as the Board of Directors shall determine, from time to time, including but not limited to, an endorsement to cover the Members. The Association may also purchase such additional types of insurance as it deems necessary or desirable including an errors and omissions policy on behalf of the Directors.

SECTION 9.4 Premiums: Premiums for insurance policies purchased by the Association shall be paid by the Association and shall be assessed against the Members as Common Expenses.

SECTION 9.5 Proceeds: All insurance policies purchased by the Association shall be for the benefit of the Association, the Members and their mortgagees as their interest may appear. All insurance proceeds shall be payable to the Association as insurance trustee under this Declaration. The Association shall be the agent for every Person or entity having a beneficial interest in any insurance policy or the proceeds thereof. Exclusive authority to compromise and settle claims under insurance policies obtained by the Association on the Common Areas and Properties shall be vested in the Association. The Association is also authorized to execute and deliver releases to any insurance carrier upon payment of a claim.

SECTION 9.6 Distribution of Insurance Proceeds: Proceeds of insurance policies purchased by the Association shall be payable to the Association, its successors or assigns, as insurance trustee, and shall be distributed to or for the benefit of the Members in the following manner:

(A) Expenses of the Trust: All expenses of the insurance trustee shall be first paid or provisions made therefor.

(B) Reconstruction or Repair: If the damage or destruction for which the insurance proceeds are paid is to be repaired or reconstructed, the proceeds, or such portion thereof as may be required for such purposes, shall be paid to defray the costs thereof. Any insurance proceeds in excess of the amount required to pay for the costs of repairs or reconstruction of the insured property, shall be retained by and for the benefit of the Association and held in a reserve account for capital improvements.

(C) Failure to Reconstruct or Repair: If it is determined that the damage or destruction for which the insurance proceeds are paid shall not be repaired or reconstructed then the said proceeds shall be retained by and for the benefit of the Association and held in a reserve account for capital improvements.

ARTICLE TEN

DAMAGE AND DESTRUCTION

SECTION 10.1 Estimating Cost of Repairs: Immediately after the damage or destruction of all or any part of the Common Areas covered by insurance written in the name of the Association, the Association shall file and settle all claims arising under such insurance policies and obtain detailed estimates of the cost of repair or reconstruction of the damaged or destroyed Common Areas.

SECTION 10.2 Property to be Repaired or Reconstructed: Any damage or destruction to the Common Areas insured by the Association shall be repaired or reconstructed unless at least seventy-five percent (75%) of the voting Members of each Class of Member of the Association shall vote not to repair or reconstruct the damaged property within ninety (90) days after the damage or destruction. No mortgagee shall have the right to participate in the determination of whether the damage or destruction shall be repaired or reconstructed.

SECTION 10.3 Property not to be Repaired or Reconstructed: In the event that it is determined that the damage or destruction of Association property shall not be repaired or reconstructed and no alternative improvements are authorized, then, and in that event, the said property shall be restored to its natural state and maintained as an undeveloped portion of land by the Association.

SECTION 10.4 Insufficient Insurance Proceeds: If the damage or destruction for which the insurance proceeds are paid is to be repaired or reconstructed and if the said proceeds are insufficient to defray the costs thereof, the Board of Directors may levy a Special Assessment against all Members in proportion to the number of Residential Units owned by such Members. Additional Assessments may be made at any time during or following the completion of any repair or reconstruction to cover the costs of same.

ARTICLE ELEVEN

CONTRACTS, LOANS AND DEPOSITS

SECTION 11.1 Contracts: The Board of Directors may authorize any officer or officers, agent or agents, to enter into any contract or execute and deliver any instrument on behalf of the Association, and such authority may be general or confined to specific instances.

SECTION 11.2 Loans: No loans shall be contracted on behalf of the Association and no evidence of indebtedness shall be issued in its name unless authorized by a resolution of the Board of Directors. Such authority may be general or confined to specific instances.

SECTION 11.3 Checks and Drafts: All checks, drafts or other orders for the payment of money issued in the name of the Association shall be signed by such officers or agents of the Association and in such

manner as shall, from time to time, be determined by resolution of the Board of Directors.

SECTION 11.4 Deposits: All funds of the Association not otherwise employed, shall be deposited, from time to time, to the credit of the Association in such depositories as the Board of Directors shall direct.

ARTICLE TWELVE

GENERAL PROVISIONS

SECTION 12.1 Seal: The corporate seal of the Association shall consist of two concentric circles between which is the name of the Association and in the center of which is inscribed SEAL, and such seal, as impressed on the margin hereof, is hereby adopted as the corporate seal of the Association.

SECTION 12.2 Waiver of Notice: Whenever any notice is required to be given to any Members or Directors under the provisions of the North Carolina Nonprofit Corporation Act or under the provisions of the charter or Bylaws of this Association, a waiver thereof in writing signed by the person or persons entitled to such notice, whether before of after the time stated therein, shall be equivalent to giving of such notice.

SECTION 12.3 Indemnification: Any person who at any time serves as a Director, officer, employee or agent of the Association or in such capacity at the request of the Association for any other association, partnership, joint venture, trust or other enterprise, shall not be liable to the Members for any mistake of judgment or negligence, except for their own individual willful misconduct or bad faith, and shall have a right to be indemnified by the Association to the fullest extent against: (A) reasonable expenses, including attorney's fees, actually and necessarily incurred by him in connection with any threatened, pending or completed action, suit or proceedings, whether civil, criminal, administrative or investigative, and whether or not brought by or on behalf of the Association, seeking to hold him liable by reason of the fact that he is or was acting in such capacity; and (B) reasonable payments made by him in satisfaction of any judgement, money decree, fine, penalty or settlement for which he may have become liable in any such action, suit or proceeding.

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

SECTION 12.4 Directors' and Officers' Liability Insurance: The Board of Directors may cause the Association to purchase and maintain "Directors' and Officers' Liability Insurance" for the benefit of any person who is or was serving as a Director, officer, employee or agent of this Association or for the benefit of any person who is or was serving at the request of the Association as a Director, officer, employee or agent of another association, partnership, joint venture, trust or other enterprise. This insurance may cover any liability incurred by such person in any capacity arising out of his status as such even if the Association would not otherwise have the power to indemnify him against that liability.

ARTICLE THIRTEEN

MISCELLANEOUS

SECTION 13.1 Gender: The use of the masculine gender in these Bylaws shall be deemed to refer to the feminine or neuter gender and the use of the singular shall be deemed to refer to the plural, and vice versa, whenever the context so requires.

SECTION 13.2 Waiver: No provision contained in these Bylaws shall be deemed to have been waived by reason of any failure to enforce same, irrespective of the number of violations or breaches which may occur.

SECTION 13.3 Invalidity: Invalidation of any of these Bylaws by judgment, court order, statute or ordinance shall in no way affect any of the remaining provisions hereof and the same shall continue in full force and effect.

SECTION 13.4 Captions: The captions herein are inserted only as a matter of convenience and for reference, and in no way define, limit or describe the scope of these Bylaws nor the intent of any provision hereof.

SECTION 13.5 Enforcement: Enforcement of Bylaws shall be by proceedings at law or in equity against any Person violating or attempting to violate any term or provision hereof, either to restrain violation thereof or to recover money damages therefor.

SECTION 13.6 Notice to Mortgagees: The Board of Directors may at the request of a mortgagee of a Member, report any unpaid Assessments due from such Member.

SECTION 13.7 Examination of Books and Records: Every Member or his representative shall have the right to examine the books and records of the Association during normal business hours and for a proper purpose.

SECTION 13.8 No Private Inurement: Except as may be permitted by law, no part of the earnings of the Association shall inure to the benefit of any officer, Director or Member of the Association. Upon dissolution of the Association, the assets thereof shall, after all of its liabilities and obligations have been discharged or adequate provision made therefor, be distributed to any other homeowner association or associations organized for purposes similar to those set forth in the Articles of Incorporation of the Association.

SECTION 13.9 Public Rights of Way: The Association shall maintain all plantings, trees, shrubbery and grass in any public or private street rights-of-way located within the Fox Hill Farm Community.

CONSENT TO ACTION WITHOUT MEETING

OF THE BOARD OF DIRECTORS OF

FOX HILL FARM MASTER HOMEOWNER ASSOCIATION, INC.

Pursuant to N.C. Gen. Stat. § 55A-8-21, we, the undersigned Directors of Fox Hill Farm Master Homeowner Association, Inc. (the "Association"), being all of the Directors of the Association, hereby adopt the following resolutions and take the following action by consent to action without meeting, by signing and giving this as our unanimous written consent thereto:

1) RESOLVED, that the Bylaws of Fox Hill Farm Master Homeowner Association, Inc. (the "Bylaws") do not specify the means by which voting Members may appoint proxies;

2) RESOLVED, that the Board has determined that the Bylaws should be amended so as to allow voting Members to utilize any and all means by which the North Carolina Nonprofit Corporation Act provides that members of a nonprofit corporation may appoint proxies.

3) RESOLVED, that, in accordance with the foregoing, the Bylaws shall be, and they hereby are AMENDED, as follows:

   A. The following provisions are hereby added to and incorporated into the Bylaws:

      "SECTION 3.9 Proxies: A voting Member may appoint one or more proxies to vote or otherwise act for him by signing an appointment form, either personally or by his attorney-in-fact.

A photocopy, telegram, cablegram, facsimile transmission, or equivalent reproduction of a writings appointing one or more proxies, shall be deemed a valid appointment form. In addition, a voting Member may appoint one or more proxies;

(A) By an electronic mail message or other form. of electronic, wire, or wireless communication that provides a written statement appearing to have been sent by the voting Member, or

(B) By any kind of electronic or telephonic transmission, even if not accompanied by written communication, under circumstances or together with information from which the Secretary of the Association can reasonably assume that the appointment was made or authorized by the voting Member."

B. Section 3.9 is hereby renumbered and redesignated as follows, "SECTION 3.10 Waiver of Notice:".

C. Section 3.10 is hereby renumbered and redesignated as follows, "SECTION 3.11 Informal Action by Members:".

D. Section 3.11 is hereby renumbered and redesignated as follows, "SECTION 3.12 Order of Business:".

E. Section 3.12 is hereby renumbered and redesignated as follows, "SECTION 3.12 Rules and Regulations:".

4) RESOLVED, that these resolutions and the action herein taken are effective as of October 1, 2007.

This the ***2nd*** day of October, 2007.

Randolph D. Fox

Catherine C. McGhee

Robert M. Sprouse

Cleve H. Reese

Virginia C. Wagner