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Prepared by & return to: McPherson & Maggilo

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BYLAWS
OF
HICKORY DOWNS OWNERS ASSOCIATION, INC.

a North Carolina Nonprofit Corporation
under the Laws of the State
of North Carolina

ARTICLE I. Identity

These are the Bylaws of Hickory Downs Owners Association, Inc., a North Carolina nonprofit corporation, (the "Association"), the Articles of Incorporation (the "Articles") of which have been filed in the office of the North Carolina Secretary of State.

For purposes of these Bylaws, terms specifically defined in the Declaration of Unit Ownership recorded in Book 1012, Page 73 Durham County Registry, Amended in Book 1044, Page 781 Durham County Registry, and further Amended in Book 1336, Page 363 Durham County Registry (the "Declaration") or in the Uniform Condominium Act, Chapter 47A, North Carolina Statutes (the "Uniform Condominium Act"), shall have the same meaning herein.

ARTICLE II. Qualifications and Responsibilities of Members

2.1 Members.

Each Unit Owner shall be a member of the Association, and shall remain a member until he ceases to be a Unit Owner.

2.2 More Than One Owner.

When there is more than one Unit Owner of a Unit, all such persons shall be members of the Association.

2.3 Registration.

It shall be the duty of each Unit Owner to register his name and the number of his Unit with the Secretary of the Association. If a Unit Owner does not so register, the Association shall be under no obligation to recognize his membership. This Section shall not be deemed to relieve any Unit Owner of any obligation to pay any Assessment or Special Assessment provided for under the Declaration of Unit Ownership and Amendments, the Articles of Incorporation or these Bylaws.

2.4 Prohibition of Assignment.

The interest of a member in the Association assets cannot be transferred or encumbered except as an appurtenance to his Unit.

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ARTICLE III. Members' Meeting and Voting

3.1 Place.

Meetings of the members shall be held at the registered office of the Association, or such other place within Durham County, North Carolina as may be designated from time to time by the Board.

3.2 Annual Meeting.

The members shall meet at least once each year as specified in the notice of such meeting given pursuant to Section 3.4. At each annual meeting the members shall elect members of the Board ("Directors") and may transact any other business properly coming before them. The Annual Meeting shall be held on the Second Tuesday of December, at 8:00 P.M., at a place designated by the Board of Directors. In the event that the Annual Meeting shall not be held on the day designated by these Bylaws, a substitute Annual Meeting may be called in accordance with the provisions of Section 3.3 of this Article. A meeting so called shall be designated and treated, for all purposes, as the Annual Meeting.

3.3 Special Meetings.

Special meetings of the members may be called at any time by the President or by the Board or upon written request therefor signed by members of the Association entitled to cast at least Fifty percent (50%) of the total votes in the Association and delivered to any officer or Director of the Association. Such Special Meeting shall be held within thirty (30) days after such Request. No business shall be transacted at a special meeting except that which is stated in the notice thereof.

3.4 Notices.

Notice of all meetings of the members, stating the time and place, and accompanied by a complete agenda thereof, shall be given by the President or Secretary to each member. Such notice shall be in writing, and shall be hand delivered or sent by United States mail to the members at the addresses of their respective Units and to other addresses as any member may have designated to the President or Secretary, at least twenty-one (21) days in advance of any annual or regularly scheduled meeting and at least Fifteen (15) days in advance of any other meeting.

3.5 Quorum; Adjournment if no Quorum.

A quorum shall consist of members present, in person or by proxy, entitled to cast at least fifty-one percent (51%) of the total votes in the Association. If a quorum is not present, the

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meeting shall be adjourned from time to time until a quorum is present. Any meeting at which a quorum has been established to be present may continue, notwithstanding the withdrawal of enough voting members to leave less than a quorum present.

3.6 Votes; Association Shall Not Vote.

The total votes in the Association are allocated to Units by the Declaration. The vote allocated to a Unit may be cast by the Unit Owner of that Unit. When there is more than one Unit Owner of a Unit, the vote for that Unit shall be cast as they shall determine. The vote allocated to a Unit shall not be split but shall be voted as a single whole. The Association shall not be entitled to cast the vote allocated to any Unit owned by it.

3.7 Manner of Casting Votes.

Votes may be cast in person or by proxy: A proxy must be in writing, be signed by all Unit Owners of the Unit the vote of which is subject to the proxy, be given only to another member or to a First Mortgagee in that Unit, and be filed with the Secretary before the meeting. A proxy shall be valid until revoked in writing by all Unit Owners of such Unit or until such Owners convey all of their interest in such a Unit.

3.8 Required Votes.

All questions shall be decided by a majority of the votes cast on the questions, unless the provisions of applicable law, the Declaration or these Bylaws require a greater vote.

3.9 Waiver of Notice.

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

3.10 Action By Members Without Meeting.

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 meet-

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ing and filed with the Secretary of the Association to be kept in the minutes.

3.11 Prohibition of Cumulative Voting.
There shall be no cumulative voting.

ARTICLE IV. Directors

4.1 First Board.

The first Board shall consist of the six (6) persons elected by the members, whose names are set forth in the Articles, and successors to any thereof elected by the members.

4.2 Number and Qualifications of Directors.

The Board shall consist of not less than five (5) nor more than seven (7) natural persons, as determined at any annual meeting by the members. Each Director shall be a Unit Owner or the individual nominee of a Unit Owner which is other than an individual.

4.3 Election of Directors.

At the first annual meeting of the members, and at each subsequent annual meeting, the members shall elect the Directors by a majority of the votes cast in the election.

4.4 Term.

The terms of the Directors shall be staggered so that at least one (1) but not more than three (3) Directors are elected at any one meeting and so that no Director's term is less than one (1) year nor more than three (3) years. The Directors shall establish rules to implement the provisions of this section. Once elected, a Director shall hold office until his successor has been duly elected and has qualified or the Director has resigned.

4.5 Removal.

Any Director may be removed, with or without cause, by a vote of the members entitled to cast at least sixty (60) percent of the total votes in the Association, at a special meeting called for such purpose, and a successor may then be elected by the members to serve for the balance of the removed Director's term.

4.6 Vacancies.

Any vacancy in the Board arising by death or resignation of a Director shall be filled by act of the remaining Directors,

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whether or not constituting a quorum, and a Director so elected shall serve for the unexpired term of the predecessor in such office.

4.7 Regular Meetings.

Regular meetings of the Board may be held at such time and place as shall be determined by a majority of the Directors. Notice of regular meetings shall be given to each Director, personally or by mail, telephone, or telegraph, at least seven (7) days prior to the meeting.

4.8 Special Meetings.

Special meetings of the Board may be called by the President and shall be called by the President or the Secretary and held within ten (10) days after written request therefor signed by two (2) Directors is delivered to any other Director or the President or the Secretary. Not less than seventy-two (72) hours notice of such special meeting shall be given personally or by mail, telephone, or telegraph to each Director; provided that in case the President or any Director determines that an emergency exists, a special meeting may be called by giving such notice as is possible under the circumstances. All notices of a special meeting shall state the time, place and purpose thereof. No business shall be transacted at a special meeting except that which is stated in the notice thereof.

4.9 Quorum; Adjournment if No Quorum.

A majority of the Board shall constitute a quorum for the transaction of business at any meeting of the Board. If a quorum is not present, the meeting shall be adjourned from time to time until a quorum is present. The signing by a Director of the minutes of a meeting shall constitute the presence of such Director at that meeting for the purpose of determining a quorum.

4.10 Manner of Acting.

Each Director shall be entitled to one (1) vote. The act of a majority of the Directors present at a meeting shall constitute the act of the Board unless the act of a greater number is required by the provisions of applicable law, the Declaration or these Bylaws.

4.11 Board Action Without Meeting.

Any action that may be taken at a meeting of the Board may be taken without a meeting if such action is authorized in writing, setting forth the action taken, signed by all Directors.

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4.12 Compensation of Directors Restricted.

Directors shall receive no compensation for their services other than a stipend of \$10.00 per month, for active participation in management of the Condominium, to be paid in the form of a credit on their Unit Assessment. In no event shall any individual or entity be entitled to an aggregate compensation or credit of more than \$10.00 per month, no matter how many Units owned or whether entitled to such compensation as provided for to Officers in Paragraph 5.8 of these Bylaws (all compensation shall be aggregated to reach the maximum, exclusive of reimbursement for out-of-pocket expenses.) Additionally, Directors may be reimbursed for out-of-pocket expenses incurred in the performance of their duties as Directors in amounts in addition to the said compensation.

4.13 Powers and Duties of Board.

All of the powers and duties of the Association shall be exercised by the Board, including those existing under the common law, applicable statutes, the Act, the Declaration, the Articles, and these Bylaws, as any thereof may from time to time be amended. Such powers and duties shall be exercised in accordance with the provisions of applicable law, the Declaration, the Articles, and these Bylaws, and shall include, but not be limited to, the following:

- (a) To prepare and provide to members, by April 1 of each year, a report containing at least the following:
 - (i) A statement of any capital expenditures in excess of two (2) percent of the current budget or Three Thousand (\$3,000.00) Dollars, whichever is greater, anticipated by the Association during the current year or succeeding fiscal year.
 - (ii) A statement of the status and amount of any reserve or replacement fund.
 - (iii) A statement of the financial condition of the Association for the last fiscal year.
 - (iv) A statement of the status of any pending suits or judgments in which the Association is a party.
 - (v) A statement of the insurance coverage provided by the Association.

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- (vi) A statement of any unpaid assessments payable to the Association, identifying the Unit and the amount of the unpaid assessment.
- (b) To adopt and amend budgets and to determine and collect assessments to pay the Common Expenses.
- (c) To regulate the use of, and to maintain, repair, replace, modify and improve the Common Areas and Facilities; provided, however, exterior maintenance shall not include glass surfaces, screens, screen doors, exterior doors, window fixtures and other hardware and decks or patios, all of which shall be the responsibility of the respective unit owner(s).
- (d) To adopt and amend rules and regulations and to establish reasonable penalties for infraction thereof.
- (e) To enforce the provisions of the Declaration, the Articles, these Bylaws, the Act, and rules and regulations by all legal means, including injunction and recovery of monetary penalties.
- (f) To hire and terminate managing agents and to delegate to such agents such powers and duties as the Board shall determine, except such as are specifically required by the Declaration, the Articles, these Bylaws, or the Act, to be done by the Board or the members.
- (g) To hire and terminate agents and independent contractors.
- (h) To institute, defend, intervene in, or settle any litigation or administrative proceedings in its own name on behalf of itself or two (2) or more Unit Owners on matters affecting the Condominium, the Common Areas and Facilities, or more than one Unit.
- (i) To establish and dissolve and liquidate, from time to time, reserve accounts for any purpose.
- (j) To borrow money for the maintenance, repair, replacement, modification or improvement of Common Areas and Facilities and to pledge and pay assessments, and any and all other revenue and income, for such purpose.

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- (k) To buy Units, in foreclosure of an assessment lien, or at any other time or for any other reason, and to sell, lease, mortgage, and otherwise deal in Units from time to time owned by the Association.
- (l) To impose and receive payments, fees and charges, for the use, rental or operation of the Common Areas and Facilities other than the Limited Common Areas, except for stairways and other portions of the Common Areas and Facilities which provide access to the Units.
- (m) To grant leases, licenses, concessions and easements through and over the Common Areas and Facilities.
- (n) To impose and collect reasonable charges, including reasonable costs and attorneys' fees, for the evaluation, preparation and recordation of amendments to the Declaration, resale certificates required by the Act, or certificates of unpaid assessments.
- (o) To provide for indemnification of the Association's officers and Directors and maintain officers' and Directors liability insurance. *
- (p) To impose charges for late payment of assessments and, after notice and an opportunity to be heard, levy reasonable fines for violations of the Declaration, these Bylaws, or the rules and regulations.
- (q) To change the Registered Office and Appoint a new Registered Agent of the Corporation.
- (r) To keep and maintain written minutes of all meetings, resolutions, actions and proceedings.

ARTICLE V. Officers

5.1 Designation of Officers.

The officers of this Association shall be a President, a Vice President, a Secretary, and a Treasurer. Each officer shall be a Unit Owner or the individual nominee of a Unit Owner which is other than an individual. The Board may elect an assistant treasurer, an assistant secretary and such other officers as in its judgment may be necessary.

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5.2 Election of Officers.

Officers of the Association shall be elected by the Board. Election shall be held annually at the first meeting of the Board held after the annual meeting of the members, except that the first Board shall elect officers as soon as practicable after filing of the Declaration.

5.3 Term.

Each officer shall serve until his successor has been duly elected and has qualified.

5.4 Removal.

Any officer may be removed by the Board with or without cause and without notice.

5.5 Vacancy.

Any vacancy in any office shall be filled by the Board, and an officer elected to fill a vacancy shall serve for the unexpired term of his predecessor in office.

5.6 Powers and Duties of Officers.

President.

The President shall be the chief executive officer of the Association; shall have all of the powers and duties incident to the office of a president of a corporation, including, but not limited to, the duty to preside at all meetings of the Board and of the members, and the general supervision of officers in the management of the business and affairs of the Association; and shall see that all actions and resolutions of the Board are carried into effect.

Vice President.

The Vice-President shall perform such duties of the President as shall be assigned by the President, and in the absence of the President shall perform the duties and functions of the President.

Secretary.

The Secretary shall keep the minutes of all meetings and actions of the Board and of the members; shall give all required notices to the Directors and members; shall keep the records of the Association, except those kept by the Treasurer; shall perform all other duties incident to the office of a secretary of a corporation; and shall perform

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such other duties required by the Board or the President.

Treasurer.

The Treasurer shall have custody of all intangible property of the Association, including funds, securities, and evidences of indebtedness; shall keep the books of the Association in accordance with good accounting practices and principles, and upon request, shall submit them, together with all vouchers, receipts, records, and other papers to the Board for examination and approval; shall deposit all moneys and other valuable effects in depositories designated by the Board; shall disburse funds of the Association as directed by the Board; shall prepare or cause to be prepared all required tax filings; shall keep available the Association financial records for inspection by Members and First Mortgagees at reasonable times; and shall perform all other duties incident to the office of a treasurer of a corporation.

5.7 Execution of Agreement, etc.

All agreements, deeds, mortgages, or other instruments shall be executed by any two (2) officers, or by such other person or persons as may be designated by the Board.

5.8 Compensation of Officers Restricted.

Officers shall receive no compensation for their services other than a stipend of \$10.00 per month, for active participation in the management of the Condominium, to be paid in the form of a credit on their Unit Assessment. In no event shall any individual or entity be entitled to an aggregate compensation or credit of more than \$10.00 per month, no matter how many Units owned or whether entitled to such compensation as provided for to Directors in Paragraph 4.12 of these Bylaws (all compensation shall be aggregated to reach the maximum, exclusive of reimbursement for out-of-pocket expenses.) Additionally, officers may be reimbursed for out-of-pocket expenses incurred in the performance of their duties as Officers in amounts in addition to the said compensation.

ARTICLE VI. Indemnification of Directors and Officers

The Association shall indemnify Officers and Directors for such expenses and liabilities, in such manner, under such circumstances, and to such extent, as permitted by the North Carolina General Statutes as now enacted or hereafter amended.

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ARTICLE VII. Fiscal Management

7.1 Depository.

The Board shall designate a depository for the funds of the Association, and may change such depository. Withdrawals of funds from such depository in amounts in excess of Seven Hundred Fifty Dollars (\$750.00) shall be only by checks signed by any two (2) officers of the Association, or any other persons authorized by the Board. The Treasurer shall be authorized to write and sign, alone, checks in amounts up to and including Seven Hundred Fifty Dollars (\$750.00).

7.2 Fidelity Bonds.

Fidelity bonds shall be maintained by the Association; in an amount determined by the Board, covering each director and officer of the Association, any employee or agent of the Association and any other person, handling or responsible for handling funds of the Association.

7.3 Payment Authorization.

Authorization for payment of a bill or obligation of the Association shall be made by a Board member for any payment to be made by the Treasurer. The Board may delegate such authority to any officer or managing agent of the Association.

7.4 Annual Review.

A review of the accounts of the Association shall be made annually by a Certified Public Accountant who is not a member of the Association, and a copy of the report shall be furnished to each member not later than April 1 of the year following the year for which the report is made.

7.5 Fiscal Year.

The fiscal year of the Association shall be the calendar year provided that the Board, from time to time, by resolution, may change the fiscal year to some other designated period.

ARTICLE VIII. Assessments

8.1 Obligation of Members to Pay Assessments; Amounts of Levy.

Each Unit Owner shall be personally and severally liable for the Common Expenses that are levied against his Unit while a Unit Owner. Each Unit shall be assessed in accordance with that Unit's percentage of Common Expenses as allocated by the Declaration, as amended.

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8.2 Allocation of Common Surplus.

Any common surplus, including funds in reserve accounts, may be allocated to each Unit in accordance with its percentage of Common Expenses, and, if allocated, shall be owned by the Unit Owner of that Unit, and, if allocated may be paid to the Unit Owner or credited against that Unit's share of Common Expenses subsequently assessed.

8.3 Preparation of Budget and Laying of Assessment.

For each fiscal year the Board shall prepare and adopt a budget, including therein estimates of the amount necessary to pay the Common Expenses, together with amounts considered necessary by the Board for reserves. This budget and the adoption thereof shall take place at the Annual Meeting of the Members. After preparation and adoption of each such budget, the Board shall provide each member with a copy, and shall give each member notice of the assessment made against that member's Unit. Such assessment shall be deemed levied upon notice thereof given by the Board. Such assessment shall not be more than five percent (5%) greater than the assessment from the previous year unless approved by two-thirds (2/3) of the membership of the Association.

8.4 Assessment a Lien.

Every assessment shall constitute a lien upon each Unit assessed from the date the assessment is levied, prior to all other liens except only (i) real estate taxes and other governmental assessments or charges against the Unit and (ii) liens and encumbrances recorded before the recordation of the Declaration.

8.5 Payment of Assessments.

Assessments shall be payable when notice thereof is given, but shall not be delinquent if paid at the times and in the amounts specified by the Board in the notice of assessment. Except for special assessments, 1/12th of the assessment shall be paid on or before the first day of each month of the fiscal year of the Association. Payments shall be made to the Association, or as the Board may from time to time otherwise direct.

8.6 Lien As Against First Mortgagees.

The lien of assessments shall be superior to the lien of a First Mortgage.

8.7 Funds and Reserves.

All sums collected by the Association from assessments shall

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be accounted for as follows:

Reserve Fund for Repairs and Replacements.

To this fund shall be credited all sums collected for the purpose of effecting repairs and replacements of structural elements and mechanical equipment, and other Common Areas and Facilities, of the Condominium.

General Operating Fund.

To this fund shall be credited collections of assessments for all Common Expenses for the current year as well as common profits and surplus from the previous year, and not to be credited to the above Reserve Fund.

8.8 Special Assessments.

In addition to the assessments levied pursuant to Section 8.3, the Board, with the approval of two-thirds (2/3) of the members of the Association, may levy special assessments at such other and additional times as in its judgment are required for:

- (a) Maintenance repair, restoration and reconstruction of the Common Areas and Facilities, and operation of the Condominium.
- (b) Alterations, improvements, and additions to the Common Areas and Facilities; provided, however, that any such special assessment involving an expenditure in excess of Ten Thousand and 00/100 Dollars (\$10,000.00) shall be first approved by the members entitled to cast at least two-thirds (2/3) of the total votes in the Association at a regular or special meeting of the Association.
- (c) Payment of costs and expenses incurred in curing defaults pursuant to Sections 10.1 and 10.3 hereof.

Special assessments made pursuant to this Section shall be a Common Expense, shall be deemed levied upon notice thereof being given to the members subject to such special assessment, and shall be payable as determined by the Board and as set out in such notice.

8.9 Common Expenses Associated with Limited Common Areas or Benefiting Less Than All Units.

- (a) Any Common Expense associated with the maintenance, repair, or replacement of a Limited Common Area shall

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be assessed against the Unit, or in equal shares to the Units, to which such Limited Common Area was allocated at the time the expense was incurred.

- (b) In addition, the Association may assess any item of Common Expenses benefiting less than all of the Units against the Units benefited in proportion to their Common Expense liability.

8.10 Failure To Prepare Budget and Levy Annual Assessment: Deficiencies in Procedure.

The failure of the Board or delay of the Board in preparing any budget, and to levy or in levying assessments, shall not constitute a waiver or release of the members' obligation to pay assessments whenever the same shall be determined and levied by the Board. Until a new assessment is levied by the Board pursuant to Section 8.3 each member shall continue to pay the assessment then previously levied pursuant to Section 8.3 in the same amount and at the same periodic times as levied or as the Board may otherwise advise in writing. Also, any deficiencies or inadequacies in the procedure followed by the Board in levying an assessment shall not in any way affect its validity or the obligation of members to pay such assessment.

8.11 Assessment Roll; Certificate.

All assessments shall be set forth upon a roll of the Units, which shall be available in a place designated by the Board of Directors of the Association for inspection at all reasonable times by members and First Mortgagees, and their duly authorized representatives. Such roll shall include, for each Unit, the name and address of the member or members, all assessments levied, and the amount of all assessments unpaid. The Association, upon written request, shall furnish to a Unit Owner, or his authorized agent, a certificate setting forth the amount of unpaid assessments currently levied against his Unit. The certificate shall be furnished within 7 business days after receipt of the request and shall be binding upon the Association and all Unit Owners. For such certificate a reasonable fee may be charged by the Board.

8.12 Default and Enforcement.

Any assessment or special assessment which is not paid within the month in which it is due, shall bear interest from the due date at the rate of eight percent (8%) per annum, together with all expenses, including attorneys' fees, incurred by the Association in any proceeding brought to collect such unpaid

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assessment or special assessment. The Board of Directors, in the name of the Association, shall have the right and duty to bring an action at law for recovery of such unpaid assessment or special assessment, together with interest and expenses, including attorneys' fees, against the unit owner personally obligated to pay the same, or foreclose the lien against the unit in a like manner as a note secured by a deed of trust on real property. No unit owner may waive or otherwise avoid liability for the assessments or special assessments provided for herein by non-use of the common area or abandonment of a unit. The Board of Directors shall notify the holder of the first mortgage on any unit for which any charge or assessment or special assessment levied pursuant to these Bylaws, the Articles of Incorporation or the Declaration of Unit Ownership, as amended, becomes delinquent for a period in excess of thirty (30) days and in any other case where the unit owner is in default with respect to the performance of any obligation hereunder for a period in excess of sixty (60) days.

8.13 Interest on Delinquent Assessments.

Assessment, or installments thereof, paid before they become delinquent, shall not bear interest, but all delinquent sums shall bear interest at the rate of eight percent (8%), from the date delinquent until paid. All payments upon account shall be applied first to interest and then to the assessment, or installment thereof, longest delinquent. All such interest shall have the same priority as the assessment on which such interest accrues.

8.14 Common Expenses.

Common Expenses shall mean and include all sums declared Common Expenses by the Act, or by any specific provision of these Bylaws or the Declaration, and shall include, without limitation, the following: real estate taxes, and other governmental assessments or charges against the Property until the Units are separately assessed; premiums for any and all insurance maintained by the Association, including any deductible or co-insurance amount not covered by insurance; utility charges not charged directly to Unit Owners; cost of termite inspections; television antenna rental; costs incurred in grounds and building maintenance; costs of trash and garbage pickup service; costs of lighting in the common areas and facilities; administrative expenses; legal and accounting fees; costs and expenses incurred in connection with any litigation or administrative proceeding pursuant to Section 4.13(h) hereof; deficits remaining from any prior assessment period; the cost, including fees and interests,

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incurred in connection with any borrowing done by the Association; the cost of all fidelity bonds; costs imposed upon the Association or any part of the Common Areas and Facilities or the Property by, or incurred by the Association as a result of the performance, enforcement or amendment of, any agreement or easement to which the Association is a party or to which the Common Areas and Facilities or Property, or any part of either thereof, is or may be subject ; amounts determined necessary for reserve funds; and indemnity payments made by the Association pursuant to Article VI hereof.

8.15 The Five Oaks Recreational Association, Inc.

The property described on Page 1 of the Declaration of Unit Ownership, as amended, and described herein, has been subjected, by instrument recorded in Book 996, pages 700 et seq., Durham County Registry, to that portion of the Declaration of Covenants, Conditions and Restrictions for the Five Oaks Project, ("Five Oaks Declaration") dated December 9, 1975, recorded in Deed Book 432, pages 306 et seq. that extends to owners and occupants of the units herein membership, together with all rights, privileges and obligations appertaining thereto, in The Five Oaks Recreational Association, Inc. Each owner of any unit subject to the Declaration and these Bylaws, by acceptance of a deed therefor, whether or not it shall be so expressed in such deed, is deemed to covenant and agree to pay to The Five Oaks Recreational Association, Inc.: (1) annual assessments or charges, and (2) special assessments for capital improvements, such annual and special assessments to be established, collected and enforced as provided under Article X of the Five Oaks Declaration recorded in Deed Book 432, pages 306 et seq., Durham County Registry, the provisions of which Article are incorporated herein by reference. All such annual and special assessments, together with interest, costs and reasonable attorneys' fees for the collection thereof, shall be a charge and lien upon the unit of the respective owners thereof, and the same shall be a continuing lien upon the unit against which each such assessment is made. Each such assessment, together with interest, costs and reasonable attorneys' fees for the collection thereof, shall also be a personal financial obligation of the person or persons who was, or were, the owner or owners of such unit at the time when the assessment became due. The personal financial obligation for delinquent assessments shall not pass to successors in title to any such unit unless expressly assumed by such purchasers; provided however, the same shall be and remain a charge and lien upon any such unit until paid or otherwise satisfied except as otherwise provided under the Five Oaks Declaration. Owners of the units

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subjected to the Declaration and these Bylaws shall be deemed to be Class A members of The Five Oaks Recreational Association, Inc. as provided under Article X of the Five Oaks Declaration recorded in Deed Book 432, pages 306 et seq., Durham County Registry. No owner may waive or otherwise escape liability for the assessment or charges provided for herein by non-use of the recreational facilities of The Five Oaks Recreational Association, Inc. or abandonment of his unit.

ARTICLE IX Relocation and Alteration of Units

9.1 Procedure.

If any Unit Owner desires to (i) relocate the boundaries of his Unit, (ii) remove partitions or create apertures, (iii) make any improvements or alterations to his Unit which impair the structural integrity or mechanical systems of, or lessen the support of any portion of the Condominium, or (iv) make any exterior structural alterations, including but not limited to awnings, storage buildings, painting, patio roofs, fences, gutters, walkways, or stair railings, the procedure set out in this Article shall be followed. No Unit Owner shall decorate, alter or improve the exterior of his Unit so as to change the exterior appearance of his Unit or Building without prior written consent of the Board or Association as hereafter outlined in this Article. Said procedure shall also apply to the placing or causing to be placed in or upon any of the common areas and facilities, other than a patio or porch to which such unit owner has sole access, any furniture, packages or objects of any kind.

9.2 Notice To and Consent of Board.

Prior to doing any work of the kind set out in Section 9.1, the Unit Owner shall give notice to the Board of his intent to do such work and request and receive the written consent thereto of the Board or, on appeal, the Association. With such notice shall be given (i) a statement of the work to be done, (ii) a copy of the plans and specifications for the work, and (iii) such additional information relative to the proposed work as the Board may reasonably request. Upon receiving all such information and any fees and charges requested by the Board, the Board shall set a date for a meeting on the proposed work which shall be within fifteen (15) days after such information and fee and charges are received. Notice of such meeting shall be given to all members of the Association in the same manner as a notice of a special Board meeting. At the meeting, the Board shall receive such testimony and evidence as it deems appropriate. The meeting may be continued from time to time by the Board. At the meeting or such later time but, in any event, not later than sixty (60) days

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after such meeting, the Board shall decide whether to consent or not to consent to such work. Written notice of such decision shall be given to said Unit Owner and all members.

9.3 Appeal to Association.

The Unit Owner proposing to do the work, or members representing 10% or more of the total votes in the Association, may appeal the decision of the Board to the Association by filing a signed written request for an Association meeting on the work proposal. The written request must be filed with the Secretary within ten (10) days of the date of the notice of the Board's decision.

9.4 Meeting and Decision of Association.

Upon filing of an appeal, a special meeting of the members of the Association shall be called. The notice of meeting shall be sent out within ten (10) days after such filing, and meeting shall be held within thirty (30) days after such filing. The meeting may be continued from time to time by the chairman. The provisions of Article III hereof shall apply to such meeting. At such meeting the members shall decide to consent or not to consent to such work. Approval of such appeal shall require the affirmative vote of sixty six and two thirds percent (66 2/3%) of the total number of units in the condominium entitled to vote. The decision of the Association shall be final.

9.5 Fees.

The Board may require the Unit Owner proposing to do the work to pay reasonable fees and charges to cover the costs to be incurred by the Association in giving notice of and holding meetings pursuant to this Article.

9.6 Conditions.

The Board or, on appeal, the Association, may impose conditions on any consent to such work to protect the Common Areas and Facilities, Units and the Condominium, and to insure that the provisions of the Act, Declaration and these Bylaws are complied with, including, without limitation, the furnishing to the Association of payment and performance bonds, or other security acceptable to the Board, to ensure that the proposed work is timely completed pursuant to the plans and specifications therefor and all costs thereof paid.

9.7 Controlling Procedure.

The procedure set out in this Article shall control over any contrary provisions in the Act.

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ARTICLE X Compliance, Enforcement, Fines and Penalties

10.1 Default and Remedies.

A default in or failure to comply with any of the terms, conditions, obligations, and provisions of the Act, the Declaration, these Bylaws, the Articles, or the rules and regulations, as the same may be amended from time to time, by any Unit Owner or Occupant, shall be grounds for relief that may include, without intending to limit the same or to constitute an election of remedies, an action to recover fines and penalties as determined by the Board, sums due for damages, an injunction, or any combination thereof, and which relief may be sought by the Association, an aggrieved Unit Owner, or by any person or class of persons adversely affected. Also, if any member fails to perform any obligation under the Act, the Declaration, these Bylaws, the Articles or such rules and regulations, then the Association may, but is not obligated to, perform the same for the member's account, and for such purpose may enter upon his Unit, may make necessary repairs, advance expenses or other sums necessary to cure the default, and for such expenses and costs may levy a special assessment against the Unit owned by such defaulting member. The Association also shall be entitled to suspend the right of a defaulting Unit Owner to vote as a member of the Association until the default is cured.

10.2 Notice of Default and Failure to Cure.

In the event of any such default or failure, the Board shall serve upon or mail to the defaulting member, and to each First Mortgagee of that member's Unit when required under Article 8.12 of these Bylaws, a written notice specifying the nature of the default, the cure thereof, and the time within which the cure shall be effected. Within the time limit specified in the notice, the defaulting member may cure the default specified, or serve upon or mail a written notice to the Board requesting a hearing before the Board. If a hearing is so requested, the Board shall thereafter serve upon or mail to the defaulting member, and to each such First Mortgagee which was entitled to notice of the default as above provided, a notice specifying the time and place for such hearing. At the hearing, the Board shall take such evidence and hear such testimony as it deems necessary or desirable. The Board shall not exercise any remedies to obtain relief from the default until the hearing is over and the Board has made its determination and served upon or mailed the same to the defaulting member and each such First Mortgagee. The hearing may be continued from time to time as determined by the

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of
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Board. Upon taking such evidence and hearing such testimony, the Board, at the hearing or at such later time, shall determine, in writing, and at its sole option, to waive the default in whole or in part, to extend the time within which the default may be cured, or to proceed immediately to levy a fine or penalty, or to exercise any one or more of the remedies available to the Board due to such default. If the defaulting member (i) does not cure the default or request a hearing within the time limit specified in the original notice of default given pursuant to this Section, or (ii) so requests a hearing, but fails to cure the default (to the extent not waived by the Board) within the extended time, if any, granted by the Board after hearing, then the Board shall serve upon or mail to the defaulting member, and to each such First Mortgagee which was entitled to notice of the default as above provided, a written notice of such member's failure to effect a cure, and the Board may then proceed to take such action as it deems necessary to obtain relief.

10.3 Remedy of Abatement in Addition to Other Remedies.

In the event a member fails to effect the cure specified by the Board within the time period set out in (i) or (ii) of Section 10.2 hereof, whichever is applicable, where the default is a structure, thing, or condition existing in or on the premises of the member's Unit, the Board, or its duly authorized representative, shall have the right to enter upon the premises of the member's Unit in which, on which, or as to which, such default exists, and summarily to abate and remove, at the defaulting member's expense (and levy an assessment therefor as provided in Section 10.1 hereof), the structure, thing, or condition constituting the default, and the Board, the Association, and their agents, employees, and representatives shall not thereby be deemed guilty of any manner of trespass.

10.4 Injunction.

Any person or class of persons entitled to seek relief for any such default or failure may obtain a temporary restraining order, injunction or similar relief, without first using the procedure established by Section 10.2 hereof, if such default or failure creates an emergency or a situation dangerous to persons or property.

10.5 Recovery of Attorneys' Fees and Costs.

In any proceeding arising because of an alleged default by a member, the prevailing party shall be entitled to recover the costs of such proceeding and such reasonable attorneys' fees as may be allowed by the court, with interest thereon at the rate of

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eight percent (8%), from the dates such costs are incurred until paid.

10.6 Nonwaiver of Covenants.

The failure of the Association or of any member thereof to enforce any term, provision, right, covenant, or condition that may be granted by the Declaration, these Bylaws, the Articles, the rules and regulations or the Act, as the same may from time to time be amended, shall not constitute a waiver or abrogation of the right of the Association or a member to enforce such term, provision, right, covenant, or condition in the future, irrespective of the number of violations or breaches thereof that may have occurred.

10.7 Assessment Liens.

Assessment liens shall be enforced pursuant to Article VIII hereof and not pursuant to this Article X.

ARTICLE XI Amendment

An amendment to these Bylaws shall be made and approved in the manner, and shall be subject to the same restrictions relative to requiring prior written consent of First Mortgagees, as set forth in Article 19 of the Declaration, and once made, shall become effective when recorded in the same manner and place as an amendment to the Declaration. As long as the Declarant controls the Association, the Veterans Administration or the Federal Housing Administration shall have the right to veto any amendment to these Bylaws.

ARTICLE XII General Provisions

12.1 Rules and Regulations.

(a) By the Board.

The Board, including the first Board, may promulgate from time to time such rules and regulations as it deems reasonable and necessary governing the administration, management, operation, and use of the Common Areas and Facilities so as to promote the common use and enjoyment thereof by Unit Owners and Occupants and for the protection and preservation thereof. In addition, the Board may adopt such rules and regulations as it deems reasonable and necessary with respect to Units to provide for the common good and enjoyment of all Unit Owners and Occupants, including, without limitation, the right to adopt such rules and

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regulations with reference to tenants and leases. In no event shall any rules or regulations be inconsistent or materially more restrictive than the provisions contained in the Declaration and these Bylaws with respect to leases or tenants.

(b) By the Association.

Any such rule or regulation adopted by the Board may be amended, modified, or revoked, and new and additional rules and regulations may be adopted, by members at an annual or special meeting of the members. Any such act of the members shall control over any contrary rule or regulation then or thereafter adopted by the Board.

(c) Uniform Application.

All rules and regulations shall be equally and uniformly applicable to all Unit Owners, Occupants and Units, but need not be equally and uniformly applicable if it is determined that such unequal or non-uniform application is in the best interest of the Association or if equal and uniform application is not practicable.

(d) Copies Furnished.

Copies of all such rules and regulations and any amendments thereto shall be furnished to all members, and a copy shall be posted or otherwise made available to members at the office of the Association as designated by the Board of Directors. However, failure to furnish, or post, or make available, such rules or regulations shall not affect in any way their validity or enforceability.

12.2 Parliamentary Authority.

Robert's Rules of Order, Newly Revised, shall govern the conduct of Association proceedings when not in conflict with the Declaration, these Bylaws, the Articles, the Act, or any statutes of the State of North Carolina applicable thereto. The chairman of the meeting shall have the authority to appoint a parliamentarian.

12.3 Compliance with the Act; Conflict; Severability.

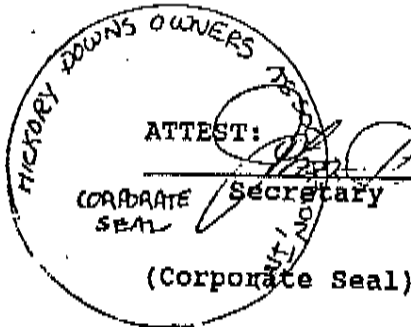
These Bylaws are established in compliance with the Act, as amended. Should any of the terms, conditions, provisions, paragraphs, or clauses of these Bylaws conflict with any of the provisions of said Act, the provisions of said Act shall control unless the Act permits these Bylaws to override the Act, in which event these Bylaws shall control. In the case of any conflict

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between the provisions of these Bylaws and the Declaration, the Declaration shall control. If any term, provision, limitation, paragraph, or clause of these Bylaws, or the application thereof to any person or circumstance, is judicially held to be invalid, such determination shall not affect the enforceability, validity, or effect of the remainder of these Bylaws, or the application thereof to any other person or circumstance.

HICKORY DOWNS OWNERS ASSOCIATION, INC.

By: Thomas Jaworsky
President



ATTEST:

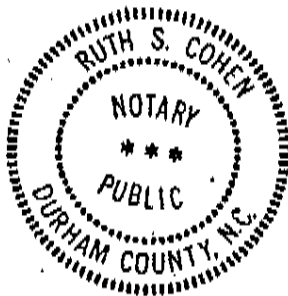
[Signature]
Secretary

(Corporate Seal)

STATE OF NORTH CAROLINA
COUNTY OF DURHAM

I, Ruth S. Cohen, a Notary Public of the County and State aforesaid, certify that John S. Williams personally came before me this day and acknowledged that he is Secretary of HICKORY DOWNS OWNERS ASSOCIATION, INC., a North Carolina corporation, and that by authority duly given and as the act of the corporation, the foregoing instrument was signed in its name by its President, sealed with its corporate seal and attested by him as its Secretary.

Witness my hand and official stamp or seal, this 24th day of February, 1988.



Ruth S. Cohen
NOTARY PUBLIC

My Commission Expires: 7-16-91

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State of North Carolina-Durham County

The foregoing certificate of Ruth S. Cohen Secretary of HICKORY DOWNS OWNERS ASSOCIATION, INC.

A Notary (Notaries) Public for the Designated Governments units is (are) certified to be correct.

This the 15 day of April, A.D. 1988
Ruth C. Garrett
Register of Deeds
[Signature]
By Assistant, Deputy
Register of Deeds

BYLAWS
of
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RUTH C. GARRETT
REGISTER OF DEEDS
DURHAM COUNTY, NC