

**BYLAWS OF
PINEBROOK FARMS COMMUNITY PROPERTY
OWNERS' ASSOCIATION, INC.
A NORTH CAROLINA NON-PROFIT CORPORATION**

**ARTICLE I
Identity**

These are the Bylaws of the Pinebrook Farms Property Owners' Association, Inc., a North Carolina non-profit corporation, (the "Association").

For purposes of these Bylaws, terms specifically defined either in the Declaration of Covenants, Conditions and Restrictions for the Pinebrook Farms Community and amendments thereto (the "Restrictions") located in Buncombe County or the North Carolina Nonprofit Corporation Act, Chapter 55A, North Carolina General Statutes (the "Non-Profit Act"), shall have the same meaning herein. Unless the Restrictions or Bylaws expressly provide otherwise, the procedures and substantive matters governing the Association can be determined by reference to the Act.

**ARTICLE II
Definitions**

II.1. "Pinebrook Farms" shall mean that real estate located in the Community as set forth in the Restrictions.

II.2. "Common Element", "Community Property" and/or "Common Community Areas" shall mean those areas used in common by all the owners of Lots, Homes or Units within the Community, including the private roads providing access to public rights-of-way and/or such areas that may be denoted as "Common Element", "Community Property" or "Common Community Areas" on plats of record for the Community.

II.3. "Developer" shall mean Pinebrook Farms, LLC.

II.4. "Developer Control Period" shall mean the time in which Developer has to exercise certain exclusive rights such as, but not limited to, electing the Board of Directors of the Association and/or retaining approval authority for amendments to the Bylaws. The Developer Control Period shall be as set forth in the Restrictions.

II.5. "Lot", "Home" or "Unit" shall mean any improved or unimproved parcel of land, townhome, or condominium unit located within the Community and intended to be developed now or hereafter.

II.6. "Owner" shall mean and refer to the owner or owners as shown by the real estate records in the Office of the Register of Deeds of Buncombe County, North Carolina, of fee simple title to any Lot, Home or Unit situated within the Community. For purposes of voting or representation on any Committees or Boards, the marital spouse of the Owner may be treated as being an "Owner".

ARTICLE III
Qualifications and Responsibilities

III.1. Membership. Every Lot, Home and Unit Owner in the Community shall be a member of the Association, and shall remain a member until he ceases to be a Owner.

III.2. More Than One Owner. When there is more than one owner of a Lot, Home or Unit, all such persons shall be Members of the Association.

III.3. Registration. It shall be the duty of each Owner to register his name and his mailing address with the Secretary of the Association. If an Owner does not so register, the Association shall be under no obligation to recognize his privileges of being a Member. In addition, an Owner shall register with the Secretary the name and mailing address of any applicable person, firm or company holding a note secured by a first deed of trust lien on that Lot, Home or Unit (the "First Mortgagee").

III.4. Prohibition of Assignment. The interest of a Member in the Association assets cannot be transferred or encumbered except as an appurtenance to his Lot, Home or Unit.

ARTICLE IV
Members' Meeting and Voting

IV.1. Place. Meetings of the members shall be held at such place within the Community or within North Carolina, as may be designated from time to time by the Board of Directors of the Association (the "Board").

IV.2. Annual Meetings. The members shall meet at least once each year in July, the day being specified in the notice of such meeting given pursuant to Section IV.4. At each annual meeting, the Members may transact any business properly coming before them.

IV.3. Special Meetings. Special meetings of the Members may be called at any time by the President or by the Board, and shall be called and held within thirty (30) days after written request thereof signed by members of the Association entitled to cast at least ten percent (10.0%) of the total votes in the Association is delivered to any officer or Director of the Association. No business shall be transacted at a special meeting except that which is stated in the notice thereof.

IV.4. Notice. 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 Lots, Homes, Units and to other addresses as any Member may have designated to the President or Secretary as it appears on the records of the Association, at least thirty (30) days in advance of any annual or special meeting. Notice shall be deemed delivered when deposited in the United States mail addressed to the Member at his address for the respective Lot, Home, Unit and/or as it appears on the records of the Association. The Association may vote or transact business on any matter at an annual meeting whether or not specific notice of said item had been given in the notice of the annual meeting. However, for special meetings, only items which were included in the meeting's notice to Members can be voted on.

IV.5. Quorum. A quorum shall consist of Members present, in person or by proxy, entitled to cast at least forty percent (40%) of the total votes in the Association. If a quorum is not present, the meeting shall be adjourned from time to time until a quorum is present

IV.6. Voting. Votes shall be allocated among the Owners such that each Lot, Home or Unit is entitled to one vote, and when there is more than one Owner of a Lot, Home or Unit, said Owners shall designate the person authorized to vote for said Lot, Home or Unit.

IV.7. Manner of Casting Votes. Votes may be cast in person or by proxy. A proxy must be in writing, be signed by all owners of the Lot, Home or Unit, the votes of which are subject to the proxy, be given only to another member or to a Security Holder of that Lot, Home or Unit, and be filed with the Secretary on or before the meeting. A proxy shall be valid until revoked in writing by all Lot, Home or Unit Owners of such Lot, Home or Unit. A proxy should denote the vote desired on a specific issue and/or be a general authorization to the proxy holder to vote according to his discretion.

IV.8. Required Votes. All questions shall be decided by a majority of the votes cast on the question, unless the provisions of applicable law, the Restrictions or these Bylaws require a greater vote.

IV.9. Action by Members Without Meeting. Any action that may be taken at a meeting of the Members, may be taken without a meeting if such action is authorized in writing setting forth the action taken and is signed by all Members, or if such action is taken in any other manner permitted by law.

IV.10. Prohibition of Cumulative Voting. There shall be no cumulative voting.

ARTICLE V

Directors

V.1. Number and Qualifications of Directors. The Board shall consist of three (3) natural persons, as determined in the sole discretion of Developer during the Developer Control Period and thereafter by a majority of the Members. During the Developer Control Period, a Director need not be a Member of the Association or be a resident of North Carolina. A Board member may be the Developer or a representative of Developer. After the Developer Control Period expires, a Director must be a Lot, Home or Unit Owner or the individual nominee of a Lot, Home or Unit Owner which is other than an individual. After the Developer Control Period Expires, each section of the Community shall be represented by at least one Director on the Board, and the Board shall increase the number of Directors to a maximum of five (5) natural persons.

V.2. Election of Directors. During the Developer Control Period, the Developer reserves the right to elect the Board. Election of Directors by the Members shall occur at the first annual meeting of the Members after the end of the Developer Control Period, and at each subsequent annual meeting after the term of the Directors have expired. The Members shall elect the Directors by a majority of the votes cast in the election, provided that each section of the Community shall be represented by a Director on the Board.

V.3 Term. The term of the Directors during the Developer Control Period shall be in the sole discretion of Developer. After the Developer Control Period has expired, the term of the Directors shall be for two (2) years, however, the terms of such directors shall be staggered such that the term of office of one Director shall alternate with the terms of the other two Directors. No Director may serve consecutive terms. Once elected, a Director shall hold office until his successor has been duly elected and has qualified.

V.4. Removal. During the Developer Control Period, the Developer retains the sole authority to remove any Director, with or without cause. After the Developer Control Period has expired, any Director may be removed, with or without cause, by a vote of the Members entitled to cast at least sixty-six and two-thirds percent (66 2/3%) of the total votes in the Association, at a special meeting called for such purpose. During the Developer Control Period, the Developer shall appoint a successor to serve for the balance of the removed Director's term (which term is within the sole discretion of Developer during the Developer Control Period). Thereafter, the Members by majority vote shall appoint a successor to serve the balance of the removed Director's term, provided each section of the Community shall be represented by a Director on the Board.

V.5. Vacancies. Any vacancy in the Board arising by death or resignation of a Director shall be filled by act of the remaining Directors, provided that each section of the Community shall be represented by a Director on the Board, and a Director so elected shall serve for the unexpired term of his predecessor in office.

V.6 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, but at least three (3) times a fiscal year (as that term is defined in Sections 5.13(a) and 8.2 below). Notice of regular meetings shall be given to each Director, personally or by mail, telephone, facsimile or telegraph, at least thirty (30) days prior to the meeting.

V.7. 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 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, facsimile 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.

V.8. Quorum: Adjournment if No Quorum. Fifty percent (50.0%) 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, in accordance with the provisions of N.C.G.S. 47F-3-109. 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.

V.9. 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 Restrictions or these Bylaws.

V.10. Meeting Forums: Board Action Without Meeting. Although regular or special meetings may occur at such places as specified in the notice, regular or special meetings by means of a conference telephone or similar communication device are permissible as long as the required notice is given. 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.

V.11. Compensation of Directors Restricted. Directors shall receive no compensation for their services but may be paid for out-of-pocket expenses incurred in the performance of their duties as Directors.

V.12. 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 Restrictions (as delegated by the Developer), 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 Act, the Restrictions, the Articles, and these Bylaws, and shall include, but not be limited to, the following:

A. To prepare and provide to Members annually, no less than thirty (30) days preceding the annual meeting of the Association, a budget report for the fiscal year commencing August 1st and concluding July 31st of the following calendar year (the "Fiscal Year"), said report containing at least the following:

- (i) A statement of the status and amount of any reserve or replacement fund and any portion of the fund designated for any specified project by the Board.
- (ii) A statement of the financial condition of the Association for the last Fiscal Year.
- (iii) A statement of the status of any pending suits or judgments in which the Association is a party.
- (iv) A statement of the insurance coverage provided by the Association.
- (v) A statement of any unpaid assessments payable to the Association, identifying the Lot, Home or Unit and the amount of the unpaid assessment **All Lot, Home and Unit owners do hereby acknowledge that this reporting of unpaid assessments shall not constitute a violation of any federal or state unfair debt collection laws.**

B. To adopt and amend budgets and to determine, and collect assessments to pay the Association's common expenses, including operating expenses and Community Property maintenance fees (the term "Common Expenses" being defined with more

particularity in Section 9.12), and capital improvement costs. The Board may engage an accountant to do the Association bookkeeping, to file annual returns and to assist in preparing the report described above.

C. To regulate the use of, and to maintain, repair, replace, modify and improve the Community Property.

D. To adopt and amend rules and regulations affecting the Lots, Homes and Units and to establish reasonable penalties for infraction thereof.

E. To enforce the provisions of the Restrictions, 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 agents and independent contractors.

G. To institute, defend, intervene in, or settle any litigation or administrative proceeding in its own name on behalf of itself or two (2) or more Lot, Home or Unit Owners on matters affecting the Community Property.

H. To establish and dissolve and liquidate, from time to time, reserve accounts for any purpose.

I. To borrow money for the maintenance, repair, replacement, modification or improvement of the Community Property and to pledge and pay assessments, and any and all other revenue and income, for such purpose.

J. To buy Lots 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 Lots from time to time owned by the Association.

K. To impose and receive payments, fees and charges for the use, rental or operation of the Community Property for all purposes permitted a Nonprofit corporation.

L. To grant leases, licenses, concessions and easements through and over the Community Property, unless contrary to the Restrictions.

M. To impose and collect reasonable charges, including reasonable costs and attorneys' fees, for the enforcement of any use restrictions or rules and regulations set forth in the Restrictions or these Bylaws.

N. To provide for indemnification of the Association's Officers and Directors and maintain Officers and Directors liability insurance.

O. To impose charges for late payment of assessments and, after notice and an opportunity to be heard, levy reasonable fines for violations of the Restrictions, these Bylaws, or the rules and regulations.

Any assessments, charges or fines levied against members shall specifically relate to the need to preserve and fulfill the purposes set forth in the Association's Articles of Incorporation and are applied to owners of Lots, Homes and Units in their capacity as Owners-Members rather than in some other capacity such as customers for services.

ARTICLE VI

Officers

VI.1. Designation of Officers. The officers of this Association shall be a President, a Vice President, a Secretary, and a Treasurer. During the Developer Control Period, officers do not have to be Members or residents of North Carolina. Officers may include the Developer or a representative of Developer. After the Developer Control Period, each officer shall be a Lot, Home or Unit Owner or the individual nominee of a Lot, Home or Unit Owner which is other than an individual. A person may hold one or more of such offices at one time, except that the President shall not at the same time hold another office in the Association. The Board may elect an assistant treasurer, an assistant secretary and such other officers as in its judgment may be necessary.

VI.2. Election of Officers. Officers of the Association shall be elected by the Board. Elections shall be held each year at the first meeting of the Board held after the annual meeting of the Members. The first Board shall elect officers as soon as practicable after filing of the Articles.

VI.3. Term. Each officer shall serve until his successor has been duly elected and has qualified.

VI.4. Removal. Any officer may be removed, with or without cause, and without notice, by the Board or by the Association Members under the same procedure as for the removal of a Board Member.

VI.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.

VI.6. Powers and Duties of Officers.

A. President The President shall be the chief executive officer of the Association and shall see that all actions and resolutions of the Board are carried into effect.

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

C. 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 such other duties required by the Board or the President.

D. 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 monies and other valuable effects in depositories designated by the Board; shall disburse funds of the Association as directed by the Board; and shall perform all other duties incident to the office of a treasurer of a corporation.

VI.7. Execution of Agreements, Etc. All agreements, deeds, mortgages, or other instruments (including amendments to the Declaration) shall be executed by the President or Vice President, or by such other person or persons as may be designated by the Board.

VI.8. Compensation of Officers Restricted. No officer shall be compensated for his services in such capacity, but may be reimbursed for out-of-pocket expenses incurred in performing his duties.

ARTICLE VII

Indemnification of Directors and Officers

The Association shall indemnify such persons, 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. In addition, the Association is authorized to maintain Officers and Directors Liability Insurance.

ARTICLE VIII

Fiscal Management

VIII.1. Depository. The Board shall designate a depository for the funds of the Association, and may change such depository at any time. Withdrawal of funds from such depository shall be only by checks signed by any two (2) officers of the Association, or as authorized by the Board. In the event that the Board shall engage the services of a managing agent, said agent shall be empowered to withdraw funds in accordance with the procedures adopted by said managing agent.

VIII.2. Fiscal Year. The Fiscal Year of the Association shall run the 1st of August through July 31st of the following calendar year provided that the Board, from time to time, by resolution, may change the Fiscal Year to some other designated period.

ARTICLE IX

Assessments

IX.1. Obligation of Members to Pay Assessments: Amount of Levy. Each Lot, Home and Unit Owner shall be personally and severally liable for an assessment determined by the Board in accordance with the Restrictions. The levy of an annual assessment noted above does not include any special assessment which may be levied against a Lot, Home or Unit owner in accordance with Section IX.8 below.

IX.2. Obligation of Some Members to Pay Additional Limited Assessment. Some Lot, Home or Unit Owners as may be designated by Developer shall, in addition to the assessment provided for in paragraph IX.1 above, pay an additional limited assessment (herein "Limited Assessment") for such items and expenses which are unique and limited to that particular group or phase of Lots, Homes or Units as designated by Developer, or pursuant to distinct restrictions or declarations unique to their section within the Community. Each such designated Lot, Home and Unit Owner shall be personally and severally liable for such additional Limited Assessment (in addition to the general assessment set forth above). The levy of such Limited Assessment noted above does not include any special assessment which may be levied against a Lot, Home or Unit Owner in accordance with Section IX.8 below.

IX.3. Allocation of Common Surplus. Any common surplus, including funds in reserve accounts, may be allocated to each Lot, Home and Unit as determined by the Board in accordance with the Restrictions. Notwithstanding the above, the Board shall retain the authority to apply said surpluses to any current Fiscal Year expenditures in order to satisfy the exempt function income qualification for Nonprofit corporations under Section 528 of the Internal Revenue Code.

IX.4. Preparation of Budget and Levying of Assessment. Except as hereinafter provided, for each Calendar Year, beginning with the Calendar Year commencing January 1, 2007, 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. 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 Lot based upon such budget and may also state the interest to be charged on delinquent payments thereof (other than as provided in these Bylaws). The assessment shall be deemed levied upon the giving of such notice.

IX.5. Assessment A Lien. Every assessment shall constitute a lien upon each Lot, Home and Unit as set forth in the provisions of N.C.G.S. 47F-3-116, prior to all other liens except only (i) real estate taxes and other governmental assessments or charges against that Lot, Home and Unit and (ii) liens and encumbrances recorded before the docketing of a claim of lien.

IX.6. 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. Payments shall be made to the Association, or as the Board may from time to time otherwise direct. Unless the notice states contrary, annual assessments are typically due and payable in monthly installments at the first of every month.

IX.7 Notice to First Mortgagees. Although the lien of assessments may be superior to the lien of a First Mortgagee, any enforcement of said assessment lien by the Association's filing of a collection or foreclosure action with the courts shall require the giving of notice to the applicable First Mortgagee, if any. All owners of Lot, Home and Unit acknowledge that such notice shall not constitute a violation of any state or federal unfair debt collection laws. Failure to give the notice provided for herein shall not be a defense for the defaulting member in the enforcement action filed by the Association.

IX.8 Special Assessments. In addition to the assessments levied pursuant to Section IX.4., the Board, in its sole discretion during the Developer Control Period, may levy special assessments at such other and additional times as in its judgment are required for:

- A. Alterations, restoration and reconstruction of Community Property and its facilities.
- B. Improvements, acquisitions and additions to the Community Property.
- C. Payment of costs and expenses incurred in curing defaults pursuant to Sections X.1. and X.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. After the Developer Control Period, the Board may levy special assessments only with the consent of 67% of the members voting.

IX.8. 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 IX.4, each member shall continue to pay the assessment then previously levied pursuant to Section IX.4 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.

IX.9 Assessment Roll: Certificate. All assessments shall be set forth upon a roll of the Lots, Homes and Units which shall be available in the office of the Association for inspection at all reasonable times by members and Security Holders, and their duly authorized representatives. Such roll shall include, for each Lot, Home and 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 Lot, Home or Unit Owner, or his authorized agent, a recordable certificate setting forth the amount of unpaid assessments currently levied against his Lot, Home or Unit. The certificate shall be furnished within fourteen (14) business days after receipt of the request and shall be binding upon the Association and all Lot, Home and Unit Owners. For such certificate a reasonable fee may be charged by the Board. All owners of Lots, Homes and Units acknowledge that such notice provided in an assessment roll or certificate shall not constitute a violation of any state or federal unfair debt collection laws.

IX.10. Default and Enforcement If any assessment, or installment thereof, is not paid within sixty (60) days of the due date, the assessment shall bear interest from the date of delinquency at the rate of 18%, or the maximum rate permitted by Law. Additionally, a late fee equal to the greater of Twenty and no/100ths Dollars (\$20.00) per month or Ten percent (10%) of the amount of such Assessment shall be charged for any Assessment installment, which remains due and owing, and which remains unpaid for any period of thirty (30) days or longer. The Board may, at its sole discretion, waive the imposition of interest or a late fee to any delinquent assessment. The Community Association may bring an action in law against the owner personally obligated to pay the assessment and interest or foreclose the lien created therein in the same manner as described by the laws of the State of North Carolina for foreclosure of deeds of trust. Cost and reasonable attorney fees as provided for above for any such action shall be added to the amount of such assessment. No owner may waive or otherwise escape liability for the assessment provided for herein by non-use of the Common Area, or abandonment of his Lot, Home or Unit. In the event that an action at law results in a judgment being entered against the owner of any Lot, Home or Unit and in favor of the Community Association, the Community Association shall be further empowered to obtain execution on such judgment in a manner to the extent provided for and permitted by the laws of the State of North Carolina. The Community Association may delegate collection of delinquent assessments to a duly-appointed property manager.

The Association also shall be entitled to suspend the right of a defaulting Lot, Home and Unit Owner to use the Community Property, to the extent allowed by law, and its facilities until the delinquency is cured.

The remedies noted herein for default on assessments shall include, without limitation, any and all remedies set forth in the Restrictions. The failure of the Association to enforce any assessment delinquency shall not constitute a waiver or abrogation of the right of the Association or its agents to enforce such delinquency in the future, irrespective of the number of breaches thereof that may have occurred by the member regarding assessments.

IX.11. Common Expenses. Common Expenses shall mean and include all sums declared Common Expenses by any specific provision of these Bylaws or the Restrictions, and shall include, without limitation, the following: real estate taxes, and other governmental assessments or charges against the Common Elements; costs associated with the maintenance, repair and improvement of the Common Elements; premiums for any and all insurance maintained by the Association, including any deductible or coinsurance amount not covered by insurance; legal and accounting fees; costs and expenses incurred in connection with any litigation or administrative proceeding pursuant to Section V.13.G. hereof; deficits remaining from any prior assessment period; the cost, including fees and interests, incurred in connection with any borrowing done by the Association; the cost of all fidelity bonds; costs imposed upon 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 Element, or any part of either thereof, is or may be subject including, but not limited to amounts determined necessary for reserve funds; and indemnity payments made by the Association pursuant to Article VII hereof.

IX.12. Limited Common Expenses. Limited Common Expenses shall mean and include all sums declared to be Limited Common Expenses by any specific provisions of these Bylaws or the Restrictions, and shall include, without limitation, all costs expended for the

care, maintenance and upkeep of Limited Common Elements. Assessment shall be in accordance with Section IX.2 above. Certain Lots, Homes and Units within the Community may be designated by Developer as benefiting from the Limited Common Elements more so than other Lots, Homes and Units within the Community. Such Lots, Homes and Units so designated shall pay such Limited Common Expense assessments as may be required to maintain the Limited Common Elements.

ARTICLE X

Compliance, Enforcement, Fines and Penalties, Other Than Assessment Liens

X.1. Default and Remedies. A default in or failure to comply with any of the terms, conditions, obligations, and provisions of the Restrictions, these Bylaws, the Articles, or the rules and regulations, as the same may be amended from time to time, by any Lot, Home or 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 Lot, Home or 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 Restrictions, these Bylaws, the Articles or such rules and regulations as hereinafter promulgated, 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 Lot, Home or 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 Lot, Home or Unit owned by such defaulting member. The Association also shall be entitled to suspend the right of a defaulting Lot, Home or Unit Owner to use the Common Community Areas and its facilities until the default is cured.

X.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 Lot, Home or Unit when required under Section IX.7 of these Bylaws, a written notice specifying the nature of the default or failure, 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 or failure specified, or serve upon or mail during the specified cure period 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 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, an adjudicatory panel appointed by the Board in accordance with N.C.G.S. 47F-3-107.1 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 adjudicatory panel 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 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. 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 copy of its determination. A violating party shall have thirty (30) days to appeal a decision of the adjudicatory panel to a court of law and failure to file said appeal within thirty (30) days after receipt of the hearing determination or notice of default and cure if a hearing is not requested shall bar any challenges or any causes of action brought afterwards by said party. The adjudicatory panel's finding of default shall be conclusive in a case of a party's failure to appeal within the above prescribed time. 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.

X.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 Section X.2. hereof, where the default is a structure, thing, or condition existing in or on the premises of the Member's Lot, Home or Unit, the Board, or its duly authorized representative, shall have the right to enter upon the premises of the Member's Lot, Home or 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 X.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.

X.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 X.2 hereof, if such default or failure creates an emergency or a situation dangerous to persons or property.

X.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 highest rate allowed by law at the time the costs are incurred, from the dates such costs are incurred until paid.

X.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 Restrictions, 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.

X.7. Assessment Liens. Assessment liens shall be enforced pursuant to Article IX hereof and not pursuant to this Article X.

ARTICLE XI
Amendment

During the Developer Control Period, the power to alter, amend, or repeal the Bylaws or adopt new Bylaws shall be vested in the Board with Developer approval being necessary for any particular change. After the Developer Control Period has expired, the amendment of Bylaws or adoption of new Bylaws can only occur at a regular meeting of the Members and shall require: an affirmative vote of sixty-seven percent (67%) of all of the Members of the Association who own Lots, Homes and Units subject to such changes.

ARTICLE XII
Section Committees

The Board, or separate governing documents for each specific section of the Community, shall establish a Committee to be charged with governance of issues relating exclusively to such specific section of the Community. Such Committee shall be comprised exclusively of Members Owning Lots, Units or Townhomes within such section.

ARTICLE XIII
General Provisions

XII.1. Rules and Regulations 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 Community Property so as to promote the common use and enjoyment thereof by Lot Owners and Occupants and for the protection and preservation thereof.

XII.2. Rules and Regulations By the Association. After the Developer Control Period has expired, any such rule or regulation adopted by the Board may be amended, modified, or revoked, and new and additional rules and regulations (subject to the same application allowed in Section XII.1. 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.

XII.3. Uniform Application of Rules and Regulations. All rules and regulations shall be 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 reasonable or practicable.

XII.4. Copies of Rules and Regulations. 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. However, failure to furnish, or post, or make available, such rules or regulations shall not affect in any way their validity or enforceability.

XII.5. Parliamentary Authority. Robert's Rules of Order, Newly Revised, shall govern the conduct of Association proceeding when not in conflict with the Restrictions, these Bylaws, the Articles, the Act, or any statutes of the State of North Carolina applicable thereto. The President of the Association shall have the authority to appoint a parliamentarian.

XII.6. Compliance with the Act: Conflict: Severability. These Bylaws are established in compliance with the Act. 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 between the provisions of these Bylaws and the Restrictions, the Restrictions 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.

XII.7. Form of Notice. Whenever in the Restrictions, the Act or these Bylaws it shall be required or permitted that notice or demand be given or served on the Association or a Lot, Home or Unit Owner or a First Mortgagee or other party entitled to notice, such notice or demand shall be given in writing by registered or certified mail, postage prepaid, to the respective addresses as hereinafter set forth. All notices or demands provided under the terms of the Restrictions, the Act or these Bylaws shall be effective when actually received by a party entitled to notice or when attempted to be delivered as authorized above. The addresses of a party entitled to notice may be changed, from time to time, by either party serving notice as above provided.

ARTICLE XIII
Effective Date

These Bylaws are effective as of the ___ day of _____, 2007, and shall remain effective until amended in accordance with the terms set forth in the Declarations and herein.

PINEBROOK FARMS, LLC.

By: Bruce M. Alexander, President