

BYLAWS
OF
ASHCROFT AT THE COMMONS PROPERTY OWNERS' ASSOCIATION, INC.

ARTICLE 1

GENERAL

1. Name and Location. The name of the Association is ASHCROFT AT THE COMMONS PROPERTY OWNERS' ASSOCIATION, INC. The principal office of the Association shall be located at 3802 Park Avenue, New Hanover County, Wilmington, North Carolina 28403 or at such other place as may be subsequently designated by the Board of Directors of the Association.

2. Applicability. The provisions of these Bylaws are binding on all owners of lots in Ashcroft at the Commons (herein called "Subdivision"), their tenants, guests, invitees, agents, employees, licensees, grantees, successors and assigns.

3. Definitions. The definitions of the terms used herein shall be the same as the definitions set forth in the Declaration of Restrictive Covenants of Ashcroft at the Commons.

ARTICLE 2

MEMBERSHIP

The Corporation shall have two classes of voting memberships:

(a) Class "A". Class A Members shall be all Owners with the exception of the DECLARANT and shall be entitled to one vote for each Lot owned. When more than one person holds an interest in any Lot, all such persons shall be Members. The vote for such Lot shall be exercised in accordance with the provisions set forth in the Restrictive Covenants.

(b) Class "B". Class B Member(s) shall be the DECLARANT and shall be entitled to three (3) votes for each Lot owned. The Class B membership shall cease and be converted to Class A membership on the happening of either of the following events, whichever occurs earlier:

- (i) When the DECLARANT owns twenty-five percent (25%) or less of the planned residential lots in the subdivision,

including any property which may be annexed to the subdivision, or

- (ii) When the Declarant turns control of the Association over to the Class "A" Members, or
- (ii) On January 1, 2010.

ARTICLE 3

MEETINGS OF MEMBERSHIP

1. Place. All meetings of members shall be held at such place as may be designated in the notice of the meeting.

2. Annual Meeting. The annual meeting of the members of the Association shall be held in March of each year at a date and time to be fixed by the Board of Directors. At the Turnover Meeting, the members shall elect the new members of the Board of Directors and transact such other business as may properly come before the meeting.

3. Turnover Meeting. The first annual meeting of the members which is held after the Class B control period ceases.

4. Proviso. Notwithstanding any of the provisions herein, until the Class B control period ceases there shall be no annual or special meeting of the members of the Association, and, should a meeting be called, the proceedings shall have no effect unless approved by the Board of Directors of the Association except as provided by the Planned Community Act. However, the DECLARANT may waive this proviso, in whole or in part, by consenting in writing to a meeting of the membership.

5. Special Meetings. Special meetings of the members must be called by the President of the Association upon a vote of the majority of the Board of Directors or at the written request of the members entitled to vote one-third (1/3) of all of the votes of the Association. Business transacted at all special meetings shall be confined to the subjects stated in the notice of the meeting.

6. Notice of Meetings. Written notice of each annual and special meeting of the members shall be served upon or mailed to each member entitled to vote thereat, at such address as appears on the books of the Association, at least ten (10) days, but no more than sixty (60) days, before the meeting. The notice shall specify the place, day, time and purpose of the meeting. Waiver in writing of the notice required herein, signed by the member before, at, or after such meeting, shall be equivalent to the giving of such notice. Each member shall notify the Secretary of the Association of any address change, and the giving of notice shall be in all respects sufficient if sent to the address of the member which is then on file with the Secretary.

7. Membership List. At least ten (10) days before every election of directors, a complete list of members entitled to vote at the election, showing the lot owned by the member and the residence address of each, shall be prepared by the Secretary. Such list shall be open to examination by any member throughout the ten (10) day period preceding the election, until the election is completed.

8. Voting Rights. The number of votes each member is entitled to cast at any meeting of the membership is set forth in Article 6 of the Articles of Incorporation. If more than one person or entity owns a Lot, they shall file a certificate with the Secretary naming the person authorized to cast the vote for the Lot. If no certificate is filed, the co-owners must designate, at the time of the meeting, the person authorized to cast such vote.

9. Proxies. At all meetings of the members, every member shall have the right to vote in person or by proxy. All proxies shall be executed in writing by the member or by his duly authorized attorney-in-fact and shall be filed with the Secretary.

10. Quorum. At any meeting of the members, ten (10%) of the members entitled to vote, present in person or by proxy, shall constitute a quorum of the membership for any action, except as otherwise provided in the Restrictive Covenants of Ashcroft at the Commons (hereinafter "Restrictive Covenants") or these Bylaws. If, however, such quorum is not present or represented at any meeting, the members present and entitled to vote shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented. If adjournment extends thirty (30) days past the originally scheduled meeting date, notice of the date on which the adjourned meeting is to be reconvened shall be given as herein provided. The quorum at any subsequent meeting as a result of adjournment shall be one-half (1/2) of the required quorum at the preceding meeting.

11. Quorum at Meeting Called for Special Assessments of Capital Improvements. Written notice of any meeting called for the purpose of taking any action authorized under Article 5, Section 4 of the Restrictive Covenants shall be sent to all Members entitled to notice not less than ten (10) days nor more than sixty (60) days in advance of the meeting. At the first such meeting called, the presence of Members or of proxies entitled to cast fifty (50%) percent of all the votes of each class of membership shall constitute a quorum. At subsequent called meetings, fifty (50%) percent of the votes of each class of membership shall constitute a quorum. No such subsequent meeting shall be held more than sixty (60) days following the preceding meeting.

12. Voting Required to Transact Business. When a quorum is present at any meeting, a majority of the votes entitled to be cast by the members present or represented by proxy shall decide any question brought before the meeting unless the question is one upon which, by express provision of the Restrictive Covenants or these Bylaws, a different vote is required, in which case such express provision shall govern and control the decision of such question.

13. Action Without a Meeting. Any action which is required or permitted to be taken at a meeting may be taken without a meeting if:

a. Consent in writing, setting forth the action so taken, is signed by all of the members entitled to vote with respect to the subject matter thereof and filed with the Secretary, whether done before or after the action so taken; or

b. Approved by written ballot sent to all members entitled to vote, provided, (i) the number of votes cast by written ballot equals or exceeds the quorum required to be present at a meeting authorizing the action and (ii) the number of approvals cast equals or exceeds the number of votes that would be required to approve the matter at a meeting at which the same total number of votes were cast.

14. Order of Business. The order of business at annual members' meetings and as far as practical at other members' meetings, will be:

- a. Roll call and certification of proxies;
- b. Proof of notice of meeting or waiver of notice;
- c. Reading of minutes of prior meeting;
- d. Officers' reports;
- e. Committee reports;
- f. Appointment by Chairman of Inspectors of Election;
- g. Election of directors;
- h. Unfinished business;
- i. New business;
- j. Adjournment.

ARTICLE 4

BOARD OF DIRECTORS

1. Number. The affairs of the Association shall be managed by a Board of Directors consisting of three (3) who shall be appointed by the DECLARANT until the Turnover Meeting of the members after the termination of the Class B control period and thereafter consisting of five (5), all of whom shall be members of the Association, except that none of the

initial Board of Directors or their successors need be members until the Turnover Meeting of the members.

2. Term. The term of office of a director shall be two (2) years. The first election of the Board of Directors shall provide for the election of three (3) directors for a two (2) year term and for the election of two (2) directors for a one (1) year term. Thereafter, all directors shall be elected for a two (2) year term such that three (3) directors are elected one year and two (2) directors the next year.

3. Vacancy. Any vacancy occurring in the Board of Directors by reason of transfer of ownership, death, resignation, retirement, disqualification, removal from office or other reason, may be filled by the remaining members of the Board of Directors appointing a member to fill the vacancy. A director appointed to fill a vacancy shall be appointed for the unexpired term of his predecessor in office.

4. Removal. Any director may be removed from the Board of Directors, with or without cause, by the DECLARANT during the Class B control period and thereafter, by a majority of the members of the association present and voting at a meeting.

5. Organizational Meeting. The organizational meeting of a newly elected Board of Directors of the Association shall be held within ten (10) days of their election at such place and time as shall be fixed by the Directors at the meeting at which they were elected, and no further notice of the organizational meeting shall be necessary.

6. Disqualification and Resignation of Directors. Any Director may resign at any time by sending a written notice of such resignation to the office of the Association, delivered to the Secretary. Unless otherwise specified therein, such resignation shall take effect upon receipt thereof by the Secretary. Commencing with the Directors elected at the first meeting of the membership, the transfer of title of his Lot by a Director shall automatically constitute a resignation, effective when such resignation is accepted by the Board of Directors, unless the Director continues to own another Lot. No member shall continue to serve on the Board of Directors should he be more than thirty (30) days delinquent in the payment of an assessment, and said delinquency is confirmed by the Board of Directors.

7. First Board of Directors. The first Board of Directors shall consist of those named in the Articles of Incorporation of the Association. The first Board of Directors, or their replacements as determined by the DECLARANT during the Class B control period, shall serve until the Turnover Meeting.

8. Compensation. No director shall receive compensation for any service he may render to the Association in his capacity as a director. However, each director may be reimbursed for actual expenses incurred in the performance of his duties.

9. Proviso. Notwithstanding any provisions contained herein, until Class B membership ceases and so long as the DECLARANT has a right to appoint any Directors, the

Directors, named in the Articles of Incorporation or their successors need not be members and may not be removed by the members of the Association.

10. Powers. The Board of Directors may exercise all corporate powers not specifically prohibited by statute, the Articles of Incorporation or the Restrictive Covenants to which these Bylaws are attached. The powers of the Board of Directors shall specifically include, but not be limited to, the following:

- a. To make and collect general, special and individual assessments and establish the time within which payment of such assessments are due;
- b. To use and expend the assessments collected to maintain, repair, replace, modify, care for, manage and preserve the Common Elements, except those portions thereof which are required to be maintained, cared for and preserved by the owners;
- c. To procure, maintain and pay premiums on, insurance policy(s) and equitably assess the members as part of the Common Expenses;
- d. To contract for and discharge management of the Subdivision and to delegate to such manager, employee or contractor all powers and duties of the Association except those specifically required by the Restrictive Covenants to have specific approval of the Board of Directors or the membership of the Association;
- e. To employ, compensate and discharge such personnel as may be required for the maintenance and preservation of the property, including but not limited to attorneys, accountants, contractors and architects;
- f. To make and amend rules and regulations governing the use of the Common Elements and the conduct of the Lot Owners, their tenants and guests;
- g. To acquire, rent or lease a Lot in the name of the Association or its designee;
- h. To designate, as the Board of Directors deems appropriate, assigned parking spaces for each lot, visitors, service vehicles, and other vehicles;
- i. Acquire, hold, encumber, and convey in its own name any right, title or interest to real or personal property, provided that Common Elements may be conveyed or subjected to a security interest only pursuant to applicable law;
- j. To impose and receive any payments, fees, or charges for the use, rental, or operation of the Common Elements other than for service provided to members;

k. To purchase equipment, supplies and materials required in the maintenance, repair, replacement, operation and management of the Association property;

l. To pay bills for utilities serving the Association property;

m. To foreclose any unpaid assessments and liens resulting therefrom against any property for which assessments are not paid within thirty (30) days after the due date or to bring an action at law against the member personally obligated to pay the same;

n. To exercise all authority with respect to architectural review and control, including but not limited to the authority to approve plans and specifications for all structures on and improvements to lots and Common Elements, to impose and collect architectural review fees, to approve landscaping plans, to enforce design guidelines applicable to the lots and Common Elements, and to enact additional guidelines for all improvements;

o. To exercise all authority in connection with lot use restrictions, including but not limited to the authority to enforce use restrictions applicable to the lots, to enact rules and regulations relating to lot use and lot owners and guests, and to establish and collect fines for breaches of such restrictions, rules and regulations;

p. To delegate to any person or entity any powers not prohibited by law to be delegated;

q. Institute, defend, or intervene in litigation or administrative proceedings on matters affecting the planned community;

r. To have a corporate seal, which may be altered at will, and to use it, or a facsimile of it, by impressing or affixing it or in any other manner reproducing it;

s. Acquire, hold, encumber, and convey in its own name any right, title or interest to real or personal property, provided that Common Elements may be conveyed or subjected to a security interest only pursuant to applicable law;

t. To sell, convey, mortgage, pledge, lease, exchange, and otherwise dispose of all or any part of its property;

u. To purchase, receive, subscribe for, or otherwise acquire; own, hold, vote, use, sell, mortgage, lend, pledge, or otherwise dispose of; and deal in and with shares or other interests in, or obligations of, any other entity;

v. To make contracts and guarantees, incur liabilities, borrow money, issue its notes, bonds, and other obligations, and secure any of its obligations by mortgage or pledge of any of its property, franchises, or income;

w. To lend money, invest and reinvest its funds, and receive and hold real and personal property as security for repayment, provided, however, no money may be lent without approval of a majority of the members present and voting in person or by proxy at a meeting;

x. To be a promoter, partner, member, associate or manager of any partnership, joint venture, trust, or other entity with the approval of a majority of the members of the association present and voting in person or by proxy at a meeting; and

y. To make donations for the public welfare or for charitable, religious, cultural, scientific, or educational purposes, and to make payments or donations not inconsistent with law for other purposes that further the corporate interest;

z. To exercise all other powers that may be exercised in this state by legal entities of the same type as the Association;

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

bb. Make contracts and incur liabilities;

cc. Regulate the use of the Common Elements;

dd. Cause additional improvements to be made as a part of the Common Elements;

ee. Grant easements, leases, licenses, and concessions through or over the Common Elements;

ff. Impose and receive any payments, fees, or charges for the use, rental, or operation of the Common Elements and for services provided to Lot Owners;

gg. Impose reasonable charges for late payment of assessments, and impose reasonable fines or suspend privileges or services provided by the Association (except rights of access to Lots) during any period that assessments or other amounts due and owing to the Association remain unpaid for a period of 30 days or longer in accordance with the Planned Community Act or for violations of the Restrictive Covenants, Bylaws, and Rules and Regulations of the Association;

hh. To enforce the provisions of these Bylaws, the Articles of Incorporation, the Restrictive Covenants and the rules and regulations promulgated thereunder by any legal means;

ii. Impose reasonable charges in connection with the preparation and recordation of documents, including, without limitation, amendments to these Restrictive Covenants or statements of unpaid assessments;

jj. Provide for the indemnification of and maintain liability insurance for its officers, Board of Directors, directors, employees and agents;

kk. Assign its right to future income, including the right to receive common expense assessments; and

11. Duties. It shall be the duty of the Board of Directors to do the following:

a. To cause the Common Elements to be maintained, repaired, and replaced as necessary, and to assess the members to recover the cost of the upkeep of the Common Elements;

b. To keep a complete record of all its acts and corporate affairs and present a statement thereof to the members at the Turnover Meeting, or at any special meeting when such statement is requested in writing by 20% of the members;

c. To supervise all officers, agents and employees of the Association, and see that their duties are properly performed;

d. To fix the amount of the general assessment against each Lot at least thirty (30) days in advance of each general assessment period. The budget shall be presented to the members in accordance with N.C.G.S. §47F-3-103(c).

e. To send written notice of each assessment to every member at least thirty (30) days in advance of the due date for each annual assessment;

f. To issue, or have issued, for a reasonable charge, a certificate setting forth whether or not any assessment has been paid; provided, however, that if a certificate states that an assessment has been paid, such certificate shall be conclusive evidence of such payment as to all parties except the member and lot owner as of the date of the assessment;

g. To procure and maintain, at all times, adequate hazard insurance on the property owned by the Association and all property for which the Association has the duty to maintain, and sufficient liability insurance to adequately protect the Association as provided in the Declaration of Restrictive Covenants;

h. To hold the organizational meeting of any newly elected Board of Directors within ten (10) days of their election in accordance with Article 4, Section 5 above;

i. To pay all taxes and assessments against Association property; and

j. To select depositories for the Association's funds and to determine the manner of receiving, depositing and disbursing Association funds and the form of check and the person or persons by whom the same shall be signed, when not signed as otherwise provided by these Bylaws.

ARTICLE 5

MEETINGS OF DIRECTORS

1. Meetings. Meetings of the Board of Directors shall be held at such place and hour as may be fixed from time to time by resolution of the Board of Directors, after not less than three (3) days' notice to each director.

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

3. Quorum. At all meetings of the Board of Directors, a majority of the Directors shall constitute a quorum for the transaction of business, and the acts of the majority of the Directors present at such meetings at which a quorum is present shall be the acts of the Board of Directors. If at any meeting of the Board of Directors there is less than a quorum present, the majority of those present may adjourn the meeting from time to time. At each such adjourned meeting, any business which might have been transacted at the meeting, as originally called, may be transacted without further notice. The joinder of a Director in the action of a meeting by signing and concurring in the minutes thereof shall constitute the presence of such Director for the purpose of determining a quorum.

4. Waiver of Notice. Before or at any meeting of the Board of Directors, any Director may waive notice of such meeting and such waiver shall be deemed equivalent to the giving of notice. Attendance by a Director at any meeting of the Board of Directors shall be a waiver of notice by him of the time and place thereof, except where a Director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. If a meeting of directors otherwise valid is held without proper call or notice, action taken at such a meeting is deemed ratified by a director who did not attend unless promptly, after having knowledge of the action taken and of the impropriety in question, he files with the Secretary of the Association his written objection to the holding of the meeting or to any specific action so taken.

5. Action Without a Meeting. Any action taken by a majority of directors without a meeting is nevertheless effective if written consent to the action is obtained from all the directors and filed with the minutes of the proceedings of the Board of Directors, whether done before or after the action so taken.

6. Attendance by Telephone. Any director may participate in a meeting of the Board of Directors, by means of a conference telephone or similar communications device which allows all persons participating in the meeting to hear each other. Such participation by a director in a meeting shall be deemed presence in person by the director at such meeting.

ARTICLE 6

OFFICERS AND THEIR DUTIES

1. Officers. The officers of the Association shall be a President, Vice-President, Secretary and Treasurer, all of whom shall be elected annually by the Board of Directors. Any two offices may be held by the same person, except the offices of the President and Secretary. The President and Vice President must be members of the Board of Directors. All other officers need not be members of the Board of Directors or of the Association.

2. Special Officers. The Board of Directors may from time to time elect such other officers as the affairs of the Association require, including an Assistant Treasurer and Assistant Secretary, each of whom shall hold office for such period, have such authority, and perform such duties as the Executive Board may prescribe.

3. Term. The officers shall hold office until their successors are chosen and qualify in their stead. Any officer elected by the Board of Directors may be removed at any time with or without cause by the Board of Directors. If the office of any officer becomes vacant for any reason, the vacancy shall be filled by the Board of Directors. No compensation will be paid to the officers of the Association.

4. Removal or Resignation. Any officer may be removed from office with or without cause, at any time, by action of the Board of Directors. Any officer may resign at any time by giving written notice to the Board of Directors, the President, or the Secretary. Such resignation shall take effect on the date of receipt of the notice, unless a later time is specified therein. The acceptance of the resignation shall not be required to make it effective.

5. Compensation. No compensation shall be paid to the officers of the Association.

6. Vacancy. A vacancy in any office may be filled by the Board of Directors. An officer appointed to fill a vacancy shall serve for the unexpired term of the officer s/he replaces.

7. Duties. The duties of the officers are as follows:

a. President. The President shall be the chief executive officer of the Association and shall preside at all meetings of the members. He shall have executive powers and general supervision over the affairs of the Association and other officers and shall be an ex-officio member of all committees. He may sign all written contracts, and shall prepare, execute, certify and record or cause to be prepared, executed, certified and recorded amendments to the Restrictive Covenants on behalf of the Association and perform all duties incident to his office which may be delegated to him from time to time by the Board of Directors.

b. Vice-President. The Vice-President shall act in the place and stead of the President in the event of his absence, inability or refusal to act, and shall exercise and discharge such other duties as may be prescribed by the Board of Directors.

c. Secretary. The Secretary shall record the notes and keep the minutes of all meetings of the members and of the Board of Directors in one or more books provided for that purpose; shall see that all notices are fully given in accordance with the provisions of these Bylaws or as required by law; shall be custodian of the Association's records and of the seal of the Association and shall see that the seal of the Association is affixed to all documents requiring said seal; shall keep the records of the Association, except those of the Treasurer, and in general, shall perform all duties as from time to time may be assigned to him by the President, including certifying amendments to the Restrictive Covenants, or assigned to him by the Board of Directors.

d. Treasurer. The Treasurer shall receive and deposit all monies and other property of the Association in such depositories as may be designated by the Board of Directors; shall keep proper books of account; shall disburse the funds of the Association as ordered by the Board of Directors, taking proper vouchers for such disbursements, and shall render to the President and Board of Directors, or whenever they may require it, an account of all his transactions as Treasurer and of the financial condition of the Association, which records shall be open to inspection by members at reasonable times; shall prepare an annual budget and a statement of income and expenditures to be presented to the members at their regular Turnover Meeting; shall with the approval of the Board of Directors, be authorized to delegate all or part of his responsibilities to competent accounting, collection or management personnel, but in such event, the Treasurer shall retain supervisory responsibilities, and, in general, shall perform all duties incident to the office of Treasurer and assigned to him by the President or the Board of Directors.

8. Indemnification. To the fullest extent and upon the terms and conditions from time to time provided by law, the Association shall indemnify any and all of its officers, directors, employees and agents, or any person who has served or is serving in such capacity at the request of the Association in any other Association, partnership, joint venture, trust or other enterprise, against liability and reasonable litigation expenses, including attorneys' fees incurred by him in connection with any action, suit or proceeding in which he is made or threatened to be made a party by reason of being or having been such director, officer, employee or agent (excluding, however, liability or litigation expenses which any of the foregoing may incur in relation to matters as to which he shall be adjudged in such action, suit or proceeding to have acted in bad faith or to have been liable or guilty by reason of willful misconduct in the performance of his duty). Such directors, officers, employees and agents shall be entitled to recover from the Association, and the Association shall pay, all reasonable costs, expenses and attorneys' fees in connection with the enforcement of rights of indemnification granted herein. Any person who at any time after the adoption of this bylaw serves or has served in any of the aforesaid capacities for or on behalf of the Association shall be deemed to be doing or to have done so in reliance upon and as consideration for the right of indemnification provided herein. Such right shall inure to the benefit of the legal representatives of any such person and shall not

be exclusive of any right to which such person may be entitled apart from the provisions of this bylaw.

The Board of Directors of the Association shall take all such action as may be necessary and appropriate to authorize the Association to pay the indemnification required by this Bylaw, including without limitation, to the extent needed, making a good faith evaluation of the manner in which the claimant for indemnity acted and of the reasonable amount of indemnity due him and giving notice to, and obtaining approval by, the members of the Association.

Expenses incurred by a director, officer, employee or agent in defending a civil or criminal action, suit or proceeding shall be paid by the Association in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of the director, officer, employee or agent to repay such amount unless it shall be ultimately determined that he is entitled to be indemnified by the Association against such expenses.

The Association shall have the power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Association, or is or was serving at the request of the Association as a director, officer, employee or agent of another Association, partnership, joint venture, trust or other enterprise against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the Association would have the power to indemnify him against such liability.

Any person who at any time after the adoption of this Section 8 serves or has served in any of the aforesaid capacities for or on behalf of the corporation shall be deemed to be doing or to have done so in reliance upon, and as consideration for, the right of indemnification provided herein. Such right shall inure to the benefit of the legal representatives of any such person and shall not be exclusive of any other rights to which such person may be entitled apart from the provision of this Bylaw.

9. Fidelity Bond. The Association shall provide blanket fidelity bonds for anyone who either handles or is responsible for funds held or administered by the Association, whether or not they receive compensation for their services. A management agent that handles funds for the Association should also be covered by its own fidelity bond. Except for fidelity bonds that a management agent obtains for its personnel, all other such bonds shall name the Association as an obligee and their premiums shall be a common expense and paid by the Association. The fidelity bond shall cover the maximum funds that will be in the custody of the Association or its management agent at any time while the bond is in force. The fidelity bond coverage must at least equal the sum of the annual assessment on all Lots in the Subdivision, plus the Association's reserve funds. The bonds must include a provision that calls for 10 days' written notice to the Association, or any insurance trustee, before the bond can be canceled or substantially modified for any reason.

ARTICLE 7

COMMITTEES

The Board of Directors shall appoint a Nominating Committee and such other committees as they may from time to time deem appropriate.

ARTICLE 8

FINANCES

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

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

3. Checks and Drafts. All checks, drafts or other orders for the payment of money issued in the name of the Association shall be signed by such officer or officers, agent or agents of the Association and in such manner as shall from time to time be determined by resolution of the Board of Directors.

4. Deposits. All funds of the Association not otherwise employed shall be deposited from time to time to the credit of the Association in such depositories as the Board of Directors may select.

ARTICLE 9

RECORDS

1. Receipts and Expenditures. The Board of Directors or the manager shall keep detailed accurate records in chronological order of the receipts and expenditures affecting the Common Elements and any other expenses incurred. Both said book and the vouchers accrediting the entries thereupon shall be available for examination by all Lot Owners, their duly authorized agents and attorneys, at convenient hours on working days that shall be set and announced for general knowledge. All books and records shall be kept in accordance with good and accepted accounting practices.

2. Other Records. The Board of Directors or the manager shall keep correct and complete books of records of account, minutes of the proceedings, and a record of the names and addresses of the members entitled to vote, which latter records must be kept at the Association's principal office. Any member, his agent or attorney may examine these books and records for any proper purpose at any reasonable time.

3. Inspection of Records. The Association shall make available to Lot Owners, lenders, holders, insurers or guarantors of any first mortgage, current copies of the Restrictive Covenants, Articles of Incorporation, Bylaws or other rules concerning the Subdivision and the books, records and financial statements of the Association. Available means available for inspection upon request during normal business hours and under reasonable circumstances.

ARTICLE 10

RULES AND REGULATIONS

The Board of Directors shall have the right to enact administrative rules and regulations regarding the use of the Common Elements and conduct of the members.

ARTICLE 11

FORMS OF PROXY AND WAIVER

1. Forms of Proxy. The following form or proxy shall be deemed sufficient, but any other form may be used which is sufficient in law:

ASHCROFT AT THE COMMONS PROPERTY OWNERS' ASSOCIATION, INC.

Know all men by these presents that the undersigned member of ASHCROFT AT THE COMMONS PROPERTY OWNERS' ASSOCIATION, INC. hereby constitute and appoints _____ the attorney and proxy of the undersigned to annual and special meeting of the members of ASHCROFT AT THE COMMONS PROPERTY OWNERS' ASSOCIATION, INC., at which I am not present, until the secretary of the Association receives from me a letter revoking this proxy and for and on behalf of the undersigned to vote as the undersigned would be entitled to vote if personally present, hereby ratifying and confirming all that said attorney and proxy shall do in the premises, and giving and granting unto said attorney and proxy full power of substitution and revocation.

Dated: _____

Member

Witness:

2. Form of Waiver of Notice. The following form of waiver of notice shall be deemed sufficient, but any other form may be used which is sufficient in law:

ASHCROFT AT THE COMMONS PROPERTY OWNERS' ASSOCIATION, INC.

We the undersigned (Board or Association Members) of ASHCROFT AT THE COMMONS PROPERTY OWNERS' ASSOCIATION, INC. do hereby severally waive notice of the time, place, and purpose of (the annual or a special) meeting of the (Board of Directors or Association members) of the said association, and consent that same be held at _____ on the ____ day of _____, 20__ at ____ o'clock __.M., and we do further consent to the transaction of any and all business of any nature that may come before the meeting.

Dated this ____ day of _____, 20__.

ARTICLE 12

PARLIAMENTARY RULES

Robert's Rules of Order (latest edition) shall govern the conduct of all Association Meetings, not in conflict with the Restrictive Covenants, Articles of Incorporation and these Bylaws.

ARTICLE 13

GENERAL PROVISIONS

1. AMENDMENT. These Bylaws may be altered, amended or rescinded by the Board of Directors prior to the Turnover Meeting of the members, thereafter these Bylaws may be amended at a duly called meeting of the members, following an affirmative vote on the amendment by a majority of the Board of Directors. The notice of the members' meeting shall contain a full statement of the proposed amendment. Amendments must be approved by an affirmative vote of a majority of the votes of all Association Members entitled to vote. Directors and members not present in person at the meeting considering a proposed amendment may cast their votes for such proposal in writing, provided such votes are delivered to the Secretary of the Association at or prior to the meeting. HUD/VA has the right to veto amendments while there is a Class B membership.

2. ASSOCIATION SEAL. A seal with the words "ASHCROFT AT THE COMMONS PROPERTY OWNERS' ASSOCIATION, INC.," on the outer circle shall be the common corporate seal of the Association and shall be in the custody of the Secretary.

These Bylaws effective as of _____, 2000.

Secretary

[Corporate Seal]

The foregoing were adopted as the Bylaws of the ASHCROFT AT THE COMMONS PROPERTY OWNERS' ASSOCIATION, INC., a non-profit corporation under the laws of the State of North Carolina, at the first meeting of the Board of Directors.

Certified to be correct, this the _____ day of _____,

Secretary