BYLAWS

OF

HIGHLAND CREEK MASTER ASSOCIATION, INC.

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BYLAWS
OF
HIGHLAND CREEK MASTER ASSOCIATION, INC.

1. Identification of Association

These are the Bylaws of the Highland Creek Master Association, Inc. ("Association") as duly adopted by its Board of Directors ("Board"). The Association is a nonprofit corporation organized pursuant to Chapter 55A and Chapter 47F of the North Carolina General Statutes.

1.1 The office of the Association shall be for the present at 2301 Sugar Bush Road, Suite 400, Raleigh, Wake County, North Carolina, 27612, and thereafter may be located at any place designated by the Board.

1.2 The fiscal year of the Association shall be the calendar year.

1.3 The seal of the Association shall bear the name of the Association, the word "North Carolina" and the words "Nonprofit Corporation."

2. Explanation of Terminology

The terms defined in the Articles of Incorporation of the Association ("Articles") as well as in the Master Declaration of Covenants, Restrictions and Easements for Highland Creek ("Declaration") are incorporated herein by reference and shall appear in initial capital letters each time such terms appear in these Bylaws.

3. Membership; Voting Power

Each Member shall be entitled to the benefit of, and be subject to, the provisions of the Association Documents. Membership in the Association for Residential Owners other than Declarant shall be established by the acquisition of ownership of fee title to a Living Unit as evidenced by the recording of an instrument of conveyance in the Registry. Otherwise, voting rights attributable to an ownership interest shall vest upon the recording of a Final Plat creating Lots in the Project. The qualification of Members of the Association, the manner of their admission to membership, the manner of the termination of such membership and the manner of voting by Members shall be established and terminated as set forth in the Declaration and in the Articles.

4. Members' Meetings; Voting Procedures; and Proxies

4.1 The Members shall meet annually ("Annual Members' Meeting"). The Annual Members' Meeting shall be held at the office of the Association or at such other place in the County as the Board may determine and on such day and at such time as designated by the Board

in the notice of such meeting commencing with the year following the year in which the Articles are filed with the North Carolina Secretary of State. The purpose of the Annual Members Meeting shall be to hear reports of the officers, elect members of the Board (when that shall be appropriate as determined by the provisions of Section 5 of these Bylaws) and transact any other business authorized to be transacted at such Annual Members' Meeting.

4.2 Special meetings (meetings other than the Annual Members' Meeting) of the Members shall be held at any place within the County whenever called by the President or Vice President or by a majority of the Board. A special meeting must be called by such President or Vice President upon receipt of a written request from Members having the right to vote at least five percent (5%) of the total number of votes entitled to be cast by Members at any such special meeting.

4.3 Except as may otherwise be provided in the Association Documents, a written notice of all Members' meetings, whether the Annual Members' Meeting or special meetings (collectively "Meeting"), shall be given to each Member entitled to vote thereat at his last known address as it appears on the books of the Association and shall be mailed first class to the said address not less than ten (10) days nor more than forty-five (45) days prior to the date of the Meeting. Proof of such mailing shall be given by the affidavit of the person giving the notice. Any notice given hereunder shall state the time and place of the Meeting and the purposes for which the Meeting is called. The notice of all Annual Members' Meetings shall, in addition, specify the number of Directors of the Association to be designated by Declarant and the number of Directors to be elected by the Members, if applicable. Notice of any Meeting may be waived before, during or after such Meeting by a Member or by the person entitled to vote for such Member by signing a document setting forth the waiver of such notice.

4.4 The Members may, at the discretion of the Board, act by written response in lieu of a Meeting provided written notice of the matter or matters to be agreed upon is given to the Members or duly waived in accordance with the provisions of these Bylaws. Unless some greater number is required under the Association Documents and except as to the election of Directors, which shall be accomplished by plurality vote, the decision of a majority of the votes cast by Members as to the matter or matters to be agreed or voted upon shall be binding on the Members provided a quorum is either present at such Meeting or submits a response if action is taken by written response in lieu of a Meeting, as the case may be. The notice with respect to actions to be taken by written response in lieu of a Meeting shall set forth the time period during which the written responses must be received by the Association.

4.5 Unless a different percentage is specifically required by any provision in the Association Documents or the Planned Community Act of the State of North Carolina (Chapter 47F N.C.G.S.) or other applicable law, a quorum of the Members shall consist of Members entitled to cast ten percent (10%) of the total number of votes of the Members.

When a quorum is present at any Meeting and a question which raises the jurisdiction of such Meeting is presented, the holders of a majority of the voting rights present in

person or represented by written "Proxy" (as hereinafter defined) shall be required to decide the question. However, if the question is one upon which a vote other than the majority vote of a quorum is required by express provision of the Association Documents or by law, then such express provision shall govern and control the required vote on the decision of such question.

4.6 At any Annual Members' Meeting when elections of Directors are to occur, written ballots are to be supplied to Members for such purposes. Furthermore, at any Annual Members' Meeting at which Directors are to be elected, the "Chairman" (as hereinafter defined in Section 9.2 hereof) shall appoint an "Election Committee" consisting of three (3) Members to supervise the election, count and verify ballots and Proxies, disqualify votes if such disqualification is justified under the circumstances and to certify the results of the election to the Board. The Election Committee shall be able to determine questions within its jurisdiction by plurality vote of all three (3) members, but matters resulting in deadlocked votes of the Election Committee shall be referred to the entire Board for resolution.

4.7 In the absence of a quorum at a Meeting, the Members entitled to vote at such Meeting shall have the power to adjourn the meeting to another time subject to the same notice requirement, unless the Meeting is held within thirty (30) days after the adjourned Meeting, in which event no additional notice shall be required if the time and place of the following Meeting is announced at the adjourned meeting. If a Meeting is adjourned due to lack of a quorum, and a subsequent Meeting is scheduled in lieu thereof, all notice requirements being applicable to such subsequent Meeting, and such notice indicates that the subsequent Meeting is being held due to lack of a quorum at the adjourned Meeting then the quorum requirement for the subsequent Meeting shall be shall be one-half (½) of the quorum requirement for the adjourned Meeting, provided such subsequent Meeting is held within forty-five (45) days of the adjourned Meeting. The reducing quorum requirement may take place multiple times for multiple subsequent Meetings (reducing by fifty percent (50%) each time subject to the minimum quorum requirement referred to below), provided all notice requirements and time periods are complied with, until a Meeting is held at which a quorum is present.

4.8 Minutes of all Meetings shall be kept in a businesslike manner and be available for inspection by the Members and Directors at all reasonable times.

4.9 Voting rights of Members shall be as stated in Section 5 of these Bylaws with respect to the election of all Boards other than the First Board. Such votes may be cast in person or by Proxy. "Proxy" is defined to mean an instrument containing the appointment of a person who is substituted in the place and stead of the person or authorized representative of an entity entitled to vote. Proxies shall be in writing signed by the person or authorized representative of an entity giving the same and shall be valid only for the particular Meeting designated therein and, if so stated in the Proxy, any adjournments thereof. A Proxy must be filed with the Secretary of the Association before the appointed time of the Meeting in order to be valid. Any Proxy may be revoked prior to the time a vote is cast according to such Proxy, by providing notice of such revocation to the Secretary of the Association or the Person presiding over the

Meeting for which such Proxy is given before the appointed time of the Meeting. In any event, no Proxy shall be effective for any period longer than a period of 11 months from the effective date of such Proxy.

4.10 The voting on any matter at a Meeting shall be by secret ballot upon request of the holders of ten percent (10%) of the votes represented at such Meeting and entitled to be cast on such matter, if such request is made prior to the vote in question.

5. Board; Designation and Election of Directors; Directors' Meetings

5.1 The business and administration of the Association shall be by its Board.

5.2 The number of Directors on the first Board of Directors of the Association ("First Board") and the "Initial Elected Board" (as hereinafter defined) shall be three (3) as provided in the Articles. The number of Directors elected by the Members subsequent to the "Declarant's Resignation Event" (as hereinafter defined) shall be not less than three (3) nor more than five (5), as the Board shall from time to time determine prior to each meeting at which Directors are to be elected, but in any event these shall always be an odd number of Directors. Except for Declarant-appointed Directors, Directors must be Members or the parents, children or spouse of Members. There shall be one (1) vote for each Director.

5.3 The names and addresses of the persons who are to serve as Directors on the First Board are as set forth in the Articles. Declarant reserves the right to replace and/or designate and elect successor Directors to serve on the First Board for so long as the First Board is to serve, as hereinafter provided.

5.4 Upon the Turnover Date (defined in the Declaration), the Members other than Declarant ("Purchaser Members") shall be entitled to elect not less than a majority of the Board. The election of not less than a majority of the Board by the Purchaser Members shall occur at a special meeting of the membership to be called by the Board for such purpose ("Initial Election Meeting"). The First Board shall serve until the Initial Election Meeting.

5.5 At the Initial Election Meeting, Purchaser Members shall elect two (2) of the Directors, and Declarant, until the Declarant's Resignation Event, shall be entitled to designate one (1) Director (same constituting the "Initial Elected Board"). Declarant reserves and shall have the right, until the Declarant's Resignation Event, to name the successor, if any, to any Director it has so designated.

5.6 The Board shall continue to be so designated and elected, as described in Paragraph 5.5 above, at each subsequent "Annual Members' Meeting" (as hereinafter defined), until the Annual Members' Meeting following the Declarant's Resignation Event or until Declarant is removed in the manner hereinafter provided.

A Director (other than a Declarant-appointed Director) may be removed from office upon the affirmative vote of a majority of Residential Owners, for any reason deemed to be in the best interests of the Residential Owners. A meeting of the Residential Owners to so remove a Director (other than a Declarant-appointed Director) shall be held upon the written request of twenty percent (20%) of the Residential Owners.

5.7 The Initial Election Meeting shall be called by the Association, through the Board, within sixty (60) days after the Purchaser Members are entitled to elect a majority of Directors as provided in Paragraph 5.4 hereof. A notice of meeting shall be forwarded to all Members in accordance with the applicable provisions of these Bylaws; provided, however, that the Members shall be given at least fourteen (14) days' notice of such meeting. The notice shall also specify the number of Directors which shall be elected by the Purchaser Members and the remaining number of Directors designated by Declarant.

5.8 Upon the earlier to occur of the following events ("Declarant's Resignation Event"), Declarant shall cause all of its designated Directors to resign:

5.8.1 When Declarant no longer holds any Living Units or Lots for sale in the ordinary course of business and all Living Units sold by Declarant have been conveyed as evidenced by the recording of instruments of conveyance of such Living Units in the Registry; or

5.8.2 When Declarant causes the voluntary resignation of all of the Directors designated by Declarant and does not designate replacement Directors.

Upon Declarant's Resignation Event, the Directors elected by Purchaser Members shall elect a successor Director to fill the vacancy caused by the resignation or removal of Declarant's designated Director. This successor Director shall serve until the next Annual Members' Meeting and until his successor is elected and qualified. In the event Declarant's Resignation Event occurs prior to the Initial Election Meeting, the Initial Election Meeting shall be called in the manner set forth in Paragraph 5.7 of this Section 5, and all of the Directors shall be elected by the Purchaser Members at such meeting.

5.9 At each Annual Members' Meeting held subsequent to Declarant's Resignation Event, all of the Directors shall be elected by the Members. At the first Annual Members Meeting held after the Initial Election Meeting, a "staggered" term of office of the Board shall be created as follows:

5.9.1 a number equal to fifty percent (50%) of the total number of Directors rounded to the nearest whole number is the number of Directors whose term of office shall be established at two (2) years and the Directors serving for a two (2) year term will be the Directors receiving the most votes at the meeting; and

5.9.2 the remaining Directors' terms of office shall be established at one (1) year.

At each Annual Members Meeting thereafter, as many Directors of the Association shall be elected as there are Directors whose regular term of office expires at such time, and the term of office of the Directors so elected shall be for two (2) years expiring when their successors are duly elected and qualified.

The resignation of a Director who has been designated by Declarant or the resignation of an officer of the Association who has been elected by the First Board shall remise, release, acquit, satisfy and forever discharge such officer or Director of and from any and all manner of action(s), cause(s) of action, suits, debts, dues, sums of money, accounts, reckonings, bonds, bills, specialties, covenants, contracts, controversies, agreements, promises, variances, trespasses, damages, judgments, executions, claims and demands whatsoever, in law or in equity, which the Association or Purchaser Members had, now have or will have or which any personal representative, successor, heir or assign of the Association or Purchaser Members hereafter can, shall or may have against said officer or Director for, upon or by reason of any matter, cause or thing whatsoever from the beginning of the world to the day of such resignation, except for such Director's or officer's willful misconduct or gross negligence.

5.10 The organizational meeting of a newly elected Board shall be held within thirty (30) days of their election at such place and time as shall be fixed by the Directors at the meeting at which they were elected. No further notice of the organizational meeting shall be necessary.

5.11 Regular meetings of the Board may be held at such times and places in the County as shall be determined from time to time by a majority of Directors. Special meetings of the Board may be called at the discretion of the President or the Vice President. Special meetings must be called by the Secretary at the written request of at least twenty percent (20%) of the Directors. Such special meeting may be held in the County at such time and place as determined by the Directors requesting such meeting or in such other place as all Directors shall agree upon.

5.12 Notice of the time and place of regular and special meetings of the Board, or adjournments thereof, shall be given to each Director personally or by mail, telephone or telegraph at least three (3) days prior to the day named for such meeting unless such notice is waived before, during or after such meeting. Any Director may waive notice of the meeting in writing before, during or after a meeting and such waiver shall be deemed equivalent to the receipt of notice by such Director.

5.13 A quorum of the Board shall consist of the Directors entitled to cast a majority of the votes of the entire Board. Matters approved by a majority of the Directors present at a meeting at which a quorum is present shall constitute the official acts of the Board, except as may be otherwise specifically provided by law, by the Articles or elsewhere herein. If at any meetings of the Board there shall be less than a quorum present, the majority of those present may adjourn the meeting from time to time until a quorum is present. At any meeting that takes

place on account of a previously adjourned meeting, any business which might have been transacted at the meeting as originally called may be transacted. In the case of the adjournment of a meeting, no further notice of the adjourned meeting need be given unless otherwise determined by the Board.

5.14 The presiding officer at all Board meetings shall be the President. In the absence of the President, the Directors shall designate any one of their number to preside.

5.15 Directors' fees, if any, shall be determined by the Members.

5.16 Minutes of all meetings of the Board shall be kept in a businesslike manner and be available for inspection by Members and Directors at all reasonable times.

5.17 The Board shall have the power to appoint an "Executive Committee(s)" of the Board consisting of not less than three (3) Directors. An Executive Committee(s) shall have and exercise such powers of the Board as may be delegated to such Executive Committee(s) by the Board.

5.18 Meetings of the Board may be open to all Members on such terms as the Board may determine. The Board may also hold closed meetings to the extent permitted by applicable law.

5.19 Any action required or permitted to be taken at a meeting of the Directors may be taken without a meeting if a consent in writing, specifically setting forth the action to be taken, shall be signed by all the Directors entitled to vote with respect to the subject matter thereof. Such consent shall have the same force and effect as a unanimous vote of Directors.

6. Powers and Duties of the Board

6.1 All of the powers and duties of the Association shall be exercised by the Board. Such powers and duties of the Board shall include, but not be limited to, all powers and duties set forth in the Association Documents, as well as all of the powers and duties of a director of a corporation not for profit.

6.2 The Association may employ a manager to perform any of the duties, powers or functions of the Association. The Association may not delegate to the manager the power to conclusively determine whether the Association should make expenditures for capital additions or improvements chargeable against the Association fund in excess of five percent (5%) of the budgeted Operating Expenses of the Association for any fiscal year of the Association. The members of the Board shall not be personally liable for any omission or improper exercise by the manager of any duty, power or function delegated to the manager by the Association. All management contracts, leases and other contracts entered into by Declarant or the Board prior to the Turnover Date shall contain a provision or provisions allowing the Association the right to

terminate such agreement for any reason upon 90 days prior written notice to the other party to the agreement.

7. Indemnification of Directors, Officers and Employees

7.1 Any person who at any time is serving or has served as a Director, officer, employee or agent of the Association, or who is serving or has served in any such capacity at the request of the Association in any other corporation, partnership, joint venture, trust or other enterprise or, at the request of the Association, as a trustee or administrator under any employee benefit plan, shall be indemnified by the Association to the fullest extent permitted by law, including specifically the indemnification provided by the provisions of the North Carolina Nonprofit Corporation Act, including but not limited to indemnification against (i) reasonable expenses, including attorneys' fees actually and necessarily incurred by him in connection with any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, and whether or not brought by or on behalf of the Association, seeking to hold him liable by reason of the fact that he is or was acting in such capacity, and (ii) reasonable payments made by him in satisfaction of any judgment, money decree, fine penalty or settlement for which he may become liable in any such action, suit or proceeding.

The Board shall take all such action as may be necessary and appropriate to authorize the Association to pay the indemnification required by the provisions of this Section 7.1, 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 if required, giving notice to, and obtaining approval by, the Members of the Association.

Any person who at any time serves or has served in any of the aforesaid capacities for, on behalf of, or at the request 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 under this Section 7.1. Such right shall inure to the benefit of the legal representatives of any such person and shall not be exclusive of any other rights to which such person may be entitled apart from the provisions of the Bylaws.

If the North Carolina Nonprofit Corporation Act is subsequently amended to eliminate or further limit the personal liability of Directors or to authorize corporate action to eliminate or further limit such liability, then the liability of the Directors of this Association shall, without any further action of the Board or the Members, be eliminated or limited to the fullest extent permitted by the North Carolina Nonprofit Corporation Act as so amended.

7.2 The Association shall have the power to purchase and maintain insurance on behalf of any person who is serving or has served as a Director, officer, employee or agent of the Association, or who is serving or has served in any such capacity at the request of the Association in any other corporation, partnership, joint venture, trust or other enterprise or, at the request of the Association, as a trustee or administrator under any employee benefit plan 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 otherwise have the power to indemnify him against such liability.

7.3 In addition to the indemnification authorized under the provisions of Sections 7.1 and 7.2 of this Section 7 and under the provision of the North Carolina Nonprofit Corporation Act, the Association, acting pursuant to a resolution adopted by the Board, may by contract agree to indemnify any person who at any time is serving or has served as a Director, officer, employee or agent of the Association, or in any such capacity at the request of the Association in any other corporation, partnership, joint venture, trust or other enterprises or, at the request of the Association, as a trustee or administrator under any employee benefit plan, against liability and reasonable litigation expenses, including attorneys' fees, arising out of his status as such or his activities in any of the foregoing capacities before or after the date on which the contract is executed; PROVIDED, HOWEVER, that the Association may not agree under any such contract to indemnify any such person against any liability or litigation expense he may incur in relation to matters as to which he shall have been 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 duty.

7.4 Any repeal or modification of the foregoing provisions of this Section 7 shall not affect any rights or obligations then existing with respect to any state of facts then or therefore or thereafter brought based in whole or in part on any such state of facts.

7.5 This Section is intended to provide indemnification solely for actions taken by a person in his/her capacity as an officer or Director of the Association. Nothing herein shall be deemed to provide indemnification to any Person for any liability that may result from that Person's ownership of any portion of the Property.

8. Late Fees

Any Residential Owner who fails to timely pay any Assessment may be charged a late charge of Twenty-Five Dollars ($25) by the Association for such late Assessment. Residential Owners shall be responsible to pay all legal fees (including, but not limited to, attorney and paralegal fees and court costs) incurred in connection with the collection of late Assessments whether or not an action at law to collect said Assessment and foreclose the Association's lien has been commenced. The Board may also charge Residential Owners a reasonable amount for administrative fees, filing fees, document preparation fees and recording costs associated with the filing of documents in the enforcement and satisfaction of the Association's lien for unpaid Assessments, including but not limited to, reimbursement for attorney and/or paralegal time spent pursuing collection of such unpaid Assessments.

9. Officers of the Association

9.1 Executive officers of the Association shall be the President, who shall be a Director, one or more Vice Presidents, a Treasurer and a Secretary, all of whom shall be elected

annually by the Board. Any officer may be removed without cause from office by vote of the Directors at any meeting of the Board. The Board may, from time to time, elect such other officers and assistant officers and designate their powers and duties as the Board shall find to be required to manage the affairs of the Association. One person may hold any two offices simultaneously, except where the functions of such offices are incompatible, but no person shall hold the office of President and any of the following offices simultaneously: Vice President, Secretary or Assistant Secretary.

9.2 The President shall be the chief executive officer of the Association. He shall have all of the powers and duties which are usually vested in the office of the President of an association or a corporation not for profit, including, but not limited to, the power to appoint such committees from among the Members at such times as he may, in his discretion, determine appropriate to assist in the conduct of the affairs of the Association. If in attendance, the President ("Chairman") shall preside at all meetings of the Board and the Members; provided, however, that the President may appoint a substitute.

9.3 In the absence or disability of the President, a Vice President shall exercise the powers and perform the duties of the President. If more than one (1) Vice President, the Board shall designate which Vice President is to perform which duties. The Vice President(s) shall also generally assist the President and exercise such other powers and perform such other duties as shall be prescribed by the Board. In the event there shall be more than one Vice President elected by the Board, then they shall be designated "First," "Second," etc., and shall exercise the powers and perform the duties of the presidency in such order.

9.4 The Secretary shall keep the minutes of all meetings of the Board and the Members, which minutes shall be kept in a businesslike manner and be available for inspection by Members and Directors at all reasonable times. The Secretary shall have custody of the seal of the Association and affix the same to instruments requiring such seal when duly authorized and directed to do so. The Secretary shall be custodian for the corporate records of the Association, except those of the Treasurer, and shall perform all of the duties incident to the office of Secretary of the Association as may be required by the Board or the President. The Assistant Secretary, if any, shall perform the duties of the Secretary when the Secretary is absent and shall assist the Secretary under the supervision of the Secretary.

9.5 The Treasurer shall have custody of all of the monies of the Association, including funds, securities and evidences of indebtedness. The Treasurer shall keep the assessment rolls and accounts of the Members and shall keep the books of the Association in accordance with good accounting practices and he shall perform all of the duties incident to the office of the Treasurer. The Assistant Treasurer, if any, shall perform the duties of the Treasurer when the Treasurer is absent and shall assist the Treasurer under the supervision of the Treasurer.

9.6 The compensation, if any, of the officers and other employees of the Association shall be fixed by the Board. This provision shall not preclude the Board from hiring a Director as an employee of the Association or preclude the contracting with a Director or a party affiliated

with a Director for the management or performance of contract services for all or any part of the Project.

10. Resignations

Any Director or officer may resign his post at any time by written resignation, delivered to the President or Secretary, which shall take effect upon its receipt unless a later date is specified in the resignation, in which event the resignation shall be effective from such date unless withdrawn. The acceptance of a resignation shall not be required to make it effective. The conveyance of all Lots owned by any Director or officer (other than appointees of Declarant or officers and Directors who were not Residential Owners) shall constitute a written resignation of such Director or officer.

11. Accounting Records; Fiscal Management

11.1 The Association shall use the cash basis method of accounting and shall maintain accounting records in accordance with good accounting practices, which shall be open to inspection by Members and Institutional Mortgagees or their respective authorized representatives at reasonable times. Such authorization as a representative of a Member must be in writing and signed by the person giving the authorization and dated within sixty (60) days of the date of the inspection. Such records shall include, but not be limited to: (i) a record of all receipts and expenditures; and (ii) an account for each Living Unit within the Project which shall designate the name and address of the Residential Owner thereof, the amount of Base Assessments and all other Assessments, if any, charged to the Living Unit, the amounts and due dates for payment of same, the amounts paid upon the account and the balance due.

11.2 The Board shall adopt a Budget (as provided for in the Declaration) of the anticipated Operating Expenses for each forthcoming calendar year (the fiscal year of the Association being the calendar year) at a special meeting of the Board ("Budget Meeting") called for that purpose to be held during the month of November of the year preceding the year to which the Budget applies, provided that the first Budget Meeting is to be held prior to the completion of the first Home. Prior to the Budget Meeting, a proposed Budget for the Operating Expenses shall be prepared by or on behalf of the Board. Within thirty (30) days after adoption of the Budget, a copy thereof shall be furnished to each Member, and each Residential Owner shall be given notice of the Base Assessment applicable to his Living Unit. The copy of the Budget shall be deemed furnished and the notice of the Base Assessment shall be deemed given upon its delivery or upon its being mailed to the Residential Owner shown on the records of the Association at his last known address as shown on the records of the Association.

11.3 In administering the finances of the Association, the following procedures shall govern: (i) the fiscal year shall be the calendar year; (ii) any monies received by the Association in any calendar year may be used by the Association to pay expenses incurred in the same calendar year; (iii) there shall be apportioned between calendar years on a pro rata basis any expenses which are prepaid in any one calendar year for Operating Expenses which cover more than such calendar year; (iv) Assessments shall be made as more fully provided in the

Declaration in amounts no less than are required to provide funds in advance for payment of all of the anticipated current Operating Expenses and for all unpaid Operating Expenses previously incurred; and (v) items of Operating Expenses incurred in a calendar year shall be charged against income for the same calendar year regardless of when the bill for such expenses is received. The Assessments for Operating Expenses and any periodic installments thereof shall be of sufficient magnitude to insure an adequacy and availability of cash to meet all budgeted expenses in any calendar year as such expenses are incurred in accordance with the cash basis method of accounting.

11.4 The Base Assessment shall be payable as provided for in the Declaration.

11.5 No Board shall be required to anticipate revenue from Assessments or expend funds to pay for Operating Expenses not budgeted or which shall exceed budgeted items, and no Board is required to engage in deficit spending. Should there exist any deficiency which results from there being greater Operating Expenses than monies from Assessments, then unless such deficits are required to be funded by the Declarant as provided in the Declaration, such deficits shall be carried into the next succeeding year's Budget, as a deficiency or shall be the subject of a Special Assessment or an upward adjustment to the Base Assessment.

11.6 The depository of the Association shall be such bank or banks as shall be designated from time to time by the Board in which the monies of the Association shall be deposited. Withdrawal of monies from such account shall be only by checks signed by such persons as are authorized by the Board.

11.7 A report of the accounts of the Association shall be made annually by an auditor, accountant or certified public accountant. The accounting records shall be made available for inspection by the Members or their authorized representative at reasonable times at the office of the Association.

12. Rules and Regulations

The Board may at any meeting of the Board adopt rules and regulations or amend, modify or rescind then existing rules and regulations for the operation of the Project, provided, however, that such rules and regulations are not inconsistent with the terms or provisions of the Association Documents. Copies of any rules and regulations promulgated, amended or rescinded shall be mailed or delivered to all Members at the last known address for such Members as shown on the records of the Association at the time of such delivery or mailing and shall not take effect until forty-eight (48) hours after such delivery or mailing.

13. Parliamentary Rules

The then latest edition of Robert's Rules of Order shall govern the conduct of meetings of all Members and the Board; provided, however, if such rules of order are in conflict with any of the Association Documents, Robert's Rules of Order shall yield to the provisions of such instrument.

14. Roster of Residential Owners

Each Residential Owner shall file with the Association a copy of the deed or other document showing his ownership. The Association shall maintain such information. The Association may rely on the accuracy of such information for all purposes until notified in writing of changes therein. Each Residential Owner who mortgages his Lot shall notify the Association of the name and address of the Institutional Mortgagee. Any Residential Owner who satisfies the mortgage encumbering his Lot shall also notify the Association thereof, and shall file a copy of the satisfaction of mortgage with the Association. The names and addresses of any such Institutional Mortgagees shall be maintained with the roster of Residential Owners.

15. Amendment of the Bylaws

15.1 These Bylaws may be amended as hereinafter set forth in this Section 15.

15.2 After the Turnover Date, any Bylaw of the Association may be amended or repealed, and any new Bylaw of the Association may be adopted by either:

15.2.1 majority vote of the Members at any Annual Members' Meeting or any special meeting of the Members called for that purpose or by majority action of the Members who have acted by written response in lieu of a Meeting as permitted by these Bylaws; or

15.2.2 by the affirmative vote of a majority of the Directors then in office at any regular meeting of the Board or at any special meeting of the Board called for that purpose or by written instrument signed by all of the Directors as is permitted by these Bylaws, provided that the Directors shall not have any authority to adopt, amend or repeal any Bylaw if such new Bylaw or such amendment or the repeal of a Bylaw would be inconsistent with any Bylaw previously adopted by the Members.

15.3 Regardless of any other provision in this Section 15, until the Turnover Date, all amendments or modifications to these Bylaws and adoption or repeal of Bylaws shall only be made by action of the First Board as described in Section 5 of these Bylaws, which First Board shall have the power to amend, modify, adopt and repeal any Bylaws without the requirement of any consent, approval or vote of the Members.

15.4 No amendment to these Bylaws shall be effective which shall impair or prejudice the rights or priorities of Declarant, the Association or of any Institutional Mortgagee under the Association Documents without the specific written approval of such Declarant, Association and/or Institutional Mortgagee affected thereby. Furthermore, no amendment to these Bylaws shall be effective which would prejudice the rights of a then Residential Owner or his family members, guests, invitees and lessees to utilize or enjoy the benefits of the then existing Association Property unless the Residential Owner or Residential Owners so affected consent to

such amendment in writing or unless such amendment is adopted in accordance with the procedures required for adoption of an amendment to these Bylaws after the Turnover Date.

15.5 As long as the "Class B" membership exists, if the Federal Housing Administration ("FHA") or the Veterans Administration ("VA") are required to approve the Association Documents for the Project, then FHA and VA will have the right to veto any material amendments to these Bylaws.

15.6 Any instrument amending, modifying, repealing or adding Bylaws shall identify the particular section or sections affected and give the exact language of such modification, amendment or addition or of the provisions repealed. A copy of each such amendment, modification, repeal or addition attested to by the Secretary or Assistant Secretary of the Association shall be recorded in the Registry.

16. Interpretation

In the case of any conflict between the Articles and these Bylaws, the Articles shall control; and in the case of any conflict between the Declaration and these Bylaws, the Declaration shall control; and in the event of any conflict between the Articles and the Declaration, the Declaration shall control.

IN WITNESS WHEREOF, we being all the Directors of Highland Creek Master Association, Inc. have hereto set our hands this 31st day of January, 2007.

PICOTT HARRINGTON

JON MCREYNOLDS

MORGAN BRYAN

CERTIFICATION

I, the undersigned do hereby certify:

THAT I am the duly elected and acting Secretary of Highland Creek Master Association, Inc., a North Carolina nonprofit corporation, and that the foregoing Bylaws constitute the original Bylaws of the said Association, as duly adopted at a meeting of the Board of Directors thereof, held on the _____ day of _____, 2007.

IN WITNESS WHEREOF, I have hereunto set my hand and seal this ____ day of _____ _____ 2007.

Morgan Bryan
Secretary

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