

THE BYLAWS
of
THE DUCHY PROPERTY OWNERS ASSOCIATION, INC.

A North Carolina Non-Profit Corporation

ARTICLE I
NAME

The name of the corporation is The Duchy Property Owners Association, Inc. (hereinafter the "Association").

ARTICLE II
PURPOSES OF THE ASSOCIATION

(a) Purpose. The purposes for which the Association is organized are to provide for the maintenance, preservation and architectural control of the Lots and Common Areas within that certain tract or property (hereinafter the "Property") described in that certain Declaration of Covenants, Restrictions, and Conditions for The Duchy Airpark of Chapel Hill recorded or to be recorded in the Office of the Register of Deeds of Alamance County, North Carolina as the same may be amended from time to time (hereinafter the "Declaration") (for purposes hereof, any capitalized terms used herein which are not otherwise defined shall have the meanings assigned to them in the Declaration), and to promote the recreation, health, safety, welfare, and pleasure of the residents within the above described Property and any additions thereto as may hereafter be brought within the jurisdiction of this Association and for those purposes to:

1. Exercise all of the powers and privileges and to perform all of the duties and obligations of the Association as set forth in the Declaration, said Declaration being incorporated herein by reference as if fully set forth herein;

2. Fix, levy, collect, and enforce payment by any lawful means all charges or assessments pursuant to the terms of the Declaration; to pay all expenses in connection therewith and all office and other expenses including all licenses, taxes, or governmental charges levied or imposed against the property of the Association;

3. Acquire (by gift, purchase, or otherwise), own, hold, improve, build upon, operate, maintain, convey, sell, lease, transfer, dedicate for public use, or otherwise dispose of real or personal property in connection with the affairs of the Association;

4. Borrow money and, with the assent of the members, mortgage, pledge, deed in trust, or hypothecate any or all of its real or personal property as security for money borrowed or debts incurred; provided the rights of any such mortgage shall be subordinate to the rights of the Lot Owners in the Common Areas;

5. Dedicate, sell, or transfer all or any part of the Common Areas or grant an easement or right of way across the Common Areas to any public agency, authority, utility, or to any other person for such purposes and subject to such conditions as may be agreed to by the members;

6. Participate in mergers and consolidations with other non-profit corporations organized for the same purposes or annex additional property and Common Areas.

In pursuance of the foregoing purposes, the Association may exercise all the rights, powers, and privileges conferred on non-profit corporations by the North Carolina Non-Profit Corporation Act and may engage in all other lawful activities as provided therein for non-profit corporations. The Association may also do such other things as are incidental to the purposed of the Association or necessary or desirable in order to accomplish them.

(b) Limitations. The Association is a non-profit corporation and no part of the net earnings of the Association shall go to the benefit of, or be distributable to its members, directors, trustees, officers or other private persons, except that the Association shall be authorized and empowered to pay reasonable compensation for services rendered and expenses incurred and to payments and distributions in furtherance of the purposes set for the in this Article II.

ARTICLE III OFFICES

The principal office of the Association shall be located at Chapel Hill, North Carolina. The Board of Directors may establish additional offices, and the location of the principal office and the number and location of any additional offices may, from time to time, be otherwise designated and changed by the Board of Directors.

ARTICLE IV MEMBERSHIP IN THE ASSOCIATION

Every person, group of persons, or entity who is a record Owner of a fee or undivided fee interest in any of the Lots in the Property shall be a Member of the Association. Ownership of such interest shall be the sole qualification for membership, and membership shall be appurtenant to and may not be separated from such

ownership. No such Owner, whether more than one person or entity, shall have more than one membership or more than one vote per Lot owned, but all persons or entities owning a Lot shall be entitled to the rights of membership and of use and enjoyment because of that ownership. Any combination of two or more of the original Lots for the purpose of building one residence will be considered a single Lot for purpose of membership, voting, and assessment purposes.

ARTICLE V MEETINGS OF MEMBERS

(a) Annual Meetings. The regular annual meeting of the Members shall be held each year at such time and place as shall be determined by the Board of Directors of the Association.

If the annual meeting shall not be held at the time designated by these Bylaws, a substitute annual meeting may be called in accordance with the provisions of Paragraph (b) of this Article V. A meeting so called shall be designated and treated for all purposes as the annual meeting.

(b) Special Meetings. The Secretary shall call special meetings pursuant to a resolution of the Board of Directors, or upon the written request of two directors, or upon the written request of 10% of the Members. Calls for special meetings shall specify the time, place and purpose therefor. No business other than that specified in the call shall be considered.

(c) Notice of Meetings. A written notice stating the date, time, place and purpose of the meeting of Members shall be given either by personal delivery or by mail at least 10 days but not more than 50 days before the date of the meeting to each Member of record entitled to notice of the meeting. If mailed, such notice shall be addressed to the Member at the Member's address as it appears on the records of the Association and shall be deemed to be delivered when deposited in the United States Mail, postage prepaid, to the Member at such address. It shall be the responsibility of the Member to keep the Secretary informed of the Member's current address. In the absence of instructions from a Member as to the Member's address, the Secretary shall be entitled to rely on the most recent records of the Alamance County Tax Collector to determine the address of the Owner of the Lot.

If the record title to any Lot is held in more than one name, all notices to such Member may be given to the person who is named first on the title to the Lot. Notice so given shall be considered as notice to all Owners of such Lot.

To the extent the Member has agreed in a writing delivered to the Association and such agreement has not been terminated, a notice from the Association in the form of an electronic record sent by electronic means is effective when sent as

provided in North Carolina General Statute 66-325. A Member may terminate any such agreement at any time on a prospective basis effective upon the Association's receipt of written notice of termination or upon such later date as may be specified in such notice of termination. The Association shall maintain in its corporate records Member agreements and notices of termination received by the Association pursuant to the foregoing.

(d) Quorum. A majority of the Members, in person or by proxy, shall constitute a quorum at any meeting of the Members, but less than such number may adjourn the meeting from time to time. At such adjourned meeting any business may be transacted which might have been transacted if the meeting had been held as originally called.

(e) Proxies. Any member entitled to vote at a meeting of Members may be represented and vote thereat by proxy in writing, subscribed by such Member or by the Member's duly authorized attorney-in-fact and submitted to the Secretary at or before such meeting. A proxy terminates one year after its date unless a shorter term is specified.

(f) Voting of Members. On matters of the Association's business submitted or required to be submitted to a vote of the membership, there shall be one (1) vote per Lot owned, regardless of the number of Owners of such lot. The foregoing notwithstanding, any combination of two or more of the Lots for the purpose of building one residence will be considered a single Lot for purposes of membership, voting, and assessment purposes.

The vote of a majority of the members on any matter at a meeting of Members at which a quorum is present shall be the act of the Members on that matter, unless the vote of a greater number is required by law or the articles of incorporation or these bylaws.

(g) Informal Action by Members. Any action which may be taken at a meeting of the Members may be taken without a meeting if a consent or consents in writing, setting forth the action so taken, shall be signed by all of the Members who would be entitled to vote upon such action at a meeting and shall be filed with the Secretary of the Association to be kept as part of the corporate records. The consent of a Member to action taken without a meeting may be in electronic form bearing the Member's electronic signature and delivered to the Association by email or other electronic means to such address as is determined by or under the authority of the Board of Directors.

(h) Action by Written Ballot. Any action that may be taken at a meeting of the Members may be taken without a meeting if the Association delivers a written ballot to every Members entitled to vote on the matter. The written ballot so delivered shall set

forth each proposed action and provide an opportunity for the Member to vote for or against each proposed action. Approval by written ballot pursuant to this subparagraph (h) shall be valid only when the number of votes cast by written ballot equals or exceeds the quorum required to be present at a meeting authorizing the action, and the number of approvals 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. All solicitations for votes by written ballot shall indicate the time by which a ballot must be received by the Association in order to be counted. A written ballot, once submitted, may not be revoked.

(i) Voting List. At least 10 days before each meeting of Members, the Secretary of the Association shall prepare an alphabetical list of the members entitled to vote at such meeting or any adjournment thereof, with the address of each, which list shall be kept on file with the book of records of the Association. This list shall be produced and kept open at the time and place of the meeting and shall be subject to inspection by any Members during the whole time of the meeting.

(j) Waiver of Notice. Any Member may waive notice of any meeting. The attendance by a Member at a meeting shall constitute a waiver of notice of such meeting except where a Member attends a meeting the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened.

ARTICLE VI DIRECTORS

(a) Purpose, Number, and Term of Office. The business and affairs of the Association shall be managed by a Board of Directors of five (5) individuals, who shall be entitled to act on behalf of the Association. The Board of Directors shall initially consist of the initial members of the Board of Directors as named in the Articles of Incorporation of the Association. Subsequently, the Board of Directors shall be appointed by the Declarer until such time as a majority of the Lots have been sold for development to parties other than Declarer or Duchy Development Company.

At the first meeting of the membership of the Association following sale of a majority of the Lots for development to parties other than Declarer or Duchy Development Company, and thereafter at the regular annual meeting of the Members or any special meeting of the Members called for that purpose, the members of the Board of Directors shall be elected by the membership of the Association and those persons who receive the highest number of votes at a meeting at which a quorum is present shall be elected. Each member of the Board of Directors shall hold office until his/her death, disability, resignation, or removal, or until the expiration of his/her term and the election of his/her successor. All Directors elected by the membership of the

Association must be Lot Owners. Any Directors elected or appointed by the Declarer need not be a Lot Owner.

(b) Removal of Directors. Any Director may be removed at any time with or without cause by a vote of a majority of the members present and entitled to vote at any meeting of the membership of the Association at which a quorum is present. However, Directors who are appointed or elected by the Declarer may be removed only by the Declarer.

(c) Vacancies. In the event of the death, disability, resignation, or removal of a Director, his or her successor shall be selected and appointed by the remaining members of the Board of Directors to serve for the unexpired portion of the term of that Director (and/or until the election and qualification of a successor by the Members as provided herein) or until a successor is appointed by the Declarer if such vacancy is the result of the death, disability, resignation, or removal of an initial Director or a Director who was appointed by the Declarer.

(d) Regular Meetings. Regular meetings of the Board of Directors shall be held periodically on such dates as the Board may designate.

(e) Special Meetings. Special meetings of the Board of Directors shall be called by the Secretary and held at the request of the President or any two of the Directors.

(f) Notice of Meetings. Written notice of the time and place of each meeting of the Directors shall be given by the Secretary to each Director either by personal delivery or by mail or email at least two days before the meeting, which notice need not specify the purpose of the meeting. Notice of adjournment of a meeting need not be given if the time and place to which it is adjourned are fixed and announced at such meeting.

(g) Waiver of Notice. Any Director may waive notice of any meeting before or after the meeting. The attendance by a Director at a meeting shall constitute a waiver of notice of such meeting, 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, and does not thereafter vote for or assent to action taken at the meeting.

(h) Quorum. A majority of the Directors in office at the time shall constitute a quorum at all meetings of the Board of Directors.

(i) Manner of Acting. Except as otherwise provided in these Bylaws, the act of the majority of the Directors present at a meeting in which a quorum is present shall be the act of the Board of Directors.

(j) Informal Action by Members of the Board of Directors. Directors may also take action without a meeting if written consent to the action in question is signed by all the Directors and filed with the minutes of the Board, whether this consent is signed before or after the action so taken. The consent of a Director to action taken without a meeting may be in electronic form bearing the director's electronic signature and delivered to the corporation by email or other electronic means to such address as is determined by or under the authority of the Board of Directors.

(k) Place of Meetings. The Board of Directors may hold its meetings at such place or places within or without the State of North Carolina as the Board may, from time to time, determine.

(l) Compensation. Directors, as such, shall not receive any stated salary for their services. By resolution of the Board a fixed sum for expenses, if any, may be allowed for attendance at each meeting, regular or special. Nothing herein contained shall preclude any Director from serving the Association in any other capacity and receiving compensation therefor. Members of executive or special committees may be allowed such compensation for attending committee meetings as the Board of Directors may determine.

(m) Committees of the Board. The Board of Directors may establish either standing or ad hoc committees of the members of the Board of Directors to assist in its work. Such committees shall be chaired by a member of the Board of Directors.

ARTICLE VII

ARCHITECTURAL COMMITTEE

(a) Purpose and Powers. As provided in the Declaration, The Duchy Airpark of Chapel Hill and/or the Association shall have a standing committee to be called the "Architectural Committee" which shall be charged with maintaining strict architectural controls to insure that the Property will be developed attractively, harmoniously, and consistently. The Architectural Committee shall regulate the external design appearance and location of the Properties and Lots and any improvements thereon in accordance with the Declaration and shall otherwise have the powers, rights, duties, and responsibilities set forth in the Declaration.

(b) Members. The Architectural Committee shall consist of three members and its initial members shall be as named in the Declaration. In the event of the death,

disability, resignation, or inability to act of a member of the Architectural Committee, his or her successor shall be selected and appointed by the majority vote of the remaining members of the Architectural Committee. If no such members then remain, any vacancies will be filled by the Board of Directors.

ARTICLE VIII INDEMNIFICATION

(a) Right to Indemnification. Any person who at any time serves or has served as a Director of the Association, or who, while serving as a Director of the Association, serves or has served, at the request of the Association, as a director, officer, partner, trustee, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, or as a trustee or administrator under an employee benefit plan, shall have a right to be indemnified by the Association to the fullest extent permitted by law against (a) reasonable expenses, including attorneys' fees, incurred by him/her in connection with any threatened, pending or completed civil, criminal, administrative, investigative or arbitral action, suit or proceeding (and any appeal therein), whether brought by or on behalf of the Association, seeking to hold him/her liable by reason of the fact that he/she is or was acting in such capacity, and (b) reasonable payments made by him/her in satisfaction of any judgment, money decree, fine (including an excise tax assessed with respect to an employee benefit plan), penalty or settlement for which he/she may become liable in any such action, suit or proceeding.

(b) Payment of Indemnification. 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, making a determination that indemnification is permissible in the circumstances and a good faith evaluation of the manner in which the claimant for indemnity acted and of the reasonable amount of indemnity due him/her. The Board of Directors may appoint a committee or special counsel to make such determination and evaluation. To the extent needed, the Board of Directors shall give notice to, and obtain approval by, the Members of the Association for any decision to indemnify.

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

ARTICLE IX OFFICERS

(a) Designation. The Executive Officers of this Association shall be a President, a Vice-President, a Secretary, and a Treasurer. Additional officers and agents of the Association (or committees of officers or agents) may also be elected or chosen as may be determined from time to time by the Directors, including, but not limited to, additional Vice-Presidents, one or more Assistant Secretaries, and/or one or more Assistant Treasurers. Members of the Board of Directors may serve as officers of the Association but officers need not be Directors. Any two or more offices may be held by the same person except that no one person may act in more than one capacity where the action of two or more officers is explicitly required. The Board of Directors may, in case of the absence of any officer or for any other reason it may deem sufficient, delegate the powers or duties of such officer to any other officer or to any Director, provided a majority of the Board of Directors concurs.

(b) Election. The initial officers of the Association shall be elected or chosen by the initial members of the Board of Directors of the Association. Subsequently, the officers of the Association shall be elected or chosen by the Board of Directors upon the death, disability, resignation, or removal of any officer or the expiration of his or her term.

(c) Term. Officers of the Association shall hold office for one year or until the appointment and qualification of their successors or until their earlier death, disability, resignation, or removal.

(d) Removal. Any officer or employee elected or appointed by the Board of Directors, other than that of Director, may be removed at any time upon vote of the majority of the Board of Directors.

(e) President. The President shall be the principal executive officer of the Association and shall exercise, subject to the control of the Board of Directors and the Members of the Association, a general supervision and control over the business and affairs of the Association. The President shall preside at all meetings of the Members and Directors. The President shall keep the Board of Directors fully informed and freely consult with them in regard to the business of the Association and make due reports to them. In addition to the powers and duties elsewhere provide in these Bylaws, the President shall sign, when duly authorized to do so, all contracts, orders, deeds, liens, guarantees, licenses and other instruments of a special nature. The President shall also perform all duties incident to the office of President and such other duties as may be prescribed by the Board of Directors from time to time.

(f) Vice-President. In the absence of the President or in the event of his/her death, inability or refusal to act, the Vice-President shall perform the duties and be vested with the authority of the President. The Vice-President shall perform such other duties as may from time to time be assigned to him/her by the President or the Board of Directors.

(g) Secretary. The Secretary shall record the minutes of all proceedings of the Board of Directors and of the Members and shall maintain proper records thereof which shall be attested by him/her. The Secretary shall keep such books as may be required by the Board of Directors and shall take charge of the seal of the Association. The Secretary shall see that all notices are duly given in accordance with the provisions of these Bylaws or as required by law and shall in general perform all duties incident to the office of Secretary and such other duties as may from time to time be assigned to him/her by the President or the Board of Directors.

(k) Treasurer. The Treasurer shall have charge and custody of the funds and securities of the Association which may come into his/her hands and shall do with the same as may be ordered by the Board of Directors. When necessary or proper, the Treasurer may endorse for collection on behalf of the Association checks, notes and other obligations. The Treasurer shall deposit the funds of the Association to its credit in such banks and depositories as the Board of Directors may from time to time designate. The Treasurer shall submit to the annual meeting of the Members a statement of the financial condition of the Association. The Treasurer shall keep and maintain in the books of the Association full and accurate accounts of all moneys received and disbursed for and on account of the Association, and shall, wherever required by the Board of Directors, make and render a statement of his/her accounts and such other statements as may be required. The Treasurer shall in general perform all duties incident to the office of Treasurer and such other duties as may from time to time be assigned to him/her by the President or the Board of Directors.

ARTICLE X

CONTRACTS, LOANS, CHECKS, AND DEPOSITS

(a) Contracts. The Board of Directors may authorize any officer(s) or agent(s) of the Association 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.

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

(c) 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 the President or the

Treasurer of the Association unless otherwise specifically authorized by the Board of Directors.

(n) 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 XI GENERAL PROVISIONS

(a) Order of Business. The order of business at meetings of Members shall be the order or sequence usual and generally prevalent for the orderly conduct of the business of such meetings. In case of dispute or question as to procedure, the standard and recognize rules of parliamentary procedure shall govern unless otherwise specifically provided in these Bylaws or by law. All persons claiming to hold proxies shall present them to the Secretary for verification before the opening of the meeting.

(b) Fiscal Year. The fiscal year of the corporation shall begin on the 1st day of January in each year.

(c) Amendments. These Bylaws may be amended or new bylaws may be adopted by the affirmative vote of a majority of the Members of the Association at any meeting of the membership of the Association held for such purpose, notice of which meeting having been given pursuant to these Bylaws.

(d) Force and Effect of Bylaws. These Bylaws are subject to the provisions of Chapter 55A of the General Statutes of the State of North Carolina, the Association's Articles of Incorporation, and the Declaration, all as they may be amended from time to time. If any provision in these Bylaws is inconsistent with any provision of the law, the Articles of Incorporation, or the Declaration, the provision of the law, of the Declaration, or of the Articles of Incorporation, in that order, shall govern.

(e) Dissolution. Upon the dissolution of the Association, the Board of Directors shall, after paying or making provision for payment of all the liabilities of the Association, dispose of the residual assets of the Association (a) exclusively for the stated purposes of the Association, or (b) to one or more other non-profit corporations, associations, trusts or other non-profit organizations for the stated purposes of the Association or other purposes similar to those for which the Association was created, or (c) to one or more federal, state, or local governments or public agencies to be used for purposes similar to those for which the Association was created, or (d) if there is no such government or public agency, then to any one or more federal, state, or local governments or public agencies for other public purposes. Any such assets not so

disposed of shall be disposed of by the Superior Court of the county in which the principal office of the Association is then located, exclusively for such purposes and to such organization or organizations as said Court shall determine.

(f) Section 528 Status. The Association shall elect and shall be managed in such fashion as to maintain tax-exempt status under Section 528 of the Internal Revenue Code of 1986. The Association shall not carry on any activities prohibited by an Association electing tax-exempt status under Section 528 or any corresponding sections or provisions of any future United States Internal Revenue Law.