

SCHEDULE E

BYLAWS OF THE RAMBLEWOOD TOWNHOME OWNERS ASSOCIATION, INC.

ARTICLE I DEFINITIONS

The words, phrases and terms used in these Bylaws shall have the meanings as set forth in that certain Townhome Declaration for Ramblewood, recorded in the office of the Register of Deeds of Wake County, North Carolina (the "Declaration").

ARTICLE II ADMINISTRATION OF TOWNHOMES

2.1 Authority and Responsibility. Except as otherwise specifically provided in the Governing Documents, the Association shall be responsible for administering, operating and managing the Common Elements and enforcing the rules and procedures of the Governing Documents.

2.2 Official Action. Unless specifically required in the Governing Documents, all actions taken or to be taken by the Association shall be valid when such are approved by the Executive Board as hereinafter set forth or when taken by the committee, person or entity to whom such authority has been duly delegated by the Executive Board as set forth in the Governing Documents or these Bylaws. The Association, its Executive Board, officers and Members shall at all times act in conformity with the Nonprofit Corporation Act of the State of North Carolina, the Governing Documents and the North Carolina Planned Community Act.

ARTICLE III OFFICES - SEAL - FISCAL YEAR

3.1 Principal Office and Registered Office. The initial principal office and registered office of the Association shall be located at 4321 Lassiter at North Hills Mall, Suite 250, Raleigh, Wake County, North Carolina 27609.

3.2 Other Offices. The Association may have other offices at such other places within the State of North Carolina as the Executive Board may from time to time determine or as the affairs of the Association may require.

3.3 Seal. The seal of the Association shall contain the name of the Association, the word "Seal," year of incorporation and such other words and figures as desired by the Executive Board.

3.4 Fiscal Year. The fiscal year of the Association shall be January 1 to December 31.

ARTICLE IV MEMBERSHIP

4.1 Qualification. Membership in the Association shall be limited to the Owners, and every Owner of a Townhouse Unit shall automatically be a Member of the Association. Membership in the Association shall be appurtenant to and may not be separated from Townhouse Unit ownership.

Membership in the Association shall inure automatically to Owners upon acquisition of the fee simple title (whether encumbered or not) to any one or more Townhouse Units. The date of recordation in the office of the Register of Deeds of Wake County, North Carolina of the conveyance of the Townhouse Unit in question shall govern the date of ownership of each particular Townhouse Unit. However, in the case of death the transfer of ownership shall occur on date of death in the case of intestacy or date of probate of the will in the case of testacy. Until a decedent's will is probated, the Association may rely on the presumption that a deceased Owner died intestate.

4.2 Place of Meetings. All meetings of the Members shall be held at a place in Wake County, North Carolina designated by the Executive Board.

4.3 Annual Meeting. A meeting of the Members shall be held at least once each year. The first annual meeting of the Members shall be held on the date and hour designated by Declarant. Thereafter, the annual meeting of the Members shall be held on the third Monday in January of each year at 8:00 p.m., Eastern Standard Time. If the third Monday in January shall be a legal holiday, the annual meeting shall be held at the same hour on the first day following which is not a legal holiday. At such meetings, the Executive Board shall be elected in accordance with Section 5.3 of these Bylaws and the Members shall transact such other business as may properly come before them.

4.4 Substitute Annual Meeting. If an annual meeting shall not be held on the day designated by these Bylaws, a substitute annual meeting may be called in accordance with the provisions of Sections 4.5 and 4.6. A meeting so called shall be designated and treated for all purposes as the annual meeting.

4.5 Special Meeting. After the first annual meeting of the Members, special meetings of the Members may be called at any time by the President, by not less than twenty percent (20%) of all Owners, or by not less than sixty percent (60%) of the Executive Board members. Business to be acted upon at all special meetings shall be confined to the subjects stated in the notice of such meeting.

4.6 Notice of Meeting. The delivery of any item and the giving of notice in compliance with these Bylaws shall be accomplished in writing by personal delivery, facsimile/fax or email with evidence of recipient receipt, or by certified mail addressed to each Townhouse Unit. Such notice shall state the time and place of the meeting of the Members, including an annual meeting, and the items on the agenda, including the general nature of any proposed amendment to the Declaration or these Bylaws, any budget changes and any proposal to remove a director or officer, and shall be delivered not less than ten (10) nor more than thirty

(30) days before the date of any such meeting of the Members. Any notice given in accordance with the provisions of this Section 4.6 shall be deemed to be effective, if personally delivered or faxed or emailed, on the date of such delivery, or if mailed by registered or certified mail, on the date upon which the return receipt is signed or delivery is refused or the notice is designated by the postal authorities as not deliverable, as the case may be.

Notice given to any one tenant in common, tenant by entirety or other joint Owner of a Townhouse Unit shall be deemed notice to all joint Owners of the subject Townhouse Unit.

The notice of meeting shall specifically state the purpose or purposes for which the meeting is called.

4.7 Quorum. Except as otherwise provided in these Bylaws, a quorum is present throughout any meeting of the Association whenever persons entitled to cast ten percent (10%) of the votes are present in person or by proxy at the beginning of the meeting. In the event business cannot be conducted at any meeting because a quorum is not present, that meeting may be adjourned to a later date by the affirmative vote of a majority of those present in person or by proxy. Notwithstanding any provision to the contrary in the governing documents of the Association, the quorum requirements at the next meeting shall be one-half (1/2) of the quorum requirement applicable to the meeting adjourned for lack of a quorum. This provision shall continue to reduce the quorum by fifty percent (50%) from that required at the previous meeting, as previously reduced, until such time as a quorum is present and business can be conducted.

4.8 Voting Right. The total number of votes of the Members shall be equal to the number of Townhouse Units contained within the Ramblewood townhome development (the "Townhome Development") from time to time and each Member shall be entitled to one (1) vote per Unit ownership. If fee simple title to a Townhouse Unit is owned of record by more than one person or entity, all such persons or entities shall be Members of the Association, but the vote with respect to any such jointly owned Townhouse Unit shall be cast as hereinafter provided.

If the fee simple title to any Townhouse Unit is owned of record by two (2) or more persons or entities (whether individually or in a fiduciary capacity), the vote with respect to any such jointly owned Townhouse Unit may be cast by any one of the joint Owners in person or by proxy, except that the holder or holders of a life estate in a Townhouse Unit shall have the sole right to cast the votes allocated to the Townhouse Unit. If more than one of the joint Owners vote or more than one life estate holder in a Townhouse Unit vote, the unanimous action of all joint Owners or joint life estate holders voting shall be necessary to effectively cast the votes allocated to the particular Townhouse Unit.

Such unanimous action shall be conclusively presumed if any one of such multiple Owners casts the votes allocated to that Townhouse Unit without protest being made promptly to the person presiding over the meeting by any of the other of such joint Owners.

In no event may the vote which may be cast with respect to any Townhouse Unit be divided among joint Owners of the Townhouse Unit or cast in any manner other than as a whole, it being the intention of this Section 4.8 that there be no "splitting" of votes that may be cast by any Member or Members.

4.9 Proxies. The Members may vote either in person or by agents duly authorized by written proxy executed by the subject Member or by his duly authorized attorney-in-fact. A proxy is not valid after the earlier of the term stated therein or the expiration of twelve (12) months from the date of its execution. Unless a proxy otherwise provides, any proxy holder may appoint in writing a substitute to act in his place. In order to be effective, all proxies must be filed with the Secretary of the Association or duly acting secretary of the meeting either during or prior to the meeting in question. A Member may not revoke a proxy given pursuant to this Section 4.9 except by written notice of revocation delivered to the person presiding over a meeting of the Members.

All of the above provisions concerning voting by joint Owners shall apply to the vote cast for any one Townhouse Unit by two (2) or more proxy holders.

4.10 Majority Vote. The casting of a majority of the votes represented at a meeting at which a quorum is present, in person or by proxy, shall be binding for all purposes except where a different percentage vote is stipulated by these Bylaws, the Declaration, the Articles of Incorporation, or the North Carolina Planned Community Act.

4.11 Actions Without Meeting. Any action which may be taken at a meeting of the Members may be taken without a meeting if consent or ratification, in writing, setting forth the action so taken or to be taken shall be signed by all of the persons who would be entitled to vote upon such action at a meeting and such consent is filed with the Secretary of the Association and inserted in the minute book of the Association.

ARTICLE V EXECUTIVE BOARD

5.1 General Powers. The business and affairs of the Association shall be managed by the Executive Board or by such committees as the Executive Board may establish pursuant to Section 6 of these Bylaws; provided, however, the Executive Board may not act on behalf of the Association to amend the Declaration, to terminate the Townhome Development, to elect members of the Executive Board or to determine the qualifications, powers, duties or terms of office of Executive Board members. The Executive Board may, however, fill vacancies in the Executive Board for the unexpired portion of any term.

5.2 Number, Term and Qualification. The initial Executive Board shall consist of the five (5) individuals appointed by Declarant whose names are set forth in the Articles of Incorporation. During the Declarant Control Period, Declarant may appoint and remove such members of the Executive Board in Declarant's sole discretion, subject to the limitations contained in Section 9.3 of the Declaration. Subject to Section 9.3 of the Declaration, following the expiration of the Declarant Control Period, the Members of the Association shall elect five (5) Executive Board members. Executive Board members may succeed themselves in office but in no event shall an Executive Board member serve for a term exceeding three (3) years. After a one (1) year absence from the Executive Board, a person is eligible for reelection. The President, Secretary and Treasurer shall each serve a one (1) year term on the Executive Board. The Vice President and the Assistant Secretary shall each serve a two (2) year term on the Executive Board

and, during their second year as Executive Board members, shall also serve as the President and Secretary, respectively, of the Association.

5.3 Election of Executive Board Members. The election of all Executive Board members shall be by ballot. Persons receiving the highest number of votes shall be elected. Cumulative voting is not permitted.

5.4 Removal. Any Executive Board member, other than a member appointed by Declarant, may be removed from the Executive Board, with or without cause, by a vote of at least seventy percent (70%) of the votes entitled to be cast by all Members present and entitled to vote at any meeting of the Members at which a quorum is present; provided, however, the notice of the meeting must state that the question of such removal will be acted upon at the subject meeting. If any Executive Board members are so removed, their successors as Executive Board members may be elected by the Members at the same meeting to fill the unexpired terms of the Executive Board members so removed.

5.5 Vacancies. Subject to Section 5.4 above, a vacancy occurring in the Executive Board may only be filled by a majority of the remaining Executive Board members, though less than a quorum, or by the sole remaining Executive Board member. A vacancy created by an increase in the authorized number of Executive Board members shall be filled only by election at an annual or substitute annual meeting, at a special meeting of the Members called for that purpose, or by unanimous consent of the Members without meeting. The Members may elect a Executive Board member at any time to fill any vacancy not filled by the Executive Board members. As indicated in Section 5.4, the Members shall have the first right to fill any vacancy created by the Members' removal of a Executive Board member.

5.6 Chairman. A member of the Executive Board shall be elected as Chairman of the Executive Board by the Executive Board members at the first meeting of the Executive Board. The Chairman shall preside at all meetings of the Executive Board and perform such other duties as may be directed by the Executive Board. Prior to election of a Chairman and/or in the event that the Chairman is not present at any meeting of the Executive Board, the President of the Association shall preside.

5.7 Compensation. No member of the Executive Board shall receive any compensation from the Association for acting as such; provided, however, each Executive Board member shall be reimbursed for reasonable out-of-pocket expenses incurred and paid by him on behalf of the Association, and nothing herein shall prohibit the Executive Board from compensating a Executive Board member for unusual and extraordinary services rendered on the basis of *quantum meruit*. Each Executive Board member, by assuming office, waives his right to institute suit against or make claim upon the Association for compensation based upon *quantum meruit*.

5.8 Loans to Executive Board Members and Officers. No loans shall be made by the Association to its Executive Board members or officers. The Executive Board members who vote for or assent to the making of a loan to a Executive Board member or officer of the Association, and any officer or officers participating in the making of such loan, shall be jointly and severally liable to the Association for the amount of such loan until the repayment thereof

5.9 Liability of Executive Board Members. To the extent permitted by the provisions of the North Carolina Nonprofit Corporation Act in effect at the applicable time, each Executive Board member is hereby indemnified by the Association with respect to any liability and expense of litigation arising out of his activities as a Executive Board member. Such indemnity shall be subject to approval by the Members only when such approval is required by said Act.

5.10 Meetings of the Executive Board.

(a) Regular Meeting. Regular meetings of the Executive Board shall be held monthly at such hour and address as may be fixed from time to time by resolution of the Executive Board. Should any such meeting fall upon a legal holiday, then that meeting shall be held at the same time on the next day which is not a legal holiday.

(b) Special Meetings. Special meetings shall be held when called by the President of the Association or by any Executive Board member, after not less than three (3) or more than thirty (30) days written notice to each Executive Board member.

(c) Notices of Special Meetings. The notice provided for herein may be waived by written instrument signed by those Executive Board members who do not receive said notice. Except to the extent otherwise required by law, the purpose of a special meeting of the Executive Board members need not be stated in the notice. Notices shall be deemed received upon that date the notice is personally delivered or faxed or emailed, or if mailed by registered or certified mail, on the date upon which the return receipt is signed or delivery is refused or the notice is designated by the postal authorities as not deliverable, as the case may be. Attendance by a Executive Board member at a meeting shall constitute a waiver of notice of such meeting unless the subject Executive Board member gives a written statement at the meeting to the person presiding objecting to the transaction of any business because the meeting is not lawfully called and gives such notice prior to the vote on any resolution.

(d) Approved Meeting Place. All Executive Board meetings shall be held in Wake County, North Carolina.

(e) Quorum. A majority of the Executive Board members then holding office shall constitute a quorum for the transaction of business. Every act or decision done or made by a majority of the Executive Board members present at a duly held meeting at which a quorum is present shall be regarded as the act or decision of the Executive Board.

5.11 Action Without Meeting. The Executive Board members shall have the right to take any action in the absence of a meeting which they could take at a meeting by obtaining the unanimous written approval of all the Executive Board members. Such written approval shall be valid if obtained via facsimile or electronic mail. Any action so approved shall have the same effect as though taken at a meeting of the Executive Board. Said written approval shall be filed with the minutes of the proceedings of the Executive Board, whether done before or after the action so taken.

5.12 Presumption of Assent. An Executive Board member who is present at a meeting of the Executive Board at which action on any corporate matter is taken shall be presumed to have assented to the action taken unless his contrary vote is recorded or his dissent is otherwise

entered in the minutes of the meeting or unless he/she shall file his written dissent to such action with the person acting as the secretary of the meeting before the adjournment thereof or shall forward such dissent by registered mail to the Secretary of the Association immediately after the adjournment of the meeting. Such right to dissent shall not apply to a Executive Board member who voted in favor of such action.

5.13 Powers and Duties. The Executive Board shall have the authority to exercise all powers and duties of the Association necessary for the administration of the affairs of the Townhome Development except such powers and duties as by law or by the Governing Documents may not be delegated by the Owners to the Executive Board. The powers and duties to be exercised by the Executive Board shall include, but shall not be limited to, the following:

(a) operation, care, upkeep and maintenance of the Common Elements to the extent such operation, care, upkeep and maintenance is not the obligation of the Owners;

(b) determination of the funds required for operation, administration, maintenance and other affairs of the Townhome Development and collection of the Common Expenses from the Owners as provided in the Governing Documents;

(c) employment and dismissal of personnel (including without limitation the Independent Manager, as defined in Section 5.14 below) necessary for the efficient operation, maintenance, repair and replacement of the Common Elements;

(d) adoption of rules and regulations covering the details of the operation, maintenance, repair, replacement, use and modification of the Common Elements;

(e) opening of bank accounts on behalf of the Association and designating the signatories required therefor;

(f) obtaining insurance as required or permitted under the terms of the applicable provisions of the Declaration;

(g) keeping detailed, accurate records of the receipts and expenditures of the Association; obtaining annual reviews of the financial records of the Association certified by the Association's public accountant; furnishing the annual reports; and furnishing current budgets (All books and records shall be kept in accordance with good and accepted accounting practices and the same shall be available for examination by all Owners or their duly authorized agents or attorneys, at convenient hours on working days.);

(h) keeping a complete record of the minutes of all meetings of the Executive Board and the Members in which minute book shall be inserted actions taken by the Executive Board and/or the Members by consent without meeting;

(i) supervising all officers, agents and employees of the Association and insuring that their duties are properly performed;

(j) making of repairs, additions and improvements to or alterations or restoration of the Property in accordance with the other provisions of these Bylaws and the

Declaration after damage or destruction by fire or other casualty or as a result of a condemnation or eminent domain proceeding;

(k) maintaining and repairing any Townhouse Unit, if such maintenance or repair is required by the Declaration or is necessary in the discretion of the Executive Board to protect the Common Elements or any other Townhouse Unit, or if the Owner of such Townhouse Unit has failed or refused to perform such maintenance or repair within a reasonable time after written notice of the necessity of said maintenance or repair has been delivered or mailed by the Executive Board to said Owner, provided that the Executive Board shall levy a special assessment against such Owner for the costs of said maintenance or repair;

(l) entering any Townhouse Unit when necessary in connection with any maintenance or construction for which the Executive Board is responsible; provided, however, such entry shall be made during reasonable hours with as little inconvenience to the Owner as practicable, and any damage caused thereby shall be repaired by the Executive Board and such expenses shall be treated as a Common Expense; and entering any Townhouse Unit for the purpose of correcting or abating any condition or situation deemed by the Executive Board to be an emergency (the Association shall indemnify, defend and protect any Executive Board Member in its exercise of the foregoing right, except in the case of gross negligence or intentional misconduct);

(m) signing all agreements, contracts, deeds and vouchers for payment of expenditures and other instruments in such manner as from time to time shall be determined by written resolution of the Executive Board (In the absence of such determination by the Executive Board, such documents shall be signed by either the Treasurer or the Assistant Treasurer of the Association, and countersigned by any Executive Board member.);

(n) furnishing certificates setting forth the amounts of unpaid assessments that have been levied upon a Townhouse Unit to the Owner or Mortgagee of such Townhouse Unit, or a proposed purchaser or Mortgagee of such Townhouse Unit, and imposing and collecting reasonable charges therefor;

(o) enforcing, on behalf of the Association, the obligations and assessments provided in the Declaration including, but not limited to, the institution of civil actions to enforce payment of the assessments as provided in the Declaration, the institution of actions to foreclose liens for such assessments in accordance with the terms of N.C. Gen. Stat. §47F-3-116, the imposition of charges for late payment of assessments, and after notice and an opportunity to be heard, levying reasonable fines not to exceed One Hundred and No/100 Dollars (\$100.00), or the highest amount permitted by law, for violations of the Declaration, these Bylaws or the rules and regulations of the Association;

(p) enforcing by any legal means or proceeding the provisions of the Articles of Incorporation, these Bylaws, the Declaration or the rules and regulations hereinafter promulgated governing use of the Common Elements;

(q) paying all taxes and assessments which are or may become liens against any part of the Townhome Development, other than the Townhouse Units, and to assess the same against the Owners in the manner herein provided;

(r) hiring attorneys and other professionals; and

(s) exercising any other powers and duties reserved to the Association exercisable by the Executive Board in the Declaration, the Articles of Incorporation, these Bylaws or the North Carolina Planned Community Act.

5.14 Independent Manager. Prior to expiration of the Declarant Control Period, the Declarant may employ or enter into a management contract with any individual, firm or entity (the "Independent Manager") it deems appropriate and in the best interest of the Association concerning the routine management of the Townhome Development. After expiration of the Declarant Control Period, the Executive Board may delegate to the Independent Manager such duties and responsibilities in the management of the Property as the Executive Board deems appropriate; provided, however, the Executive Board may not delegate to the Independent Manager the complete and total responsibilities and duties of the Association in violation of the Nonprofit Corporation Act of North Carolina or the North Carolina Planned Community Act. Any such contract entered into during the Declarant Control Period also shall be terminable as required by N.C. Gen. Stat. §47F-3-105. The Executive Board shall have authority to fix the reasonable compensation for the Independent Manager. The Independent Manager shall at all times be answerable to the Executive Board and subject to its direction.

ARTICLE VI COMMITTEES

6.1 Creation. The Executive Board, by resolution adopted by a majority of the number of Executive Board members then holding office, may create such committees as they deem necessary and appropriate in aiding the Executive Board to carry out its duties and responsibilities with respect to the management of the Townhome Development. Each committee so created shall have such authorities and responsibilities as the Executive Board members deem appropriate and as set forth in the resolutions creating such committee. To the extent practical, those appointed to a committee shall have a background in the applicable area to which such committee is delegated. The Executive Board shall elect the members of each such committee; provided, however, each committee shall have in its membership at least one (1) member of the Executive Board.

6.2 Vacancy. Any vacancy occurring on a committee shall be filled by a majority of the number of Executive Board members then holding office at a regular or special meeting of the Executive Board.

6.3 Removal. Any member of a committee may be removed at any time with or without cause by a majority of the number of Executive Board members then holding office.

6.4 Minutes. Each committee shall keep regular minutes of its proceedings and report the same to the Executive Board when required.

6.5 Responsibility of Executive Board Members. The designation of committees and the delegation of authority thereto shall not operate to relieve the Executive Board or any member thereof of any responsibility or liability imposed upon it or him by law.

If action taken by a committee is not thereafter formally considered by the Executive Board, a Executive Board member may dissent from such action by filing his written objection with the Secretary with reasonable promptness after learning of such action.

ARTICLE VII OFFICERS

7.1 Enumeration of Officers. The officers of the Association shall consist of a President, Vice President, Secretary, Assistant Secretary, and Treasurer, all of whom shall be members of the Executive Board. The Executive Board may in its discretion elect such Assistant Vice Presidents, Assistant Secretaries, Assistant Treasurers and other officers as the Executive Board may from time to time deem necessary or advisable.

7.2 Election and Term. The officers of the Association shall be elected annually by the Executive Board. Such elections shall be held at the first meeting of the Executive Board next following the annual or substitute annual meeting of the Members. Each officer shall hold office until his death, resignation, removal or until his successor is elected and qualified. These Bylaws contemplate the Vice President shall be the subsequent year's President and the Assistant Secretary shall be the subsequent year's Secretary unless so otherwise voted by the Executive Board.

7.3 Removal. Any officer elected or appointed by the Executive Board may be removed by a majority vote of the Executive Board whenever in its judgment the best interest of the Association will be served thereby.

7.4 Vacancy. A vacancy in any office may be filled by the Executive Board's election of a successor to such office. Such election may be held at any meeting of the Executive Board. The officer elected to such vacancy shall serve for the remaining term of the officer he/she replaces.

7.5 Multiple Offices. The person holding the office of President shall not also hold the office of Secretary or Treasurer at the same time. Any other offices may be simultaneously held by one person. Any officer may also be a member of the Executive Board.

7.6 President. The President shall be the chief executive officer of the Association and shall preside at all meetings of the Members. In the absence of an elected Chairman, he/she shall also preside at all meetings of the Executive Board. He/she shall see that the orders and resolutions of the Executive Board are carried out, sign all written instruments regarding the Common Elements and co-sign all promissory notes of the Association, if any, and have all of the general powers and duties which are incident to the office of President of a corporation organized under Chapter 55A of the North Carolina General Statutes in the supervision and control of the management of the Association in accordance with these Bylaws.

7.7 Vice President. The Vice President shall, in the absence or disability of the President, perform the duties and exercise the powers of that office. In addition, the Vice President shall perform such other duties and have such other powers as the Executive Board shall prescribe.

7.8 Secretary. The Secretary shall keep the minutes of all meetings of the Members and of the Executive Board, have charge of such books and papers as the Executive Board may direct and, in general, perform all duties incident to the office of Secretary of a corporation organized under Chapter 55A of the General Statutes of North Carolina.

7.9 Assistant Secretary. The Assistant Secretary shall, in the absence or disability of the Secretary, perform the duties and exercise the powers of that office and, in general, perform such other duties as shall be assigned to him by the Vice President, Secretary, Treasurer, President or Executive Board.

7.10 Treasurer. The Treasurer shall have the responsibility for the Association's funds and securities, be responsible for keeping full and accurate financial records and books of account showing all receipts and disbursements, and be responsible for the preparation of all required financial statements. He/she shall co-sign promissory notes of the Association, prepare a proposed annual budget (to be approved by the Executive Board) and other reports to be furnished to the Members as required in the Declaration. He/she shall perform all duties incident to the office of Treasurer of a corporation organized under Chapter 55A of the General Statutes of North Carolina.

7.11 Assistant Vice Presidents and Treasurers. The Assistant Vice Presidents and Treasurers shall, in the absence or disability of the Vice President or the Treasurer, respectively, perform the duties and exercise the powers of those offices. They shall, in general, perform such other duties as shall be assigned to them by the Vice President, Secretary, Treasurer, President or Executive Board.

7.12 Compensation. Officers shall not be compensated on a regular basis for the usual and ordinary services rendered to the Association incident to the offices held by such officers. The Executive Board may, however, compensate any officer or officers who render unusual and extraordinary services to the Association beyond that called for to be rendered by such person or persons on a regular basis. Each officer, by assuming office, waives his right to institute suit against or make claim upon the Association for compensation based upon *quantum meruit*.

7.13 Indemnification. To the extent permitted by the provisions of the North Carolina Nonprofit Corporation Act in effect at the applicable times, each officer is hereby indemnified by the Association with respect to any liability and expense of litigation arising out of his activities as an officer. Such indemnity shall be subject to approval by the Members only when such approval is required by said Act.

ARTICLE VIII OPERATION OF THE PROPERTY

8.1 Determination of Common Expenses and Fixing of the Common Charges. The Executive Board shall from time to time, and at least annually, prepare and adopt a proposed

budget for the Townhome Development, determine the amount of the Common Expenses payable by the Owners to meet the proposed budget of the Townhome Development, and allocate and assess such proposed Common Expenses among the Owners in proportionate shares (based upon the total number of Townhouse Units in the Townhome Development and each Owner's proportionate percentage share of the Common Expenses), all in accordance with the procedure set forth in this Section 8, but subject to the limitations set forth in Article V of the Declaration. The Common Expenses shall include, among other things, the cost of all insurance premiums on all policies of insurance required to be or which have been obtained by the Executive Board pursuant to the provisions of the Declaration. The Common Expenses shall also include such amounts as the Executive Board deems necessary for the operation and maintenance of the Property including, without limitation, an amount for working capital of the Townhome Development, an amount for a general operating reserve, an amount for a reserve fund for losses due to insurance deductibles, an amount for a reserve fund for repair and replacement of the Common Elements, and such amounts as may be necessary to make up any deficit in the Common Expenses for any prior year. Within thirty (30) days after adoption of any proposed budget for the Townhome Development, the Executive Board shall provide a summary of the budget to all the Owners and shall set a date for a meeting of the Owners to consider ratification of the budget no less than fourteen (14) nor more than thirty (30) days after mailing of the summary. Notwithstanding any other provisions of these Bylaws, there shall be no requirement that a quorum be present at such meeting. Notwithstanding any other provision of these Bylaws, the proposed budget shall be deemed ratified unless at that meeting a majority of all the Owners present and entitled to cast a vote reject the budget. In the event the proposed budget is rejected, the periodic budget last ratified shall be continued until such time as the Owners ratify a subsequent budget proposed by the Executive Board.

The Association, acting through the Executive Board, may levy a special assessment during any calendar year for the purpose of defraying, in whole or in part, the cost of any reconstruction, repair or replacement of any capital improvement comprising or to comprise a portion of the Common Elements including fixtures and personal property; provided, however, that any such special assessment must be approved by the vote of Owners of Townhouse Units to which at least seventy percent (70%) of the votes in the Association are allocated cast in person or by proxy at a meeting duly held in accordance with the provisions of these Bylaws. In the event that any Owner fails to maintain his Townhouse Unit and the Association takes action to do so as set forth in Section 5.13 hereof, or any Owner defaults under his obligations under the Declaration or these Bylaws and the Association incurs any additional costs and expenses as a result of such default, the Association shall have the right to levy a special assessment against such Owner for the purposes of defraying, in whole or in part, such costs or expenses.

The Declarant, as the agent of the Association, shall collect from each initial purchaser of a Townhouse Unit at the time of closing an "initial capital assessment" equal to twice the estimated monthly assessment for Common Expenses. Upon the sale of a Townhouse Unit the Owner of that Townhouse Unit shall pay the first month's assessment at closing. Such funds shall not be considered advance payments of assessments. The Declarant will deliver the funds so collected to the Association to provide the necessary working capital for the Association. In addition, upon the expiration of the Declarant Control Period, the Declarant shall forward to the Association a contribution to the working capital fund, in the amount specified above, for each unsold Townhouse Unit in the Townhome Development held by Declarant and, in that event,

Declarant shall be entitled to retain as a reimbursement the working capital contributions ultimately made by the initial purchasers of such Townhouse Units. Such funds may be used for certain prepaid items, initial equipment and supplies, organizational expenses and other start-up costs, and for such other purposes as the Executive Board may determine. Except for the permitted reimbursement of prepaid contributions referred to above, the Declarant may not use the working capital fund to defray any of the Declarant's expenses, reserve contributions or construction costs, or to make up any budget deficits of the Association during the Declarant Control Period.

8.2 Payment of Common Expenses. All Owners shall be obligated to pay the Common Expenses assessed by the Executive Board pursuant to the provisions of Section 8.1 hereof at such time or times as the Executive Board shall determine.

No Owner shall be liable for the payment of any part of the Common Expenses assessed against his Townhouse Unit subsequent to a sale, transfer or other conveyance by him (made in accordance with the provisions of the Declaration and applicable restrictions of record) of such Townhouse Unit. A purchaser of a Townhouse Unit shall be jointly and severally liable with the seller for the payment of Common Expenses assessed against such Townhouse Unit prior to the acquisition by the purchaser of such Townhouse Unit without prejudice to the purchaser's rights to recover from the seller the amounts paid by the purchaser therefor.

8.3 Collection of Assessments. The Executive Board shall assess Common Expenses against the Townhouse Units from time to time, and at least quarterly and possibly monthly, in accordance with the allocations set forth in the Declaration. The Executive Board shall take prompt action to collect any Common Expenses which remain unpaid for more than thirty (30) days from the due date for payment thereof.

To the extent allowed under applicable law, Declarant may require a system of "direct withdrawal" for the payments of assessments.

The Executive Board shall notify the holder of the Mortgage on any Townhouse Unit (of which it has notice) for which any Common Expenses assessed pursuant to these Bylaws remain unpaid for more than thirty (30) days from the due date for payment thereof and in any other case where the Owner of such Townhouse Unit is in default with respect to the performance of any other obligation hereunder for a period in excess of thirty (30) days.

8.4 Default in Payment of Common Expenses; Remedies. In the event of default by any Owner in paying to the Executive Board the Common Expenses as determined by the Executive Board, such Owner shall be obligated to pay interest on such Common Expenses from the due date thereof at the rate of eighteen percent (18%) per annum together with all expenses, including reasonable attorney's fees (if permitted by law), incurred by the Executive Board in any proceeding brought to collect such unpaid Common Expenses. In addition, the Executive Board shall have the authority to levy a late charge on any assessment not paid within thirty (30) days after its due date in the amount not to exceed the greater of \$20 per month or ten percent (10%) of the overdue assessment.

The Executive Board shall have the right and duty to attempt to recover such Common Expenses, together with interest thereon, and the expenses of the proceedings, including reasonable attorneys' fees (if permitted by law), in an action to recover a money judgment for the same brought against such Owner, or by foreclosure of the lien on such Townhouse Unit in like manner as a deed of trust or mortgage of real property. The Executive Board shall also have the right to impose uniform late payment charges for delinquent Common Expense payments which charges shall be recoverable by the proceedings specified above, not to exceed the greater of \$20 per month or ten percent (10%) of the amount due and owing the Association in accordance with §47F-3-102.

In the event of the failure of an Owner to pay any assessment imposed hereunder or any installment thereof for more than sixty (60) days after such assessment or installment thereof shall become due, in addition to the other remedies available under the Governing Documents and the North Carolina Planned Community Act, the Executive Board shall have the right to declare all other Common Expense assessments and installments thereof with respect to such Owner's Townhouse Unit that are to fall due during the then current fiscal year of the Association to be immediately due and payable.

8.5 Lien and Personal Obligations. All Common Expenses and special assessments provided for in this Article, together with the interest and expenses, including reasonable attorneys' fees (if permitted by law), as provided for herein, shall be a charge on and a continuing lien upon the Townhouse Unit against which the assessment is made, which such lien shall be prior to all other liens excepting only (i) assessments, liens and charges for real estate taxes due and unpaid on the Townhouse Unit, and (ii) all sums unpaid on Mortgages and other liens and encumbrances duly recorded against the Townhouse Unit prior to the docketing of such lien. Such lien shall become effective when a notice thereof has been filed in the office of the Clerk of Superior Court of Wake County, North Carolina, provided such notice of lien shall not be recorded until such sums assessed remain unpaid for a period of more than thirty (30) days after the same shall become due. Such notice of lien shall also secure all assessments against the Townhouse Unit becoming due thereafter until the lien has been satisfied.

The lien for unpaid assessments shall not be affected by the sale or transfer of the Townhouse Unit, except in the case of a foreclosure of a Mortgage, in which event the purchaser at foreclosure shall not be liable for any assessments against such Townhouse Unit that became due prior to the date of acquisition of title by such purchaser. Such unpaid assessments shall be deemed Common Expenses collectible from all Owners of Townhouse Units, including the purchaser at foreclosure. In addition, each Owner shall be personally liable for any assessment against his Townhouse Unit. No Owner may exempt himself from such liability by nonuse or enjoyment of any portion of the Common Elements or by the abandonment or sale of his Townhouse Unit.

8.6 Foreclosure of Liens for Unpaid Common Expenses. In any action brought by the Executive Board to foreclose on a Townhouse Unit because of unpaid Common Expenses or special assessments, the Owner shall be required to pay a reasonable rental for the use of his Townhouse Unit and the plaintiff in such foreclosure action shall be entitled to the appointment of a receiver to collect the same.

8.7 Abatement and Enjoyment of Violations by Owners. The violation of any rule or regulation adopted by the Executive Board, the breach of any provision of these Bylaws, or the breach of any provision of the Declaration shall give the Executive Board the right, in addition to any other rights set forth in the Declaration, these Bylaws or at law or in equity: (a) to enter the Townhouse Unit in which or as to which such violation or breach exists and to summarily abate and remove, at the expense of the defaulting Owner, any structure, thing or condition that may exist therein contrary to the intent and meaning of the provisions hereof, and the Executive Board shall not thereby be deemed guilty in any manner of trespass; (b) to enjoin, abate or remedy by appropriate legal proceedings, either at law or in equity, the continuance of any such breach at the expense of the defaulting Owner, and/or (c) after notice and opportunity to be heard, to levy reasonable fines not to exceed One Hundred and No/100 Dollars (\$100.00) per day, or the highest amount permitted by law, for continuing violations.

8.8 Maintenance and Repair. Except as is specifically provided in the Declaration, all maintenance and any repairs to any Townhouse Unit and the Limited Common Elements allocated thereto, whether ordinary or extraordinary, shall be made by the Owner of such Townhouse Unit. Each Owner shall be responsible for all damages to any and all other Townhouse Units and/or to the Common Elements that his failure to do so may engender. Except as is specifically provided in the Declaration, all maintenance, repairs and replacements to the Common Elements (unless necessitated by the negligence, misuse or neglect of an Owner, in which case such expense shall be charged to and paid by such Owner), shall be made by the Executive Board; provided, however, there is excluded from the provisions contained in this section any repairs necessitated by casualty insured against by the Executive Board to the extent the Executive Board receives insurance proceeds for such repairs.

8.9 Additions, Alterations or Improvements by Owners. No Owner shall make any improvements or alterations in or to his Townhouse Unit that impair the structural integrity or mechanical systems or lessen the support of any portion of the Townhome Development or to any Limited Common Element, or any change in the exterior appearance thereof, except in accordance with the terms of the Declaration.

8.10 Use of Common Elements. An Owner shall not interfere with the use of the Common Elements by the other Owners and their employees and invitees.

8.11 Right of Access. An Owner shall grant a right of access to his Townhouse Unit and the Limited Common Elements appurtenant thereto to the Independent Manager and/or any other person authorized by the Executive Board or the Independent Manager for the purpose of making inspections, or for the purpose of correcting any condition originating in his Townhouse Unit and/or threatening another Townhouse Unit or the Common Elements, or for the purpose of performing installations, alterations or repairs to any building system or element (including, but not limited to, the mechanical, plumbing or electrical equipment or other Common Elements in or adjoining his Townhouse Unit); provided, however, such requests for entry (except in the case of emergencies where no request shall be required) are made in advance and any such entry is at a time reasonably convenient to the Owner. In the case of an emergency, such right of entry shall be immediate whether the Owner is present at the time or not.

8.12 Rules of Conduct. Rules and regulations concerning the use of the Townhouse Units and the Common Elements shall be promulgated and amended by the Executive Board with the approval of a majority of Owners. Copies of such rules and regulations shall be furnished by the Executive Board to each Owner prior to the time when the same shall become effective.

8.13 Common Expenses for Utilities. Any utilities which may be provided to the Townhouse Units through a single or common meter or facility, and utilities furnished to any portion of the Common Elements, shall be paid by each Owner as and when billed according to the extent of such Owner's use or, at the option of the Executive Board, such may be paid by the Executive Board and assessed against the Townhouse Units as a Common Expense.

8.14 Approval of Members Required for Certain Transactions. The Association shall not, without the prior written approval of a Supermajority in Interest of the Members, institute any legal action in the name of the Association, other than lawsuits for the payment of Common Expenses, special assessments or other assessments, or for the enforcement of any rules and regulations or breach of any provision in the Declaration, all of which are expressly permitted under these Bylaws. For the purposes of this section 8.14, "Supermajority in Interest" shall mean a combination of any Members who, in the aggregate, own eighty percent (80%) or more of the Townhouse Units.

ARTICLE IX AMENDMENTS

Subject to the provisions of Article XIII of the Declaration, these Bylaws may be amended at any time by an instrument in writing signed and acknowledged by Owners holding at least sixty-six percent (66%) of the votes in the Association, which instrument shall be effective only upon recordation in the office of the Register of Deeds of Wake County, North Carolina; provided, however, where a larger vote in the Association is required for the Association to take or refrain from taking a specific action, as set forth in the Governing Documents, no amendment of these Bylaws shall be made unless and until the Owners holding such larger percentage of the vote in the Association execute said amending instrument. All persons or entities who own or hereafter acquire any interest in the Property shall be bound to abide by any amendment to these Bylaws which is duly passed, signed, acknowledged and recorded as provided herein. No amendment to these Bylaws shall be adopted or passed which shall impair or prejudice the rights and priorities of any Mortgagee without the consent of such Mortgagee. No amendment to these Bylaws shall be adopted or passed which shall impair or prejudice the rights of Declarant provided for in the Governing Documents without the consent of Declarant.

ARTICLE X MISCELLANEOUS

10.1 Severability. Invalidation of any covenant, condition, restriction or other provisions of the Declaration or these Bylaws shall not affect the validity of the remaining portions thereof which shall remain in full force and effect.

10.2 Successors Bound. The rights, privileges, duties and responsibilities set forth in the Governing Documents, as amended from time to time, shall run with the ownership of the Property and shall be binding upon all persons who own or hereafter acquire any interest in the Property.

10.3 Gender, Singular, Plural. Whenever the context so permits, the use of the singular or plural shall be interchangeable in meaning and the use of any gender shall be deemed to include all genders.

10.4 Nonprofit Corporation. No part of the Association's assets or net income shall inure to the benefit of any of the Members, the officers of the Association, the members of the Executive Board, or any other private individual either during its existence or upon dissolution except as reasonable compensation paid or distributions made in carrying out its declared nonprofit purposes as set forth in the Articles of Incorporation and these Bylaws.

10.5 Declaration Controls. It is the parties intention that these Bylaws are consistent with the terms and conditions of the Declaration. In the event that there is a conflict between the terms of these Bylaws and the terms of the Declaration, then the terms of the Declaration shall control.