

BYLAWS OF THE
HEATHERWOOD TOWNHOME ASSOCIATION

ARTICLE I

NAME AND LOCATION

The name of the corporation is HEATHERWOOD TOWNHOME ASSOCIATION, hereinafter referred to as the "Association". The principal office of the corporation shall be located at 1157-D Exexutive Circle, Cary, Wake County, North Carolina, 27511 but meetings of members and directors may be held at such places within the State of North Carolina, County of Wake as may be designated by the Board of Directors.

ARTICLE II

DEFINITIONS

Section 1. "Association" shall mean and refer to Heatherwood Townhome Association, a North Carolina non-profit corporation, its successors and assigns.

Section 2. "Board of Directors" or "Board" means those persons elected or appointed and acting collectively as the directors of the Association.

Section 3. "Bylaws" means the bylaws of the Association as they now or hereafter exist.

Section 4. "Declarant" shall mean and refer to Nicholson Homes, Inc., a North Carolina corporation, its successors and assigns, to whom the rights of Declarant are expressly transferred or if such successors or assigns should acquire more than one undeveloped lot or undeveloped acreage for the purpose of development, or acquire title to the property under a deed in lieu of foreclosure, judicial foreclosure, or foreclosure under power of sale contained in any deed of trust or one otherwise denominated a "Declarant" herein.

Section 5. "Declaration" shall mean and refer to the Declaration of Covenants, Conditions and Restrictions for Heatherwood Townhome Subdivision and amendments thereto, applicable to the Property and recorded in the Office of the Register of Deeds of Wake County, North Carolina.

Section 6. "Common area" shall mean and refer to all land within the Property owned by the Association for the common use and enjoyment of all members of the Association, along with facilities and improvements erected or constructed thereon, for the common use and enjoyment of the members of the Association, including but not limited to private streets, greenways, lakes and recreational areas, and waste water collection, treatment and disposal facilities.

Section 7. "Limited Common Area" shall mean those portions of the Common Area that serve only a limited number of lots and which may include, but specifically is not limited to, driveways and walkways serving townhouse lots and other cluster homes, parking or areas serving only specified lots, and such other similar areas as may be designated by the Association. Limited Common Areas shall be maintained by the Association.

Section 8. "Lot" shall mean and refer to any plot of land, other than the common area and limited common area shown on a recorded subdivision map of the Property, provided said map has been approved by the Declarant.

Section 9. "Manager" shall mean and refer to the person employed by the Board of Directors as a professional manager, pursuant to the provisions of the Bylaws, to manage the affairs of the Association.

Section 10. "Member" shall mean and refer to every person entitled to membership as provided in the Declaration.

Section 11. "Owner" shall mean and refer to the record owner, whether one or more persons or entities, of a fee simple title to any lot which is a part of the Property, including contract sellers, but excluding those who have such interests merely as security for the performance of an obligation.

Section 12. "Person" shall mean and refer to any individual, corporation, partnership, association, trustee, or other legal entity.

Section 13. "Property" shall mean and refer to that certain real property platted of record in Book of Maps 1987, Page 1037, Wake County Registry and described in the Declaration, and such additions thereto as may hereafter be brought within the jurisdiction of the Association by annexation.

ARTICLE III

MEETING OF MEMBERS

Section 1. Annual Meetings. The first annual meeting of the members shall be held on or before March 1, 1988, on the date and at the time and place set forth by the Board of Directors in its rules and regulations, and each subsequent regular annual meeting of the members shall be held on the same day of the same month of each year thereafter, at the hour of 7:30 p.m., unless a different date and time is fixed by the Board of Directors.

Section 2. Special Meetings. Special meetings of the members may be called at any time by the president or by the Board of Directors, or upon written request of

the members who are entitled to vote one-half (1/2) of all of the votes of the membership.

Section 3. Notice of Meetings. Written notice of each meeting of the members shall be given by, or at the direction of, the secretary or person authorized to call the meeting, by mailing a copy of such notice, postage prepaid, at least thirty (30) days before such meeting to each member entitled to vote thereat, addressed to the member's address last appearing on the books of the Association, or supplied by such member to the Association for the purpose of notice. Such notice shall specify the place, day and hour of the meeting, and, in the case of a special meeting, the purpose of the meeting.

Section 4. Quorum. The presence at the meeting of members entitled to cast, or of proxies entitled to cast, one-tenth (1/10) of the votes of each class of membership shall constitute a quorum for any action except as otherwise provided in the Articles of Incorporation, the Declaration, or these bylaws. If, however, such quorum shall not be present or represented at any meeting, the members entitled to vote thereat shall have the power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum as aforesaid shall be present or be represented.

Section 5. Proxies. At all meetings of members, each member may vote in person or by proxy. All proxies shall be in writing and filed with the secretary. Every proxy shall be revocable and shall automatically cease upon conveyance by the member of his lot.

ARTICLE IV

BOARD OF DIRECTORS: SELECTION: TERM OF OFFICE

Section 1. Number. The affairs of this Association shall be managed by a Board of not fewer than three (3) nor more than fifteen (15) directors, who need not be members of the Association. The initial Board shall consist of three directors designated by the Declarant. The initial Directors shall serve until the first meeting of the Association.

Section 2. Term of Office. At or within ten (10) days after the first annual meeting, the members shall elect the number of Directors allowed herein. One-half (as near as may be) of the Directors so elected shall serve for a term of one (1) year and the remaining Directors elected shall serve for a term of two (2) years. The term of Directors, thereafter elected, shall be for two (2) years, except as