

~~DRAFT~~

BYLAWS OF
TRAILWOOD HILLS COMMONS CONDOMINIUMS OWNERS' ASSOCIATION, INC.

ARTICLE I

NAME AND LOCATION

The name of the corporation is TRAILWOOD HILLS COMMONS CONDOMINIUMS OWNERS' ASSOCIATION, INC. hereinafter referred to as the "Corporation." The principal office of the corporation is located at 119 W. Maynard Road, Cary, Wake County, North Carolina, 27511 but meetings of members and directors may be held at such places within Wake County, North Carolina, as may be designated by the Board of Directors.

ARTICLE II

DEFINITIONS

(a) "Assessment" means an owner's share of the common expenses assessed against such owner and his unit from time to time by the Regime in the manner hereinafter provided.

(b) "Board" or "Board of Directors" means the Board of Directors of TRAILWOOD HILLS COMMONS CONDOMINIUMS regime created hereunder and "Director" or "Directors" means a member or members of the Board.

(c) "Bylaws" means the Bylaws for the administration of the condominium regime contained in Exhibit "C" attached hereto and made a part hereof by this reference.

(d) "Common Areas and Facilities" or "Common Area" means all of the condominium property and every part thereof, excluding the units, but including Limited Common Areas and Facilities.

(e) "Common Expenses" means all or any of:

i. All expenses incident of the administration, maintenance, and repair or replacement of the Common Areas and Facilities and the Limited Common Areas and Facilities;

ii. Expenses determined by the Regime to be common expenses and which are lawfully assessed against the Unit Owners;

iii. Expenses declared to be common expenses by the Unit Ownership Act or the Condominium Documents;

iv. All sums lawfully assessed against the Unit Owners by the Regime.

(f) "Condominium Documents" means and includes this Declaration, Bylaws, attached as Exhibit "C" and Rules and Regulations as may be created pursuant to Article VI, Section 10 hereof, governing the use of the condominium property, all as may be amended from time to time.

(g) "Condominium Property" or "Property" means all of the property submitted to the Condominium Act by this Declaration, being the property described in Exhibit "A" of this Declaration, or so much thereof as shall be submitted from time to time; the buildings and all other improvements situated thereon, whether the same be common areas and facilities or units of any part thereof, and all easements and rights appurtenant thereto.

(h) "Corporation" shall mean and refer to TRAILWOOD HILLS COMMONS CONDOMINIUMS OWNERS ASSOCIATION, a North Carolina nonprofit corporation, its successors and assigns.

(i) "Declarant" means LINEBERRY ASSOCIATES LIMITED PARTNERSHIP its, successors and assigns in fee simple ownership of all remaining units (more than one unit) unsold to purchasers for use as residence.

(j) "Declaration" means this Declaration Creating Unit Ownership and Establishing Covenants, Conditions and Restrictions for TRAILWOOD HILLS COMMONS CONDOMINIUMS.

(k) "Limited Common Areas and Facilities" or "Limited Common Area" means those areas so designated on the Plans, attached hereto and incorporated herein by this reference, identified in Section 5 of Article III hereof.

(l) "Majority" or "Majority of Unit Owners" means the owners of more than fifty (50%) percent of the aggregate interest in the Common Areas and Facilities as established by the Declaration assembled at a duly called

meeting of the Unit Owners. All percentage interests stated herein for voting purposes means the owners of that percent of the Common Areas and Facilities, as determined by the percentage interest stated in this Declaration.

(m) "Member" means a Unit Owner.

(n) "Mortgage" means any deed of trust, mortgage, security agreement and financing statement or any and all other similar instruments given to the payment of a debt, by granting a security interest in a unit, its fixtures or contents.

(o) "Mortgagee" means any secured party under a security agreement or mortgage, and the beneficiary under or a holder of a deed of trust.

(p) "Percentage Interest" means the percentage of undivided interest each owner owns in the Common Areas and Facilities as set forth in Section 2 of Article XIV of this Declaration.

(q) "Person" means any individual, corporation, partnership, association, trustee, fiduciary or other legal entity, and shall mean the plural or combination of the same where applicable.

(r) "Plans" means the site plan by surveyor, and the plans of the building and units by _____, dated _____, entitled "_____", referred to in Article _____ of this Declaration, and recorded simultaneously herewith in Plat Book _____, Page _____, Wake County Registry.

(s) "Regime", "Condominium Regime" or "Condominium Association" means that non-profit corporation, the members of TRAILWOOD HILLS COMMONS CONDOMINIUMS which are limited to and consisting of all owners of condominium units of TRAILWOOD HILLS COMMONS CONDOMINIUMS including Declarant.

(t) "Unit" means those parts of the condominium property described in Section _____ of Article _____ hereof which are subject to this Declaration from time to time and which are shown and designated on the Plans as units.

(u) "Unit Owner" means the record legal fee owner or owners of a unit, excluding any lender, trustee or

creditor whose interest in the unit is merely as security for the performance of an obligation.

ARTICLE III

BOARD OF DIRECTORS

Section 1. Number. The business and affairs of the Corporation shall be managed by three (3) Board of Directors, who need not be Members. The maximum number of Directors may be changed by amendment of the Bylaws of the Corporation.

Section 2. Term of Office. At the first annual meeting, the Members shall elect a Board of three (3) classes of Directors. One class shall serve for a term of one (1) year; another class shall serve for a term of two (2) years, and one class shall serve for a term of three (3) years; and at each annual meeting thereafter, the Members shall elect one (1) Director fill the seat of the Director whose term is then expiring, and the term of said newly elected Director shall be three (3) years. Each Director shall hold office until his or her death, resignation, retirement, removal, disqualification, or his or her successor is elected and qualified.

Section 3. Nomination. Nomination for election to the Board of Directors shall be made by a Nominating Committee and reported to Members at and/or before the annual meeting. Nominations also may be made from the floor at the annual meeting. The Nominating Committee shall consist of a Chairman, who shall be a member of the Board of Directors, and one or more members of the Corporation (who can be the Declarant or its designee). Members of the Nominating Committee shall be appointed by the Board of Directors prior to each annual meeting of Members and shall serve until their successors are duly appointed and qualified. Such appointment may be announces at each annual meeting. The Nominating Committee shall make as many nominations for election to the Board of Directors as it shall in its discretion determine, but not less than the number of vacancies that are to be filled. Nominations may be made from among Members and/or non-Members.

Section 4. Election. Except as provided in Section 6 of this Article, election to the Board of Directors shall be at the annual meeting of the Members, by secret ballot. At such election, the Members or their proxies may cast, in respect to each vacancy, as many votes as they are entitled to cast under the provisions of the Declaration. The persons receiving the largest number of votes shall be elected. Cumulative voting is not permitted.

The Board of Directors may adopt rules and regulations regarding the conduct of the election, including, but not limited

to: the form of the ballot, the nature and maintenance of the election records, the method of ascertaining the validity of proxies, the counting of ballots and tabulation of results, the inspection of records, challenges, and runoff elections.

Section 5. Removal. Any Director may be removed from the Board, with or without cause, by a majority vote of the Class A and Class B (if any) members of the Corporation. A recall election shall be conducted by the Board of Directors upon a resolution adopted by vote of three-fourths (3/4) of the Directors, or upon petition signed by members entitled to cast two-thirds (2/3) of the Class A votes and two-thirds (2/3) of the Class B votes, if any. In the event of death, resignation, or removal of a Director, his or her successor shall be elected by the remaining members of the Board and shall serve for the unexpired term of this or her predecessor.

Section 6. Vacancies. A vacancy occurring in the Board of Directors may be filled by the selection by the remaining Directors of a successor who shall serve for the unexpired term of his or her predecessor. The Members may elect a Director at any time to fill any vacancy not filled, within thirty (30) days of the vacancy, by the Directors.

Section 7. Meetings.

(a) Regular Meetings. Regular meetings of the Board of Directors shall be held monthly without notice, at such place and hour as may be fixed from time to time by resolution of the Board. Should any meeting fall on a legal holiday, then that meeting shall be held at the same place and time on the next day which is not a legal holiday.

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

(c) Quorum. The majority of the number of Directors shall constitute a quorum for the transaction of business. Every act or decision done or made by a majority of the Directors present at a duly held meeting at which a quorum is present shall be regarded as an act of the Board.

Section 8. Action Taken Without Meeting. A majority of the Directors shall have the right to take any action in the absence of a meeting which they could have taken at a meeting by obtaining

the written approval of the action in question by all Directors, which approval shall be filed with the minutes of the proceedings of the Board, whether done before or after the action so taken. Any action so approved shall have the same effect as though taken at a meeting of the Directors.

Section 9. Chairman. A Chairman of the Board of Directors may be elected by the Directors to preside over all Board meetings until the President of the Corporation is elected; thereafter, the President shall serve as Chairman. If the office of President is vacant, a Chairman may be elected by the Board to serve until a new President is elected.

Section 10. Compensation. No Director shall receive compensation for any service he or she may render to the Corporation in the capacity of Director. This provision shall not be construed to prohibit the reimbursement of any Director for his or her actual expenses incurred in the performance of his or her duties as Director, which said expenses expressly hereby may be reimbursed.

ARTICLE IV

POWERS AND DUTIES OF THE BOARD OF DIRECTORS

Section 1. Powers. The board of Directors shall have the power:

(a) To exercise of the Corporation all powers, duties, and authority vested in or delegated to the Corporation and not reserved to the membership by other provisions of these Bylaws, the Corporation's Articles of Incorporation, or the Declaration;

(b) To adopt and publish rules and regulations interpreting and applying the powers and duties enumerated in the Bylaws, Articles of Incorporation, and Declaration which the Board is empowered or directed to exercise, including, but specifically not limited to, the power to adopt and publish rules and regulations governing the use of its property, and the personal conduct of the Members and their guests thereon, and to establish penalties for the infraction thereof; and all rules, regulations and amendments thereto adopted by the Board shall be published and mailed or delivered to all Members within fourteen (14) days following adoption and shall become effective fourteen (14) days following adoption. Such notice to a Member of rules, regulations or amendments shall be deemed notice to any person to

whom the Member has delegated his, her or its right of enjoyment;

(c) To declare the office of a member of the Board of Directors to be vacant in the event such member shall be absent from three (3) consecutive regular meetings of the Board of Directors;

(d) To suspend the voting rights and right to use of the Association's property of a Member during any period in which such Member shall be in default in the payment of any assessment levied by the Corporation. Such rights also may be suspended, after notice and subject to hearing, for a period not to exceed sixty (60) days for infraction of published rules and regulations, as provided in the Declaration and/or these Bylaws;

(e) To employ a manager, an independent contractor, or such other agents or employees as it deems necessary, and to prescribe their duties; and to contract with a management company to manage the operation of the Corporation, and, if a contract is entered into with a management company, such contract must be terminable by the Board of Directors without cause or penalty on ninety (90) days or less notice, and any management contract with Declarant shall be for a term not to exceed three (3) years;

(f) To employ attorneys to represent the Corporation when deemed necessary by the Board of Directors;

(g) To grant easements for the installation and maintenance of sewerage, utilities, and/or drainage facilities upon, over, under and across the Common Area without the assent of the membership when, in the sole opinion of the Board, such easements do not interfere with the use and enjoyment of the Properties or are necessary for the convenient use and enjoyment of the Properties; and

(h) To appoint and remove at pleasure all officers, agents, and employees of the Corporation, prescribe their duties, fix their compensation, and require of them such security or fidelity bond as it may deem expedient.

Section 2. Duties. It shall be the duty of the Board of Directors:

(a) To cause to be kept a complete record of all its acts and corporate affairs and to present a statement thereof to the Members at every annual meeting of the Members, or at any special meeting when such statement is requested in writing in advance of the meeting by one-fourth (1/4) of the Class A Members who are entitled to vote;

(b) To supervise all officers, agents, and employees of the Corporation, and to see that their duties are properly performed;

(c) As more fully provided herein and in the Declaration:

(1) To fix the amount of the annual assessment against each Lot at least thirty (30) days in advance of each annual assessment period;

(2) To send written notice of each assessment to every Owner subject thereto at least fifteen (15) days after the fixing of each annual assessment; and

(3) To foreclose the lien against any property for which assessments are not paid within thirty (30) days after a due date or to bring an action at law against the Lot owner personally obligated to pay the same;

(d) To issue or cause to be issued, upon demand by any person, a certificate setting forth whether or not any assessment has been paid. A reasonable fee may be charged by the Board for the Issuance of these certificates. Such certificates shall be conclusive evidence of any assessment therein stated to have been paid;

(e) To procure and maintain adequate liability insurance covering the Corporation in an amount not less than One Million (\$1,000,000.00) and No/100ths Dollars and adequate hazard insurance on property owned by the Corporation;

(f) To cause all officers or employees having fiscal responsibilities to be bonded, as it may deem appropriate;

(g) To require that the Members cause their Lots to be maintained.

ARTICLE V

OFFICERS AND THEIR DUTIES

Section 1. Enumeration of Officers. The officers of the Corporation shall be a President and a Vice President, who at all times shall be members of the Board of Directors, a Secretary, and a Treasurer, and such other officers as the Board of Directors from time to time by resolution may create; and the officers of the Corporation shall have such powers as are necessary to properly administer the business and affairs of the Corporation for which they are responsible as set forth in these Bylaws and in appropriate resolutions adopted by the Board of Directors.

Section 2. Election of Officers. The election of officers shall take place at the first meeting of the Board of Directors following the annual meeting of members.

Section 3. Term. The officers of the Corporation shall be elected annually by the Board, and each shall hold office for one (1) year unless (s)he shall sooner resign, or shall be removed, or otherwise be disqualified to serve. Any officer may be elected to successive terms.

Section 4. Special Appointments. The Board may elect such other officers as the business and affairs of the Corporation may require, each of whom shall hold office for such period, have such authority, and perform such duties as the Board from time to time may determine.

Section 5. Resignation and Removal. Any officer may be removed from office, with or without cause, by the Board. Any officer may resign at any time by giving written notice to the Board, the President, or the Secretary. Such resignation shall take effect on the date of receipt of such notice or at any later time specified therein, and, unless otherwise specified therein, the acceptance of such resignation shall be unnecessary to make it effective. Any officer who, as a condition of his/her service, is required to be a member of the Board or a Member of the Corporation, shall be disqualified from holding such office upon loss of membership on the Board or in the Corporation, as the case may be.

Section 6. Vacancies. A vacancy in any office may be filled by appointment by the Board. The officer appointed to such vacancy shall serve for the remainder of the term of the officer(s) he or she replaces. Any officer so appointed shall have the same qualification as those required of his/her predecessor.

Section 7. Multiple Offices. The offices of President and Treasurer may be held by the same person, and the offices of Secretary and Treasurer may be held by the same person. No person simultaneously shall hold more than one (1) of any combination of offices except in the case of special offices created pursuant to Section 4 of this Article.

Section 8. Duties. Unless amended or altered by the Board, in its discretion, the duties of the officers shall be as follows:

(a) President. The President shall preside at all meetings of the Board of Directors; shall see the orders and resolutions of the Board carried out; shall sign all leases, mortgages, deeds, contracts, and other written instruments; and shall sign all promissory notes and, in the absence of the Treasurer, shall sign all checks of the Corporation.

(b) Vice President. The Vice President shall act in the place and stead of the President in the event of his/her absence, or inability or refusal to act, and shall exercise and discharge such other duties as may be required of him/her by the Board.

(c) Secretary. the Secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board and of the Members; keep the corporate seal of the Corporation and affix it on all papers requiring said seal; serve notice of meetings of the Board and of the Members, and any other notice required to be given by the Board; keep appropriate current records showing the Members of the Corporation together with their addresses; record, compile, revise, index, and publish all rules and regulations adopted by the Board; and perform such other duties as may be required by the Board.

(d) Treasurer. The Treasurer shall be responsible for the receipt and deposit in appropriate bank accounts of all monies of the Corporation and for the disbursement of such funds as directed by resolution of the Board of Directors; shall keep or cause to be kept proper books of account; shall sign all promissory notes of the Corporation; shall cause an annual audit of the Corporation books to be made by an independent public accountant at the completion of each fiscal year; shall cause every Member to be notified of the amount and due date of each annual assessment and special assessment at least fifteen (15) days after such assessment shall be fixed and at least thirty (30) days before such

assessment shall be due; shall prepare or cause to be prepared an annual budget and a statement of income and expenditures to be presented to the membership at its regular annual meeting; and shall deliver a copy of such budget and statement to each Member.

ARTICLE VI

LIMITATION OF LIABILITY

Section 1. Official Conduct. The Board of Directors, the individual Directors, and the officers of the Corporation, when acting in their capacity as Directors or officers, shall be liable to the Corporation or its Members only for willful malfeasance, misfeasance, or nonfeasance, or for gross misconduct in office, and shall not be liable for any mistake of judgment, oversight, or negligent act or omission. The Board, in its discretion, may purchase insurance or bond, in such amount as it deems adequate and reasonable to indemnify and save harmless the Board, each Director and the officers of the Corporation against any liability arising out of their official activities that it or they may have to the Corporation or the Members, and the amount of such insurance or bond shall be the limit of such liability. The Board also may purchase such insurance or bond in such amount as it deems appropriate to indemnify and protect the Corporation, the Board, each Director, and the officers of the Corporation against any contractual liability arising out of contracts made by or on behalf of the Corporation. Every contract made by the Board or by the officers or agents of the Corporation on its behalf shall contain a provision to the effect that the Board, the officers, or the agents, as the case may be, are acting only as agents of the Corporation and shall have no personal liability thereunder.

ARTICLE VII

COMMITTEES

Section 1. Architectural Committee. The Board may appoint an Architectural Committee composed of three (3) or more representatives (who need not be Members of the Corporation) which shall review and approve or disapprove the plans and specifications setting forth any proposed alteration or modification of any existing improvements or the construction, erection, or installation of additional improvements on any of the Properties, as provided in Article VII of the Declaration.

Section 2. Nominating Committee. The Board may appoint a Nominating Committee, comprised of such Members and having such

duties and responsibilities as are provided in these Bylaws, the Declaration, and the rules and regulations of the Corporation.

Section 3. Other Committees. The Board of Directors may appoint such other committees, comprised of such members and having such duties as are set forth in these Bylaws, the Declaration, and the rules and regulations of the Corporation as the Board deems appropriate in carrying out its purposes, such as, but not limited to:

(a) A Recreation Committee, which may advise the Board of Directors on all matters pertaining to any recreational program and activities of the Corporation and may perform such other functions as the Board, in its discretion, determines.

(b) A Maintenance Committee, which may advise the Board of Directors on all matters pertaining to the maintenance, repair, reconstruction, replacement, or improvement by the Properties, and may perform such other functions as the Board, in its discretion, determines.

(c) A Publicity Committee, which may inform the Members of all activities and functions of the Corporation and, after consulting with the Board of Directors, may make such public releases and announcements as are in the best interest of the Corporation.

(d) An Audit Committee, which may supervise the annual audit of the Corporation's books and approve the annual budget and statement of income and expenditures to be presented to the membership at its regular annual meeting. The Treasurer may be an ex officio member of this Committee.

(e) A Grievance Committee, as may be appointed at the discretion of the Board to serve from time to time, to hear or receive oral or written grievances of Members, and to consult and advise with the Board concerning resolution of such grievances.

(f) An Elections Committee, which may advise the Board of Directors on all matters pertaining to the conduct of election of Directors, supervise such elections, and perform such other functions as the Board, in its discretion, determines.

Section 4. Complaints. In the event that the Board deems it inappropriate to appoint a Grievance Committee, it shall be the

duty of each other committee to receive complaints from Members on any matter involving Corporation functions, duties, and activities within its field of responsibilities. Each committee shall dispose of such complaints as it deems appropriate or refer them to such other committee, Director, or officer who is, or may be, further concerned with the matter presented.

ARTICLE VIII

MEETINGS OF MEMBERS

Section 1. Annual Meetings. The first annual meeting of the Members shall be held on a date and at a time and place fixed by the Corporation's initial Board of Directors in the rules and regulations, but within one (1) year from the date of incorporation of the Corporation. Subsequent annual meetings thereafter shall be held on the same date, and at the same time and place, unless changed by amendment of the rules and regulations. If the day for the annual meeting of the Members is a legal holiday, the meeting will be held at the same hour on the first day following which is not a legal holiday.

Section 2. Special Meetings. Special meetings of the Members may be called at any time by the President, by the Board of Directors, or upon written request of Members who are entitled to cast one-fourth (1/4) of all of the votes of the Class A membership.

Section 3. Notice of Meeting. Written notice of each meeting of the Members shall be given by, or at the direction of, the Secretary or other person authorized to call the meeting, by mailing or delivering a copy of such notice, at least fifteen (15) days before such meeting, unless otherwise required by the Declaration, to each Member entitled to vote thereat, said notice being either addressed or delivered to the Member's address last appearing on the books of the Corporation, the address supplied by such Member to the Corporation for the purpose of notice, or to the address of a Lot owned by the Member. Such notice shall specify the place, date and hour of the meeting, and, in the case of a special meeting, the purpose of the meeting. If the date, time or place or an annual meeting is changed by amendment of the rules and regulations of the Board of Directors, notice of such change shall be given within fifteen (15) days after adoption of the amendment and at least thirty (30) days prior to the date of the annual meeting.

Section 4. Voting Rights.

(a) The Corporation shall have two classes of voting membership:

Class A. Class A Members shall be all Owners except the Declarant; however, the Declarant shall be a Class A Member to the extent provided in the paragraph below. Each Class A Member shall be entitled to one (1) vote for each Lot in which they hold the interest required for membership by Article V of the Corporation's Articles of Incorporation, provided that, when more than one (1) person or entity holds such interest in any Lot, all such persons and/or entities shall be Members, but the vote for such Lot shall be exercised as they among themselves determine. In no event shall more than one (1) vote be cast with respect to any Lot, and no fractional vote may be cast with respect to any Lot.

Class B. Class B Member(s) shall be the Declarant and the Class B members shall be entitled to three (3) votes for each Lot in which the Class B Member(s) has an ownership interest provided that the Class B membership shall cease and be converted to Class A membership on the happening of either of the following events, whichever occurs earlier:

1. Seventy-five (75%) percent of the units are deeded to homeowners; provided, however, that the Class B membership shall be reinstated with all rights, privileges, and responsibilities, if, after a conversion of the Class B membership to Class A membership as herein provided, additional lands are annexed to the Properties by the Declarant in the manner provided in Article II of the Declaration, it being hereby stipulated that the conversion and reconversion shall occur automatically as often as the foregoing facts shall occur, or

2. On June 1, 2004.

(b) The Board of Directors may suspend the right of any Member to vote for any period during which any assessment against said member's Lot remains unpaid and for a period not to exceed sixty (60) days for any infraction of its published rules and regulations.

(c) If the Owner of any home on a Lot does not occupy if that residence as such Owner's own personal living quarters of ia any Lot is leased for rental

purposes to any tenant(s), then, in such event, the vote of said Owners of said Lots, if voted in a block, shall not be entitled to any weight greater than forty-nine (49%) percent on any matter before the Corporation other than annexation or amendment of the Declaration.

Section 5. Quorum. The presence at the meeting of Members or 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 the 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 shall be present or be represented; and if any meeting is adjourned for lack of a quorum, the quorum required at any subsequent meeting shall be one-half (-) that required at the preceding meeting.

Section 6. Proxies. At all meetings of members, each Member may vote in person or by proxy. All proxies shall be in writing and shall be filed with the Secretary. Any proxy may be revoked, in writing and with notice to the Secretary, by the Member who gave the proxy; and every proxy shall automatically cease upon death of the Member or conveyance by the Member of his/her Lot.

ARTICLE IX

ASSESSMENTS

Each Member is obligated as more fully provided in the Declaration, the terms of which are incorporated by reference herein, to pay the Corporation annual and special assessments together with such interest thereon, reasonable late payment fees, and costs of collection including reasonable attorney's fees incurred by the Corporation in collecting delinquent assessments, which shall be a charge on each Member's Lot(s) and which shall be a continuing lien upon said property and improvements thereon against which each such assessment is made. Each such assessment, together with interest, late payment fees, costs, and reasonable attorney's fees, also shall be the personal obligation of the person or entity who was the Owner of such property at the time when the assessment fell due. The personal obligation for the delinquent assessments shall not pass to said Owner's successors in title unless expressly assumed by them.

The assessments levied by the Corporation shall be used for those purposes and shall be in those amounts and shall be payable as stated in the Declaration. Any assessments which are not paid

when due shall be delinquent. If an assessment is not paid within thirty (30) days after the due date, said assessment shall bear interest from the date of delinquency at the rate described in the Declaration. The Corporation may bring an action at law against the Owner personally obligated to pay the same or foreclose the lien against the property, and interest, late payment fees, costs, and reasonable attorney's fees of any such action shall be added to the amount of the assessment. No Owner may waive or otherwise escape liability for the assessments provided for herein by nonuse of the Corporation's property or abandonment of any Lot(s).

ARTICLE X

SUSPENSION OF PRIVILEGES: NOTICE, HEARING

Section 1. Right to Hearing.

(a) In the event that any Member, or said Member's delegee, violates any rules or regulations of the Corporation, such Member's voting and other rights arising out of this Corporation and the Declaration shall not be suspended (except for nonpayment of any assessment) for longer than seven (7) days, unless such Member or said Member's delegee has been extended an opportunity for a hearing thereon.

(b) No Member shall be entitled to a hearing when the reason for the suspension of rights is nonpayment of assessments.

Section 2. Notice.

(a) Notice of suspension shall be given to the Member described in Section 1(a) of this Article or said Member's delegee (or if the delegee is less than eighteen (18) years of age, to said Member and the delegee), in writing, and shall be delivered either in person or by first-class mail, postage prepaid. The notice shall state the reason for the suspension, the date that such reason arose, the length of the suspension, the rights affected by the suspension, and the dates that the suspension shall begin and end.

(b) If the suspension arises from the violation of the rules or regulations of the Corporation and affects the voting or other rights of the Member hereunder for longer than seven (7) days, the notice shall advise that the Member (or the Member's delegee) shall be entitled to a hearing thereon at a date and time certain if the

Member or delegee shall so request in writing, within seven (7) days after date of the notice.

Section 3. Hearing.

(a) All hearings shall be conducted by the Board of Directors or by a committee or individual designated by the Board for such purpose. If the hearing is conducted by a designated committee or individual, the Member or delegee shall have the right to appeal the decision of such committee or individual to the Board of Directors.

(b) Hearings shall be conducted in accordance with rules and regulations of the Corporation, which shall provide for a fair and impartial hearing and shall permit the Member or delegee to present matters in defense, mitigation, or extenuation. It is not required, however, that the conduct of the hearings shall conform to rules of evidence and procedures applicable to legal proceedings.

(c) A hearing shall be held not less than ten (10) days nor more than fifteen (15) days following notice of suspension; but the time may be varied for good cause shown, and the hearing body may grant continuances.

(d) If the notice of suspension does not specify the time, date, and place of hearing, the hearing body shall establish the time, date and place upon receipt of the Member's or delegee's written request for a hearing, and notice thereof shall be delivered to the Member or delegee at least forty-eight (48) hours in advance of the hearing.

(e) No suspension shall become effective until completion of any hearing or appeal thereon to which the Member or delegee may be entitled and for which request is made.

(f) The decision rendered following hearing by a committee or individual designated by the Board of Directors for such purpose shall be conclusive unless the Member or delegee shall appeal therefrom, in writing, to the Board of Directors within three (3) days following notice of the final decision of the said committee or individual. The Board of Directors may prescribe the manner of appeal in its rules and regulations. Any final decision of the Board of Directors made following a hearing or an appeal shall be conclusive.

ARTICLE XI

GENERAL PROVISIONS

Section 1. Fiscal Year. The fiscal year, unless hereafter changed by the Board of Directors in its discretion, shall be the calendar year.

Section 2. Corporate Seal. The Corporation shall have a seal in circular form having within its circumference: TRAILWOOD HILLS COMMONS CONDOMINIUMS OWNERS' ASSOCIATION.

Section 3. Books and Records. The books, records, and papers of the Corporation shall be subject to inspection by any Member at any time during reasonable business hours. The Declaration, the Articles of Incorporation, and the Bylaws of the Corporation shall be available for inspection by any Member at the principal office of the Corporation, where copies may be purchased at reasonable costs.

Section 4. Facsimile Signature and Seal. The Board of Directors, by adoption of an appropriate resolution, may provide for the use of facsimile signatures on any document or instrument required to be signed by the President when such document or instrument is to be co-signed or countersigned by another officer of the Corporation; and may provide for use of a facsimile of the corporate seal of the Corporation.

Section 5. Notice. Unless otherwise provided in the Declaration, the Articles of Incorporation, or these Bylaws, all notices required to be given shall be in writing; shall set forth the purposes for which the notice is given shall state the time, date and place of any event for which notice is given; and shall be mailed or delivered to each member at the Member's address last appearing on the books of the Corporation, the address last appearing on the books of the Corporation for the purpose of notice, or to the address of a Lot owned by the Member at least thirty (30) days and not more than sixty (60) days prior to the occurrence of the meeting or event of which notice is given. Every such notice shall bear the signature or facsimile signature of the President and shall be issued by the Secretary. Notice shall be deemed given as to any Member when mailed by first-class mail, postage prepaid, or delivered to the Member's last known address or the Lot owned by the Member.

Each Member shall be responsible for informing the Secretary of said member's address and of any subsequent changes thereof; and no notice shall be required to be given to any Member who has failed to so inform the Secretary.

The applicable notice period shall not apply to any Member who has been an Owner for less than the applicable days preceding the meeting or event of which notice is give, but he Secretary shall make a good faith effort to give any such Member as much notice as reasonably practicable.

Section 6. Conflicts. If there should be any conflicts between the provision of these Bylaws and the provisions of the Articles of Incorporation, the provision of the Articles of Incorporation shall control; and if there should be any conflict between the provisions of these Bylaws and the provisions of the Declaration, the provision of the Declaration shall control.

Section 7. Rights of Enjoyment. The Corporation's real property shall be owned for the common use and benefit of the Members; and the Members or their permitted delegees (namely, their family members, tenants, or contract purchasers who reside on the Member's Lot(s), provided the Members have given notice of same to the Secretary, and Association-authorize guests) shall have a right and easement of enjoyment in and to said property, subject to limitations imposed by the Board of Directors for violation of rules or regulations, or failure to pay assessments, as provided herein, in the Articles of Incorporation, and in the Declaration. The Members' rights shall be appurtenant to and shall pass with the title to every Lot, subject to the right of the Association to dedicate or transfer all or any part thereof to any public agency, authority, or utility for such purposes and subject to such conditions as may be agreed by the Members. No dedication, transfer, or mortgage of said property shall be effective unless an instrument evidencing agreement of two-thirds (2/3) of each class of Members has been recorded in the Wake County Registry, North Carolina.

ARTICLE XII

AMENDMENT

Section 1. Methods of Amendment.

These Bylaws may be amended, at the annual meeting of Members, or at a special meeting called for that purpose, by an affirmative vote of a two-thirds (2/3) majority of Class A and Class B Members.

If the Declaration or Articles of Incorporation are amended, equivalent provisions of these Bylaws shall be deemed to have been amended in like manner, and the Bylaws shall be revised to reflect such amendment.

Section 2. Required Approval.

So long as a Class B membership exists, the Veterans Administration ("VA") and the Federal Housing Administration ("FHA") shall have the right to veto amendments to the Bylaws, and all proposed amendments must be presented to VA and FHA for approval before becoming effective.

IN WITNESS WHEREOF, we, being all the Directors of the TRAILWOOD HILLS COMMONS CONDOMINIUMS OWNERS' ASSOCIATION, have hereunto set our hands this the _____ day of _____, 1996.

TRAILWOOD HILLS COMMONS
CONDOMINIUMS OWNERS'
ASSOCIATION, INC.

By: _____
James S. J. Wang, President

ATTEST:

John P. Berent, Secretary

[CORPORATE SEAL]

[Acknowledgement follows on next page.]

* * * * *

STATE OF NORTH CAROLINA

COUNTY OF _____

I, Notary Public of the County and State aforesaid, certify that _____ personally came before me this day and acknowledged that (s)he is the Secretary of TRAILWOOD HILLS COMMONS CONDOMINIUMS OWNERS' ASSOCIATION, INC., a North Carolina Corporation, and that by the authority duly given and as the act of the corporation, the foregoing instrument was signed in its name by its _____ President, sealed with its corporate seal and attested by _____, as its Secretary.

Witness my hand and office stamp or seal, this ____ day of _____, 1996.

Notary Public

My commission expires: _____