

Bylaws of Falls Village Townhome Owners Association, Inc.

**ARTICLE I
OFFICES**

1.1 Principal Office. The principal office of the corporation shall be located at such place as the Board of Directors may fix from time to time.

1.2 Registered Office. The registered office of the corporation required by law to be maintained in the State of North Carolina may be, but need not be, identical with the principal office.

1.3 Other Offices. The corporation may have offices at such other places, either within or without the State of North Carolina, as the Board of Directors may designate or as the affairs of the corporation may require from time to time.

**ARTICLE II
MEETINGS OF MEMBERS**

2.1 Place of Meetings. All meetings of members shall be held at such place in Wake County, North Carolina, as shall in each case be (i) fixed by the President, the Secretary, or the Board of Directors and designated in the notice of the meeting or (ii) agreed upon by a majority of the votes entitled to be cast by members at the meeting.

2.2 Annual Meetings. The annual meeting of members shall be held in January of each year on any day (except Saturday, Sunday, or a legal holiday) in that month as determined by the Board of Directors.

2.3 Substitute Annual Meeting. If the annual meeting is not held at the time designated by these Bylaws, a substitute annual meeting may be called in accordance with the provisions of Section 2.4. A meeting so called shall be designated and treated for all purposes as the annual meeting.

2.4 Special Meetings. Special meetings of the members may be called at any time by the President, the Secretary, or the Board of Directors, and shall be called within thirty (30) days after written request of the holders of not less than one-tenth of all the votes entitled to be cast on any issue proposed to be considered at the meeting.

2.5 Notice of Meetings.

2.5.1 Written notice stating the date, time, and place of the meeting shall be given not less than ten (10) nor more than sixty (60) days before the date of any members' meeting, either by personal delivery or by telegraph, teletype, or other form of wire or wireless communication, or by facsimile transmission or by mail or private carrier, by or at the direction of the Board of Directors, the President, the Secretary, or other person calling the meeting, to each member entitled to vote at such meeting; provided that such notice must be given to all members with respect to any meeting at which a merger is to be considered and in such other instances as required by law. If

mailed, such notice shall be deemed to be effective when deposited in the United States mail, correctly addressed to the member at the member's address as it appears on the current record of members of the corporation, with postage thereon prepaid.

2.5.2 In the case of a special meeting, the notice of meeting shall include a description of the purpose or purposes for which the meeting is called; but, in the case of an annual or substitute annual meeting, the notice of meeting need not include a description of the purpose or purposes for which the meeting is called unless such a description is required by the provisions of the North Carolina Business Corporation Act.

2.5.3 When a meeting is adjourned to a different date, time or place, notice need not be given of the new date, time or place if the new date, time or place is announced at the meeting before adjournment and if a new record date is not fixed for the adjourned meeting. However, if a new record date is fixed for the adjourned meeting (which must be done if the new date is more than one hundred twenty (120) days after the date of the original meeting), notice of the adjourned meeting must be given as provided in this Section 2.5 to persons who are members as of the new record date.

2.6 Waiver of Notice. Any member may waive notice of any meeting before or after the meeting. The waiver must be in writing, signed by the member, and delivered to the corporation for inclusion in the minutes or filing with the corporate records. A member's attendance, in person or by proxy, at a meeting (a) waives objection to lack of notice or defective notice of the meeting, unless the member or his proxy at the beginning of the meeting objects to holding the meeting or transacting business at the meeting, and (b) waives objection to consideration of a particular matter at the meeting that is not within the purpose or purposes described in the meeting notice, unless the member or his proxy objects to considering the matter before it is voted upon.

2.7 Members' List. Before each meeting of members, the Secretary of the corporation shall prepare an alphabetical list of the members entitled to notice of such meeting. The list shall show the address of and number of votes held by each member. The list shall be kept on file at the principal office of the corporation, or at a place identified in the meeting notice in the city where the meeting will be held, for the period beginning two (2) business days after notice of the meeting is given and continuing through the meeting, and shall be available for inspection by any member, his agent or attorney at any time during regular business hours. The list shall also be available at the meeting and shall be subject to inspection by any member, his agent or attorney, at any time during the meeting or any adjournment thereof.

2.8 Quorum. Members may take action on a matter at the meeting only if a quorum of the members exists. Members holding a majority of the votes entitled to be cast on the matter constitutes a quorum for action on that matter. Once a member is represented for any purpose at a meeting, it is deemed present for quorum purposes for the remainder of the meeting and for any adjournment of that meeting unless a record date is or must be set for that adjourned meeting. In the absence of a quorum at the opening of any meeting of members, such meeting may be adjourned from time to time by the vote of a majority of the votes cast on the motion to adjourn. Subject to

the provisions of Section 2.5, at an adjourned meeting any business may be transacted that might have been transacted at the original meeting if a quorum exists with respect to the matter proposed.

2.9 Proxies. Members may vote either in person or by one or more proxies authorized by a written appointment of proxy signed by the member or by his duly authorized attorney in fact. An appointment of proxy is valid for eleven months from the date of its execution, unless a different period is expressly provided in the appointment form.

2.10 Voting. Except with respect to the election of directors as governed by the provisions of Section 3.3, if a quorum exists, action on a matter is approved if the votes cast favoring the action exceed the votes cast opposing the action, unless a greater vote is required by law, the Articles of Incorporation, these Bylaws or the Declaration.

2.11 Informal Action by Members. Any action that is required or permitted to be taken at a meeting of the members may be taken without a meeting if one or more written consents, describing the action so taken, shall be signed by all of the members who would be entitled to vote upon such action at a meeting, and delivered to the corporation for inclusion in the minutes or filing with the corporate records. If the corporation is required by law to give notice to nonvoting members of action to be taken by unanimous written consent of the voting members, then the corporation shall give the nonvoting members, if any, written notice of the proposed action at least ten (10) days before the action is taken.

ARTICLE III BOARD OF DIRECTORS

3.1 General Powers. All corporate powers shall be exercised by or under the authority of, and the business and affairs of the corporation shall be managed under the direction of, the Board of Directors.

3.2 Number and Qualifications. The number of directors constituting the Board of Directors shall be three (3). Directors need not be residents of the State of North Carolina or members of the corporation.

3.3 Election. Except as provided in Section 3.6, the directors shall be elected at the annual meeting of members. Those persons who receive the highest number of votes at a meeting at which a quorum is present shall be deemed to have been elected.

3.4 Term of Directors. Each initial director shall hold office until the first members' meeting at which directors are elected, or until such director's death, resignation or removal. The term of every other director shall expire at the next annual members' meeting following the director's election or upon such director's death, resignation or removal. The term of a director elected to fill a vacancy expires at the next members' meeting at which directors are elected. A decrease in the number of directors does not shorten an incumbent director's term. Despite the expiration of a director's term, such director shall continue to serve until a successor shall be elected and qualifies

or until there is a decrease in the number of directors.

3.5 Removal. Any director may be removed at any time with or without cause by a vote of the members if the number of votes cast to remove such director exceeds the number of votes cast not to remove him. A director may not be removed by the members at a meeting unless the notice of the meeting states that the purpose, or one of the purposes, of the meeting is removal of the director. If any directors are so removed, new directors may be elected at the same meeting.

3.6 Vacancies. Any vacancy occurring in the Board of Directors, including, without limitation, a vacancy resulting from an increase in the number of directors or from the failure by the members to elect the full authorized number of directors, may be filled by the members or by the Board of Directors, whichever group shall act first. If the directors remaining in office do not constitute a quorum, the directors may fill the vacancy by the affirmative vote of a majority of the remaining directors.

3.7 Chairman of Board. There may be a Chairman of the Board of Directors elected by the directors from their number at any meeting of the Board. The Chairman shall preside at all meetings of the Board of Directors and perform such other duties as may be directed by the Board.

3.8 Compensation. The Board of Directors may provide for the compensation of directors for their services as such and for the payment or reimbursement of any or all expenses incurred by them in connection with such services.

ARTICLE IV MEETINGS OF DIRECTORS

4.1 Regular Meetings. A regular meeting of the Board of Directors shall be held immediately after, and at the same place as, the annual meeting of members. In addition, the Board of Directors may provide, by resolution, the time and place, either within or without the State of North Carolina, for the holding of additional regular meetings.

4.2 Special Meetings. Special meetings of the Board of Directors may be called by or at the request of the Chairman of the Board, if any, by the President or by any two directors. Such a meeting may be held either within or without the State of North Carolina, as fixed by the person or persons calling the meeting.

4.3 Notice of Meetings. Regular meetings of the Board of Directors may be held without notice. The person or persons calling a special meeting of the Board of Directors shall, at least two (2) days before the meeting, give or cause to be given notice thereof by the usual means of communication. Such notice need not specify the purpose for which the meeting is called. Any duly convened regular or special meeting may be adjourned by the directors to a later time without further notice.

4.4 Waiver of Notice. Any director may waive notice of any meeting before or after the

meeting. The waiver must be in writing, signed by the director entitled to the notice and delivered to the corporation for inclusion in the minutes or filing with the corporate records. A director's attendance at or participation in a meeting waives any required notice of such meeting unless the director at the beginning of the meeting, or promptly upon arrival, objects to holding the meeting or transacting business at the meeting and does not thereafter vote for or assent to action taken at the meeting.

4.5 Quorum. Unless the Articles of Incorporation or these Bylaws provide otherwise, a majority of the number of directors fixed by or pursuant to these Bylaws shall constitute a quorum for the transaction of business at any meeting of the Board of Directors, or if no number is so fixed, the number of directors in office immediately before the meeting begins shall constitute a quorum.

4.6 Manner of Acting. Except as otherwise provided in the Articles of Incorporation or these Bylaws, including Section 4.8, the affirmative vote of a majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.

4.7 Presumption of Assent. A director who is present at a meeting of the Board of Directors or a committee of the Board of Directors when corporate action is taken is deemed to have assented to the action taken unless (a) he objects at the beginning of the meeting, or promptly upon his arrival, to holding it or to transacting business at the meeting, or (b) his dissent or abstention from the action taken is entered in the minutes of the meeting, or (c) he files written notice of his dissent or abstention with the presiding officer of the meeting before its adjournment or with the corporation immediately after the adjournment of the meeting. Such right of dissent or abstention is not available to a director who votes in favor of the action taken.

4.8 Action Without Meeting. Action required or permitted to be taken at a meeting of the Board of Directors may be taken without a meeting if the action is taken by all members of the Board. The action must be evidenced by one or more written consents signed by each director before or after such action, describing the action taken, and included in the minutes or filed with the corporate records.

ARTICLE V OFFICERS

5.1 Officers of the Corporation. The officers of the corporation shall be appointed by the Board of Directors, and shall consist of a President, a Secretary and a Treasurer, and other officers as may from time to time be appointed by or under the authority of the Board of Directors. Any two or more offices may be held by the same person, but no officer may act in more than one capacity where action of two or more officers is required.

5.2 Appointment and Term. The officers of the corporation shall be appointed by the Board of Directors or by a duly appointed officer authorized by the Board of Directors to appoint one or more officers or assistant officers. Each officer shall hold office until his death, resignation, retirement, removal, disqualification, or the appointment of his successor.

5.3 Compensation of Officers. The compensation of all officers of the corporation shall be fixed by or under the authority of the Board of Directors, and no officer shall serve the corporation in any other capacity and receive compensation therefor unless such additional compensation shall be duly authorized. The appointment of an officer does not itself create contract rights.

5.4 Removal. Any officer may be removed by the Board at any time with or without cause; but such removal shall not itself affect the officer's contract rights, if any, with the corporation.

5.5 Resignation. An officer may resign at any time by communicating his resignation to the corporation, orally or in writing. A resignation is effective when communicated unless it specifies in writing a later effective date. If a resignation is made effective at a later date that is accepted by the corporation, the Board of Directors may fill the pending vacancy before the effective date if the Board provides that the successor does not take office until the effective date. An officer's resignation does not affect the corporation's contract rights, if any, with the officer.

5.6 President. The President shall be the principal executive officer of the corporation and, subject to the control of the Board of Directors, shall in general supervise and control all of the business and affairs of the corporation. He shall, when present, preside at all meetings of the members. He shall sign any deeds, mortgages, bonds, contracts or other instruments that the Board of Directors has authorized to be executed, except in cases where the signing and execution thereof shall be expressly delegated by the Board of Directors or by these Bylaws to some other officer or agent of the corporation, or shall be required by law to be otherwise signed or executed; and, in general, he shall perform all duties incident to the office of President and such other duties as may be prescribed by the Board of Directors from time to time.

5.7 Secretary. The Secretary shall: (a) keep the minutes of the meetings of members, of the Board of Directors, and of all committees in one or more books provided for that purpose; (b) see that all notices are duly given in accordance with the provisions of these Bylaws or as required by law; (c) maintain and authenticate the records of the corporation and be custodian of the seal of the corporation and see that the seal of the corporation is affixed to all documents the execution of which on behalf of the corporation under its seal is duly authorized; (d) maintain and have general charge of the stock transfer books of the corporation; (e) prepare or cause to be prepared member lists prior to each meeting of members as required by law; (f) attest the signature or certify the incumbency or signature of any officer of the corporation; and (g) in general perform all duties incident to the office of secretary and such other duties as from time to time may be prescribed by the President or by the Board of Directors.

5.8 Treasurer. The Treasurer shall: (a) have charge and custody of and be responsible for all funds and securities of the corporation; receive and give receipts for monies due and payable to the corporation from any source whatsoever, and deposit all such monies in the name of the corporation in such depositories as shall be selected in accordance with the provisions of Section 6.4; (b) maintain appropriate accounting records as required by law; (c) prepare, or cause to be

prepared, annual financial statements of the corporation that include a balance sheet as of the end of the fiscal year and an income and cash flow statement for that year, which statements, or a written notice of their availability, shall be mailed to each member within 120 days after the end of such fiscal year; and (d) in general perform all of the duties incident to the office of treasurer and such other duties as from time to time may be prescribed by the President or by the Board of Directors.

ARTICLE VI CONTRACTS, LOANS AND DEPOSITS

6.1 Contracts. The Board of Directors may authorize any officer or officers, agent or agents to enter into any contract or execute and deliver any instrument in the name of and on behalf of the corporation, and such authority may be general or confined to specific instances.

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

6.3 Checks and Drafts. All checks, drafts, or other orders for the payment of money issued in the name of the corporation shall be signed by such officer or officers, agent or agents of the corporation and in such manner as shall from time to time be determined by the Board of Directors.

6.4 Deposits. All funds of the corporation not otherwise employed shall be deposited from time to time to the credit of the corporation in such depositories as may be selected by or under the authority of the Board of Directors.

ARTICLE VII MISCELLANEOUS

7.1 Indemnification.

7.1.1 Any person who at any time serves or has served as a director or officer of the corporation, or who, while serving as a director or officer of the corporation, serves or has served, at the request of the corporation, as a director, officer, partner, trustee, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, or as a trustee or administrator under an employee benefit plan, shall have a right to be indemnified by the corporation to the fullest extent permitted by law against (a) reasonable expenses, including attorney's fees, incurred by him in connection with any threatened, pending, or completed civil, criminal, administrative, investigative or arbitral action, suit or proceeding (and any appeal therein), whether or not brought by or on behalf of the corporation, seeking to hold him liable by reason of the fact that he is or was acting in such capacity; and (b) reasonable payments made by him in satisfaction of any judgment, money decree, fine (including an excise tax assessed with respect to an employee benefit plan), penalty or settlement for which he may have become liable in any such action, suit or proceeding.

7.1.2 The Board of Directors of the corporation shall take all such action as may be necessary and appropriate to authorize the corporation to pay the indemnification required by this bylaw, including, without limitation, making a determination that indemnification is permissible in the circumstances and a good faith evaluation of the manner in which the claimant for indemnity acted and of the reasonable amount of indemnity due him. The Board of Directors may appoint a committee or special counsel to make such determination and evaluation. To the extent needed, the Board shall give notice to, and shall obtain approval by, the members of the corporation for any decision to indemnify.

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

7.2 Seal. The Board of Directors may adopt a corporate seal of the corporation, which shall consist of two concentric circles between which is the name of the corporation and in the center of which is inscribed SEAL.

7.3 Fiscal Year. The fiscal year of the corporation shall be the calendar year ending December 31, unless otherwise fixed by the Board of Directors.

7.4 Amendments. Except as otherwise provided in the Articles of Incorporation or by law, these Bylaws may be amended or repealed, and new bylaws may be adopted, by the Board of Directors. No bylaw adopted, amended or repealed by the members shall be readopted, amended or repealed by the Board of Directors, unless the Articles of Incorporation or a bylaw adopted by the members authorizes the Board of Directors to adopt, amend or repeal that particular bylaw or the Bylaws generally.

7.5 Definitions. Unless the context otherwise requires, terms used in these Bylaws shall have the meanings assigned to them in the North Carolina Nonprofit Corporation Act, to the extent defined therein.

7.6 Declaration. Any reference herein to the "Declaration" shall mean the Declaration of Covenants, Conditions, Easements and Restrictions for Falls Village Townhome Owners Association (hereinafter, the "Declaration") recorded in Book _____, page _____, in the office of the Register of Deeds of Wake County, as such Declaration may be amended. In the event of any inconsistency between these Bylaws and the Declaration, the provisions of the Declaration shall control. Without limiting the foregoing, the election and appointment of the Board of Directors and officers of the corporation shall be subject to the rights of the Declarant (as defined in the Declaration) under the Declaration. Any amendment to the Declaration shall be signed by the President or Vice-President of the corporation on behalf of the corporation.

