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BY-LAWS
OF
THISTLEDOWN TOWNEHOMES ASSOCIATION, INC.

ARTICLE I

Section 1. "Association" shall mean and refer to Thistledown Townehomes Association, Inc., its successors and assigns.

Section 2. "Property" shall mean and refer to that certain real property described in the Declaration of Covenants, Conditions and Restrictions, and such additions thereto as may hereafter be brought within the jurisdiction of the Association.

Section 3. "Common Area" shall mean all real property owned by the Association and the easements granted thereto for the common use and enjoyment of the Owners.

Section 4. "Lot" shall mean and refer to any plot of land described by a metes and bounds description shown upon any recorded subdivision map of the Property with the exception of the Common Area.

Section 5. "Owner" shall mean and refer to the record owner, whether one or more persons or entities, of the fee simple title to any Lot which is a part of the Property, including contract sellers, but excluding those having such interest merely as security for the performance of an obligation.

Section 6. "Declarant" shall mean and refer to Wallace-Hunt Associates, a North Carolina general partnership, its successors and assigns, if such successors or assigns should acquire more than one undeveloped Lot from the Declarant for the purpose of development or if such successors or assigns should acquire more than one Lot, whether developed or undeveloped, pursuant to foreclosure or a deed in lieu of foreclosure.

Section 7. "Declaration" shall mean and refer to the Declaration of Covenants, Conditions and Restrictions applicable to the Property recorded in the Office of the Register of Deeds, Wake County, North Carolina, and all amendments thereto.

Section 8. "Member" shall mean and refer to every person or entity who holds membership in the Association.

Section 9. "Classes of Membership". The Association shall have two classes of voting membership:

Class A: Class A Members shall be all Owners, with the exception of the Declarant, and shall be entitled to one (1) vote for each Lot owned. Declarant may, however, be a Class A Member upon the termination of Class B membership. When more than one person holds an interest in any Lot, all such persons shall be Members. The vote of such Lot shall be exercised as they, among themselves, determine, but in no event shall more than one vote be cast with respect to any Lot. Fractional voting shall be prohibited.

Class B: The Class B Member(s) shall be the Declarant and shall be entitled to three (3) votes for each Lot owned. The Class B membership shall cease and be converted to Class A membership upon either of the following events, whichever occurs first:

A. When the total votes outstanding in Class A membership equal the total votes outstanding in Class B membership, but provided that the Class B membership shall be reinstated if thereafter and before the time stated in subparagraph (b) below, additional lands are annexed to the Property without the assent of Class A Members for the development of such additional lands by the Declarant, as provided in the Declaration; or

B. On June 30, 1990; or

C. Upon the surrender of all Class B memberships by the holder thereof or cancellation by the Association.

ARTICLE II

OFFICES

Section 1. "Principal Office". The principal office of the Association shall be located at 2600 Fairview Road, Raleigh, North Carolina 27608.

Section 2. "Registered Office". The registered office of the Association required by law to be maintained in the State of North Carolina may be, but need not be, identical with the principal office.

Section 3. "Other Offices". The Association 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 Association may require from time to time.

ARTICLE III

MEETINGS OF MEMBERS

Section 1. "Place of Meetings". All meetings of Members shall be held at the principal office of the Association, or at such other place, either within or without the State of North Carolina, as shall be designated on the notice of the meeting or agreed upon by a majority of the votes of the Members entitled to vote thereat.

Section 2. "Annual Meetings". The annual meeting of Members for the election of directors and the transaction of other business shall be held in January of each year, commencing with the year 1988, on any day (except a Saturday, Sunday or legal holiday) in that month as determined by the Board of Directors.

Section 3. "Substitute Annual Meeting". If the annual meeting shall not be held on the day designated by these By-Laws, a substitute annual meeting may be called in accordance with the provisions of Section 4 of this Article III. A meeting so called shall be designated and treated for all purposes as the annual meeting.

Section 4. "Special Meeting". Special meetings of the Members may be called at any time by the President, Secretary, or Board of Directors of the Association, or by any Member pursuant to the written request of the holders of not less than one-fourth of all Class A votes or Class B votes, if any, entitled to vote at the meeting.

Section 5. "Notice of Meetings". Written or printed notice stating the time and place of the meeting shall be delivered not less than ten nor more than fifty days before the date of any Members' meeting, either personally or by mail, by or at the direction of the President, the Secretary, or other person calling the meeting, to each Member of record entitled to vote at such meeting; provided that such notice must be given not less than twenty days before the date of any meeting at which a merger, dissolution or consolidation is to be considered. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the Member at his address as it appears on the record of Members of the Association, with postage thereon prepaid.

In the case of a special meeting, the notice of meeting shall specifically state 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 specifically

state the business to be transacted thereat unless such a statement is required by the provisions of Chapter 55A of the North Carolina General Statutes.

When a meeting is adjourned for thirty days or more, notice of the adjourned meeting shall be given as in the case of an original meeting. When a meeting is adjourned for less than thirty days in any one adjournment, it is not necessary to give any notice of the adjourned meeting other than by announcement at the meeting at which the adjournment is taken.

Section 6. "Voting Lists". At least ten days before each meeting of Members the Secretary of the Association shall prepare an alphabetical list of the Members entitled to vote at such meeting or any adjournment thereof, with the address of and number of votes held by each, which list shall be kept on file at the registered office of the Association for a period of ten days prior to such meeting, and shall be subject to inspection by any Member at any time during the usual business hours. This list shall be produced and kept open at the time and place of the meeting and shall be subject to inspection by any Member during the whole time of the meeting.

Section 7. "Quorum". Except as otherwise provided by these By-Laws, one-fourth of the votes of each class of the Association entitled to vote, represented in person or by proxy, shall constitute a quorum at a meeting of Members, except that at a substitute annual meeting of Members the number of votes there represented either in person or by proxy, even though less than the quorum required above, shall constitute a quorum for the purpose of such meeting.

The Members present at a duly organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal of enough Members to leave less than a quorum.

In the absence of a quorum at the opening of any meeting of Members, such meeting may be adjourned from time to time by a vote of the majority of the votes voting on the motion to adjourn; and at any adjourned meeting at which a quorum is present, any business may be transacted which might have been transacted at the original meeting.

Section 8. "Proxies". Votes may be voted either in person or by one or more agents authorized by a written proxy executed by the Member or by his duly authorized attorney in fact. No Member shall be entitled to vote more than one proxy at any one meeting. A proxy is not valid after the expiration of eleven months from the date of its execution, unless the person executing it specifies therein the length of time for

which it is to continue in force, or limits its use to a particular meeting, but no proxy shall be valid after ten years from the date of its execution.

Section 9. "Voting". The vote of a majority of the votes on any matter present at a meeting of Members at which a quorum is present, regardless of class, shall be the act of the Members on that matter, unless the vote of a greater number is required by law or by the charter, declaration or by-laws of this Association. No fractional voting shall be allowed.

Section 10. "Informal Action by Members". Any action which may be taken at a meeting of the Members may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the persons who would be entitled to vote upon such action at a meeting, and filed with the Secretary of the Association to be kept as part of the Association's records.

Section 11. "Presiding Officer". The President of the Association, or in the absence of the President, the Vice-President shall preside at all meetings of the Members and the Secretary of the Association shall act as the Secretary thereof. In the absence of the Secretary, the President shall designate some other person to act as the Secretary of the meeting. In the absence of both the President and the Vice-President, the Members present at the meeting shall elect a Presiding Officer for such meeting.

Section 12. "Order of Business". The order of business at the annual meeting and at any special meeting of the Members shall be as follows:

(a) The calling of the meeting to order;

(b) The calling of the roll;

(c) The announcement by the Presiding Officer of the purpose of the meeting and of the nature of the business which may be presented by it;

(d) The reading and approval of the minutes of any former meeting of the Members, the Minutes of which have not been previously read and approved;

(e) The presentation of and action, if required, upon reports of officers and committees;

(f) Unfinished business;

(g) New business, including the election of directors for the forthcoming year if the meeting be an annual meeting; and

(h) Adjournment.

ARTICLE IV

BOARD OF DIRECTORS

Section 1. "Number, Term and Qualification". The number of directors constituting the initial Board of Directors shall be three (3). Thereafter, the number of directors constituting the Board of Directors shall be not less than three (3) nor more than nine (9) as may be fixed by resolution duly adopted by the Members or by the Board of Directors prior to the annual meeting at which such directors are to be elected; and, in the absence of such a resolution, the number of directors shall be the number elected at the preceding annual meeting. Any directorships not filled by the Members shall be treated as vacancies to be filled by and in the discretion of the Board of Directors.

Each director shall hold office until his death, resignation, retirement, removal, disqualification, or his successor shall have been elected and qualified. Directors need not be residents of the State of North Carolina or Members of the Association.

Section 2. "Nomination". Nomination for election to the Board of Directors shall be made by the Board of Directors. Nominating may also be made from the floor at the annual meeting. The Board of Directors 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. Such nominations may be made from among Members or non-members.

Section 3. "Election of Directors". Except as provided in Section 5 of this Article IV, the directors shall be elected at the annual meeting of Members; and those persons who receive the highest number of votes shall be deemed to have been elected. If any Member so demands, the election of directors shall be by ballot. Cumulative voting is not permitted.

Section 4. "Removal". Any director may be removed at any time with or without cause by a vote of the Members holding a majority of the outstanding votes entitled to vote at an election of directors. If any directors are so removed,

new directors may be elected at the same meeting.

Section 5. "Vacancies". Any vacancy occurring in the Board of Directors may be filled by the affirmative vote of a majority of the remaining directors even though less than a quorum, or by the sole remaining director. A director elected to fill a vacancy shall be elected for the unexpired term of his predecessor in office. Any directorship to be filled by reason of an increase in the authorized number of directors shall be filled only by election at an annual meeting or at a special meeting of Members called for that purpose.

Section 6. "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.

Section 7. "Compensation". The Board of Directors may not compensate directors for their services as such, but may provide for the payment of any or all expenses incurred by directors in attending regular and special meetings of the Board.

ARTICLE V

MEETINGS OF DIRECTORS

Section 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.

Section 2. "Special Meetings". Special meetings of the Board of Directors may be called by or at the request of the President or 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.

Section 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 days before the meeting, give notice thereof by any usual means of communication. Such notice need not specify the purpose for which the meeting is called.

Section 4. "Waiver of Notice". Any director may waive notice of any meeting. The attendance by a director at a meeting shall constitute a waiver of notice of such meeting, except where a director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened.

Section 5. "Quorum". A majority of the number of directors fixed by these by-laws shall constitute a quorum for the transaction of business at any meeting of the Board of Directors.

Section 6. "Manner of Acting". Except as otherwise provided in these by-laws, the act of the majority of the directors present at a meeting at which a quroum is present shall be the act of the Board of Directors.

Section 7. "Presumption of Assent". A director who is present at a meeting of the Board of Directors 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 or unless he 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 corporation immediately after the adjournment of the meeting. Such right to dissent shall not apply to a director who voted in favor of such action.

Section 8. "Informal Action by Directors". Action taken by a majority of the directors without a meeting is nevertheless Board action if written consent to the action in question is signed by all the directors and filed with the minutes of the proceedings of the Board, whether done before or after the action so taken.

Section 9. "Committees of the Board". The Board of Directors, by resolution adopted by a majority of the number of directors fixed by these by-laws, shall designate three or more directors to constitute an Architectural Committee as provided in the Declaration and may appoint other committees as it deems appropriate. The designation of any committee and the delegation thereto of authority shall not operate to relieve the Board of Directors, or any member thereof, of any responsibility or liability imposed upon it or him by law.

ARTICLE VI

POWERS AND DUTIES OF THE BOARD OF DIRECTORS

Section 1. "Powers". The Board of Directors shall have power to:

(a) adopt and publish rules and regulations governing the use of the Common Area and facilities, and the personal conduct of the Members and their guests thereon, and to establish penalties for the infraction thereof;

(b) suspend the voting rights and right to use of the recreational facilities of a Member, his family, guests, etc., during any period in which such Member shall be in default in the payment of any assessment levied by the Association. Such rights to use the recreational facilities may also be suspended after notice and hearing, for a period not to exceed one hundred twenty (120) days for infraction of published rules and regulations; provided, however, that if said infraction is continuing in nature, said suspension may be enforced until such infraction is cured.

(c) exercise for the Association all powers, duties and authority vested in or delegated to this Association and not reserved to the membership by other provisions of these By-Laws, the Articles of Incorporation, or the Declaration;

(d) 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; and

(e) employ a manager, an independent contractor, or such other employees as they deem necessary, and to prescribe their duties. Until such time as all Class B memberships shall cease, the Association shall not enter into any lease or contract (including management contracts) unless there is a right of termination of any such lease or contract, without cause, which is exercisable without penalty upon not more than ninety (90) days' notice to the other party.

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

(a) cause to be kept a complete record of all its acts and corporate affairs and to present a statement thereof to the Members at the annual meeting of the Members, or at any special meeting when such statement is requested in writing by

one-fourth (1/4) of the Class A Members who are entitled to vote;

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

(c) as more fully provided in the Declaration, to:

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

(2) send written notice of each assessment to every Owner subject thereto at least fifteen (15) days in advance of each annual assessment period; and

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

(d) issue, or to cause an appropriate officer to issue, upon demand by any person, a certificate setting forth whether or not any assessment has been paid. A reasonable charge may be made by the Board for the issuance of these certificates. If a certificate states an assessment has been paid, such certificate shall be conclusive evidence of such payment;

(e) procure and maintain adequate liability and hazard insurance on property owned by the Association;

(f) pay ad valorem taxes and public assessments levied against the Common Area;

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

(h) cause the Common Area to be maintained; and

(i) upon written request to the Association, identifying: (i) the name and address of the mortgage holder, insurer or guarantor and (ii) the townehome or address, any such mortgage holder, insurer, or guarantor will be entitled to timely written notice of:

1. Any condemnation or casualty loss that affects either a material portion of the Common Area or the townehome securing its mortgage.

2. Any 60-day delinquency in the payment of

assessments or charges owed by the Owner of any townehome on which it holds the mortgage.

3. A lapse, cancellation, or material modification of any insurance policy or fidelity bond maintained by the Association.

4. Any proposed action that requires the consent of a specified percentage of mortgage holders.

ARTICLE VII

OFFICERS

Section 1. "Officers of the Association". The officers of the Association shall consist of a President, a Secretary, a Treasurer and such Vice-Presidents, Assistant Secretaries, Assistant Treasurers, and other officers as the Board of Directors may from time to time elect. 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.

Section 2. "Election, Term and Qualification". The officers shall be elected by the Board of Directors and each officer shall hold office until his death, resignation, retirement, removal, disqualification or his successor shall have been elected and qualified. Only members of the Board of Directors shall serve in the capacity of President and Vice-President. Other officers need not be directors or Members of the Association.

Section 3. "Compensation of Officers". The Board of Directors shall fix the compensation of officers; however, in no event shall Members of the Association be compensated for serving as an officer except to the extent necessary to reimburse said officer for expenses incurred in performing his duties on behalf of the Association.

Section 4. "Removal". Any officer or agent elected or appointed by the Board of Directors may be removed by the Board whenever in its judgment the best interests of the Association will be served thereby; but such removal shall be without prejudice to the contract rights, if any, of the persons so removed.

Section 5. "Bonds". The Board of Directors may by resolution require an officer, agent, or employee of the Association to give bond to the Association, with sufficient sureties, conditioned on the faithful performance of the

duties of his respective office or position, and to comply with such other conditions as may from time to time be required by the Board of Directors.

Section 6. "President". The President shall be the principal executive officer of the Association and, subject to the control of the Board of Directors, shall in general supervise and control all of the business and affairs of the Association. He shall, when present, preside at all meetings of the Members. He shall sign, with the Secretary, an Assistant Secretary, or any other proper officer, any deeds, mortgages, bonds, contracts, or other instruments which 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 By-Laws to some other officer or agent of the Association, 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.

Section 7. "Vice-Presidents". In the absence of the president or in the event of his death, inability or refusal to act, the Vice-Presidents in the order of their length of service as Vice-Presidents, unless otherwise determined by the Board of Directors, shall perform the duties of the President, and when so acting shall have all the powers of and be subject to all the restrictions upon the President. Any Vice-President shall perform such other duties as from time to time may be assigned to him by the President or Board of Directors.

Section 8. "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 By-Laws or as required by law; (c) be custodian of the Association records and of the seal of the Association and see that the seal of the Association is affixed to all documents the execution of which on behalf of the Association under its seal is duly authorized; (d) keep a register of the post office address of each Member which shall be furnished to the Secretary by such Member; (e) keep or cause to be kept a record of the Association's Members, giving the names and addresses of all Members and the number of votes held by and addresses of all Members and the number of votes held by each, and prepare or cause to be prepared voting lists prior to each meeting of Members as required by law; and (f) in general perform all duties incident to the office of Secretary and such other duties as from time to time may be assigned to him by the President or by the Board of Directors.

Section 9. "Assistant Secretaries". In the absence of the Secretary or in the event of his death, inability or refusal to act, the Assistant Secretaries in the order of their length of service as Assistant Secretary, unless otherwise determined by the Board of Directors, shall perform the duties of the Secretary, and when so acting shall have all the powers of and be subject to all the restrictions upon the Secretary. They shall perform such other duties as may be assigned to them by the Secretary, by the President, or by the Board of Directors.

Section 10. "Treasurer". The Treasurer shall: (a) have charge and custody of and be responsible for all funds and securities of the Association; receive and give receipts for moneys due and payable to the Association from any source whatsoever, and deposit all such moneys in the name of the Association in such depositories as shall be selected; (b) prepare, or cause to be prepared, a true statement of the Association's assets and liabilities as of the close of each fiscal year, all in reasonable detail, which statement shall be made and filed at the Association's registered office or principal place of business in the State of North Carolina within four months after the end of such fiscal year and thereat kept available for a period of at least ten years; (c) issue, at the direction of the Board of Directors, certificates as to whether assessments on a specified lot have been paid; 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 assigned to him by the President or by the Board of Directors, or by these By-Laws.

ARTICLE VIII

MEMBERSHIP REGISTER

For the purpose of determining members of the Association entitled to notice of or to vote at any meeting of Members or any adjournment thereof, or in order to make a determination of Members for any other proper purpose, the Board of Directors may provide that the membership register shall be closed for a stated period but not to exceed, in any case, fifty (50) days. If the membership register shall be closed for the purposes of determining members entitled to notice of or to vote at a meeting of Members, such books shall be closed for at least ten (10) days immediately preceding such meeting.

In lieu of closing the membership register, the Board of Directors may fix in advance a date as the record date for any such determination of Members, such record date in any case to

be not more than fifty (50) days and, in case of a meeting of Members, not less than ten (10) days immediately preceding the date on which the particular action, requiring such determination of Members is to be taken.

If the membership register is not closed and no record date is fixed for the determination of Members entitled to notice of or to vote at a meeting of Members, the date on which notice of the meeting is mailed shall be the record date for such determination of Members.

When a determination of Members entitled to vote at any meeting of Members has been made as provided in this section, such determination shall apply to any adjournment thereof except where the determination has been made through the closing of the membership register and the stated period of closing has expired.

ARTICLE IX

GENERAL PROVISIONS

Section 1. "Books & Records". The books, records and papers of the Association shall at all times, during reasonable business hours, be subject to inspection by any Member, his agent or attorney, for any proper purpose. The Declaration, the Articles of Incorporation and the By-Laws of the Association and the financial statements for the Association for the immediately preceding fiscal year shall be available for inspection by any Member and any first mortgage holders, their insurers or guarantors, at the principal office of the Association, where copies may be purchased at reasonable cost.

Section 2. "Seal". The seal of the Association shall consist of two concentric circles between which is the name of the Association and in the center of which is inscribed SEAL; and such seal, as impressed on the margin hereof, is hereby adopted as the Association's seal.

Section 3. "Waiver of Notice". Whenever any notice is required to be given to any Member or director by law, by the charter, declaration or by these by-laws, a waiver thereof in writing signed by the person or persons entitled to such notice whether before or after the time stated therein, shall be equivalent to the giving of such notice.

Section 4. "Fiscal Year". The fiscal year of the Association shall begin on the first day of January and end on the 31st day of December of every year, except that the first

fiscal year shall begin on the date of incorporation, and end on December 31, 1987.

Section 5. "Amendments". These By-Laws may be amended, at a regular or special meeting of the Members, by a vote of a majority of a quorum of Members present in person or by proxy, except that the Department of Housing and Urban Affairs or the Veterans Administration shall have the right to veto amendments while there is Class B membership.

In the case of any conflict between the Articles of Incorporation and these By-Laws, the Articles shall control; and in the case of any conflict between the Declaration and these By-Laws, the Declaration shall control.