

"Declaration"

BY-LAWS

OF

DEERFIELD SQUARE HOMEOWNERS ASSOCIATION, INC.

ARTICLE I.

The name of the corporation is DEERFIELD SQUARE HOMEOWNERS ASSOCIATION, INC., hereinafter referred to as the "Association". The principal office of the corporation shall be located at 3948 Browning Place, in the City of Raleigh, State of North Carolina, but meetings of members and directors may be held at such places within the State of North Carolina, County of Wake, as may be designated by the Board of Directors.

ARTICLE II.

DEFINITIONS

Section 1. "Association" shall mean and refer to Deerfield Square Homeowners Association, Inc., its successors and assigns.

Section 2. "Owners" shall mean and refer to the record owner, whether one or more persons or entities, of a fee simple title to any lot which is a part of the properties, including contract sellers, but excluding those having such interest merely as security for the performance of an obligation.

Section 3. "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 4. "Common Area" shall mean all property owned by the Association for the common use and enjoyment of the Owners.

Section 5. "Lot" shall mean and refer to any plot of land shown upon any recorded subdivision map of the properties with the exception of the Common Area.

Section 6. "Declarant" shall mean and refer to Deerfield Square Associates, Inc., 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 ("successors" includes any lender with respect to loans obtained by Deerfield Square Associates, Inc., to develop the Property).

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

Section 8. "Member" shall mean and refer to those persons entitled to membership as provided in the Declaration.

ARTICLE III.

MEETING OF MEMBERS

Section 1. Annual Meetings: The first annual meeting of the members shall be held within one (1) year from the date of incorporation of the Association, and each subsequent regular annual meeting of the members shall be held on the same day of the same month of each year thereafter, at the hour of eight o'clock p.m. 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 or by the Board of Directors. The notice of any special meeting shall state the time and place of such meeting and the purpose thereof. No business shall be transacted at a special meeting except as stated in said notice.

Section 3. Notice of Meetings: Written notice of each meeting of the members shall be given by, or at the direction of, the secretary or person authorized to call the meeting, by mailing or hand carrying a copy of such notice, postage prepaid, at least 15 days before such meeting to each member entitled to vote thereat, addressed to the member's address last appearing on the books of the Association, or supplied by such member to the Association for the purpose of notice. Such notice shall specify the place, day and hour of the meeting, and, in the case of a special meeting, the purpose of the meeting. Notice by either method shall be deemed given when said notice is deposited in the mails or delivered by hand to such address. Attendance by a member at any meeting of members shall be a waiver of notice to him as to the time and place and purpose thereof.

Section 4. Quorum: The presence at the meeting of members entitled to cast, or of proxies entitled to cast, one-tenth (1/10) of the votes of each class of membership shall

constitute a quorum for any action except as otherwise provided in the Articles of Incorporation, the Declaration, or these By-Laws. If, however, such quorum shall not be present or represented at any meeting, the members entitled to vote thereat shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum as aforesaid shall be present or represented, provided that they adjourn the meeting to a time not more than 10 days from the time the original meeting was called.

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

Section 6. Voting: At every meeting of Members, each Class A Member shall have the right to cast on each question one vote for each Lot of which he is an Owner. Each Class B Member shall have the right to cast on each question four votes for each Class B membership which he owns. Fifty-one percent (51%) of the eligible votes entitled to be cast by Members present at the meeting, in person or by proxy, shall be a majority unless the question is one upon which, by express provision of statute or of the Articles of Incorporation of the Corporation, or of the Declaration or of these By-Laws, a different majority vote is required, in which case such express provision shall govern. If more than one person or entity is an Owner of any Lot, then the Association membership voting right appurtenant to such Lot shall be exercised as such Owners among themselves shall determine; provided, however, that no fraction of one vote may be cast by any Member. In the event and so long as such co-owners of a Lot are unable to agree on the manner in which the vote appurtenant to such Lot shall be cast, then such vote shall not be regarded and shall not be counted. The vote of any Owner who is a corporation, trust or partnership may be cast by any officer, trustee or partner, as the case may be, and unless objection by any other such officer, trustee or partner of such Owner is noted at the meeting, the Chairman of such meeting shall have no duty to inquire as to the authority of the person casting such vote.

Section 7. Loss of Right to Vote: The vote of any Class A Member who is shown on the books or records of the Association to be more than sixty (60) days delinquent in any payment due the Association shall not be an eligible vote and shall not be counted for purposes of deciding any question so long as such delinquency is not cured; nor shall such Member be eligible to be elected to the Board of Directors.

ARTICLE IV.

BOARD OF DIRECTORS - SELECTION - TERM OF OFFICE

Section 1. Number: The affairs of this Association shall be managed by a Board of at least three (3) and not more than five (5) directors, who need not be members of the Association. After the lapse of all of the Class B Membership as provided herein, a majority of the Board of Directors shall be Members. The initial three (3) Directors shall be selected by the Declarant and need not be members. The names of the Directors who shall act as such until the first annual meeting of Members of the Association are as follows:

Section 2. Term of Office: At the first annual meeting the members shall elect three directors for a term of one year, three directors for a term of two years and three directors for a term of three years; and at each annual meeting thereafter, the members shall elect three directors for a term of three years.

Section 3. Removal: Any director may be removed from the Board, with or without cause, by a majority vote of the members of the Association. In the event of death, resignation or removal of a director, his successors shall be selected by the remaining members of the Board and shall serve for the unexpired term of his predecessor.

Section 4. Compensation: No director who is also a Class A Member shall receive compensation for any services he may render to the Association, unless a resolution authorizing such remuneration shall have been adopted by the Board of Directors. However, any director may be reimbursed for his actual expenses incurred in the performance of his duties.

Section 5. Action Taken Without a Meeting: The directors shall have the right to take any action in the absence of a meeting which they could take at a meeting by obtaining the written approval of all the directors. Any action so approved shall have the same effect as though taken at a meeting of the directors.

ARTICLE V.

NOMINATION AND ELECTION OF DIRECTORS

Section 1. Nomination: Nomination for election to the Board of Directors shall be made by a Nominating Committee. Nominations may also 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 two or more members of the Association. The Nominating Committee shall be appointed by the Board of Directors prior to each annual meeting of the members, to serve from the close of such annual meeting until the close of the next annual meeting and such appointment shall be announced 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. Such nominations may be made from among members or non-members.

Section 2. Election: Election to the Board of Directors shall be by secret written ballot. At such election the members or their proxies may cast, in respect to each vacancy, as many votes as they are entitled to exercise under the provisions of the Declaration. The persons receiving the largest number of votes shall be elected. Cumulative voting is not permitted.

ARTICLE VI.

MEETING OF DIRECTORS

Section 1. Regular Meetings: Regular meetings of the Board of Directors shall be held at least quarterly without notice, at such place and hour as may be fixed from time to time by resolution of the Board. Should said meeting fall upon a legal holiday, then that meeting shall be held at the same time on the next day which is not a legal holiday.

Section 2. Special Meetings: Special meetings of the Board of Directors shall be held when called by the president of the Association, or by any two directors, after not less than three (3) days notice to each director.

Section 3. Quorum: A 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 the act of the Board. If at any meeting of the Board of Directors there is less than a quorum present, the majority of those present may adjourn the meeting from time to time. At any such meeting any resumption of business which might have been transacted at the meeting as originally called may be transacted without further notice.

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 the recreational facilities of a Class A Member during any period in which such member shall be in default in the payment of any assessment levied by the Association. The right of a Class A Member may also be suspended after notice and hearing, for a period not to exceed 60 days for infraction of published rules and regulations;

(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, attorney or accountant or such other employees as they deem necessary, and to prescribe their duties.

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 or special assessment against each Lot at least thirty (30) days in advance of each annual or special assessment period;

(2) Send written notice of each assessment to every Owner subject thereto, at least thirty (30) days in advance of each annual assessment period;

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

(d) Issue, or 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) Cause all officers or employees having fiscal responsibilities to be bonded, as it may deem appropriate;

(g) Cause the Common Area to be maintained in a manner consistent with the provisions of these By-Laws and the Declaration.

(h) Cause the exterior of the Townhouses to be maintained and to establish the rules and regulations for said maintenance.

(i) Prepare and distribute to each member an annual report which shall include the annual financial statement which shall summarize the operation and actions of the Association and its income, expenditures and reserves.

Section 3. Common or Interested Directors: The Directors shall exercise their powers and duties in good faith and with a view to the interests of the Association. No contract or other transaction between the Association and one or more of its Directors, or between the Association and any corporation, firm or association, including the Declarant, in which one or more of the Directors of this Association are directors or officers or are pecuniarily or otherwise interested, is either void or voidable because such Director or Directors are present at the meeting of the Board of Directors or any committee thereof which authorizes or approves the contract or transaction, or because his or their votes are counted for such purpose, if any of the conditions specified in any of the following subparagraphs exist:

(a) The fact of the common directorate or interest is disclosed or known to the Board of Directors or a majority thereof or noted in the Minutes, and the Board authorizes, approves, or ratifies such contract or transaction in good faith by a vote sufficient for the purpose; or

(b) The fact of the common directorate or interest is disclosed or known to Members, or a majority thereof, and they approve or ratify the contract or transaction in good faith by a vote sufficient for the purpose; or

(c) The contract or transaction is commercially reasonable to the Association at the time it is authorized, ratified, approved or executed.

A common or interested Director may be counted in determining the presence of a quorum at any meeting of the Board of Directors or committee thereof which authorizes, approves or ratifies any contract or transaction, and may vote thereat to authorize any contract or transaction with like force and effect as if he were not such director or officer of such other corporation or not so interested.

ARTICLE VIII.

OFFICERS AND THEIR DUTIES

Section 1. Enumeration of Offices: The officers of this Association shall be a president and vice-president, who shall at all times be members of the Board of Directors, a secretary, and a treasurer, and such other officers as the Board may from time to time by resolution create.

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

Section 3. Term: The officers of this Association shall be elected annually by the Board and each shall hold office for one (1) year unless he shall sooner resign, or shall be removed, or otherwise disqualified to serve.

Section 4. Special Appointments: The Board may elect such other officers as the affairs of the Association may require, each of whom shall hold office for such period, have such authority, and perform such duties as the Board may, from time to time, 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 not be necessary to make it effective.

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 he replaces.

Section 7. Multiple Offices: The offices of secretary and treasurer may be held by the same person. No person shall simultaneously hold more than one of any of the other offices except in the case of special offices created pursuant to Section 4 of this Article.

Section 8. Duties: The duties of the officers are as follows:

PRESIDENT

(a) The President shall preside at all meetings of the Board of Directors; shall see that orders and resolutions of the Board are carried out; shall sign all leases, mortgages, deeds and other written instruments and shall co-sign all checks and promissory notes.

VICE PRESIDENT

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

SECRETARY - ASSISTANT SECRETARY

(c) The secretary or assistant 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 Association and affix it on all papers requiring said seal; serve notice of meetings of the Board and of the members; keep appropriate current records showing the members of the Association together with their addresses, and shall perform such other duties as required by the Board.

TREASURER

(d) The Treasurer shall receive and deposit in appropriate bank accounts all monies of the Association and shall disburse such funds as directed by resolution of the Board of Directors; shall sign all checks and promissory notes of the Association; keep proper books of accounts; cause an annual audit of the Association books to be made by a public accountant at the completion of each fiscal year; and shall prepare an annual budget and a statement of income and expenditures to be represented to the membership at its regular annual meeting, and deliver a copy of each to the members.

ARTICLE IX.

COMMITTEES

The Association shall appoint an Architectural Control Committee and Arbitration Committee, as provided in the Declaration, and a Nominating Committee, as provided in these By-Laws. In addition, the Board of Directors shall appoint other committees as deemed appropriate in carrying out its purpose.

ARTICLE X.

BOOKS AND RECORDS

The books, records and papers of the Association shall at all times, during reasonable business hours, be subject to inspection by any member. The Declaration, the Articles of Incorporation and the By-Laws of the Association shall be available for inspection by any member at the principal office of the Association, where copies may be purchased at a reasonable cost.

ARTICLE XI.

ASSESSMENTS

As more fully provided in the Declaration, each member is obligated to pay to the Association annual and special assessments which are secured by a continuing lien upon the property against which the assessment is made. Any assessments which are not paid when due shall be delinquent. If the assessment is not paid within thirty (30) days after due date, the assessment shall bear interest from the date of delinquency at the rate of eight (8%) percent per annum, and the Association may bring an action at law against the Owner personally obligated to pay the same or foreclose the lien against the property, and interest, costs, and reasonable attorney's fees of any such action shall be added to the amount of such assessment. No Owner may waive or otherwise escape liability for the assessments provided for herein by non-use of the Common Area or abandonment of his lot.

ARTICLE XII.

CORPORATE SEAL

The Association shall have a seal in circular form having within its circumference the words "Deerfield Square Homeowners Association, Inc., Corporate Seal, North Carolina, 197 ".

ARTICLE XIII.

AMENDMENTS

Section 1. 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 Federal Housing Administration, the Veterans Administration or Federal National Mortgage Association shall have the right to veto amendments while there is Class B membership.

Section 2. 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.

ARTICLE XIV.

MISCELLANEOUS

Section 1. The Association shall indemnify every officer or director of the Association and every former officer or director against any and all expenses, including counsel fees reasonably incurred by or imposed upon any officer or director as provided herein.

Section 2. Liquidation Rights: In the event of any voluntary or involuntary dissolution of the Association, each Member of any Class of the Association shall be entitled to receive out of the assets of the Association available for distribution to the Members an amount equal to that proportion of such assets which the number of eligible votes held by such Member bears to the total number of eligible votes held by all Members.

Section 3. Fiscal Year: The fiscal year of the Association shall begin on the first day of January every year, except for the first fiscal year of the Association which shall begin on the date of incorporation. The commencement date of the fiscal year herein established shall be subject to change by the Board of Directors should corporate practice subsequently dictate.

Section 4. Number and Gender: Whenever in these By-Laws the context so requires, the singular number shall include the plural and the converse; and the use of any gender shall be deemed to include all genders.

IN WITNESS WHEREOF, we, being all of the directors of
the DEERFIELD SQUARE HOMEOWNERS ASSOCIATION, INC., have hereunto
set our hands this _____ day of _____, 1979.

(Seal)

(Seal)

(Seal)

(Seal)

(Seal)