

**BY-LAWS
OF
HERITAGE TRACE TOWNHOMES ASSOCIATION, INC.**

ARTICLE I - NAME AND LOCATION

The name of the corporation is Heritage Trace Townhomes Association, Inc., hereinafter referred to as the "Association". The principal office of the Association shall be located at 6131 Falls of the Neuse Road, Suite 200, Raleigh, Wake County, N.C. 27609, but meetings of Members and directors may be held at such places within the State of North Carolina, Wake County, as may be designated by the Board of Directors.

These are the Bylaws of the Association, a non-profit corporation under the laws of the State of North Carolina, the Articles of Incorporation of which were filed with the Office of the Secretary of State. The Association has been organized for, among other purposes, the purpose of administering the operation and management of the Common Areas of the Heritage Trace Townhomes (the "Planned Community"), a subdivision located in Wake County, North Carolina, as shown on a plat recorded in Book of Maps 2007, Page 452, and described in the Declaration Of Covenants, Conditions And Restrictions For Heritage Trace Townhomes, and all amendments thereto, recorded in the Office of the Register of Deeds of Wake County, North Carolina.

ARTICLE II - DEFINITIONS

Except as specifically provided otherwise in these Bylaws, the definitions in the Declaration are incorporated by reference into these Bylaws. Further, the following definitions apply to these Bylaws:

2.1 "Association" shall mean and refer to Heritage Trace Townhomes Association, Inc., a North Carolina non-profit corporation, its successors and assigns.

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

2.3 "Common Areas" shall mean all real property owned by the Association and the easements granted to the Association for the common use, benefit and enjoyment of the Properties by the Owners. Common Areas shall also mean the facilities constructed, erected or installed on the real property which is part of the Common Areas for the use, benefit and enjoyment of the Owners, including without limitation, the following:

- A. All central appurtenant installations for services such as electricity, gas, telephone and cable television:
- B. All water lines and mains, sanitary sewer system and storm sewer system outside of public street rights-of-way serving more than one Lot;
- C. Private streets, parking areas, medians, traffic and landscape islands on private streets, sheet yard areas, subdivision signs and entrances on the Properties or serving the Properties, but excluding driveways serving individual Lots;
- D. All Amenities for the use and enjoyment of the Members;
- E. All of the parts of the Properties and facilities and Amenities existing in or upon the Properties for common use which is necessary or convenient to the existence, enjoyment, use, maintenance or safety of the Properties;
- F. Open space, including any permanently protected undisturbed open space areas.

2.4 "Common Expenses" shall mean and include:

- A. All sums lawfully assessed by the Association against its Members;
- B. Expenses for maintenance as further provided in the Declaration or the Association's Organizational Documents;

- C. Expenses of administration, maintenance, repair, or replacement of the Common Areas;
- D. Expenses declared to be Common Expenses by the provisions of this Declaration or the Association's Organizational Documents;
- E. Premiums for hazard, liability and such other insurance as the Declaration or the Association's Organizational Documents may require or authorize the Association to purchase or which the Association is required by law to purchase;
- F. Ad valorem taxes and assessment charges lawfully levied against the Common Areas owned in fee simple by the Association, including but not limited to those taxes and assessments set forth in Section 2.07 below;
- G. Expenses agreed by the Members to be Common Expenses of the Association;
- H. Costs and expenses associated with the Association's purchase and reconstruction of Townhomes as provided in this Declaration;
- I. Unpaid assessments resulting from the purchase of a Townhome at a foreclosure sale (such assessment shall be collectible from all Members of the Association, including the purchaser at the foreclosure sale, his successors and assigns);
- J. Utilities used in connection with the Common Area;
- K. Fees for services of accountants, attorneys, managers and other professionals engaged by the Association;

- L. Required insurance premiums for liability insurance in the amount of not less than \$1,000,000.00 and casualty insurance required for the Stormwater Control Measures and liability insurance required for the encroachments within the Edgemont Drive street right-of-way in accordance with the Encroachment Agreement in the amounts of not less than \$300,000.00/\$500,000.00/\$300,000.00; and
- M. All expenses classified as Common Expenses pursuant to the Planned Community Act.

2.5 "Declarant" shall mean and refer to Robuck Homes Triangle, LLC, a North Carolina Limited Liability Company, and its successors and assigns as provided in the Planned Community Act.

2.6 "Declaration" means the Declaration Of Covenants, Conditions And Restrictions For Heritage Trace Townhomes recorded in Book ____, Page ____, in the Office of the Register of Deeds of Wake County, North Carolina, and all valid amendments thereto.

2.7 "Governing Documents" means these Bylaws, the Declaration and the Articles of Incorporation of the Association.

2.8 "Legal Requirements" means the requirements imposed by the laws and regulations of the State of North Carolina, Wake County and the Town of Wake Forest, as well as the requirements imposed by the Governing Documents.

2.9 "Lot" shall mean and refer to any plot of land shown upon any recorded subdivision map of the Properties (provided said map has been approved by Declarant or the Association), with the exception of the Common Areas owned in fee simple. Except where otherwise indicated by context, the term "Lot" shall include the improvements on such Lot.

2.10 "Map" or "Maps" shall mean and refer to any map of the Properties constituting additional phases (if they are annexed pursuant to Article 10 hereof) which may be recorded by Declarant in the Wake County Registry hereafter.

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

2.12 "Mortgage" means any mortgage, deed of trust, and any and all similar instruments used for the purpose of conveying or encumbering real property as security for the payment or satisfaction of an obligation.

2.13 "Mortgagee" shall include a beneficiary or holder of a deed of trust, as well as a mortgagee under a mortgage.

2.14 "Owner" shall mean and refer to the record owner, whether one or more persons or entities, of a fee simple interest (or undivided fee simple interest) in 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.

2.15 "Person" means any individual, corporation, partnership, limited liability company, association, trustee, or other legal entity.

2.16 "Planned Community" shall mean the Heritage Crest Townhomes located on Heritage Lake Road, in the Town of Wake Forest, Wake County, North Carolina, and consisting of the Properties.

2.17 "Planned Community Act" shall mean the provisions of Chapter 47F of the General Statutes of North Carolina applicable to the Properties, as such provisions shall be amended and recodified from time to time.

2.18 "Property" or "Properties" shall mean and refer to that certain real property described in this Declaration affecting real property now within the jurisdiction of the Association and such additions thereto as hereafter may be annexed and brought within the jurisdiction of the Association.

2.19 "Town" shall mean the Town of Wake Forest, North Carolina.

2.20 "Townhome" or "Townhouse" shall mean and refer to an attached single family dwelling or place of residence constructed upon a Lot within the Properties and constituting a part of a building.

ARTICLE III - ASSOCIATION OFFICES

3.1 Principal Office. The principal office of the Association shall be located at 6131 Falls of the Neuse Road, Suite 200, Raleigh, Wake County, N.C. 27609, or at such other place as shall be determined by a majority of the Board of Directors of the Association.

3.2 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. The registered office shall be at such place as shall be determined by a majority of the Board of Directors of the Association.

3.3 Other Offices. The Association may have offices at such other places as the Board of Directors may designate or as the affairs of the Association may require from time to time.

ARTICLE IV - MEMBERSHIP

4.1 Membership. Every person or entity who is a record Owner of a Lot, including the Declarant, is a Member of the Association and is subject to the Governing Documents and applicable Legal Requirements. The foregoing is not intended to include persons or entities who hold an interest merely as security for the performance of an obligation. Membership shall be

appurtenant to and may not be separated from ownership of any Lot which is subject to the Governing Documents. Whenever a Person ceases to be an Owner, termination of Membership shall not release or relieve any such Person from any liability or obligation incurred under the Declaration during the period of such Person's ownership, nor impair any rights or remedies which the Association or any other Owner has with regard to such former Owner. Following termination of the Planned Community, all persons entitled to distributions of proceeds under the Planned Community Act shall be Members of the Association.

4.2 Classes of Membership. The Association shall have two (2) classes of voting membership.

Class A: Class A Members shall be all Owners of Lots with the exception of the Class B Member, if any. Class A Members shall be entitled to one (1) vote for each Lot owned. The Class B Member shall be a Class A Member upon the termination of Class B Membership.

Class B: The Class B Member shall be the Declarant and shall be entitled to seven (7) votes for each Lot owned. The Class B membership shall cease and be converted to Class A membership upon the occurrence of any of the following events, whichever occurs first:

- (a) When the total votes outstanding in Class A membership equals 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 land is annexed to the Planned Community without the assent of Class A Members for the development of such additional land by the Declarant, as provided in this Declaration;

(b) On December 31, 2031; or

(c) Upon the surrender of the Class B membership by the Declarant.

4.3 Suspension. The Board of Directors may suspend the rights of a Member and such Member's family, tenants, occupants, guests and invitees, to use the recreational facilities, if any, (including, but not necessarily limited to the Permanent Open Space) and other rights of a Member as permitted by and in compliance with the Planned Community Act.

ARTICLE V - MEETINGS OF MEMBERS

5.1 Place of Meetings. All meetings of Members shall be held at such place within the State of North Carolina and Wake County 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.

5.2 Annual Meetings. The annual meeting of the Members for the election of directors and the transaction of other business shall be held within the month of December each year at such time and at such place as determined by the Board of Directors. The annual meeting shall be held at least once a year.

5.3 Special Meeting. Special meetings of the Members may be called at any time by the President, a majority of the Board of Directors of the Association, or by Members owning not less than 10% of all votes in the Association.

5.4 Notice of Meetings. Written or printed notice stating the time and place and purpose of the meeting shall be given not less than 10 days nor more than 60 days before the date of any Members meeting, either by hand delivery or sent by prepaid U.S. Mail to the mailing address of each Member entitled to such notice, by or at the direction of the Secretary, to each Member of record entitled to vote at such meeting. Notice of any meeting shall be given as provided in the Planned Community Act, including a statement of the purposes of such meeting if required by such Act.

When a meeting is adjourned for 30 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 30 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.

5.5 Quorum. One-tenth (1/10th) of the votes of each Class of Members of the Association entitled to vote, represented in person or by proxy at the beginning of the meeting, shall constitute a quorum at a meeting of Members for any action except as required by law or as otherwise provided in the Governing Documents. 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 any meeting of Members, such meeting maybe adjourned by a vote of the majority of the votes present in person or proxy from time to time without notice, other than announcement at the meeting, until a quorum shall be present or represented, 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. The quorum requirements shall be reduced for the next meeting after adjournment for lack of a quorum as provided in the Planned Community Act.

5.6 Proxies. At all meetings of Members, 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. All proxies must be in writing and filed with the Secretary of the Association. A proxy is void if not dated. Every proxy shall be revocable and shall automatically cease upon conveyance by the Member of his Lot. A Lot Owner may not revoke a proxy given pursuant to these Bylaws except by actual notice of revocation to the person presiding over the

meeting of the Association. Votes allocated to a Lot may be cast pursuant to a proxy duly executed by a Lot Owner. If a Lot is owned by more than one person, each Owner of the Lot may vote or register protest to the casting of votes by the other Owners of the Lot through a duly executed proxy. All matters concerning voting and proxies must conform to the Planned Community Act.

5.7 Voting. The vote on any matter of a majority of the votes of each Class of Members present at a meeting of Members shall be the act of the Members on that matter, unless the vote of a greater number is required by the Declaration, these By-Laws, the Planned Community Act or by law. If only one of the multiple Owners of a Lot is present at a meeting of the Association, the Owner who is present is entitled to cast all the votes allocated to that Lot. If more than one of the multiple Owners of a Lot are present, the votes allocated to that Lot may be cast only in accordance with the agreement of a majority in interest of the multiple owners. Majority agreement is conclusively presumed if any one of the multiple Owners of that Lot casts the votes allocated to that Lot without protest being made promptly to the person presiding over the meeting by any of the other Owners of the Lot.

5.8 Informal Action. 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.

5.9 Waiver of Notice. Any Member may, at any time, waive notice of any meeting with the Members in writing and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a Member at any meeting of the Members shall constitute a waiver of notice by him of the time and place thereof except where a Member attends a meeting for the

express purpose of objecting to the transaction of any business because the meeting was not lawfully called. Except as otherwise required by applicable law, if all the Members are present at any meeting of the Members, no notice shall be required and any business may be transacted at such meeting.

5.10 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. The Secretary of the Association shall act as the Secretary of the meeting, or 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 Vice-President, the Members present at the meeting shall elect a Presiding Officer for such meeting

5.11 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 Office 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 if such minutes 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.

5.12 Forms of Proxy. The following form of proxy shall be deemed sufficient, but any other form may be used which is sufficient by law:

HERITAGE TRACE TOWNHOMES ASSOCIATION, INC.

Know all men by these presents that the undersigned member of Heritage Trace Townhomes Association, Inc. (the "Association") hereby constitutes and appoints _____ the special attorney in fact and proxy of the undersigned to annual and special meetings of the members of the Association, at which I am not present, until the secretary of the Association receives from me a letter revoking this proxy and for and on behalf of the undersigned to vote as the undersigned would be entitled to vote if personally present, hereby ratifying and confirming all that said attorney and proxy shall do in the premises, and giving and granting unto said attorney and proxy full power of substitution and revocation.

Dated: _____, 20__.

Member

ARTICLE VI - BOARD OF DIRECTORS

6.1 Number, Term and Qualification. The affairs of this Association shall be managed by a Board of Directors. So long as there is a Class B Membership, the affairs of this Association shall be managed by a Board of Directors consisting of three (3) Directors appointed by the Declarant, who need not be Members of the Association.

At the first annual meeting of the Association after which transition to homeowner control has taken place, the number of Directors may be increased to five (5). At the first annual

meeting after transition, the Members may elect one Director to serve for a term of one year, two Directors to serve for a term of two years, and two Directors to serve for a term of three years, should they elect to increase the number of Directors to five (5). If the Members elect to continue to maintain a board of three (3) Members, they shall elect a one, two and three year Director. At subsequent annual meetings thereafter, the Members shall elect the number of Directors needed to fill the vacancy or vacancies created by the Director or Directors whose term(s) is (are) expiring to serve for a term of three (3) years. Directors need not be Members of the Association.

6.2 Nomination. After the first election of directors, nominations for election to the Board shall be made by a Nominating Committee. Nominations may also be made from the floor at the annual meeting. Nominations at the first meeting will be from the floor. The Nominating Committee shall consist of a Chairman, who shall be a member of the Board, and two or more Members of the Association. The Nominating Committee shall be appointed by the Board 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 as it shall in its discretion determine, but not less than the number of vacancies to be filled.

6.3 Election of Directors. Except as provided in Sections 6.1 and 6.5 of this Article VI, the Directors shall be elected at the meeting of Members and those persons who receive the highest number of votes, whether cast in person or by proxy, shall be deemed to have been elected. If any Member so demands, the election of Directors shall be by secret written ballot. Cumulative voting is not permitted.

6.4 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 to elect that

director. If any Directors are so removed new Directors may be elected at the same meeting. Additionally, any director who has three (3) consecutive unexcused absences may be removed by majority vote of the Directors.

6.5 Vacancies. Any vacancy occurring in the Board of Directors (caused by death, resignation; removal or otherwise) 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.

6.6 Compensation. The Board of Directors may not compensate Directors for their services as such, but may, by prior approval, provide for the payment of any or all actual expenses incurred by Directors in performing their duties.

ARTICLE VII - MEETINGS OF DIRECTORS

7.1 Regular Meetings. A regular meeting of the Board of Directors shall be held immediately after the annual meeting of the Members for the purpose of electing officers. In addition, the Board of Directors shall hold regular meetings at least quarterly without notice and the Board may provide, by resolution, the time and place for the holding of additional regular meetings.

7.2 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 as fixed by the person or persons calling the meeting.

7.3 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 10 days and not more than 60 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.

7.4 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.

7.5 Quorum. A majority of the number of Directors fixed by these By-Laws present at the beginning of the meeting shall constitute a quorum for the transaction of business at any meeting of the Board of Directors.

7.6 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 quorum is present shall be the act of the Board of Directors.

7.7 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 Association immediately after the adjournment of the meeting. Such right to dissent shall not apply to a director who voted in favor of such action.

7.8 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.

7.9 Committees of the Board. The Board of Directors shall designate three (3) individuals, who need not be Members, 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 of any responsibility or liability imposed upon it or him by law.

ARTICLE VIII - POWERS/DUTIES OF THE BOARD OF DIRECTORS

8.1 Powers. The Board of Directors shall have the power to:

- (a) adopt and publish rules and regulations governing the use of the Common Area, and Amenities, and the personal conduct of the Members and their guests thereon, and to establish fines and penalties for the infraction thereof;
- (b) suspend a Member's right to use of the recreational facilities as provided elsewhere in the Governing Documents and the Planned Community Act;
- (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, the Declaration or the Planned Community Act;
- (d) declare the office of a Director to be vacant in the event such Director shall be absent from three (3) consecutive regular meetings of the Board of Directors, unless such absence or absences are excused by the Board of Directors;

- (e) employ a manager, independent contractors, or such employees as they deem necessary, and to prescribe their duties. During Class B membership, all contracts shall contain a provision which allows the Association to terminate the contract at will upon 90 days notice without penalty;
- (f) to employ attorneys, accountants and other professionals on behalf of the Association when deemed necessary;
- (g) to grant further easements upon, over, under and across the Common Areas as are requisite for the convenient use and enjoyment of the Properties, including but not limited to easements for the installation and maintenance of sewerage, utilities or drainage facilities, without the assent of the membership except where the assent of the membership is required by applicable law; and
- (h) to exercise any other powers necessary and proper for the governance and operation of the Association.

8.2 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 any class of Membership who are entitled to vote at such meeting.
- (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 and the Planned Community Act, the Board of Directors of the Association shall adopt a proposed budget for the Association and set the amount of the regular annual assessment against the Lots at least 90 days in advance of each annual assessment period. Within 30 days after adoption of the proposed budget, the Board of Directors shall provide to all Owners a summary of the proposed budget and a written notice of the meeting to consider the ratification of the proposed budget, which notice shall include a statement that the proposed budget may be ratified without a quorum. The written notice of the meeting of Members to consider ratification of the proposed budget shall be provided at least 10 days and not more than 60 days in advance of such meeting. Unless otherwise provided in the Planned Community Act, there shall be no requirement that a quorum be present at such meeting to consider ratification of the proposed budget. If the proposed budget does not increase the annual assessment by more than 10% above the annual assessment in the last ratified budget, the proposed budget shall be ratified unless at that meeting the Owners of 80% of all Lots reject the proposed budget. If the proposed budget increases the annual assessment by more than 10% above the annual assessment in the last ratified budget, the proposed budget shall be ratified unless at that meeting the Owners of a majority of all Lots reject the proposed budget. In the event the proposed budget is rejected, the last ratified budget of the

Association shall continue until a new proposed budget is ratified. The due dates for assessments shall be established by the Board of Directors;

- (d) foreclose the lien against any Lot for which assessments are not paid or to bring an action at law against the Owner personally obligated to pay the same;
- (e) issue, or to cause an appropriate officer or agent 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 and the amount thereof;
- (f) pay ad valorem taxes and public assessments levied against the real and personal property owned in fee simple by the Association;
- (g) procure and maintain adequate liability and hazard insurance on property owned by the Association, including but not limited to insurance coverages as provided in the Declaration;
- (h) cause all officers or employees having fiscal responsibilities to be bonded, as it may deem appropriate or as required by law;
- (i) cause the Common Area, recreational facilities and any other improvements thereto to be maintained;
- (j) direct and supervise the affairs of the Association and require the Association to fulfill all of its obligations and duties set forth in the Declaration;

- (k) appoint Members to the Architectural Committee for such terms as deemed appropriate;
- (l) cause the Stormwater Control Measures and encroachments pursuant to the Stormwater Agreement and Encroachment Agreement with the Town of Wake Forest to be maintained by the Association and cause the associated costs to be paid in accordance with the Declaration; and
- (m) take such action as may be necessary for the Association to perform its duties and obligations under the Declaration, the agreements with the Town of Wake Forest and applicable laws, including but not limited to the Town Code of the Town of Wake Forest.

ARTICLE IX - OFFICERS

9.1 Officers. The officers of the Association shall consist of a President, who shall at all times be a Member of the Board of Directors, and a Vice-President, a Secretary, a Treasurer and such Assistant Secretaries, Assistant Treasurers, and such 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 the action of two or more officers is required.

9.2 Election, Term and Qualification. The officers shall be elected by the Board of Directors at the first meeting of the Board of Directors following each annual meeting of the Members, and each officer shall hold office for one (1) year unless he shall sooner die, resign, be removed, or his successor is elected or he or she otherwise shall be disqualified to serve.

9.3 Resignation and Removal. Any officer or Member of the Board may be removed by the Board, with or without cause, whenever in its judgment the best interests of the Association will be served thereby. 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.

9.4 Bonds. The Board of Directors may 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.

9.5 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 Board of Directors and Members. He shall sign, with the Secretary, an Assistant Secretary, or any other proper officer, any deeds, leases, mortgages, promissory notes, 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 delegated by the Board of Directors or 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.

9.6 Vice-President. In the absence of the President or in the event of his death, inability or refusal to act, the Vice-President shall perform the duties of the President, and when so acting shall have all powers of and be subject to all the restrictions upon the President. The Vice-President shall perform duties as from time to time may be assigned to him by the President or Board of Directors.

9.7 Secretary. The Secretary shall: (a) keep the minutes of the meetings of Members, of 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; (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 names 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.

9.8 Assistant Secretaries. In the absence of the Secretary or in the event of his death, inability or refusal to act, the 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.

9.9 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 assets and liabilities as of the close of each fiscal year; (c) shall cause an annual audit of the Association books to be made by an independent certified public accountant at the completion of each fiscal year; (d) issue, at the direction of the Board of Directors, certificates as to whether assessments on a specified Lot have been paid; and (e) 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.

9.10 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 office he replaces.

9.11 Officers to Certify Amendments. The President or Vice President and the Secretary or Assistant Secretary may prepare, execute, certify and record amendments to the Declaration on behalf of the Association.

ARTICLE X - MEMBERSHIP REGISTER

10.1 For the purposes 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 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.

10.2 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.

10.3 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.

10.4 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 XI - ARBITRATION

Excluding claims for injunctive relief and to the fullest extent permitted by applicable law, all claims which shall be made against one or more members of the Board of Directors shall be settled by final and binding arbitration except as otherwise provided herein, in the Declaration or under any applicable law, and judgment upon the award may be entered in any court having jurisdiction thereof. Such arbitration shall be commenced upon the delivery of such claim, in writing, to one or more members of the Board; and shall be before one disinterested arbitrator if one can be agreed upon, otherwise before three disinterested arbitrators, one named by the director(s), one by the Owner(s), and one by the two thus chosen. The arbitrator or arbitrators shall determine the controversy in accordance with the laws of North Carolina as applied to the facts found by him or them. If the Director(s) or the Owner(s) shall refuse or fail to so name an arbitrator within thirty (30) days after written notice from the other party requiring the naming of an arbitrator, then the arbitrator so named by the party not in default hereunder shall have the power to proceed to arbitrate and determine the matters in controversy as if he or she were an arbitrator appointed by both parties for that purpose and his or her award in writing signed by him or her shall be final. The rules of procedure for the arbitration hearing may be adopted by the Arbitrators. All arbitration proceedings hereunder shall be conducted in Raleigh, North

Carolina and shall be concluded within one hundred eighty (180) days of the filing of the arbitration demand.

ARTICLE XII — GENERAL PROVISIONS.

12.1 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, his agent or attorney. 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 insurer or guarantors, at the principal office of the Association, where copies may be purchased at a reasonable cost.

12.2 Committees. The Board shall appoint a Nominating Committee as provided in these Bylaws. In addition, the Board of Directors shall appoint other committees as deemed appropriate in carrying out the purposes of the Association.

12.3 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 Lot against which the assessment is made. Any assessment which is not paid within thirty (30) days after the due date shall be delinquent. The Association shall have the option to declare the outstanding balance of any assessment due and payable if any installment thereof shall become delinquent as defined herein. If an assessment is not paid within thirty (30) days after its due date, the assessment shall bear interest from its due date at the rate of twelve percent (12%) per annum, or such other rate as established by the Association as provided in the Planned Community Act, but in no event shall such interest exceed the highest rate allowed by law, and shall be subject to late fees as approved by the Board of Directors and permitted by law. The Association may bring an action at law against the Owner personally obligated to pay the

same and/or foreclose the lien against such Owner's Lot provided under the Declaration. To the extent permitted or required by the Planned Community Act, interest, late fees, costs and reasonable attorney fees of any such action shall be added to the amount of such assessment. Each such Owner, by acceptance of a deed to a Lot expressly grants to the Association, its agents or assigns, the right and power to bring all actions against such Owner personally liable for the collection of such charges as a debt and to enforce the aforesaid lien by methods available for the enforcement of such liens, including foreclosure by an action brought in the name of the Association in a like manner as a Mortgage or a deed of trust lien on real property and such Owner hereby expressly grants to the Association a power of sale in connection with foreclosure of said lien. Such lien shall be in favor of the Association, which shall have the power to purchase the Lot subject to the lien at foreclosure and to acquire and hold, lease, mortgage and convey the same. No Owner may waive or otherwise escape liability for assessments provided for herein by non-use of the Common Area, including without limitation the Amenities, or by abandonment of his Lot. The lien of the assessments provided for herein shall be subordinate to the lien of any first Mortgage on a Lot. Mortgagees are not required to collect assessments and nothing in these Bylaws shall require that failure to pay assessments shall constitute a default under a Mortgage insured by the U.S. Department of Housing and Urban Development, the U.S. Department of Veterans Affairs or by any other governmental mortgage insurance program, such as those by the Federal Home Loan Mortgage Corporation, the Government National Mortgage Corporation or the Federal National Mortgage Association.

12.4 Delegation of Powers. The Board of Directors and the officers may delegate to ~~other persons or a management agent~~ the powers to collect assessments, fines, late fees, interest and other charges provided by the Governing Documents; to maintain bank accounts in the name

of the Association and to deposit all funds of the Association into such bank accounts; to hire and discharge other agents and independent contractors; to supervise the use, maintenance, repair, replacement and modification of the Common Areas; to pay from the funds of the Association, the expenses and liabilities of the Association, including but not limited to compensation and reimbursements to such person or management agent; and to prepare statements of Common Expenses and statements concerning the status of paid and unpaid assessments.

12.5 Intentionally Omitted.

12.6 Waiver of Notice. Whenever any notice is required to be given to any Member or Director by law, by 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.

12.7 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.

12.8 Form of Waiver of Notice. The following form of waiver of notice shall be deemed sufficient, but any other form may be used which is sufficient in law:

HERITAGE TRACE TOWNHOMES ASSOCIATION, INC.

We the undersigned (Board or Association Members) of Heritage Trace Townhomes Association, Inc. do hereby severally waive notice of the time, place, and purpose of (the annual or special) meeting of the (Board or Association members) of the said association, and consent that same be held at

_____ on the ____ day of _____, ____ at _____

o'clock __.M., and we do further consent to the transaction of any and all business of any nature that may come before the meeting.

Dated this _____ day of _____, 20__.

12.9 Amendments. Unless a higher percentage is required for certain amendments by applicable law, the Declaration or the Bylaws, the Bylaws may be amended by the affirmative vote or written ballot (as provided by law) of Members entitled to cast in the aggregate at least a 51% of the votes of the Association. Unless otherwise provided by the amendment, or as otherwise may be provided by applicable law, any amendment of the Bylaws shall be effective when approved in accordance with this Article. Unless then required by applicable law, such amendment need not be set forth in an amendment to the Declaration duly recorded in the Office of the Register of Deeds in Wake County, North Carolina, in order to be effective. Notwithstanding any provision in this instrument to the contrary, as long as the Declarant controls the Association and if the Property has been approved by the U.S. Department of Veterans Affairs ("VA") and/or the U.S. Department of Housing and Urban Development ("HUD") for loans guaranteed by the VA or HUD (but not otherwise), any amendment of these By-Laws may be vetoed by the VA or HUD.

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

12.11 Compliance with Statutes. These Bylaws are set forth subject to the requirements of Chapter 47F (the Planned Community Act) and Chapter 55A (the NonProfit Corporation Act)

of the North Carolina General Statutes, as amended, replaced and recodified from time to time. In the event these Bylaws conflict with the provisions of said statutes, it is hereby acknowledged and agreed that the provisions of such statutes will control.

12.12 Liability and Indemnification. The Directors, officers and members of any Committee of the Association shall not be liable to the Owners or the Association for any mistake of judgment, negligence or otherwise except for their own individual willful misconduct, gross negligence, fraud or bad faith. The Association shall defend, indemnify and hold harmless each Director and officer against all contractual liability to others arising out of contracts made on behalf of the Association unless any such contracts shall have been made in bad faith or contrary to the provisions of the Declaration or these Bylaws. The Association shall defend, indemnify and hold harmless the Directors, officers and members of any Committee of the Association from and against all common law or tort suits for all covered claims as identified in the first sentence of this Section 12.12. It is intended that the Directors and officers of the Association shall have no personal liability with respect to any contract made by them on behalf of the Association, except to the extent of any liability as Owners.

The indemnification and hold harmless rights provided herein shall not be deemed exclusive of any other rights to which those indemnified may be entitled under these Governing Documents or any statute, bylaw, agreement, vote by Members or disinterested Directors or otherwise, both as to action in his or her official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be a director, officer or committee member and shall inure to the benefit of the heirs, executors and administrators of such a person.

The Association may purchase and maintain insurance on behalf of any person who is or was a director, officer, committee member, employee or agent of the Association, or is or was serving at the request of the Association as a director, officer, committee member, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him or her and incurred by him or her in such capacity, or arising out of his or her status as such, whether or not the Association would have the power to indemnify him or her against such liability.

The Association's indemnity of any person who is or was a director, officer, committee member, employee or agent of the Association, or is or was serving at the request of the Association, as a director, committee member, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall be reduced by any amounts such person may collect as indemnification (i) under any policy of insurance purchased and maintained on his or her behalf by the Association, or (ii) from such other corporation, partnership, joint venture, trust or other enterprise.

Nothing contained in this Section, or elsewhere in these Bylaws, shall operate to indemnify any director or officer if such indemnification is for any reason contrary to any applicable law.

EXHIBIT B

Management Agreement