

BYLAWS
OF
TANNERS CREEK TOWNHOMES HOMEOWNERS ASSOCIATION, INC.

ARTICLE I

NAME AND LOCATION

Section 1. Name. The name of the corporation is TANNERS CREEK TOWNHOMES HOMEOWNERS ASSOCIATION, INC., hereinafter referred to as the "Townhomes Association".

Section 2. Location. The principal office of the corporation shall initially be located in Mecklenburg County, North Carolina, as determined by the Townhomes Association. The registered office of the Townhomes Association may be, but need not be, identical with the principal office.

ARTICLE II

DEFINITIONS

All capitalized undefined terms used in these Bylaws shall have the meanings ascribed thereto in that certain Supplemental Declaration of Covenants, Conditions and Restrictions dated October 18, 2000, by Niblock-Ridgeline, LLC, recorded in the Office of the Register of Deeds for Mecklenburg County, North Carolina.

ARTICLE III

MEETING OF MEMBERS AND VOTING RIGHTS

Section 1. Annual Meetings. The first annual meeting of the Members shall be held one year from the date of incorporation of the Townhomes 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 7:00 o'clock, p.m. If the day for the annual meeting of the Members is a Saturday, Sunday or legal holiday, the meeting will be held at the same hour on the first day following which is not a Saturday, Sunday or legal holiday.

Section 2. Special Meetings. Special meetings of the Members may be called at any time by the President or by a majority of the Board of Directors, or upon written request of the Members who are entitled to vote ten percent (10%) of all of the votes appurtenant to the Lots.

Section 3. Place of Meetings. All meetings of the Members shall be held at such place as shall be determined by the Board of Directors of the Townhomes Association.

Section 4. 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 a copy of such notice, postage prepaid, not less than 10 days nor more than 60 days before the date of such meeting to each Member entitled to vote thereat, addressed to the Member's address last appearing on the records of the Townhomes Association, or supplied

by such Member to the Townhomes Association for the purpose of notice. Such notice shall specify the place, day and hour of the meeting, as well as the purpose of same.

Section 5. Quorum. The presence at the meeting of Members entitled to cast, or of proxies entitled to cast, ten percent (10%) of the votes appurtenant to the Lots shall constitute a quorum for any action except as otherwise provided in the Articles of Incorporation, the Supplemental Declaration or these Bylaws. 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 be represented.

In the event business cannot be conducted at any meeting because a quorum is not present, that meeting may be adjourned to a later date by the affirmative vote of a majority of those present in person or by proxy. Notwithstanding any provision to the contrary in the Supplemental Declaration, the quorum requirement at the next meeting shall be one-half (½) of the quorum requirement applicable to the meeting adjourned for lack of a quorum. This provision shall continue to reduce the quorum by fifty percent (50%) from that required at the previous meeting, as previously reduced, until such time as a quorum is present and business can be conducted.

Section 6. Voting. The voting rights of each Owner shall be appurtenant to the ownership of Lots in the Development. There shall be two classes of Lots with respect to voting rights:

(a) **Class A Lots.** Class A Lots shall be all Lots except Class B Lots as defined below. Each Class A Lot shall entitle the Owner(s) of said Lot to one (1) vote. When more than one person owns an interest (other than a leasehold or security interest) in any Lot, all such persons shall be Members and the voting rights appurtenant to said Lot shall be exercised as they, among themselves, determine, but in no event shall more than one (1) vote be cast with respect to any Lot.

(b) **Class B Lots.** Class B Lots shall be all Lots owned by the Developer and Builder(s). [Builder(s)] shall mean and refer to any person or firm in the business of building and selling homes to individuals and selected by Developer to buy Lots and construct homes for sale in the Development, including, but not limited to NVR, Inc. d/b/a Ryan Homes, Inc., and Westminster Homes, Inc. Each Class B Lot shall entitle the Owner of said Lot to three (3) votes.

The vote of a majority of the votes appurtenant to the Lots represented in person or by proxy at a meeting at which a quorum is present shall be necessary for the adoption of any matter voted upon by the Members unless a different proportion is required by the Supplemental Declaration, the Articles of Incorporation, these Bylaws or by law.

No votes allocated to a Lot owned by the Townhomes Association may be cast.

Section 7. 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. A Lot owner may not revoke a proxy except by actual notice of revocation to the person presiding over a meeting of the Townhomes Association. A proxy is void if it is not dated. A proxy

terminates eleven (11) months after its date, unless it specifies a shorter term, and shall otherwise automatically cease upon conveyance by the Member of his Lot.

Section 8. Waiver of Notice. Any Member may, at any time, waive notice of any meeting of 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. 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.

Section 9. 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 Townhomes Association to be kept in the Townhomes Association's minute book.

ARTICLE IV

BOARD OF DIRECTORS

Section 1. Number. The business and affairs of the Townhomes Association shall be managed by a Board of Directors comprised of not less than three (3) persons and not more than seven (7) persons. The initial Board of Directors shall be comprised of three (3) persons as set forth in the Articles of Incorporation who shall serve until the first annual meeting of the Members. The number of directors may be increased to not more than seven (7) directors and decreased to not less than three (3) directors by action of the Board of Directors, provided that any vacancy resulting from any such increase shall be filled only at an annual meeting or special meeting of the Members as provided in Article IV, Section 2 hereof, and any such decrease shall not have the effect of shortening the term of any incumbent director. Other than as provided above, the number of directors may be increased or decreased from time to time only by amendment to these Bylaws.

Section 2. Election and Term of Office. At the first annual meeting and at each annual meeting thereafter, the Developer may appoint members of the Board of Directors as provided in Article IV of the Supplemental Declaration. At the first annual meeting, the Members shall elect three (3) directors, one of which is for a term of three (3) years, another for a term of two (2) years, and the third for a term of one (1) year. Following the first annual election, all directors shall be elected for three (3) year terms to succeed any director whose term has expired. Any director not so appointed by the Developer shall be elected for a term of one year from nominees selected by a Nominating Committee of the Board of Directors or nominations made from the floor at the annual meeting. Directors shall be elected at the annual meeting of the Members by 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 Supplemental Declaration. The persons receiving the largest number of votes shall be elected. Cumulative voting is not permitted. Each director shall hold office until his death, resignation, retirement, removal, disqualification, or his successor is elected and qualifies.

Section 3. Removal. Any director may be removed from the Board, with or without cause, by the Developer as provided in Section 7 of the Articles of Incorporation or by a

majority vote of the Members of the Townhomes Association. In the event of death, resignation or removal of a director, his successor shall be selected by the remaining members of the Board and shall serve for the unexpired term of his predecessor. The Members may elect a director at any time to fill any vacancy not filled by the directors.

Section 4. Compensation. No director shall receive compensation for any service he may render to the Townhomes Association. However, any director may be reimbursed for his actual expenses incurred in the performance of his duties.

ARTICLE V

MEETINGS OF DIRECTORS

Section 1. Regular Meetings. Regular meetings of the Board of Directors shall be held monthly without notice, at such place and hour as may be fixed from time to time by resolution of the Board. Should 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 Townhomes Association, or by any two directors, after not less than three (3) days notice to each director.

Section 3. Quorum. A quorum is deemed present throughout any meeting of the Board of Directors if persons entitled to cast fifty percent (50%) of the votes on the Board are present at the beginning of the meeting.

Section 4. 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 of the directors and filed with the minutes of the proceedings of the Board, whether done before or after the action so taken.

Section 5. Chairman. A Chairman of the Board of Directors shall be elected by the directors and shall preside over all Board meetings until the President of the Townhomes Association is elected. Thereafter, the President shall serve as Chairman. In the event there is a vacancy in the office of the Presidency, a Chairman shall be elected by the Board of Directors and serve until a new President is elected.

Section 6. Liability of the Board. The members of the Board of Directors shall not be liable to the Members for any mistake of judgment, negligence, or otherwise except for their own individual willful misconduct or bad faith. The Members shall indemnify and hold harmless each of the members of the Board against all contractual liability to others arising out of contracts made by the Board on behalf of the Townhomes Association unless any such contract shall have been made in bad faith or contrary to the provisions of the Supplemental Declaration or these Bylaws. It is intended that the members of the Board of Directors shall have no personal liability with respect to any contract made by them on behalf of the Townhomes Association.

ARTICLE VI

POWERS AND DUTIES OF THE BOARD OF DIRECTORS

Section 1. Powers. After the conveyance of the Common Area by the Developer to the Townhomes Association as described in the Supplemental Declaration, 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 during any period in which such Member shall be in default in the payment of any assessment levied by the Townhomes Association. Such rights 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 Townhomes Association all powers, duties and authority vested in or delegated to the Townhomes Association and not reserved to the membership by other provisions of these Bylaws, the Articles of Incorporation or the Supplemental 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;
- (e) employ a manager, an independent contractor, or such other employees as they deem necessary, and to prescribe their duties;
- (f) employ attorneys to represent the Townhomes Association when deemed necessary;
- (g) grant easements for the installation and maintenance of sewage, utilities or drainage facilities upon, over, under and across the Common Area without the assent of the membership when such easements are requisite for the convenient use and enjoyment of the Properties; and
- (h) appoint and remove at pleasure all officers, agents and employees of the Townhomes Association, prescribe their duties, fix their compensation and require of them such security or fidelity bond as it may deem expedient.

Such powers may not be delegated to other persons or to a managing agent.

Section 2. Duties. It shall be the duty of the Board of Directors, without limitation, 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 Members entitled to at least ten percent (10%) of the votes appurtenant to the Lots;

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

(c) 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;

(d) procure and maintain adequate liability insurance covering the Townhomes Association and the directors and officers thereof and adequate hazard insurance on the property owned by the Townhomes Association;

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

(f) cause the Common Area to be maintained after it has been conveyed to the Townhomes Association; and

(g) to perform such other duties as may be set forth in the Supplemental Declaration and in Chapter 47F of the North Carolina General Statutes setting forth the provisions of the North Carolina Planned Community Act, specifically including, but not limited to, §47F-3-103 thereof.

ARTICLE VII

OFFICERS AND THEIR DUTIES

Section 1. Officers. The officers of the Townhomes 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 Developer may appoint any officers of the Townhomes Association in accordance with Article IV of the Supplemental Declaration. Such appointments and the election of any additional officers not so appointed shall take place at the first meeting of the Board of Directors following each annual meeting of the Members.

Section 3. Term. Each officer of the Townhomes Association shall hold office for one (1) year or until his death, resignation, retirement, removal, disqualification, or his successor is elected and qualifies.

Section 4. Special Appointments. The Developer (as provided in Article IV of the Supplemental Declaration) or the Board may elect such other officers as the affairs of the Townhomes 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 Developer (as provided in Article IV of the Supplemental Declaration) or 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 Developer (as provided in Article IV of the Supplemental Declaration) or 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. Compensation. No officer shall receive any compensation from the Townhomes Association for acting as such.

Section 9. Duties. The duties of the officers are as follows:

President

(a) The President shall be the principal executive officer of the Townhomes Association, and subject to the control of the Board, shall supervise and control the management of the Townhomes Association. 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, deeds of trust, deeds and other written instruments (such as amendments to the Supplemental Declaration on behalf of the Townhomes Association).

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

(c) The Secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board and of the Members; keep the corporate seal of the Townhomes 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 Townhomes Association together with their addresses, and shall perform such other duties as required by the Board (including, without limitation, joining in the execution of legal documents requiring a full corporate execution, such as deeds, deeds of trust, amendments to the Supplemental Declaration, etc.).

Treasurer

(d) The Treasurer shall receive and deposit in appropriate bank accounts all monies of the Townhomes Association and shall disburse such funds as directed by resolution of the Board of Directors; shall sign all checks and promissory notes of the Townhomes Association; keep proper books of account; cause an annual audit of the Townhomes 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 presented to the membership at its regular annual meeting, and deliver a copy of each to the Members.

Such duties may not be delegated to other persons, unless assistant officers are appointed or elected, which is specifically permitted hereby. However, the Board of Directors may employ a managing agent of the Townhomes Association pursuant to Article IV, Section 5 of the Supplemental Declaration. The duties of a managing agent shall be prescribed by the Board of Directors.

ARTICLE VIII

COMMITTEES

An Architectural Control Committee shall be established in the manner as provided in the Supplemental Declaration. In addition, the Board of Directors shall appoint other committees (including a Nominating Committee as described in Article IV, Section 2 hereof) as deemed appropriate in carrying out its purpose.

ARTICLE IX

BOOKS AND RECORDS

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

ARTICLE X

ASSESSMENTS

As more fully provided in the Supplemental Declaration, each Member is obligated to pay to the Townhomes Association monthly 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 fifteen (15) days after the due date the assessment shall bear interest from the date of delinquency at the rate of twelve percent (12%) per annum, plus such late charge as may be established by the Board of Directors, and the Townhomes Association may bring an action at law against the Member personally obligated to pay the same or foreclose the lien against the property described in the Supplemental Declaration. Interest, costs and reasonable attorney's fees of any such action shall be added to the amount of such assessment. No Member may waive or otherwise escape liability for the assessments provided for herein by nonuse of the

Common Area or abandonment of his Lot.

ARTICLE XI

CORPORATE SEAL

The Townhomes Association shall have a seal in circular form having within its circumference the words: TANNERS CREEK TOWNHOMES HOMEOWNERS ASSOCIATION, INC., NORTH CAROLINA, 2000.

ARTICLE XII

AMENDMENTS

Section 1. Subject to the terms of Article IV of the Supplemental Declaration, these Bylaws may be amended, at a regular or special meeting of the Members, by a vote of a majority of the votes appurtenant to the Lots represented in person or by proxy at a meeting at which a quorum is present.

Section 2. In the case of any conflict between the Articles of Incorporation and these Bylaws, the Articles shall control; and in the case of any conflict between the Supplemental Declaration and these Bylaws, the Supplemental Declaration shall control.

ARTICLE XIII

MISCELLANEOUS

The fiscal year of the Townhomes 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.

ARTICLE XIV

INDEMNIFICATION OF DIRECTORS, OFFICERS AND OTHERS

The Townhomes Association shall indemnify any director or officer or former director or officer of the Townhomes Association or any person who may have served at the request of the Townhomes Association as a director or officer of another corporation, whether for profit or not for profit, against expenses (including attorneys' fees) or liabilities actually and reasonably incurred by him in connection with the defense of or as a consequence of any threatened, pending or completed action, suit or proceeding (whether civil or criminal) in which he is made a party or was (or is threatened to be made) a party by reason of being or having been such director or officer, except in relation to matters as to which he shall be adjudged in such action, suit or proceeding to be liable for negligence or misconduct in the performance of duty.

The indemnification provided herein shall not be deemed exclusive of any other rights to which those indemnified may be entitled under any statute, bylaw, agreement, vote of members or disinterested directors or otherwise, both as to action in his 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, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

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

The Townhomes Association's indemnity of any person who is or was a director, officer, employee or agent of the Townhomes Association, or is or was serving at the request of the Townhomes Association, as a director, 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 behalf by the Townhomes Association or (ii) from such other corporation, partnership, joint venture, trust or other enterprise.

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

ARTICLE XV

ARBITRATION

Any claim which shall be made against one or more members of the Board of Directors shall be settled by arbitration except as otherwise provided herein, in the Supplemental 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 Member(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 Member(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 were an arbitrator appointed by both parties for that purpose, and his award in writing signed by him 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 Mecklenburg County, North Carolina.

ARTICLE XVI

NORTH CAROLINA PLANNED COMMUNITY ACT

The provisions contained hereinbefore in these Bylaws notwithstanding, nothing herein contained shall be construed so as to be in conflict with, or contrary to, those provisions of Chapter 47F of the North Carolina General Statutes, entitled the "North

Carolina Planned Community Act".

The foregoing were adopted as Bylaws of Tanners Creek Townhomes Homeowners Association, Inc., a non-profit corporation, under the laws of the State of North Carolina, at the first meeting of the Board of Directors on October 26, 2000.

William T. Niblock, Secretary

APPROVED:

W. Kendall Foster, President

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