

**BY-LAWS
OF
ACORN FOREST TOWNHOMES
OWNERS' ASSOCIATION, INC.**

**ARTICLE I
NAME AND LOCATION**

The name of the Association is **ACORN FOREST TOWNHOMES OWNERS' ASSOCIATION, INC.**, hereinafter referred to as the "Association". The principal office of the Association shall be Jacksonville, North Carolina, but meetings of members and directors may be held at such places within the State of North Carolina, as may be designated by the Board of Directors of the Association.

**ARTICLE II
DEFINITIONS**

1. "Association" shall mean and refer to **ACORN FOREST TOWNHOMES OWNERS' ASSOCIATION, INC.**, its successors and assigns.
2. "Common Area" shall mean all real property owned and managed by the Association, including the limited common areas, if any.
3. "Owner" shall mean and refer to the record owner, whether one or more persons or entities, of the fee simple title to any Lot which is a part of **ACORN FOREST TOWNHOMES**, all sections and phases, including the Declarant so long as any lot or lots are still in its name, but excluding those having such interest merely as security for the performance of an obligation.
4. "Declarant" shall mean and refer to **HUNTER DEVELOPMENT CORPORATION**.
5. "Member" shall mean and refer to those persons entitled to membership in the Association, by virtue of ownership of one or more Lot in the Project.
6. "Assessment" shall mean and refer to a member's share of the common expenses assessed against each member.
7. "Properties" shall mean and refer to that certain real property which is a part of **ACORN FOREST TOWNHOMES**, all phases.

**ARTICLE III
MEMBERSHIP AND PROPERTY RIGHTS**

Section 1. Every Owner of a Lot shall be a member of the Association. Membership shall be appurtenant to and may not be separated from ownership of any Lot which is subject to assessment.

Section 2. Management of the affairs of the Association shall be carried out in accordance with the terms and conditions of the Declaration and the terms and conditions of the Articles of Incorporation and the By-Laws of the Corporation as adopted.

Section 3. In the event of the dissolution of Declarant at the time it is owner of a lot, then the rights of the Declarant shall pass to and may be exercised by its successors receiving ownership of any such lot in dissolution.

ARTICLE IV MEETING OF MEMBERS

Section 1. Annual Meeting. The first annual meeting of the members of the Association shall be held within one hundred twenty (120) days from the date on which an owner subsequent to Declarant takes title or ownership to property described in the properties. Subsequent annual meetings shall be held at a date and time to be determined by the Board of Directors.

Section 2. Special Meetings. Special meetings of the members may be called at any time by the President of the Association or by a majority of the Board of Directors or upon written request of the members entitled to vote ten percent (10%) of any Class of membership of the Association.

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 a copy of such notice, postage prepaid, at least fifteen (15) days before each meeting to each member entitled to vote thereat, to the mailing address of each lot or to any other mailing address designated in writing by the lot owner, or sent by electronic means, including by electronic mail over the Internet, to an electronic mailing address designated in writing by the lot owner. 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. Waiver by a member in writing of the notice required herein, signed by him before, at or after such meeting, shall be equivalent to the giving of such notice.

Section 4. Quorum. The presence at a meeting of members entitled to cast, or of proxies entitled to cast, twenty five percent (25%) of the votes of the Association shall constitute a quorum for any action except as otherwise provided in these By-Laws. 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. The quorum requirement at the next meeting shall be one-half 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 5. Proxies. At all meetings of the members, each vote may be cast 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 of his Lot by the member giving his proxy.

Section 6. Ballots By Mail: When authorized by the Board of Directors, there shall be sent with notices of regular or special meetings of the Association, a statement of certain motions to be introduced for the vote of the members and a ballot on which each member may vote for or against

such motions. Each ballot presented at such meeting shall be counted in calculating the quorum requirements for the meeting to be held, but shall not be counted for determining whether a quorum is present for any other matter of business.

ARTICLE V BOARD OF DIRECTORS

Section 1. Number. The affairs of the Association shall be managed by a Board of five (5) Directors, at least three (3) of whom shall be members of the Association.

Section 2. Term of Office. At the first annual meeting the members shall elect two (2) Directors for a term of one (1) year, two (2) Directors for a term of two (2) years and one (1) Director for a term of three (3) years; and at each annual meeting thereafter the members shall elect the necessary number of Directors for a term of three (3) years to replace those Directors whose term has expired.

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, a successor shall be elected by the remaining members of the Board, and shall serve until the next annual meeting. If the Director who has died, resigned, or been removed shall have one or more years remaining in his term at the time of the next annual meeting, a successor shall be elected at such meeting to serve for the remainder of the vacated term.

Section 4. Compensation. No Director shall receive compensation for any service he may render to the Association in his capacity as a Director. However, any Director shall be reimbursed for his actual expenses incurred in the performance of his duties; provided, however, the Board may employ a Director to manage the business affairs of the Association, and may pay the Director for his services as Manager.

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 VI 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.

Section 2. Election. Election to the Board of Directors shall be by secret written ballot. At such election, the voting members or their proxies may cast one (1) vote for each vacancy. The persons receiving the largest number of votes shall be elected. Cumulative voting is not permitted.

ARTICLE VII MEETINGS 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. A more frequent schedule of regular meetings, on a seasonal basis, may be established by the Board.

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 (2) 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 done or decision made by a majority of the Directors present at duly held meeting at which a quorum is present shall be regarded as the act of the Board.

ARTICLE VIII POWERS AND DUTIES OF THE BOARD OF DIRECTORS

Section 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 facilities, and the personal conduct of the members, guests, and tenants thereon, and to establish penalties for the infraction thereof;

(b) suspend the voting rights of 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 Association. Such rights may also be suspended, after notice of hearing, for a period not to exceed sixty (60) days for infraction of published rules and regulations; but provided, however, that the right of an owner to ingress to and egress from his lot shall not be impaired;

(c) adopt and publish rules and regulations governing the rental of lots including acceptable lease forms, and the conduct of tenants, including, in their discretion, reasonable limitations on number of occupants in leased lots;

(d) 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 or the Articles of Incorporation;

(e) 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;

(f) employ a manager, an independent contractor, or such other employees as they deem necessary, and to prescribe their duties;

(g) employ attorneys, accountants or other professional personnel to represent and assist the Association when deemed necessary;

(h) enter into contracts with others to provide necessary supplies and services to the project;

(i) to bring an action in summary ejectment on behalf of any owner whose lessee is in violation of any of the aforesaid rules and regulations, the Declaration, or these By-Laws.

(j) To adopt policies, and rules and regulations to implement policies, relating to rental by owners of homes in the subdivision to non owners, either by owners directly or by rental agents, and the use of the common facilities by non owners, including but not limited to, the regulation of pets, trash pickup, access to common areas, the number of occupants of a home in the subdivision, the number of vehicles permitted to be parked and where such vehicles may be parked, the hours of use of the pool (or other common facilities), the number of pool guests allowed who are non owners, the establishment of fees payable by owners or non owners to offset the cost of providing pool, parking or other passes or identification for non owners, or other administrative costs associated with non owners.

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 -third (1/3) of the members entitled to vote;

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

(c) to fix the amount of assessment and the manner of payment thereof against each member to send written notice of any change in assessment or manner of payment of same to every owner subject thereto at least thirty (30) days in advance of such assessment payment period;

(d) foreclose the lien, and sell, under a power of sale and in the manner prescribed by law for foreclosures with powers of sale, 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;

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

(f) procure and maintain adequate liability insurance covering members' liability for the common area and facilities and to procure and maintain adequate hazard insurance on all the real property owned by the Association;

- (g) act as insurance trustees in the collection and disbursement of hazard insurance proceeds;
- (h) cause all officers or employees having fiscal responsibilities to be bonded, as it may deem appropriate;
- (i) maintain or cause to be maintained the common area and facilities and the exterior of the Lot(s), in accordance with the terms of the Declaration;
- (j) to establish the Fiscal year of the Association.

ARTICLE IX OFFICERS AND THEIR DUTIES

Section 1. Enumeration of Officers. 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 officers shall be elected by the Board of Directors at the first meeting of the Board following each annual meeting of the members.

Section 3. Term. The officers of the 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 giving notice to the Board, the President, or 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 IX.

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

- (a) President. The President shall preside at all meetings of the Board of Directors and shall serve as Chairman at all meetings of the members; 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.

(b) Vice-President. 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.

(c) Secretary. The Secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board and of the members; keep the 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 may be required by the Board.

(d) Treasurer. 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 account; and shall prepare an annual budget and a statement of income and expenditures which shall be mailed to the membership at least fifteen (15) days but not more than forty-five (45) days prior to the annual meeting.

ARTICLE X COMMITTEES

Section 1. Committees: The Board of Directors shall appoint a Nominating Committee and such other committees as may be deemed appropriate in carrying out its purpose.

Section 2. Establishment of Audit Committee:

(a) Members and Appointment. In addition to any other committee, standing or AD HOC, the President shall annually appoint three (3) owners to be members of the Audit Committee. The three (3) owners shall not be members of the Board of Directors or officers of the Association. No owner shall serve more than once in any three-year period.

(b) Duties. It shall be the duty of the Audit Committee to review all financial records and financial transactions of the Association for the previous fiscal year. It shall have complete and full access to all such records and such aid as the Treasurer may be able to provide, but the Treasurer shall be prohibited from compiling the Audit Committee's report or from otherwise directing its inquiry.

(c) Review. The Audit Committee shall conduct its review and present its report to the Board of Directors during January each year or, in the event the fiscal year ends on a date other than December 31st, it shall conduct its review and present its report to the Board of Directors during the thirty (30) days immediately after the end of said year. It shall also present its report to the Association at the Annual Meeting immediately following its presentation to the Board of Directors.

Section 3. Audit Requirement. The Board of Directors shall require an audit of the Association books at anytime as follows:

(a) Upon request of any Owner, the Board will have conducted an audit by a Certified Public Accountant. Provided, however, the cost of such audit shall be paid, in advance, by the requesting party.

(b) At a meeting called for the purpose of its consideration or at any Annual Meeting upon a vote by a majority of owners, the Board will have conducted an audit by a Certified Public Accountant. The cost will be borne by the Association.

(c) Upon the vote of the Board of Directors, the Board will have conducted an audit by a Certified Public Accountant. The cost will be borne by the Association.

(d) Upon the request of any person or financial institution who or which holds a mortgage on the property, the Board will have conducted an audit by a Certified Public Accountant. Provided, however, the cost of such audit shall be paid, in advance, by the requesting party.

ARTICLE XI BOOKS AND RECORDS

The Association is required to keep records of the following for a minimum of three (3) years: (i) its governing documents (i.e., association documents, rules and regulations and design standards); (ii) its actions (board resolutions, meeting minutes, etc.); and (iii) its financial condition (receipts and expenditures affecting the finances, operation and administration of the association, budget, financial statements, etc). The association documents and all books and records kept on behalf of the association are available for examination and copying by a member or such member's authorized agent during business hours and upon reasonable notice to the association and for a reasonable charge, except for privileged or confidential information.

ARTICLE XII ASSESSMENTS

As more fully provided in the Declaration, each member is obligated to pay to the Association such sums as are assessed against the members under the terms of said Declaration, which assessments 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 deemed delinquent. If the assessment is not paid within thirty (30) days after the due date, the assessment shall bear interest from the date of delinquency at the highest rate allowed by law, 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, with costs of such action, including reasonable attorney's fees, to be added to the amount of such assessment. No owner may waive or otherwise escape liability for the assessments provided for herein by nonuse of the common area or abandonment of his Lot.

ARTICLE XIII COMPLIANCE, ENFORCEMENT, FINES AND PENALTIES

Section 1. Default and Remedies. (a) A default in or failure to comply with any of the terms, conditions, obligations, and provisions of the Declaration, these Bylaws, the Articles, or the rules and regulations, as the same may be amended from time to time, by any Lot Owner or Occupant, shall be grounds for relief that may include, without intending to limit the same or to constitute an election of remedies, an action to recover fines and penalties as set in these Bylaws, sums due for damages, an injunction, or any combination thereof, and which relief may be sought by the

Association, an aggrieved Lot Owner, or by any person or class of persons adversely affected. Also, if any member fails to perform any obligation under the Declaration, these Bylaws, the Articles or such rules and regulations, then the Association may, but is not obligated to, perform the same for the member's account, and for such purpose may enter upon his Lot, may make necessary repairs, advance expenses or other sums necessary to cure the default, and for such expenses and costs may collect all such sums against the Lot owned by such defaulting member.

(b) The association also shall be entitled to suspend the right of a defaulting Lot Owner to vote as a member of the Association until the default is cured and may suspend the voting rights of 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 Association. Such rights may also be suspended, after notice of hearing as hereinafter set forth, for a period not to exceed sixty (60) days for infraction of published rules and regulations; but provided, however, that the right of an owner to ingress to and egress from his lot shall not be impaired;

Section 2. Remedy of Abatement in Additional to Other Remedies. In the event a member fails to effect the cure specified by the Board where the default is a structure, thing, or condition existing in or on the premises of the member's Lot, the Board, or its duly authorized representative, shall have the right to enter upon the premises of the member's Lot in which, on which, or as to which, such default exists, and summarily to abate and remove, at the defaulting member's expense (and collect the costs as if an assessment), the structure, thing, or condition constituting the default, and the Board, the Association, and their agents, employees, and representatives shall not thereby be deemed guilty of any manner of trespass.

Section 3. Injunction. Any person, class of persons or the Association is entitled to seek relief for any such default or failure and may obtain a temporary restraining order, injunction or similar relief, without first using the procedure established herein, if such default or failure creates an emergency or a situation dangerous to persons or property.

Section 4. Fine. Any owner who shall violate the Declaration, By-laws, the articles or the Rules and Regulations may be fined the sum of \$100.00 for each day of such violation. Such fine shall be enforced and collected as an assessment. Prior to the implementation of any fine, or the suspension of voting rights for the infraction of published rules and regulations, a hearing pursuant to the following procedure shall be undertaken.

(a) The Board shall mail to the defaulting member, a written notice specifying the nature of the default, the cure thereof, and the time within which the cure shall be effectuated. Within the time limit specified in the notice, the defaulting member may cure the default specified, or mail a written notice to the Board requesting a hearing before the Board. If a hearing is so requested, the Board shall thereafter mail to the defaulting member a notice specifying the time and place for such hearing. At the hearing, the Board shall take such evidence and hear such testimony as it deems necessary or desirable.

(b) Upon taking such evidence and hearing such testimony, the Board, at the hearing or at a later time, shall determine, in writing, and at its sole option, to waive the default in whole or in part, to extend the time within which the default may be cured, or to proceed immediately to levy a fine or penalty, or to exercise any remedy. The Board shall mail to the defaulting member a copy of its determination. If the defaulting member (i) does not cure the default or request a hearing

within the time limit specified in the original notice of default given pursuant to this Section, or (ii) requests a hearing but fails to cure the default (to the extent not waived by the Board) within the extended time, if any, granted by the Board after hearing, then the Board shall mail to the defaulting member a written notice of such member's failure to effect a cure, and the Board may then implement such fine or suspend such voting rights or to take such other action as it deems necessary to obtain relief.

Section 5. Recover of Attorneys' Fees and Costs. In any proceeding arising because of an alleged default by a member, the person, class of persons or Association bringing an action against an alleged defaulting member shall be entitled to recover the costs of such proceeding and such reasonable attorneys' fees and costs as may be allowed by the Court, with interest thereon at the highest rate allowed by law.

Section 6. Nonwaiver of Covenants. The failure of the Association or of any member thereof to enforce any terms, provision, right, covenants or condition that may be granted by the Declaration, these Bylaws, the Articles, the rules and regulations, as the same may from time to time be amended, shall not constitute a waiver or abrogation of the right of the Association or a member to enforce such term, provision, right, covenants, or condition in the future, irrespective of the number of violations or breaches thereof that may have occurred.

Section 7. Costs and Fines Enforced as Assessment Liens. Any fine, costs or expenses hereunder shall be enforced as if an assessment lien.

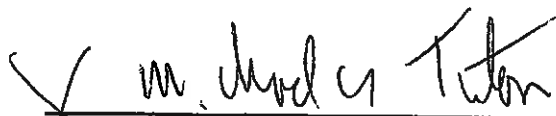
ARTICLE XIV AMENDMENTS

Section 1. These By-Laws may be amended at any regular meeting or at a special meeting of the members, providing that notice of such special meeting shall state the content of such amendment, by a vote of two-thirds (2/3) of all members entitled to vote.

Section 2. In the case of any conflict between the Declaration and these By-Laws, the Declaration shall control.

The foregoing were adopted as the By-Laws of the Association, a non-profit corporation under the laws of the State of North Carolina, at the first meeting of the Incorporators on

01/09/06



CHAIRMAN AND INCORPORATOR

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