

PRESENTED
FOR
REGISTRATION

AMENDED AND RESTATED BYLAWS

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WATERFORD PLACE TOWNHOUSE HOMEOWNERS ASSOCIATION, INC.

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KENNETH C. WILKINS
REGISTER OF DEEDS
WAKE COUNTY

1. IDENTITY.

These are the Amended and Restated Bylaws of Waterford Place Townhouse Homeowners Association, Inc., a non-profit corporation incorporated under the laws of the State of North Carolina. The original Articles of Incorporation of the Association were filed in the office of the Secretary of State and the Register of Deeds of Wake County, North Carolina on October 13, 1983. Waterford Place Townhouse Homeowners Association, Inc. (herein called the "Association") has been organized for the purpose of administering the operation and management of the Waterford Place Townhouses (hereinafter the "Townhouses"), a development established in accordance with the laws of the State of North Carolina upon a tract of real property situate, lying and being in the Town of Cary, Wake County, North Carolina, and heretofore submitted to and approved by the Town of Cary Planning Department. Said Townhouse development is described in the Declaration of Covenants, Conditions and Restrictions (herein "Townhouse Declaration") filed in the Wake County Registry on October 13, 1983, and recorded in Book 3185, beginning at Page 88.

(a) The provisions of these Bylaws are applicable to the Townhouses and the terms and provisions hereof are expressly subject to the terms, provisions, conditions and authorization contained in the Articles of Incorporation and also contained in the Townhouse Declaration recorded in the Registry of Wake County, North Carolina, as amended. The terms and provisions of said Articles of Incorporation and the Townhouse Declaration shall be controlling wherever the same may be in conflict herewith.

(b) All present or future owners, tenants, future tenants, or their employees, or any other person that might use the Townhouses or any of the

facilities thereof in any manner, are subject to the regulations set forth in these Bylaws and in said Articles of Incorporation and Townhouse Declaration.

(c) The registered office of the Association shall be at 4900 Falls of the Neuse Road, Suite 210, Raleigh, North Carolina, or such other place as the Board of Directors shall designate from time to time.

(d) The fiscal year of the Association shall be the calendar year.

2. MEMBERSHIP, VOTING, QUORUM, PROXIES.

(a) The qualification of members, the manner of their admission to membership and termination of such membership and voting by members, shall be as set forth in Articles V and VI of the Articles of Incorporation of the Association and Article III of the Townhouse Declaration, the provisions of all of which are incorporated herein by reference.

(b) A quorum at members' meetings, except for called meetings for the purpose of levying assessments, shall consist of persons entitled to cast a majority of the votes of the entire membership. The joinder of a member in the action of a meeting by signing and concurring in the minutes thereof shall constitute the presence of such person for the purposes of determining a quorum and for purposes of taking such action (including meeting the necessary requirements for approval of action).

(c) The vote of the owners of a Townhouse owned by more than one person or by a corporation or other entity shall be cast by the one person named in a Certificate signed by all of the owners of the Townhouse and filed with the Secretary of the Association. Such Certificate shall be valid until revoked by subsequent Certificate. If such a Certificate is not on file, the vote of such owners shall not be considered in determining the requirement for a quorum, nor for any other purpose.

(d) Votes may be cast in person or by proxy. Proxies shall be valid only for a particular meeting designated thereon and must be filed with the Secretary before the appointed time of meeting.

(e) Approval or disapproval of a Townhouse owner upon any matter, whether or not the subject of an Association meeting, shall be by the same person who would cast the vote of such owner if in an Association meeting.

(f) Except where otherwise required under the provisions of the Articles of Incorporation of the Association, these Bylaws, the Townhouse Declaration, or where the same may otherwise be required by law, the affirmative vote of the owners of a majority of the Townhouses represented at any duly called members' meeting at which a quorum is present shall be binding upon the members.

3. ANNUAL AND SPECIAL MEETING OF MEMBERSHIP.

(a) The Annual Members' Meeting shall be held at the registered office of the Association or at such other place designated by the Board of Directors at any time designated by the Board during the second calendar quarter of each year for the purpose of electing Directors and of transacting any other business authorized to be transacted by the members.

(b) Special Members' Meeting shall be held whenever called by the President or Vice President or by a majority of the Board of Directors, and must be called by such officers upon receipt of a written request from members of the Association owning a majority of the Townhouses.

(c) Notice of all members' meetings, regular or special, shall be given by the President, Vice President or Secretary of the Association, or other officer of the Association to each member, unless waived in writing. Such notice shall be written or printed and shall state the time and place and object for which the meeting is called. Such notice shall be given to each member not less than ten (10) days nor more than sixty (60) days prior to the

date set for such meeting, which notice shall be mailed or presented personally to each member within said time. If presented personally, receipt of such notice shall be signed by the member, indicating the date on which such notice was received by him. If mailed, such notice shall be deemed to be properly given when deposited in the United State Mail addressed to the member at his post office address as it appears on the records of the Association (Register of Owners) as of the date of mailing such notice, the postage thereon prepaid. Proof of such mailing shall be given by the Affidavit of the person giving the notice, or receiving the waiver of such notice and, when filed in the records of the Association, whether before or after the holding of the meeting, such waiver shall be deemed equivalent to the giving of notice to the member. If any members' meeting cannot be organized because a quorum has not attended, or because the greater percentage of the membership required to constitute a quorum for particular purposes has not attended (wherever the larger percentage of attendancy may be required as set forth in the Articles of Incorporation, these Bylaws, or the Townhouse Declaration) the members who are present, either in person or by proxy, may adjourn the meeting from time to time until a quorum, or the required percentage of attendance, if greater than a quorum, is present.

(d) The order of business at Annual Members' Meetings and as far as practical at any other members' meetings, shall be:

- i) calling of the roll and certifying proxies;
- ii) proof of notice of meeting or waiver of notice;
- iii) reading and disposal of any unapproved minutes;
- iv) reports of officers;
- v) reports of committees;
- vi) appointment of inspectors of election by chairman;
- vii) unfinished business;
- viii) new business; and
- ix) adjournment.

4. BOARD OF DIRECTORS.

(a) The Board of Directors of the Association shall consist of not less than three (3) nor more than nine (9) persons;

(b) Election of Directors shall be conducted in the following manner:

(i) All members of the Board of Directors shall be elected by a plurality of the votes cast at the Annual Meeting of the members of the Association.

(ii) Vacancies in the Board of Directors may be filled until the date of the next Annual Meeting by the remaining Directors.

(iii) The terms of the office of the Directors shall be established at two (2) years with staggered terms for approximately one-half of the membership of the Board. As many Directors of the Association shall be elected at the Annual Meeting as there are regular terms of office of Directors expiring at such time, and the term of office of the Directors so elected at the Annual Meeting of the members each year shall be for two (2) years expiring at the second Annual Meeting following their election, and thereafter until their successors are duly elected and qualified, or until removed in the manner elsewhere provided or as may be provided by law.

(iv) In the election of Directors, there shall be appurtenant to each Townhouse as many votes for Directors as there are Directors to be elected; provided, however, that no member or owner of one (1) Townhouse may cast more than one (1) vote for any person nominated as a Director, it being the intent hereof that voting for Directors shall be noncumulative.

(c) The organizational meeting of each newly elected Board of Directors shall be held within thirty (30) days of their election, at such time and at such place as shall be fixed by the Directors at the meeting at which they were elected, and no further notice of the organizational meeting shall be necessary provided a quorum shall be present.

(d) Regular meetings of the Board of Directors may be held at such time and place as shall be determined from time to time by a majority of the Directors. Notice of regular meetings shall be given to each Director, personally or by mail, telephone or telegram, at least three (3) days prior to the day named for such meeting, unless notice is waived.

(e) Special meetings of the Directors may be called by the President, and must be called by the Secretary at the written request of one-third (1/2) of the votes of the Board. No less than three (3) days' notice of a meeting shall be given to each Director, personally or by mail, telephone or telegram, which notice shall state the time, place and purpose of the meeting.

(f) Any Director may waive notice of a meeting before or after the meeting, and such waiver shall be deemed equivalent to the giving of notice.

(g) A quorum at a meeting of the Board of Directors shall consist of the Directors entitled to cast a majority of the votes of the entire Board. The acts of the Board approved by a majority of the votes cast at a meeting at which a quorum is present shall constitute the acts of the Board of Directors, except as specifically otherwise provided in the Articles of Incorporation, these Bylaws or the Townhouse Declaration. If any Directors' meeting cannot be organized because a quorum has not attended, or because the greater percentage of the Directors required to constitute a quorum for particular purposes has not attended, wherever the latter percentage of attendance may be required as set forth in the Articles of Incorporation, these Bylaws or Townhouse Declaration, the Directors who are present may adjourn the meeting from time to time until a quorum, or the required percentage of attendance if greater than a quorum is present. At any resumption of an adjourned meeting, any business that might have been transacted at the meeting as originally called may be transacted without further notice. The joinder of a Director in the action of a meeting by signing and concurring in the minutes thereof shall

constitute the presence of such Director for the purpose of determining the legality of such action.

(h) The Presiding Officer of the meeting of the Board of Directors shall be the Chairman of the Board, if such an officer has been elected; and if none, then the President of the Association shall preside. In the absence of the Presiding Officer, the Directors present shall designate one of their number to preside.

(i) Directors' fees, if any, shall be determined by the members.

(j) All of the powers and duties of the Association shall be exercised by the Board of Directors, including those existing under the common law and statutes, the Articles of Incorporation of the Association, these Bylaws and the Townhouse Declaration. Such powers and duties shall be exercised in accordance with said Articles of Incorporation, these Bylaws and the Townhouse Declaration, and shall include without limiting the generality of the foregoing, the following:

(i) To make, levy, and collect assessments against members and members' townhouse units to defray the costs of the Townhouses, as provided for in the Townhouse Declaration and to use the proceeds of said assessments in the exercise of the powers and duties granted unto the Association;

(ii) To maintain, repair, replace, operate and manage the streets, parking lots and Common Areas and Facilities wherever required to be done and accomplished by the Association for the benefit of its members; and further to approve any expenditure made or to be made for said purposes;

(iii) To reconstruct any part of the Common Property after casualty in accordance with the Townhouse Declaration and to make further improvement to the Common Property, real and personal, and to make and to enter into any and all contracts, necessary or desirable to accomplish said purposes;

(iv) To make, amend and enforce regulations governing the use of the Common Property and Townhouses so long as such regulations or amendments thereto do not conflict with the restrictions and limitations which may be placed upon the use of such property under the terms of the Articles of Incorporation and Townhouse Declaration;

(v) To acquire, operate, lease, manage and otherwise trade and deal with property, real and personal, including Townhouses in the development, as may be necessary or convenient in the operation and management of the Townhouses, and in accomplishing the purposes set forth in the Townhouse Declaration, provided that the acquisition of real property other than Townhouses in the project shall require the approval of the membership of the Association;

(vi) To acquire now or at any time hereafter, and to enter into leases and agreements whereby the Association acquires leaseholds, memberships, and other possessory or use interests in lands or facilities to provide enjoyment, recreation or other use or benefit to the owners of Townhouses;

(vii) To contract for the management of the Townhouses and to designate to such contractor all of the powers and duties of the Association, except those which may be required by N.C. General Statutes 47A-1 et seq. or by the Townhouse Declaration to have approval of the Board of Directors or membership of the Association;

(viii) To adopt an annual budget of income and expenses of the Association and to allocate the operating expenses in the form of annual assessments against the Townhouse owners;

(ix) To adopt rules and regulations governing the use and maintenance of the Common Areas owned by the Association;

(x) By action of a majority of the Directors to appoint an Executive Committee and such other committees as shall be deemed expedient for the conduct of the business of the Association;

(xi) To enforce by legal means or proceedings the provisions of the Articles of Incorporation and Bylaws of the Association, the Townhouse Declaration and the regulations hereinafter promulgated governing use of the Common Property in the project;

(xii) To pay all taxes and assessments which are or may become liens against any part of the Townhouses other than individual Townhouse and the appurtenances thereto, and to assess the same against the members and their respective townhouse subject to such liens;

(xiii) To purchase insurance for the protection of the members and the Association against fire, windstorm and other casualty and also to provide workmen's compensation, general liability insurance, and any other types of insurance necessary for the Association;

(xiv) To pay all costs of power, water, sewer and other utility services rendered to the Townhouses and not billed to the owners of the individual townhouses;

(xv) To have the costs of water and sewer service to the individual townhouses of the project included in one single bill, and to divide such costs between the individual townhouse owners either as a part of their assessment, or as a monthly charge, determined on a reasonable basis; and

(xvi) To designate and remove personnel necessary for the maintenance, repair, replacement and operation of the townhouses including the Common Property.

(k) If the Board of Directors of the Association shall deem it expedient and in the best interest of the Association, in the sole discretion of said Board of Directors acting upon a unanimous vote of all said Directors, the

powers and duties of the Board of Directors may be delegated to an Executive Committee which shall be comprised of three (3) members of the Board of Directors and which Executive Committee may act in the place and stead of said Board of Directors in any emergencies or between regular meetings of the full Board of Directors, and said Executive Committee shall be empowered to act upon a majority vote of the members of said Executive Committee. Any action authorized and undertaken by said Executive Committee shall be binding upon the Association in the same manner as though such action had been authorized and undertaken upon a majority vote of the full Board of Directors of the Association acting at a duly called and constituted meeting thereof.

(1) Any one or more of the members of the Board of Directors may be removed, either with or without cause, at any time by a vote of the members owning a majority of the Townhouses in the project, at any special Meeting called for such purpose, or at the Annual Meeting.

5. OFFICERS.

(A) The executive officers of the Association shall be a President, who shall be a Director; a Vice President, who shall be a Director; a Treasurer; and a Secretary, all of whom shall be elected annually by the Board of Directors and who may be peremptorily removed by a vote of the Directors at any meeting. Any person may hold two or more offices, except that the President shall not also be the Vice President or the Secretary. The Board of Directors shall, from time to time, elect such other officers and designate their powers and duties as the Board shall find to be required to manage the affairs of the Association. The office of Vice President may remain unfilled at the Board's discretion.

(b) The President shall be the chief executive officer of the Association. He shall have all of the powers and duties which are usually vested in the office of the President of any association including, but not

limited to, the power to appoint committees from among the members from time to time, as he may, in his discretion, determine appropriate to assist in the conduct of the affairs of the Association.

(c) The Vice President shall, in the absence or disability of the President, exercise the powers and perform the duties of the President. He shall also generally assist the President and exercise such other powers and perform such other duties as shall be prescribed by the Directors.

(d) The Secretary shall keep the minutes of all proceedings of the Directors and the members. He shall attend to the giving and service of all notices to the members and Directors, and such other notices required by law. He shall be responsible for sending out notices to all owners of the assessments adopted by the Board of Directors. Furthermore, he shall send out statements of unpaid assessments against any unit upon the request of any purchaser thereof. He shall have custody of the seal of the Association and affix the same to instruments requiring a seal when duly signed. He shall keep the records of the Association, except those of the Treasurer, and shall perform all other duties incident to the office of Secretary of an association and as may be required by the Directors or the President. The Assistant Secretary shall perform the duties of Secretary when the Secretary is absent.

(e) The Treasurer shall have custody of all the property of the Association, including funds, securities and evidences of indebtedness. He shall keep, or supervise the keeping of, the assessments rolls and accounts of the members. He shall keep the books of the Association in accordance with good accounting practices; and he shall perform all other duties incident to the office of Treasurer. In particular, he shall keep detailed, accurate records in chronological order of the receipts and expenditures affecting the Common Areas and facilities, specifying and identifying the maintenance and repair expenses of the Common Areas and facility, and any other expense

incurred. All such records shall be available for inspection by the members of the Association at reasonable times and places.

(f) The compensation of all officers and employees of the Association shall be fixed by the Directors. This provision shall not preclude the Board of Directors from employing a Director as an employee of the Association, nor preclude the contracting with a Director for the management of the condominium. The fees, if any, paid to Directors, shall be fixed by vote of the membership.

(g) All officers shall serve at the pleasure of the Board of directors and any officer may be removed from office at any time, with or without cause, by a majority vote of the Board of Directors.

6. FISCAL MANAGEMENT.

The provisions for fiscal management of the Association set forth in the Townhouse Declaration and Articles of Incorporation shall be supplemented by the following provisions:

(a) The assessment roll shall be maintained in a set of accounting books in which there shall be an account for each townhouse. Such account shall designate the name and address of the owner or owners, the amount of each assessment against the owners, the dates and amounts in which assessments come due, the amounts paid upon the account and the balance due upon assessments.

(b) The Board of Directors shall adopt a budget for each fiscal year which shall contain estimates of the cost of performing the functions of the Association, including, but not limited to, the following:

(i) Common Expense budget, which may include, without limiting the generality of the foregoing, taxes levied upon the Common Areas, the estimated amounts necessary for maintenance and operation of and capital improvements to the Common Property including landscaping, street and walkways, office expense, utility services, casualty insurance, liability insurance,

administration and reserves (operating and Capital Improvement Replacement), management fees and costs of maintaining leaseholds, memberships, and other possessory or use interests in lands or facilities whether or not contiguous to the lands of the Condominium to provide enjoyment, recreation or other use or benefit to the unit owners; and

(ii) Proposed assessments against each member and his unit. Copies of the proposed budget and proposed assessments shall be transmitted to each member prior to June 30th of the year for which the budget is made. If the budget is subsequently amended before the assessments are made, a copy of the amended budget shall be furnished each member concerned. Delivery of a copy of any budget or amended budget to each member shall not affect the liability of any member for any such assessment, nor shall delivery of a copy of such budget or amended budget be considered as a condition precedent to the effectiveness of said budget and assessments levied pursuant thereto, and nothing herein contained shall be construed as restricting the right of the Board of Directors, at any time in their sole discretion, to levy any additional assessments in the event that the budget originally adopted shall appear to be insufficient to pay costs and expenses of operations and management, or in the event of emergencies.

(c) Any unit owner who fails to pay any assessment within thirty (30) days after due notice thereof may be held personally liable for the payment of said assessment in an action brought by the Association. In addition, his unit shall be subject to a lien in the amount of the unpaid assessment upon the filing of a proper notice in the office of the Clerk of Superior Court, as provided in North Carolina General Statutes 47A-22. The Association may seek recovery of the delinquent assessment by foreclosure of the lien, or by personal action against the owner, or by a combination of both methods.

(d) The depository of the Association shall be such bank or banks as shall be designated from time to time by Directors and in which the monies of the Association shall be deposited. Withdrawal of monies from such accounts shall be only by checks signed by such persons as are authorized by the Directors.

(e) An audit of the accounts of the Association may, at the Board's direction, be made annually by a certified public accountant, and a copy of the report shall be furnished to each member not later than October 15th of the year following the fiscal year June 30th for which the report is made.

(f) Fidelity bonds may be required by the Board of Directors from all officers and employees of the Association and from any contractor handling or responsible for Association funds. The amount of such bonds shall be determined by the Directors. The premiums on such bonds shall be paid by the Association.

7. PARLIAMENTARY RULES.

Roberts Rules of Order (latest edition) shall govern the conduct of the corporation proceedings when not in conflict with the Articles of Incorporation and these Bylaws or with the Statutes of the State of North Carolina.

8. AMENDMENTS TO BYLAWS.

Amendments to these Bylaws shall be proposed and adopted in the following manner:

(a) Amendments to these Bylaws may be proposed by the Board of Directors of the Association acting upon a vote of the majority of the Directors, or by members of the Association owning a majority of the Townhouses in the project, whether meeting as members or by instrument in writing signed by them.

(b) Upon any amendment or amendments to these Bylaws being proposed by said Board of Directors or members, such proposed amendment or amendments

shall be transmitted to the President of the Association, or other officer of the Association in the absence of the President, who shall thereupon call a Special Joint Meeting of the members of the Board of Directors, of the Association and the membership for a date not sooner than twenty (20) days or later than sixty (60) days from receipt by such officer of the proposed amendment or amendments, and it shall be the duty of the Secretary to give to each member written or printed notice of such meeting in the same form and in the same manner as notice of the call of a Special Meeting of the members is required as herein set forth.

(c) In order for such amendment or amendments to become effective, the same must be approved by an affirmative vote of a majority of the entire membership of the Board of Directors and by an affirmative vote of the members owning not less than seventy-five percent (75%) of the Townhouses in the project. Thereupon such amendment or amendments to these Bylaws shall be transcribed, certified by the President and Secretary of the Association, and filed with the planning Department of the Town of Cary for approval thereof in the same manner as provided in Article IX of the original Townhouse Declaration. A copy thereof shall be recorded in the public records of Wake County, North Carolina, within ten (10) days from the date on which any amendment or amendments have been affirmatively approved by the Directors and members. No amendment shall become operative or effective until it shall have been duly recorded.

(d) Upon the approval and proper recording of any amendment or amendments, the same shall become binding upon all unit owners.

(e) At any meeting held to consider any amendment or amendments to the Bylaws, the written vote of any member of the Association shall be recognized if such member is not in attendance at such meeting or represented thereat by

proxy, provided such written vote is delivered to the Secretary of the Association at or prior to such meeting.

9. RULES OF CONDUCT.

(a) No owner or tenant of a Townhouse shall post any advertisements or posters of any kind in or on the Common Property except as authorized by the Association.

(b) Owners and tenants of Townhouses shall exercise extreme care about making noises or the use of machinery and equipment, radios, television sets and amplifiers that may disturb other unit owners or tenants.

(c) No garbage or trash shall be thrown or deposited outside the disposal installations provided for such purposes, nor shall rubbish, refuse, or garbage be allowed to accumulate, nor any fire hazard allowed to exist.

(d) Each of the Townhouses shall be occupied only for residential purposes and shall not be used for any purposes which is not permissible under applicable zoning regulations.

(e) Each Townhouse owner shall grant a right of access at reasonable times to his unit to the managing agent, or other designated representative of the Board of Directors, for the purpose of making inspections, or making repairs to correct conditions that may threaten or devalue any other unit, or the Common Area.

(f) Each Townhouse owner shall be responsible for payment of his own utility charges, which may be metered separately from utility charges for the Common Area and for other units, or which may be a pro rata portion of the total of such charges for the entire project, depending upon the method of installing meters for such services to the Townhouses.

(g) No Townhouse owner shall cause any improvements or alterations to be made to the exterior of any Townhouse (including painting or other decoration,

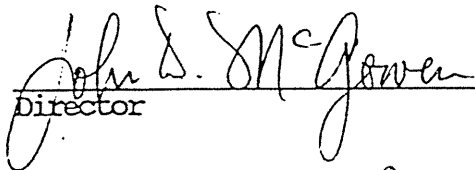
or the installation of electrical wiring, television or radio antennae, signs or other objects, machines or air conditioning units which may protrude through the walls or roof of the Townhouse) or in any manner alter the appearance of any portion of the exterior surface of any building without the prior written permission of the Board of directors or a duly appointed Architectural Control Committee. No Townhouse owner shall cause any object to be fixed to the Common Property (including the location or construction of fences, signs, the planting or growing of flowers, trees, shrubs or other vegetation) or in any manner change the appearance of the Common Property without the prior written permission of the Board of Directors or a duly appointed Architectural Control Committee.

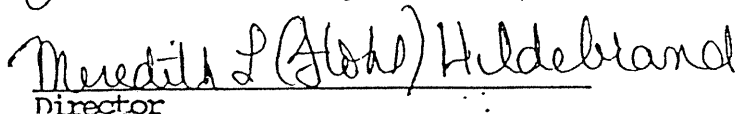
10. COMPLIANCE.

These Bylaws are set forth to comply with the requirements of the General Statutes of the State of North Carolina and the ordinances of the Town of Cary. In the event that any of these Bylaws conflict with the provisions of said statutes and ordinances, the provisions of said statutes will apply.

The foregoing were adopted as the Amended and Restated Bylaws of Waterford Place Townhouse Homeowners Association, a non-profit corporation under the laws of the State of North Carolina, at the meeting of the Board of Directors on April 17, 1991.


Director


Director


Director

[SIGNATURES CONTINUED ON NEXT PAGE]

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David B. Kame
Director

Gerald E. Watson
Director

Director

Director

Director