

BY-LAWS
OF
CELEBRATION SQUARE HOMEOWNERS ASSOCIATION, INC.

ARTICLE I

NAME AND LOCATION

The name of the corporation is CELEBRATION SQUARE HOMEOWNERS ASSOCIATION, INC. (hereinafter referred to as the "Homeowners Association" or the "Association"). The principal office of the Association shall be located at 4098 Barrett Drive, Raleigh, North Carolina 27609, but meeting of members and directors may be held at such places within Wake County, North Carolina, as may be designated by the Board of Directors.

ARTICLE II

DEFINITIONS

Section 1. "Declarant" shall mean and refer to Homeplaces, L.L.C., a North Carolina Limited Liability Company, its successors and assigns.

Section 2. "Homeowners Association" or "Association" shall mean and refer to CELEBRATION SQUARE HOMEOWNERS ASSOCIATION, INC., a North Carolina non-profit corporation, its successor and assigns.

Section 3. "Homeowners Common Area" shall mean and refer to all the real property to be owned by the Association for the common use and enjoyment of the Owners of Lots within CELEBRATION SQUARE and to be designated as "Homeowners Common Area," "Open Space" or "Private Streets." All water and sewer lines as well as any stormwater device which serves more than one lot which serve this development and which lie outside public right of way and City of Raleigh utility easements and are Homeowners Common Area. Utility lines which serve more than one Lot are Homeowners Common Area - even though located on an individual Lot.

Section 4. "Lot" shall mean and refer to any plot of land, with delineated boundary lines, appearing on any recorded subdivision map of the Properties, with the exception of the Homeowners Common Area and Parking Area, if any.

Section 5. "Member" shall mean and refer to every person or entity who holds membership in the Homeowners Association.

Section 6. "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 the Properties, including contract sellers, but excluding those having such interest merely as security for the performance of an obligation.

Section 7. "Person" shall mean and refer to any individual, corporation, partnership, association, limited liability company, trustee or other legal entity or combination thereof.

Section 8. "Properties" shall mean and refer to that real property described in Exhibit A of the Declaration and any additional land later annexed into the Association.

ARTICLE III

MEMBERSHIP AND VOTING RIGHTS

Section 1. Every Owner of a Lot which is subject to assessment by the Homeowners Association 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. The voting rights of the membership shall be appurtenant to the ownership of the Lots. There shall be two (2) classes of Lots with respect to voting rights:

(a) Class A Lots. Class A shall be all Lots except Class B Lots as the same are hereinafter defined. Each Class A Lot shall entitle the Owners of said Lot to one (1) vote. When more than one Person owns a interest (other than a leasehold or a security interest) in any Lot, all such Persons shall be Members and the voting rights appurtenant to their Lot shall be exercised as they, among themselves determine, but fractional voting shall not be allowed.

(b) Class B Lots. Class B Lots shall be all Lots owned by Declarant which have not been converted to Class A Lots as provided in subparagraphs (1) or (2) below. the Declarant shall be entitled to three (3) votes for each Class B Lot.

The Class B Lots shall cease to exist and shall be converted to Class A Lots:

(1) When the total number of votes appurtenant to the Class A Lots equals the total number of votes appurtenant to the Class B Lots; or

(2) On January 1st, 2001, whichever event shall first occur.

When the Class B Lots are converted to Class A Lots, Declarant shall have the same voting rights and maintenance assessments as other Owners of Class A Lots.

ARTICLE IV

MEETINGS OF MEMBERS

Section 1. Annual Meetings. The first annual meeting of the Members shall be held within one (1) year from the date of incorporation of the Association. Each subsequent regular annual meeting of the Members shall be held at 8:00 p.m. on the same day of the same month of each year thereafter. If the day for the annual meeting of the Members is a legal holiday, the meeting will be held at the same hour on the first day following which is not a legal holiday.

Section 2. Special Meetings. Special meetings of the Members may be called at any time by the President, the Secretary, or a majority of the members of the Board of Directors. A special meeting of the Members shall be called upon the written request of Members entitled to one-fourth (1/4) of the votes appurtenant to Class A Lots.

Section 3. Notice of Meetings. Except as otherwise provided in the Articles of Incorporation, the Declaration, or these By-Laws, written notice of each meeting of the Members shall be given to each Member entitled to vote thereat, such notice being given by or at the direction of the Secretary, Vice President, or Treasurer or other person authorized to call the meeting, by mailing a copy of such notice, postage prepaid, or by hand delivery, not less than fifteen (15) days nor more than fifty (50) days before the date of the meeting, addressed to the Member's address last appearing on the books of the Association for the purpose of notice. Such notice shall specify the place,

day and hour of the meeting and, in case of a special meeting, the exact purposes of the meeting, including the text of any proposals to be voted on at such special meeting. Waiver by a Member in writing of the notice required herein, signed by him before or after such meeting, shall be equivalent to the giving of such notice.

Section 4. Quorum. Except as otherwise provided in the Articles of Incorporation, the Declaration, or these By-Laws, the presence at the meeting of Members or of proxies entitled to case, one-tenth (1/10) of the votes appurtenant to each Class of Lots (Class A and Class B) shall constitute a quorum for any action.

Section 5. Proxies. At all meetings of Members, each Member may vote in person or by proxy. All proxies shall be in writing and filed with the Secretary. Every proxy shall be revocable and shall automatically cease upon conveyance by the Member of his Lot.

Section 6. 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 Homeowners Association to be kept in the minute book of the Association; provided that the time between the first consent in writing and the last consent in writing is no more than 45 days.

ARTICLE V

BOARD OF DIRECTORS

Section 1. General Powers. The business and affairs of the Association shall be managed by a Board of Directors.

Section 2. Number, Term and Qualification. The number of directors of the Association shall be three (3) until the first annual meeting of the Association, at which time the number of Directors shall be increase to five (5). At the first annual meeting, the Members shall elect one (1) director to serve for a term of one (1) year, two (2) directors to serve for a term of two (2) years, and two (2) directors to server for a term of three (3) years. At each annual meeting 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) are expiring to serve for a term of three (3) years. Each director shall hold office until his death, resignation, retirement, removal, disqualification, or his successor is elected and qualified. Directors need not be Members of the Association.

Section 3. 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 (2) or more Members of the Association. The Nominating committee shall be appointed by the Board of Directors prior to each annual meeting of the Members, to serve from the close of such annual meeting until the close of the next annual meeting, and such appointment shall be announced at each annual meeting. The Nominating Committee shall make as many nominations for election to the Board of Directors as it shall in its discretion determine, but not less than the number of vacancies that are to be filled. Such nominations may be made from among Members or Non-members.

Section 4. Election. Except as provided in this Article,

the directors shall be elected by secret written ballot at the annual meeting of the Members. In such election, the Members or their proxies may cast, with respect to each vacancy, as many votes as they are entitled under the provisions of these By-Laws. The persons receiving the highest number of votes shall be elected. Cumulative voting is not permitted.

Section 5. Removal. Any director may be removed from the Board, with or without cause, by a majority vote of the Members.

Section 6. Vacancies. A vacancy occurring in the Board of Directors may be filled by the selection by the remaining directors of a successor, who 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 7. Compensation. No director shall receive compensation for any service he may render to the Association in the capacity of director. However, any director may be reimbursed for actual expense incurred in the performance of his duties.

ARTICLE VI

MEETING OF DIRECTORS

Section 1. Regular Meetings. Regular meetings of the Board of Directors shall be held monthly, without notice and 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 Homeowners 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 or decision done or made by a majority of the directors present as a duly held meeting at which a quorum is present shall be regarded as the act of the Board.

Section 4. Informal Action by Directors. Any action which may be taken at a meeting of the Board of Directors may be taken without a meeting if written consent to the action so taken is signed by all the directors and filed with the minutes of the proceedings of the Board, whether done before or after the action is 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 Association is elected. Thereafter, the President shall serve as Chairman. In the event there is a vacancy in the office of President, a Chairman shall be elected by the Board of Directors to serve until a new President is elected.

ARTICLE VII

POWERS AND DUTIES OF THE BOARD OF DIRECTORS

Section 1. Powers. The Board of Directors shall have power to:

(a) adopt and publish rules and regulations governing the use of the Homeowners Common Area and the personal conduct of the Members and their guests thereon, and to establish penalties for

the infraction thereof;

(b) suspend a Member's or Tenant's voting rights and his right to use the Homeowners Common Area during any period in which he shall be in default in the payment of any assessment levied by the Homeowners pursuant to the provisions of the Declaration. Such rights may also be suspended after such notice and hearing as the Board, in its discretion, may determine, for a period not to exceed sixty (60) days for infraction of the published rules and regulations of the Association. Suspensions for tenants apply to those who violate Homeowners Association rules; or those tenants whose landlord is delinquent in paying Homeowners Association dues or assessments;

(c) exercise for the Association all powers, duties and authority vested in or delegated to the Association and not reserved to the Members by other provisions of these By-Laws, the Articles of Incorporation, or the Declarations;

(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, independent contractors, or such other employees as it deems necessary and prescribe their duties; and to contract with a management company to manage the operation of the Association. In the event a contract is entered into with a management company, such contract must be terminable by the Board of Directors without cause or penalty of ninety (90) days or less notice and any management contract made with the Declarant shall be for a period not to exceed three (3) years;

(f) employ attorneys to represent the Homeowners Association when deemed necessary;

(g) grant easements for the installation and maintenance of sewerage, utility including CATV or drainage facilities upon, over, under, and across the Homeowners Common Area without the assent of the Members, when such easements are necessary for the convenient use and enjoyment of the Properties; and

(h) appoint and remove at pleasure all officers, agents and employees of the Homeowners Association, prescribe their duties, fix their compensation, and require of them such security or fidelity bond as it may deem expedient.

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 Members entitled to at least one-fourth (1/4) of the votes appurtenant to Class A Lots;

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

(c) as more fully provided in the Declaration, to:

(1) fix the amount of the annual assessment against each Lot at least thirty (30) days before January 1 of each year;

(2) send written notice of each assessment to every Owner subject thereto at least fifteen (15) days before January 1 of each year; and

(3) as to any Lot for which an assessment is not paid within thirty (30) days after it becomes due, bring an action at law against the Owner personally obligated to pay the assessment or foreclose the lien against such Lot.

(d) issue, or cause an appropriate officer of the Association 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 such certificates. If a certificate states that an assessment has been paid, such certificate shall be conclusive evidence of such payment;

(e) procure and maintain adequate liability insurance covering the Homeowners Association in an amount no less than ONE MILLION AND NO/100 DOLLARS (\$1,000,000.00) and adequate hazard insurance on the real and personal property owned by the Homeowners Association;

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

(g) cause the Homeowners Common Area and all facilities erected thereon to be maintained;

(h) pay all ad valorem and public assessments levied against the real and personal property owned by the Association;

(i) cause exterior maintenance to be performed on townhomes as set forth in the Declaration.

Section 3. Enforcement. In addition to such other rights as are granted in the Act, the Articles of Incorporation, the Declaration, or these Bylaws, the Board of Directors shall have the power, pursuant to the procedures set forth in this Section, to impose sanctions for violations by an Owner, a member of his or her family, or any occupant, tenant, employee, guest, or invitee of the Owner, of the Declaration, these Bylaws, rules and regulations adopted by the Association or the Restrictive Covenants applicable to the Properties (hereinafter individually and collectively referred to as the "Rules"), which sanctions may include, but are not limited to, reasonable monetary fines, not to exceed the greater of the costs actually incurred by the Association in abating such violation including, without limitation, attorney's fees, or \$10.00 per day, or part thereof, in which the violation continues to exist for a first violation, \$25.00 per day for a second violation of the same rules or regulations, and \$100.00 per day for a third or subsequent violation, and which fines shall constitute a lien upon the Lot of the Owner, and suspension of the right to vote and the right to use any recreational amenities within the Common Area. In addition, the Board may suspend any services provided by the Association to an Owner or the Owner's Lot if the Owner is delinquent in paying any assessment or other charges owed to the Association. The failure of the Board to enforce any of the Rules shall not be deemed a waiver of the right to do so thereafter.

(a) Notice. Before imposition of any sanction, the Board or its delegate shall give the Owner written notice describing: (i) the nature of the alleged violation; (ii) the proposed sanction imposed; (iii) a period not less than 10 days within which the Owner may present a written request for a hearing; and (iv) a statement that the proposed sanction shall be imposed as contained in the notice unless a request for a hearing is received by the Board before the end of the period set forth in such notice (the "Notice Period"). Such notice may be hand delivered by any person or sent by certified mail, return receipt requested. Any notice hand delivered shall be deemed received when received by the Owner or by any person more than

18-years old who is present at the address of the Owner as shown on the records of the Association. Notice sent by certified mail shall be deemed received on the third business day after the same is deposited in the United States Mail. The Board shall include in its minutes evidence of the giving of such notice, including copy of the notice and statement of the date and manner of delivery signed by the officer, director, or agent who delivered such notice. The notice requirement shall be deemed satisfied if the alleged violator or its representative appears at the meeting, unless the appearance is made to protest the lack of notice.

If a request for a hearing is not received before the end of the Notice Period, the sanction stated in the notice shall be imposed; provided, however, that the Board may waive any proposed sanction if the violation is cured before the end of the Notice Period. Such waiver shall not constitute a waiver of right to sanction future violations of the same or other provisions and rules by any person.

(b) Hearing. If a hearing is timely requested, the hearing shall be held by the Board in executive session or by a committee of not less than three (3) Members (who may or may not be Directors of the Association) appointed by the Board for the purpose of hearing such appeals. The Owner shall be afforded a reasonable opportunity to be heard. A written statement of the results of the hearing of the sanctions, if any, imposed, shall be placed in the minutes of the Board and a copy of such statement shall be provided to the Owner in the same manner as the notice required by subsection (a) of this Section 3..

If the hearing was held before a subcommittee appointed by the Board, the Owner shall have the right to appeal the decision to the Board by giving a written notice of appeal to the President or Secretary of the Association within ten (10) days after receiving a copy of the written statement of the results of the hearing. If such notice of appeal is given, the Board shall schedule and notify the Owner of the date of the appeal hearing, which shall not be less than five nor more than fifteen (15) days after the notice of appeal is given, and which must be attended by not less than 75% of the members of the Board. The Owner shall be afforded a reasonable opportunity to be heard. The Board may, by majority vote of the Directors present at such appeal hearing, affirm, modify or reverse the decision of the subcommittee. A written statement of the results of the appeal hearing and the sanctions, if any, imposed, shall be placed in the minutes of the Board and a copy of same shall be provided to the Owner in the same manner as the notice required by subsection (a) of this Section 3.

(c) Additional Enforcement Rights. Notwithstanding anything to the contrary in this Article, the Board may elect to enforce any provision of the Rules, without the necessity of compliance with the notice and hearing procedures set forth herein, by self-help methods (specifically including, but not limited to, the towing of Owner and tenant vehicles parked in violation of parking rules) or by action at law in equity to enjoin any violation or to recover monetary damages or both. In any such action, to the maximum extent permissible, the Association shall be entitled to recover all losses or such action, including reasonable attorney's fees incurred. Any entry onto any lot for purposes of exercising this power of self-help shall not be deemed as trespass.

ARTICLE VIII

OFFICERS AND THEIR DUTIES

Section 1. Enumeration of Officers. The officers of the Association shall be a President and Vice-President, who shall at

all times be a Member of the Board of Directors, a Secretary, and a Treasurer, and such other officers as the Board may from time to time by resolution create.

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

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

Section 4. Special Appointments. The Board may elect such other officers as the affairs of the Association may require, each of whom shall hold office for such period, have such authority, and perform such duties as the Board may from time to time determine.

Section 5. Resignation and Removal. Any officer may be removed from office, with or without cause, by the Board. Any officer may resign at any time by giving written notice to the Board, the President or the Secretary. Such resignation shall take effect on the date of receipt of such notice or at any later time specified therein, and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 6. Vacancies. A vacancy in any office may be filled by appointment by the Board. The officer appointed to such vacancy shall serve for the remainder of the term of the officer he replaces.

Section 7. Multiple Officers. The offices of Secretary and Treasurer may be held by the same person. No person shall simultaneously hold more than one (1) of any of the other offices except in the case of special offices created pursuant to this Article.

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, shall see that orders and resolutions of the Board are carried out, shall sign all leases, promissory notes, mortgages, deeds and other written instruments, and, in the absence of the Treasurer, shall sign all checks.

(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 corporate seal of the Homeowners Association and affix it on all papers requiring a seal, service notice of meetings of the Board and of the Members of the Association and their addresses, and perform such other duties as required by the Board.

(d) Treasurer. The Treasurer shall receive and deposit in appropriate bank accounts all funds of the Homeowners Association and shall disburse such funds as directed by resolution of the Board of Directors, shall sign all checks of the Association, shall keep proper books of account, shall cause a annual audit of the Association books to be made by an independent 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.

ARTICLE IX

COMMITTEES

The Board of Directors of the Homeowners Association shall appoint a Nominating Committee, as provided in these By-Laws, and may appoint an Architectural Control Committee, as provided in the Declaration. The Board of Directors may appoint such other committees as it deems appropriate in carrying out its purposes.

ARTICLE X

BOOKS AND RECORDS

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

ARTICLE XI

ASSESSMENTS

As more fully provided in Article IV of the Declaration, each Member is obligated to pay to the Homeowners Association annual and special assessments which are secured by a continuing lien upon the property against which the assessment is made. Any assessments which are not paid when due shall be delinquent. If the assessment is not paid within thirty (30) days after the due date, the assessment bear interest from the date of delinquency at the rate of ten percent (10%) per annum or the maximum interest rate allowed by law, whichever is less, plus such late charge as may be established by the Board of Directors, and the Homeowners Association may bring an action at law against the Owner personally obligate to pay the same or foreclose the lien against the Lot for which such assessment is due. Interest, costs, and reasonable attorney's fees of any such action shall be added to the amount of such assessment. No Owner may waive or otherwise escape liability for the assessments provided for herein by nonuse of the Homeowners Common Area or abandonment of his dwelling unit.

ARTICLE XII

CORPORATE SEAL

The Homeowners Association shall have a seal in circular form having within its circumference the words: CELEBRATION SQUARE HOMEOWNERS ASSOCIATION, INC.

ARTICLE XIII

Section 1. Amendments. These By-Laws may be amended, at a regular or special meeting of the Members, by a vote of a majority of a quorum of Members present at a meeting duly called for such purpose in person or by proxy, except that the Federal Housing Administration or the Veterans Administration shall have the right to veto amendments while there is Class B Membership.

Section 2. Conflicts. In the case of any conflicts between

the Articles of Incorporation and these By-Laws, the Articles shall control; and in the case of any conflict between the Declaration and these By-Laws, the Declaration shall control.

ARTICLE XIV

MISCELLANEOUS

The fiscal year of the Homeowners Association shall begin on the first (1st) day of January and end on the thirty-first (31st) day of December of every year, except that the first fiscal year shall begin on the date of incorporation.