

BY-LAWS
OF
WALDEN TOWNES HOMEOWNER'S ASSOCIATION, INC.

ARTICLE I

NAME AND PURPOSE OF THE CORPORATION

Section 1. Name:

This corporation shall be known as WALDEN TOWNES HOMEOWNER'S ASSOCIATION, INC.

Section 2. Purposes:

The corporation has been organized for the following purposes:

A. To promote the health, safety and welfare of the Owners and residents of the Properties;

B. To provide for the preservation of the values and amenities of the Properties;

C. To own, acquire, lease, build, operate and maintain on the Properties open spaces and other common areas and facilities for the benefit of the residents of the Properties;

D. To promote fellowship and friendship among its Members and to provide an area to hold meetings and social gatherings for the better realization of such purposes;

E. To provide a forum for the expression of ideas and plans with regard to the improvement of social, recreational and general living conditions in the Properties and to take steps toward the fulfillment of said ideas and plans.

ARTICLE II

DEFINITIONS

Section 1. "Association" shall mean and refer to Walden Townes Homeowner's Association, Inc., a nonprofit corporation organized and existing under the laws of the State of North Carolina.

Section 2. "Properties" shall mean and refer to that property encompassed within the parcel or tract of land described on Exhibit A to the Declaration, and incorporated therein by amendment thereto.

Section 3. "Common Properties" shall mean and refer to those areas of land now or hereafter so designated on any recorded subdivision plat of a portion of the Properties or hereinafter deeded to the Association and intended to be devoted to the common use and enjoyment of the owners of the Properties, and more particularly shall mean and refer to commons, streets, paths and shall include equipment and personal properties incident thereto, and any other Properties owned and maintained by the Association for the common benefit and enjoyment of the owners and residents of the Properties.

Section 4. "Lot" shall mean and refer to any plot of land shown upon any recorded subdivision map of the Properties with the exception of the Common Properties as heretofore defined.

Section 5. "Living Unit" shall mean and refer to any portion of a building situated upon the Properties designed and intended for use and occupancy as a residence by a single family whether as Owners or tenants.

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 or Living Unit situated upon the Properties but, notwithstanding any applicable theory of the deed of trust, shall not mean or refer to the Trustee or cestui que trust unless and until there has been a transfer of title pursuant to foreclosure or any proceeding in lieu of foreclosure.

Section 7. "Member" shall mean and refer to all those owners who are members of the Association as provided in Article IV, Section 1, hereof.

Section 8. "Declaration" shall mean the Declaration of Covenants and Restrictions recorded in Book _____, Page _____, Wake County Registry.

Section 9. "Developer" shall mean WALDEN TOWNES, INC., a North Carolina Corporation, or its successors and assigns.

ARTICLE III

LOCATION

The principal office of the Association shall be located at Post Office Box 381, Wrightsville Beach, New Hanover County, North Carolina, 28402.

ARTICLE IV

MEMBERSHIP

Section 1. Every person or entity who is an Owner of a fee or undivided fee interest in any Lot or Living Unit or undeveloped and undesignated land which is subject to the Declaration shall be a Member of the Association, provided that any such person or entity who holds such interest merely as a security for the performance of an obligation shall not be a Member.

Section 2. The rights of membership are subject to the payment of annual and special assessments levied by the Association, the obligation of which assessments is imposed against each Owner of and becomes a lien upon the property against which such assessments are made as provided by Article V of the Declaration or any Supplemental Declaration of Covenants and Restrictions to which the Properties are subject.

Section 3. The rights and privileges of any person to use the recreational facilities and amenities of the Association, which person's interest in the Properties is subject to assessments under Article IV, Section 2, whether or not he be personally obligated to pay such assessments, may be suspended by action of the Directors during the period when the assessments remain unpaid; but, upon payment of such assessments, his rights and privileges shall be automatically restored. If the Directors have adopted and published rules and regulations governing the use of the Common Properties and facilities and the personal conduct of any person thereon, as provided in Article X, Section 1, they may, in their discretion, suspend the rights and privileges of any such person to use the recreational facilities and amenities of the Association for violation of such rules and regulations for a period not to exceed thirty (30) days.

ARTICLE V

VOTING RIGHTS

Section 1. The Association shall have two classes of voting membership. The classes, and the voting privileges of each, are as specified in the Declaration.

Section 2. Designation of Voting Representatives. If a Lot or Living Unit is owned by one person his right to vote shall be established by the record title to this Property. If a Lot or Living Unit is owned by more than one person, or is under lease, the person entitled to cast the vote for said Lot shall be designated by a certificate signed by all of the record owners of

said Property and filed with the secretary of the Association. If a Lot or Living Unit is owned by a corporation, the person entitled to cast the vote for said property shall be designated by a certificate of appointment signed by the president, vice president or secretary of the corporation and filed with the secretary of the Association. Such certificates shall be valid until revoked or until superseded by a subsequent certificate or until a change in the ownership of the Lot or Living Unit.

ARTICLE VI

PROPERTY RIGHTS AND RIGHTS OF ENJOYMENT OF COMMON PROPERTY

Section 1. Each Member shall be entitled to the use and enjoyment of the Common Properties and facilities as provided in Article IV of the Declaration.

Section 2. Any Member may delegate his rights of enjoyment in the Common Properties and facilities to the members of his family who reside upon the Properties. Such Member shall notify the Secretary in writing of the name of any such person and of the relationship of the Member to such person. The rights and privileges of such person are subject to suspension under Article IV, Section 3, to the same extent as those of the Member.

ARTICLE VII

POWERS OF THE ASSOCIATION

Section 1. Additions to Properties and Membership.

Additions to the Properties may be made only in accordance with the provisions of the Declaration. Such additions, when properly made under the Declaration, shall extend the jurisdiction, functions, duties and membership of this Association to such Properties. Where the applicable covenants require that certain additions be approved by the Association, the approval must have the assent of two-thirds (2/3) of the vote of each class of Members who are voting in person or by proxy at a meeting duly called for this purpose, written notice of which shall be mailed to all Members at least thirty (30) days in advance, and shall set forth the purpose of the meeting.

Section 2. Mergers and Consolidations.

Subject to the provisions of the Declaration and to the extent permitted by law, the Association may participate in mergers and consolidations with other nonprofit corporations organized for the same purposes, provided that any such merger or consolidation shall have the assent of two-thirds (2/3) of the votes of each class of Members who are voting in person or by proxy at a meeting duly called for this purpose, written notice of which shall be mailed to all Members at least thirty (30) days in advance, and shall set forth the purpose of the meeting.

Section 3. Mortgages: Other Indebtedness.

The Association shall have power to mortgage its Common Property only to the extent authorized under the Declaration.

The total debts of the Association, including the principal amount of such mortgages outstanding at any time shall not exceed the total of five (5) years assessments current at that time, provided, that authority to exceed said maximum in any particular case may be given by an affirmative vote of two-thirds (2/3) of the votes of each class of Members who are voting in person or by proxy at a meeting duly called for this purpose, written notice of which shall be mailed to all Members at least thirty (30) days in advance and shall set forth the purpose of the meeting.

Section 4. Dedication.

The Association shall have the power to dispose of its real Properties only as authorized under the Declaration.

ARTICLE VIII

BOARD OF DIRECTORS

Section 1. Generally.

The affairs of the Association shall be managed by a board of three (3) directors. The initial Board of Directors shall consist of three (3) directors who shall hold office until the first meeting of the Members of the Association or until their successors are elected and qualified. At the first membership meeting the Members shall elect three (3) directors who shall hold office until the first annual meeting. At the first annual meeting the Members shall elect one (1) director for a term of three (3) years, one (1)

director for a term of two (2) years, and one (1) director for a term of one (1) year. At each succeeding annual meeting, the Members shall elect directors for a term of three (3) years to fill the expired terms.

Section 2. Vacancies.

Vacancies on the Board of Directors shall be filled by the majority of the remaining directors, and any such appointed directors shall hold office during the unexpired term of their predecessor.

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.

Section 4. Compensation.

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

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 IX

ELECTION OF DIRECTORS; NOMINATING COMMITTEE; ELECTION COMMITTEE

Section 1. Election of the Board of Directors shall be by written ballot as hereinafter provided. At such election the Members or their proxies may cast, in respect of each vacancy, as many votes as they are entitled to exercise under the provisions of the Declaration. The candidates receiving the largest number of votes shall be elected. Votes may not be cast cumulatively.

Section 2. Nominations for election to the Board of Directors shall be made by a Nominating Committee which shall be one of the standing committees of the Association.

Section 3. 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 such annual meeting.

Section 4. 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, as the committee in its discretion shall determine. Additional nominations from the floor may be made at the time of the election.

Section 5. All elections to the Board of Directors at and after the first annual meeting shall be made on written ballot which shall clearly list the names of the persons for whom the vote is being cast and the terms of office if necessary. The Chairman of the meeting shall appoint one or more persons to count the ballots and report the results.

ARTICLE X

POWERS AND DUTIES OF THE BOARD OF DIRECTORS

Section 1. The Board of Directors shall have power:

A. To call special meetings of the Members whenever it deems necessary, and it shall call a meeting at any time upon written request of one-fourth (1/4) of the voting membership;

B. To generally govern the Association in accord with the Declaration and the Charter and By-Laws of this Association including, without limitation, to appoint and remove at pleasure all officers, agents and employees of the corporation, prescribe their duties, fix their compensation, and require of them such security or fidelity bond as it may deem expedient. Nothing contained in these By-Laws shall be construed to prohibit the employment of any Member, officer or director of the Association in any capacity whatsoever;

C. To establish, levy and assess, and collect the assessments or charges referred to in the Declaration;

D. To adopt and publish rules and regulations governing the use of the Common Properties and the personal conduct of the Members and their guests thereon;

E. To exercise for the Association all powers, duties and authority vested in or delegated to this organization, except those reserved to the Members in the Declaration;

F. In the event that any member of the Board of Directors of the Association shall be absent from three (3) consecutive regular meetings of the Board of Directors, the Board may by action taken at the meeting during which said third absence occurs, declare the office of said absent director to be vacant.

G. To prepare and enforce, directly or indirectly, the rules and regulations governing activities within the boundaries of the Properties. For purposes of enforcement of these rules, regulations and By-Laws against all persons not Members, each Member of the Association is hereby delegated sufficient authority from the officers and directors as will legally entitle that Member to act on behalf of the Association.

Section 2. It shall be the duty of the Board of Directors:

A. To 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 is requested in writing by one-fourth (1/4) of the voting membership.

B. To supervise all officers, agents and employees of this organization, and to see that their duties are properly performed.

C. To employ and discharge such management as the Directors may deem necessary.

D. To adopt a budget and authorize expenditures.

E. As more fully provided in Article V of the Declaration applicable to the Properties:

1. To fix the amount of the assessment against each Lot or Living Unit for each assessment period at least thirty (30) days in advance of such date or period and, at the same time;

2. To prepare a roster of the Properties and assessments applicable thereto which shall be kept in the office of the

Association and shall be open to inspection by any Member and, at the same time;

3. To send written notice of each assessment to every Owner subject thereto.

F. To issue, or to cause an appropriate officer to issue, upon demand by any person a certificate setting forth whether any assessment has been paid. Such certificate shall be conclusive evidence of payment of any assessment therein stated to have been paid.

ARTICLE XI

DIRECTOR'S MEETINGS

Section 1. A regular meeting of the Board of Directors shall be held at least every month at a day and hour to be established by resolution.

Section 2. Notice of such regular meeting is hereby dispensed with. If the day for the regular meeting shall fall upon a holiday, the meeting shall be held at the same hour on the first day following which is not a holiday and no notice thereof need be given.

Section 3. Special meetings of the Board of Directors shall be held when called by any officer of the Association or by any two directors after not less than three (3) days' notice to each director.

Section 4. The transaction of any business at any meeting of the Board of Directors, however called and noticed, or wherever held, shall be as valid as though made at a meeting duly held after regular call and notice if a quorum is present and, if either before or after the meeting each of the directors not present signs a written waiver of notice, or a consent to the holding of such meeting, or an approval of the minutes thereof. All such waivers, consents or approvals shall be filed with the corporate records and made a part of the minutes of the meeting.

Section 5. The majority of the Board of Directors shall constitute a quorum thereof.

Section 6. The secretary shall be ex-officio the secretary of the Board of Directors and shall record the votes and keep the minutes of all proceedings in a book to be kept for that purpose. He shall keep the records of the Association. He shall record in a book

kept for that purpose the names of all Members of the Association together with their addresses as registered by such Members.

Section 7. The treasurer shall receive and deposit in appropriate bank accounts all monies of the corporation and shall disburse such funds as directed by resolution of the Board of Directors, provided however, that a resolution of the Board of Directors shall not be necessary for disbursement made in the ordinary course of business conducted within the limits of a budget adopted by the Board. Two (2) officers of the corporation shall co-sign all checks.

Section 8. The treasurer shall keep proper books of account and cause an annual review of the Association books to be made by a certified public accountant, or by audit committee appointed by the Board of Directors, at the completion of each fiscal year. He shall prepare an annual budget and an annual balance sheet statement, and the budget and balance sheet statement shall be presented to the membership at its regular annual meeting. He shall be responsible for the preparation of such tax returns as may be required.

Section 9. 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 10. 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 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 11. 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 12. Multiple Offices.

The offices of the secretary and treasurer may be held by the same person. No person shall simultaneously hold more than one of any of the other offices.

ARTICLE XIII

COMMITTEES

Section 1. The standing committees of the Association shall be:

The Nominating Committee
The Maintenance Committee
The Aesthetics Committee

Unless otherwise provided herein, each committee shall consist of a chairman and two or more members and shall include a member of the Board of Directors for board contact. The committees shall be appointed by the Board of Directors prior to each annual meeting 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 such annual meeting. The Board of Directors may appoint such other committees as it deems desirable.

Section 2. The Nominating Committee shall have the duties and functions described in Article IX.

Section 3. The Maintenance Committee shall advise the Board of Directors on all matters pertaining to the maintenance, repair or improvements of the Common Properties and facilities of the Association, and shall perform such other functions as the Board, in its discretion, determines.

Section 4. The Aesthetics Committee shall have the duties and functions described in Article VIII of the Declaration. It shall watch for any proposals, programs, or activities which may adversely affect the residential value of the Properties and shall advise the Board of Directors regarding organization action on such matters.

Section 5. With the exception of the Nominating Committee and the Aesthetics Committee (but then only as to the functions that are governed by Article VIII of the Declaration), each committee shall have power to appoint a subcommittee from among its membership and may delegate to any such subcommittee any of its powers, duties and functions.

Section 6. It shall be the duty of each committee to receive complaints from Members on any matter involving corporate functions, duties, and activities within its field of responsibility. It shall dispose of such complaints as it deems appropriate.

ARTICLE XIV

MEETINGS OF MEMBERS

Section 1. The first annual meeting of the Members shall be held at the place and time specified in the notice of the meeting; and regular annual meetings will be held on the same month in succeeding years. If the day for the annual meeting of the Members shall fall upon a holiday, the meeting will be held at the same hour on the first day following which is not a holiday.

Section 2. Special meetings of the Members for any purpose may be called at any time by the president, the vice president, the secretary or treasurer, or by any two or more members of the Board of Directors or upon written request of Members who have a right to vote one-fourth (1/4) of the votes of the Class A membership.

Section 3. Notice of any meetings shall be given to the Members by the secretary. Notice may be given to the Member either personally, by delivery to his mailbox, or by sending a copy of the notice through the mail postage thereon fully prepaid to his address appearing on the books of the corporation. Each Member shall register his address with the secretary and notices of meeting regular or special shall be sent at least six (6) days in advance of the meeting and shall set forth in general the nature of the business to be transacted, provided, however, that if the business of any meeting shall involve an election governed by Article IX or any action governed by the Articles of Incorporation or by the Declaration, the required notice shall be given at least fifteen (15) days prior to the meeting.

Section 4. The presence at the meeting of Members entitled to cast, or of proxies entitled to cast, ten percent of the votes of each class of membership shall constitute a quorum for any action governed by these By-Laws. Any action governed by the Articles of Incorporation or by the Declaration applicable to the Properties shall require a quorum as therein provided.

Section 5. The president, or in his absence the vice president, shall preside at the meeting and the secretary shall be responsible for recording minutes of the proceedings.

ARTICLE XV

PROXIES

Section 1. At all corporate meetings of Members, each Member may vote in person or by proxy.

Section 2. All proxies shall be in writing and filed with the secretary. No proxy shall extend beyond a period of eleven (11) months, and every proxy shall automatically cease upon sale by the Member of his Lot or other interest in the Properties.

ARTICLE XVI

BOOKS AND RECORDS

The books, records and papers of the Association shall at all times, during reasonable business hours, be subject to the inspection of any Members.

ARTICLE XVII

CORPORATE SEAL

The corporate seal of the Association shall consist of two concentric circles between which are the words WALDEN TOWNES HOMEOWNER'S ASSOCIATION, INC., Wake County, N.C., and in the center of which is inscribed "SEAL"; and such seal, as impressed on the margin hereof, is hereby adopted as the corporate seal of the Association.

ARTICLE XVIII

AMENDMENTS

Section 1. These By-Laws may be amended at a regular or special meeting of the Members, by a vote of a two-thirds (2/3) of a quorum of each class of Members present in person or by proxy, provided that those provisions of these By-Laws which are governed by the Articles of Incorporation of this Association may not be amended except as provided in the Articles of Incorporation or applicable law; and provided further that any matter stated herein to be or which is in fact governed by the Declaration may not be amended except as provided in such Declaration.

Section 2. In the case of any conflict 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 XIX

ASSESSMENTS

As more fully provided in the Declaration, each Member is obligated to pay to the Association annual and special assessments which are

secured by a continuing lien upon the 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 shall bear interest from the date of delinquency at the rate of ten percent (10%) per annum, 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, and 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 non-use of the Common Properties or abandonment of his Lot.

ARTICLE XX

INDEMNIFICATION

Any person who at any time serves or has served as a director, officer, employee or agent of the Association, or in such capacity at the request of the Association for any other association, partnership, joint venture, trust or other enterprise, shall have a right to be indemnified by the Association to the fullest extent permitted by law against (a) reasonable expenses, including attorney fees, actually and necessarily incurred by him in connection with any threatened or pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, and whether or not brought by or on behalf of the Association, seeking to hold him liable by reason of the fact that he is or was acting in such capacity, and (b) reasonable payments made by him in satisfaction of any judgment, money decree, fine, penalty, or settlement for which he may become liable in any such action, suit or proceeding.

The Board of Directors of the Association shall take all such action as may be necessary and appropriate to authorize the Association to pay the indemnification required by these By-Laws, including without limitation, to the extent needed, making a good faith evaluation of the manner in which the claimant for indemnity acted and of the reasonable amount of indemnity due him and giving notice to, and obtaining approval of, the members of the Association.

Any person who at any time after the adoption of these By-Laws serves or has served in any of the aforesaid capacities for or on behalf of the Association shall be deemed to be doing or to have done so in reliance upon, and as consideration for, the right of indemnification provided herein. Such right shall inure to the benefit of the legal representatives of any such person and shall not be exclusive of any other rights to which such person may be entitled apart from the provisions of these By-Laws.

The Association shall have authority to assess the members of the Association, in the manner of a special assessment, to collect monies necessary to carry out its obligations in accordance with the indemnity provisions of this Article. Such assessment may be made, however, without vote of the members as is required for other special assessments, as the payment of such obligation is an obligatory, and not optional, payment of the Association.

IN WITNESS WHEREOF, we, being all of the directors of the Walden Townes Homeowner's Association, Inc., have hereunto set our hands and seals, this the 11 day of November, 1996.

Marsha K Cowart (SEAL)

MARSHA K. COWART

John A. Elmore, II (SEAL)

Jack Lichtner (SEAL)

CERTIFICATION

I, the undersigned, do hereby certify:

THAT I am the duly elected and acting Secretary of Walden Townes Homeowner's Association, Inc., a North Carolina nonprofit corporation, and,

THAT the foregoing By-Laws constitute the original By-Laws of said Association, as duly adopted at a meeting of the Board of Directors thereof, held on the 11 day of November 1996.

Marsha K Cowart

Misc/Walden.Law
11-05-96