

By-Laws

of

**WATERFORD GREEN
HOMEOWNERS ASSOCIATION**

INCORPORATED UNDER THE LAWS OF

The State of North Carolina

BY-LAWS OF WATERFORD GREEN. HOMEOWNERS ASSOCIATION

ARTICLE I. NAME AND LOCATION

Section 1.1 The name of the non-profit corporation is the Waterford Green Homeowners Association. The principal office of the corporation shall be located at 117 Edinburgh South, Cary, Wake County, North Carolina, but meetings of members and directors may be held at such places within the County of Wake and State of North Carolina as may be designated by the Board of Directors.

Section 1.2 The registered office of the corporation required by law to be maintained in the State of North Carolina may be, but need not be, identical with the principal office.

ARTICLE II. DEFINITIONS

Section 2.1. "Waterford Green Homeowners Association [or] the Association" shall mean and refer to the Waterford Green Homeowners Association, a North Carolina non-profit corporation, its successors and assigns.

Section 2.2. "Waterford Green [or] the community" shall mean the Waterford Green community and shall refer to that certain real property subject to the Declaration of Covenants, Conditions and Restrictions for Waterford Green recorded in the Office of the Register of Deeds for Wake County, North Carolina (hereinafter called "the Declaration [or] Master Covenants"), and such additions thereto as may hereafter be brought within the jurisdiction of the Waterford Green Homeowners Association.

Section 2.3. "Common Area" shall mean and refer to all real property within Waterford Green owned by the Waterford Green Homeowners Association for the common use and enjoyment of all Members.

Section 2.4. "Member" shall mean and refer to every person or entity entitled to membership in the Waterford Green Homeowners Association as provided in this Declaration.

Section 2.5. "Lot" shall mean and refer to any numbered plot of land shown upon any recorded subdivision map of Waterford Green with the exception of Common Area and dedicated or public streets.

Section 2.6. "Owner" shall mean and refer to the record owner, whether one or more persons or entities, of a fee simple title to any Lot which is a part of Waterford Green, including contract sellers, but excluding those having such interest merely as

security for the performance of an obligation.

Section 2.7. "Board of Directors [or] Board" means those persons elected or appointed to act collectively as the directors of the Waterford Green Homeowners Association.

Section 2.8. "Book of Resolutions" shall mean and refer to the document containing rules and regulations and policies adopted by the Board of Directors for the management, governance and administration of the Waterford Green Homeowners Association and its Members.

Section 2.9. "VA" shall mean Veterans Administration, or its successor, and "HUD" shall mean Department of Housing and Urban Development, or its successor.

Section 2.10. "Bylaws" mean the Bylaws of Waterford Green Homeowners Association as they now or hereafter exist.

Section 2.11. "Declarant" shall mean and refer to TEN TEN ASSOCIATES, a North Carolina general partnership, and its successors and assigns which are specifically designated as a successor Declarant.

Section 2.12. "Manager" shall mean and refer to any person employed by the Board of Directors as a professional association manager, pursuant to the provisions of the Bylaws, to manage the affairs of the Association.

ARTICLE III. MEETINGS OF MEMBERS

Section 3.1 Place of Meetings. All meetings of members shall be held at the principal office of the corporation, or at such other place, either inside or outside the State of North Carolina, as shall in each case be: (i) fixed by the President or the Board of Directors and designated in the notice of the meeting or (ii) agreed upon by a majority of the members entitled to vote at the meeting.

Section 3.2 Annual Meetings. The first annual meeting of the Members shall be held within two (2) years from the date of incorporation of the Association, on the date and at the time and place set forth by the Board of Directors in its rules, regulations, and/or resolutions, and each subsequent regular annual meeting of Members shall be held in October of each year on any day (except Saturday, Sunday or a legal holiday) in that month as determined by the Board of Directors.

Section 3.3 Substitute Annual Meeting. If the annual meeting shall not be held on the day designated by these bylaws, a substitute annual meeting may be called in accordance with the provisions of Section 2.4. A meeting so called shall be designated and treated

for all purposes as the annual meeting.

Section 3.4 Special Meetings. Special meetings of the members may be called at any time by the President or by the Board of Directors, or upon written request of the Members who are entitled to vote one-fourth (1/4) of all of the votes of the membership.

Section 3.5 Notice of Meetings. Written notice stating the date, time and place of each meeting of the Members shall be given by or at the direction of the Secretary, or other person authorized to call the meeting, by mailing a copy of such notice, postage prepaid, at least thirty (30) days before such meeting to each Member entitled to vote at such meeting, addressed to the Member's address last appearing on the books of the Association, or supplied by such Member to the Association for purposes of providing such notice. If mailed, such notice shall be deemed to be effective when deposited in the United States mail, with postage thereon prepaid.

In the case of a special meeting, the notice of meeting shall include a description of the purpose or purposes for which the meeting is called; but, in the case of an annual or substitute annual meeting, the notice of meeting need not include a description of the purposes for which the meeting is called unless such a description is required by law.

Section 3.6. Quorum. The presence at the meeting of Members eligible to vote or authorized proxies amounting to one-tenth (1/10) of the votes entitled to be cast shall constitute a quorum for any action except as otherwise provided in the Articles of Incorporation, the Declaration, or these Bylaws. If, however, such quorum shall not be present or represented at any meeting, the Members entitled to vote thereat shall have the power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum as aforesaid shall be present or be represented.

Section 3.7. Proxies. At all meetings of Members, each Member may vote in person or by proxy. All proxies shall be in writing and filed with the secretary. Every proxy shall be revocable and shall automatically cease upon the conveyance by any Member of his Lot.

ARTICLE IV.

BOARD OF DIRECTORS: SELECTION AND TERM OF OFFICE

Section 4.1. Number and Qualification. The affairs of the Waterford Green Homeowners Association shall be managed by a Board of not fewer than three (3) nor more than five (5) directors, as determined by the Declarant or the Members under the terms of Article V of these Bylaws. Directors need not be Members of the Association. The initial Board shall consist of three (3) directors designated by the Declarant.

Section 4.2. Term of Office for Directors. The initial directors shall serve until the first meeting of Members of the Association, or until such director's death, resignation or removal. Subject to the provisions of Article V, Section 1 of these Bylaws, at the first annual meeting of Members, three directors shall be elected, one of whom shall serve for a three (3) year term, one of whom shall serve for a two (2) year term, and the other of whom shall serve for a one (1) year term. The term of every director thereafter shall expire at the annual meeting of Members two (2) years after the director's election or upon such director's death, resignation or removal (i.e., the Board of the Association shall have staggered terms such that one director transitions off the Board each year but all the remaining directors continue, and each director, after the three initial directors serve their first term, shall serve two year terms).

The term of a director elected to fill a vacancy expires at the next Members' meeting at which directors are elected. A decrease in the number of directors does not shorten an incumbent director's term. Despite the expiration of a director's term, such director shall continue to serve until a successor shall be elected and qualifies or until there is a decrease in the number of directors.

Section 4.3. Removal. Any director, other than those selected by Declarant, may be removed from the Board at any time with or without cause by a vote of the Members if the number of votes cast to remove such director exceeds the number of votes cast not to remove him. A director may not be removed by the Members at a meeting unless the notice of the meeting states that the purpose, or one of the purposes, of the meeting is removal of the director. If any directors are so removed, new directors may be elected at the same meeting. In the event of death, resignation or removal of a director, his successor shall be selected by the remaining Members of the Board and shall serve for the unexpired term of his predecessor.

Section 4.4. 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 4.5. Action Taken Without A Meeting. Action required or permitted to be taken at a meeting of the Board of Directors may be taken without a meeting if the action is taken by the written approval of all members of the Board. The action must be evidenced by one or more written consents signed by each director before or after such action, describing the action taken, and included in the minutes or filed with the corporate records.

**ARTICLE V.
NOMINATION AND ELECTION OF DIRECTORS**

Section 5.1. Nomination and Election of Directors While Declarant has the Right to Select and Designate a 75% Majority of the Board of Directors. So long as Declarant shall have the right to select and designate a majority of the Board of Directors, election of directors shall be conducted in the following manner:

(a) The Declarant shall, at the beginning of the election of the Board of Directors, designate and select that number of the members of the Board of Directors which it shall be entitled to designate and select in accordance with the provisions of these Bylaws and the Declaration. Upon such designation and selection the Declarant shall present by written instrument said individuals to the meeting at which such election is held and upon presentation, such individuals shall be deemed and considered for all purposes directors of Waterford Green Homeowners Association. Thenceforth, the designated individuals shall perform the offices and duties of such directors until their successors shall have been selected or elected in accordance with the provisions of these Bylaws.

(b) At the first Annual Meeting of Waterford Green Homeowners Association, Declarant shall have the right to designate and select three (3) directors whose term of office shall be staggered as provided in Article IV of these Bylaws.

(c) Any members of the Board of Directors whom Declarant shall not be entitled to designate and select under the terms and provisions of these Bylaws shall be elected by a plurality of the votes cast at the Annual Meeting of the Members of Waterford Green Homeowners Association immediately following the designation and selection described above.

(d) In the election of directors, there shall be appurtenant to each Lot as many votes for directors as there are directors to be elected, provided, however, that no Member or Owner of one (1) Lot 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. Notwithstanding the fact that Declarant may be entitled to designate and select a Seventy-Five per cent (75%) majority of the members of the Board of Directors, it, as a Class B Member, shall still be entitled to cast the number of votes for each Lot owned by it in the elections of other directors as provided in the Declaration; provided, however, that the other directors elected are persons other than officers, directors, shareholders, partners and employees of Declarant, or wives and relatives of any such persons.

(e) Vacancies in the Board of Directors may be filled until the date of the next Annual Meeting by the remaining directors, except that should any vacancy in the Board of Directors be

created in any directorship previously filled by any person designated and selected by Declarant, such vacancy shall be filled by Declarant designating and selecting, by written instrument delivered to any officer of Waterford Green Homeowners Association, the successor director for the unexpired term thereof.

(f) In the event that Declarant, in accordance with the rights herein established, selects any person or persons to serve on any Board of Directors of Waterford Green Homeowners Association, Declarant shall have the absolute right at any time, in its sole discretion, to replace such person(s) with another person(s) to serve on said Board of Directors. Replacement of any person(s) designated by Declarant to serve on any Board of Directors of Waterford Green Homeowners Association shall be made by written instrument delivered to any officer of Lochmere Association, which instrument shall specify the name(s) of the person(s) to be replaced and the name(s) of the person(s) designated as successor(s) to the person(s) so removed from said Board of Directors. The removal of any director and designation of his successor shall be effective immediately upon delivery of such written instrument by Declarant to any officer of the Association.

Section 5.2. Nomination and Election of Directors After Declarant's Right to Select and Designate a 75% Majority of the Board of Directors Expires.

(a) 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 to serve 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.

(b) Election to the Board of Directors shall be by secret written ballot. At such election, the Members may cast or their proxies may authorize to be cast, in respect to each vacancy, as many votes as they are entitled to exercise under the provisions of the Declaration. The persons receiving the largest number of votes shall be elected. Cumulative voting is not permitted.

**ARTICLE VI.
MEETING OF DIRECTORS**

Section 6.1 Regular Meetings. Regular meetings of the Board of Directors shall be held at least annually without notice at such

place and hour as may be fixed from time to time by resolution of a majority of the Board. Should such 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 6.2. 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 advance written notice to each director.

Section 6.3. Waiver of Notice. Any director may waive notice of any meeting before or after the meeting. The waiver must be in writing, signed by the director entitled to the notice and delivered to the corporation for inclusion in the minutes or filing with the corporate records. A director's attendance at or participation in a meeting waives any required notice of such meeting unless the director at the beginning of the meeting, or promptly upon arrival objects to holding the meeting or to transacting business at the meeting and does not thereafter vote for or assent to action taken at the meeting.

Section 6.4. Quorum. Unless the articles of incorporation or these bylaws provide otherwise, a majority of the number of directors fixed by or pursuant to these Bylaws shall constitute a quorum for the transaction of business at any meeting of the Board of Directors, or if no number is so fixed, a majority of directors in office immediately before the meeting begins shall constitute a quorum. Every act or decision done or made by a majority of the directors present at a duly held meeting at which a quorum is present shall be regarded as the act of the Board.

ARTICLE VII. POWERS AND DUTIES OF THE BOARD OF DIRECTORS

Section 7.1. 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, the personal conduct of the Members and their guests thereon, and to establish fines, fees or penalties for the infraction thereof;

(b) suspend the voting rights and right to the use of any recreational facilities or Common Area by a Member or any person to whom he has delegated his right of enjoyment during any period in which such Member shall be in default in the payment of any assessment levied by the Waterford Green Homeowners Association. Such voting rights may also be suspended after notice and hearing, for a period not to exceed sixty (60) days for each infraction of published rules and regulations.

(c) exercise for Waterford Green Homeowners Association all powers, duties, authority vested in or delegated to the

Association and not reserved to the membership by other provisions of these Bylaws, the Articles of Incorporation, or the Declaration;

(d) declare the office of a director, other than a director selected and designated by Declarant, to be vacant in the event such director shall be absent from three (3) consecutive regular or special meetings of the Board of Directors without consent of the President;

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

(f) contract with any person or entity to maintain the Common Area;

(g) procure adequate insurance, if available at commercially reasonable rates, including hazard insurance on the Common Areas and facilities, directors liability insurance, and such other insurance as it shall deem necessary, prudent and appropriate; and include the cost of such insurance in the annual assessment of the Members;

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

(i) formulate, publish and enforce reasonable rules and regulations concerning the use and enjoyment of the Common Area. Such rules and regulations, along with all policy resolutions and policy actions taken by the Board of Directors shall be recorded in the Book of Resolutions, which shall be maintained in a place reasonably convenient to the Members and available to them for inspection during normal business hours;

(j) lease the use of any recreational facilities for functions, lessons or special events, and to allow such lessee to charge admission or other fees for functions, lessons, or special events;

(k) limit the number of guests, to regulate hours of operation, and behavior, and to curtail any use(s) it deems necessary for either the protection of facilities or the peace and tranquility of adjoining residents.

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

Section 7.2. Duties. It shall be the duty of the Board of Directors to:

(a) cause to be kept a complete record of all of 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-fourth (1/4) of the Members who are entitled to vote;

(b) supervise all officers, agents, and employees of Waterford Green Homeowners Association, and to 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 in advance of each annual assessment period;

(2) send written notice of each assessment to every Owner subject thereto at least thirty (30) days in advance of each annual assessment period;

(3) foreclose the lien against any Lot for which assessments are not paid within sixty (60) days after the due date or to bring an action at law against the Owner personally obligated to pay the same;

(d) issue, or cause to be issued, upon demand by any person or entity, a certificate setting forth whether or not any assessment has been paid. A reasonable charge may be made for the issuance of these certificates;

(e) procure and maintain adequate liability insurance covering Waterford Green Homeowners Association, its directors, officers, agents and employees, and hazard insurance on Common Area owned by the Association, all if available at commercially reasonable rates;

(f) cause the Common Area to be maintained;

(g) designate depositories for Waterford Green Homeowners Association funds and execute required depository documents;

(h) appoint such committees as are provided for in these Bylaws, and such other committees as shall be appropriate or necessary for the proper administration and performance of Waterford Green Homeowners Association; and,

(i) exercise their powers in good faith and do and perform such other matters and things not expressly prohibited by law, the Declaration, or these Bylaws, as are necessary and appropriate to the proper administration, operation and maintenance of Waterford Green Homeowners Association and Waterford Green.

ARTICLE VIII. OFFICERS AND THEIR DUTIES

Section 8.1. Enumeration of Officers. The officers of Waterford Green Homeowners Association shall be a president and vice president, who shall at all times be directors, a secretary and a treasurer, and such other officers as the Board may from time to time by resolution create.

Section 8.2. Election of Officers. The election of officers shall take place at the first meeting of the Board of Directors following the election of directors.

Section 8.3. Term. The officers of Waterford Green Homeowners 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 be disqualified to serve.

Section 8.4. Special Appointments. The Board may elect such other officers as the affairs of Waterford Green Homeowners 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 8.5. Resignation and Removal. Any officer may be removed from office without cause by the Board. Any officer may resign at any time upon 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 8.6. 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 8.7. Multiple Offices. The offices of secretary and treasurer may be held by the same person. No person shall simultaneously hold more than one of any of the other offices except in the case of special offices created pursuant to Section 4 of this Article.

Section 8.8. Duties. The duties of the officers are as follows:

President

The president shall preside at all meetings of the Board of Directors; shall see that orders and regulations 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.

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.

Secretary and Assistant 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 Waterford Green Homeowners Association, affix it on all papers requiring said seal, and execute any such papers requiring the secretary's attestation; serve notice of meetings of the Board and of the Members; keep appropriate current records showing the Members of Waterford Green Homeowners Association together with their addresses; and shall perform such other duties as required by the Board. The assistant secretary shall assist the secretary and act in the place and stead of the secretary in the event of his or her absence.

Treasurer

The treasurer shall assure that appropriate bank accounts for all monies of Waterford Green Homeowners Association are maintained, and shall assure the disbursement of such funds as directed by resolution of the Board of Directors; shall assure the maintenance of proper books by the public accountant at the completion of each fiscal year; and shall prepare an annual budget and statement of income and expenditures to be presented to the Members at their regular annual meeting, and deliver a copy of each to the Members. Any and all specific duties of the Treasurer may be delegated to a professional manager if one has been employed by the Association.

ARTICLE IX. SPECIAL QUORUM FOR ASSESSMENT CHANGES

Quorum for Any Action Authorized Under Article VI, Sections 3 and 5 of the Declaration. At the first meeting called, as provided in Article VI, Sections 3 and 5 of the Declaration, the presence at the meeting of Members or of authorized proxies entitled to cast sixty percent (60%) of the votes of the membership shall constitute a quorum. If the required quorum is not forthcoming at any meeting another meeting may be called, subject to the notice requirement set forth in Sections 3 and 5 and the required quorum at any such subsequent meeting shall be one-half (1/2) of the required quorum at the preceding meeting. No such subsequent meeting shall be held more than sixty (60) days following the preceding meeting.

ARTICLE X. COMMITTEES

The Board of Directors shall appoint an Architectural Committee, as provided in the Declaration, and a Nominating Committee, as provided in these Bylaws. In addition, the Board of Directors shall appoint other committees as deemed appropriate in

carrying out its purpose.

**ARTICLE XI.
BOOKS AND RECORDS**

The books, records, and papers of Waterford Green Homeowners Association shall, at all times during reasonable business hours, be subject to inspection by any Member. Accurate records of all resolutions shall be made and maintained and those records, together with the Declaration, the Articles of Incorporation and the Bylaws of Waterford Green Homeowners Association shall be available for inspection by any Member, lender and/or insurer at the principal office of Waterford Green Homeowners Association, where copies may be purchased at reasonable cost.

**ARTICLE XII.
CORPORATE SEAL**

Waterford Green Homeowners Association shall have a seal in circular form having within its circumference the words:
Waterford Green Homeowners Association.

**ARTICLE XIII.
AMENDMENTS**

Section 1. Except for the provisions hereof relating to selection and designation of directors by Declarant which shall not be subject to amendment except with Declarant's written consent, these Bylaws may be amended, at a regular or special meeting of the Members, by a vote of the majority of a quorum of Members present in person or by proxy.

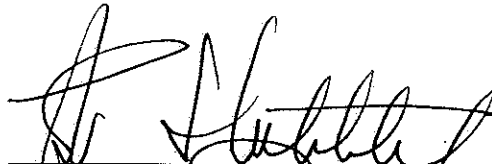
Section 2. In the case of any conflict between the Articles of Incorporation and these Bylaws, the Articles shall control; and in the case of any conflict between the Declaration and these Bylaws, the Declaration shall control.

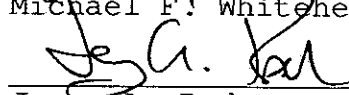
Section 3. At all times while there is a Class B Membership, VA and HUD shall have the right of prior approval of any such amendments.

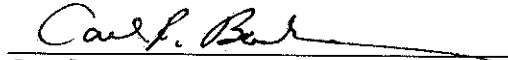
**ARTICLE XIV.
MISCELLANEOUS**

The fiscal year of Waterford Green Homeowners Association shall begin on the first day of January and end on the 31st day of December of every year, except that the first fiscal year shall begin on the date of incorporation.

IN WITNESS WHEREOF, we, being all of the initial directors of Waterford Green Homeowners Association, have hereunto set our hands and seals this 12th day of October, 1993


Michael F. Whitehead, Sr. (SEAL)


Jerry A. Radman (SEAL)


Carl R. Banks (SEAL)

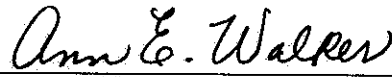
CERTIFICATION

I, the undersigned, do hereby certify:

That I am the duly elected and ~~acting~~ secretary of Waterford Green Homeowners Association, a North Carolina non-profit corporation; and,

That the foregoing Bylaws constitute the original Bylaws of said Association, as duly adopted at a meeting of the Board of Directors thereof, held on the 12th day of October, 1993.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed the seal of said Association this the 12th day of October, 1993.


Ann E. Walker (SEAL)
Acting Secretary