

BYLAWS OF
DELTA RIDGE TOWNHOUSE NEIGHBORHOOD
HOMEOWNERS ASSOCIATION, INC.

ARTICLE I

NAME AND LOCATION. The name of the corporation is Delta Ridge Townhouse Neighborhood Homeowners Association, Inc., hereinafter referred to as the "Association". The principal office of the corporation shall be located, and meetings of Members and Directors may be held, at such places within the State of North Carolina as may be designated by the Board of Directors of the Association from time to time (referred to herein as the "Board of Directors").

ARTICLE II

DEFINITIONS

Section 1. All capitalized terms herein not defined herein shall have the meanings ascribed to such terms in that certain Declaration of Covenants, Conditions and Restrictions for the Townhouse Neighborhood of Delta Ridge Community executed by Sandler at Delta Ridge, L.L.C., as Declarant therein, and recorded or to be recorded in the Office of the Register of Deeds of Wake County, North Carolina (as the same may be modified, amended or supplemented, from time to time, the "Declaration").

Section 2. "Membership" means all Members, as a group.

ARTICLE III

MEETING OF MEMBERS

Section 1. Annual Meetings. The first annual meeting of the Members shall be held within one year from the date of incorporation of the Association, and each subsequent regular annual meeting of the Members shall be held in the same month of each year thereafter, at a date, time and place within Wake County, North Carolina selected by the Board of Directors.

Section 2. 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 any class of Member or upon written request of the Members who are entitled to vote one-tenth (1/10th) of all of the votes of the Membership.

Section 3. Notice of Meetings. Except as otherwise provided in the Declaration or these Bylaws, written notice of each meeting of the Members shall be given by, or at the direction of, the Secretary or person authorized to call the meeting, by mailing a copy of the notice, postage prepaid, not less than ten (10) nor more than sixty (60) days before the meeting, to each Member, addressed

to the Member's address last appearing on the books of the Association, or supplied by the Member to the Association for the purpose of notice. The notice shall specify the place, day, and hour of the meeting, and the items on the agenda, including the general nature of any proposed amendment to the Declaration or these Bylaws, any budget changes and any proposal to remove a Director or Officer.

Section 4. Quorum. The presence at the meeting of Members or proxies entitled to cast one-tenth (1/10) of the votes of the Membership shall constitute a quorum for any action except as otherwise provided in the Declaration or these Bylaws. In the event business cannot be conducted at any meeting because a quorum is not present, that meeting may be adjourned to a later date by the affirmative vote of a majority of those present in person or by proxy. Notwithstanding any provision to the contrary in the Declaration or these Bylaws, the quorum requirement at the next meeting shall be one-half of the quorum requirement applicable to the meeting adjourned for lack of a quorum. This provision shall continue to reduce the quorum by fifty percent (50%) from that required at the previous meeting, as previously reduced, until such time as a quorum is present and business can be conducted. Thereafter, the quorum requirement shall increase to its original amount.

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 Dwelling Unit or Lot.

ARTICLE IV

BOARD OF DIRECTORS SELECTION: TERM OF OFFICE

Section 1. Number. The Board of Directors shall consist of three (3) directors (the "Directors"), and shall manage the affairs of the Association. After the Declarant Control Period, a majority of the Directors shall be Members of the Association.

Section 2. Term of Office. The terms of office of the first Directors elected or appointed by the incorporator at the organizational meeting of the Association to complete the organization of the Association (the "First Directors") shall be for the period until the first annual meeting of the Members at which their successors are elected. The terms of each Director other than such First Directors shall be for one (1) year or until his successor is elected, whichever shall be the longer period. Each Director, other than the First Directors elected or appointed by the incorporator, shall be elected at the annual meeting.

Section 3. Removal. Any Director, other than a First Director, a Director selected by the Declarant during the Declarant Control Period (as hereinafter defined), and those appointed to fill a resignation in accordance with Article V, Section 2, may be removed from the Board of Directors, with or without cause, by a majority vote of the Members of the Association present and entitled to vote at any meeting of the Members at which a majority of the votes of the Association is present. Any Director selected by the Declarant during the Declarant Control Period may be removed by the

Declarant, with or without cause. In the event of death, resignation or removal, pursuant to these Bylaws, of a Director (a) if such Director was elected by the Members of the Association, his successor shall be selected by the remaining Members of the Board of Directors and shall serve for the unexpired term of his predecessor and (b) if such Director was elected by the Declarant during the Declarant Control Period, his successor shall be selected by the Declarant.

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.

Section 6. Resignation. Any Director may resign at any time by giving written notice to the Board of Directors. Such resignation shall take effect on the date of receipt of the notice or at any later time specified therein, and unless otherwise specified therein, the acceptance of the resignation shall not be necessary to make it effective.

ARTICLE V

NOMINATION AND ELECTION OF DIRECTORS

Section 1. Nomination. Nomination of persons for election to the Board of Directors shall be made by a Nominating Committee (the "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 other persons. The Nominating Committee shall be appointed by the President of the Association prior to each annual meeting of the Members, to serve until the close of the 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. Nominations may be made from among Members or non-Members.

Section 2. Election. Election to the Board of Directors shall be by written ballot. At the election, the Member or their proxies may 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. Fractional voting is prohibited. In the event that any Director resigns, including a First Director but not including a Director elected by the Declarant during the Declarant control period, the remaining Directors shall elect a substitute Director to fill his or her unexpired term.

Section 3. Election of Directors by Declarant. Notwithstanding anything to the contrary set forth in Section 1 or Section 2 of this Article V, during the Declarant Control Period, the Declarant

shall be entitled to appoint and remove the members of the Board of Directors of the Association. Following the expiration of the Declarant Control Period, the Board of Directors shall be elected by the Members in the manner set forth in Section 1 and Section 2 of this Article V.

As used herein, the term "Declarant Control Period" shall mean that period from the filing of the Articles of Incorporation of the Association until such time as the first of the following events occurs:

(a) Class II Membership ceases to exist and is converted to Class I Membership as provided in the Declaration; or

(b) Declarant surrenders the authority to appoint and remove members of the Board of Directors and Officers (as hereinafter defined) of the Association by an express written exercise of such option, executed by the Declarant and delivered to the Association or any of the Directors on its behalf.

If Class II membership has been terminated or has expired and subsequently Class II membership is reinstated as provided for in the Declaration, the Declarant Control Period shall also be reinstated and shall terminate again upon the happening of the first to occur of the foregoing events.

ARTICLE VI

MEETINGS OF DIRECTORS

Section 1. Regular Meetings. Regular meetings of the Board of Directors shall be held at least annually at such place and hour as may be fixed from time to time by resolution of the Board of Directors, without the necessity of further notice.

Section 2. Special Meetings. Special meetings of the Board of Directors shall be held when called by the President of the Association, or by any two 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 at a duly held meeting at which a quorum is present shall be regarded as the act of the Board of Directors. In the event business cannot be conducted at any meeting because a quorum is not present, that meeting may be adjourned to a later date by the affirmative vote of a majority of those present in person or by proxy. Notwithstanding any provision to the contrary in the Declaration or these Bylaws, the quorum requirement at the next meeting shall be one-half of the quorum requirement applicable to the meeting adjourned for lack of a quorum. This provision shall continue to reduce the quorum by fifty percent (50%) from that required at the previous meeting, as previously reduced, until such time as a quorum is present and business can be conducted. Thereafter, the quorum requirement shall increase to its original amount.

ARTICLE VII

POWERS AND DUTIES OF THE BOARD OF DIRECTORS

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

- (a) adopt and publish rules and regulations governing the use of the Common Areas including any improvements and amenities located thereon, and the personal conduct of the Members and their guests thereon, and to establish penalties for the infraction thereof, including fines;
- (b) suspend the voting rights, and the right of use of any recreational facilities located on any Common Area during any period in which the Member is in default in the payment of any assessment levied by the Association; these rights may also be suspended for a period not to exceed sixty (60) days for an infraction of published rules and regulations;
- (c) exercise for the Association all powers, duties and authority vested in or delegated to this Association and not reserved to the Members by other provisions of these Bylaws, the Articles of Incorporation, or the Declaration; and
- (d) employ a manager, independent contractors, or other employees or contractors as they deem necessary, and to prescribe their duties, which may include the carrying out of powers or duties of the Board of Directors herein specified.

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

- (a) keep 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 a statement is requested in writing by the holders of one-fourth (1/4) of the votes of the Class I Members, and to make its financial and other records reasonably available for examination by Members and their authorized agents;
- (b) supervise all Officers, agents and employees of this Association, and to see that their duties are properly performed;
- (c) as more fully provided in the Declaration:
 - (1) fix the amount of the annual assessment against each Dwelling Unit or Lot as provided in the Declaration;
 - (2) send written notice of each annual assessment and each special assessment to every Dwelling Unit or Lot Owner subject thereto, as provided in the Declaration; and

(3) foreclose the lien against a Dwelling Unit or Lot if the Owner thereof has not paid the assessment thereon within such time as the Board of Directors may determine, or bring an action at law against the Dwelling Unit or Lot Owner personally obligated to pay the same;

(d) issue, or cause an appropriate Officer to issue, upon demand by any person and within 10 business days of receipt of such demand, a certificate setting forth whether or not any assessment has been paid; a reasonable charge may be made by the Board of Directors for the issuance of these certificates (if the certificate states that an assessment has been paid, the certificate shall be conclusive evidence of payment with respect to any person relying on the certificate);

(e) procure and maintain adequate liability and hazard insurance on property owned by the Association;

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

(g) cause the Common Areas or, as appropriate, the Limited Common Areas, to be maintained.

ARTICLE VIII

OFFICERS AND THEIR DUTIES

Section 1. Enumeration of Offices. The Officers of this Association shall be a President and Vice-President, a Secretary, and a Treasurer, one or more Assistant Secretaries, and such other Officers as the Board of Directors may from time to time by resolution create (the "Officers").

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

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

Section 4. Special Appointments. The Board of Directors 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 of Directors 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 of Directors. Any Officer may resign at any time by giving written notice to the Board of Directors, the President or the Secretary. Such resignation shall take effect on the date of receipt of the notice or at any later time specified therein, and unless otherwise specified therein, the acceptance of the 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 of Directors. The Officer appointed to the vacancy shall serve for the remainder of the term of the Officer he or she replaces.

Section 7. Duties. The duties of the Officers are as follows:

(a) President. The President (the "President") shall preside at all meetings of the Members and of the Board of Directors and see that orders and resolutions of the Board of Directors are carried out. The President shall have authority to sign all leases, mortgages, deeds of trust, deeds, and other written instruments, including but not limited to amendments to the Declaration and certifications thereof by the Association.

(b) Vice President. The Vice President (the "Vice President") shall act in the place and stead of the President in the event of his absence or inability or refusal to act, and exercise and discharge such other duties as may be required of him by the Board of Directors. The Vice President shall likewise have authority to sign all leases, mortgages, deeds of trust, deeds, and other written instruments, including but not limited to amendments to the Declaration and certifications thereof by the Association.

(c) Secretary; Assistant Secretaries. The Secretary (the "Secretary") shall record the votes and keep the minutes of all meetings and proceedings of the Board of Directors and of the Members; serve notice of meetings of the Board of Directors and of the Members; keep appropriate current records showing the Members of the Association together with their addresses; prepare amendments to the Declaration or certifications thereof by the Association upon approval thereof by the Association; record amendments to the Declaration and/or certifications thereof by the Association; attest to the execution of documents by the President or the Vice President; and perform such other duties as required by the Board of Directors. Any Assistant Secretary (the "Assistant Secretary") may act in the place and stead of the Secretary in the event of his or her absence or inability or refusal to act.

(d) Treasurer. The Treasurer (the "Treasurer") shall receive and deposit in appropriate bank accounts all monies of the Association and disburse these funds as directed by resolution of the Board of Directors; keep proper books of account; cause an independent annual audit of the Association books to be made by a public accountant at the completion of each fiscal year; and 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 requesting the same.

ARTICLE IX

COMMITTEES

The Association shall appoint such committees as deemed appropriate in carrying out its purposes.

ARTICLE X

BOOKS AND RECORDS

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

ARTICLE XI

ASSESSMENTS AND FINES

As more fully provided in the Declaration, each Member is obligated to pay to the Association assessments which are secured by a continuing lien upon the Dwelling Unit or Lot against which the assessment is made. If the assessment is not paid on the due date, the assessment shall bear interest as provided in the Declaration, and the Association may bring an action at law against the Owner personally obligated to pay the same or foreclose the lien against the Dwelling Unit or Lot, and interest, costs, and reasonable attorneys' 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 Common Areas or abandonment of its Dwelling Unit or Lot.

The Association may also establish a schedule of fines for violations of the terms of the Declaration. Fines may be imposed after notice to the Owner and an opportunity to be heard. Fines may be enforced in the same manner as assessments.

ARTICLE XII

AMENDMENTS

Section 1. These Bylaws may be amended, at a regular or special meeting of the Members, by the holder of two-thirds (2/3) of the votes of the Members of the Association present in person or by proxy at the meeting at which the vote is taken; provided, however, the consent of the Declarant shall be required for any amendment so long as Declarant or any of the present members of Declarant own at least sixteen percent (16%) of the Dwelling Units or Lots. In addition, either HUD, the FHA, or the VA has the right to veto an amendment to these Bylaws when there exists a Class II Member as provided in the Declaration if any Member has financed its Lot or Dwelling Unit through a loan guaranteed by the VA or insured by the FHA.

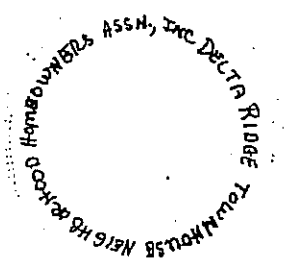
Section 2. In the case of any conflict between the Articles of Incorporation and these Bylaws, the Articles shall control; and in the case of any conflict between the Declaration and the Articles or these Bylaws, the Declaration shall control.

ARTICLE XIII

MISCELLANEOUS

The fiscal year of the 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 and end on December 31st of that year.

The seal of the Association shall be in the form impressed on the margin of this page or in such form as the Board of Directors shall adopt from time to time.



CERTIFICATION

I, the undersigned, do hereby certify:

THAT I am the duly elected and acting [Assistant] Secretary of Delta Ridge Townhouse Neighborhood Homeowners Association, Inc. a North Carolina corporation; and

THAT the foregoing Bylaws constitute the original Bylaws of said Association, duly adopted by the Board of Directors thereof.

IN WITNESS WHEREOF, I have hereunto subscribed my name as of the ^{9th} 29 day of November, 1999.

Debra A. Dietz
DEBRA A. DIETZ, Asst. Secretary