

SECTION II

BY-LAWS  
OF  
THE CAPE HOMEOWNERS' ASSOCIATION

A corporation not for profit under  
the laws of the State of North Carolina

1. IDENTITY:

These are the By-Laws of THE CAPE HOMEOWNER'S ASSOCIATION, a nonprofit corporation under the laws of the State of North Carolina, the Articles of Incorporation of which were filed in the Office of the Secretary of State on September 28, 1983. THE CAPE HOMEOWNER'S ASSOCIATION, hereinafter called "Association", has been organized for the purpose of administering the operation and management of THE CAPE, all sections and phases, a residential project established or to be established in accordance with the laws of the State of North Carolina upon the property situate, lying and being in Federal Point Township, New Hanover County, North Carolina, and described in Exhibit "A" to said Articles of Incorporation.

A. The provisions of these By-Laws are applicable to THE CAPE, all sections and phases, and the terms and provisions hereof are expressly subject to the terms, provisions, conditions and authorization contained in the Articles of Incorporation.

B. All present and future owners, tenants, or their employees, or any other person that might use THE CAPE, any section or phase or any of the facilities thereof in any manner, are subject to the regulations set forth in these By-Laws and in said Articles of Incorporation.

C. The office of the association shall be 1111 The Cape Boulevard, Wilmington, North Carolina 28403.

D. The fiscal year of the Association shall be the calendar year.

2. MEMBERSHIP, VOTING, QUORUM, PROXIES:

A. The qualification of members, the manner of their admission to membership and termination of such membership, and voting by members, shall be set forth in Article VI of the Articles of Incorporation are incorporated herein by reference.

B. The owner of the unsold lots and/or condominium units at THE CAPE will be as determined by the New Hanover County Planning Office.

C. A quorum at members' meetings shall consist of persons entitled to cast a majority of the votes of the entire membership. The joinder of a member in the action of a meeting by signing and concurring in the minutes thereof shall constitute the presence of such person for the purpose of determining a quorum.

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

E. Votes may be cast in person or by proxy. Proxies shall be valid only for the particular meeting designated thereon, or adjournments thereof as provided in paragraph 3.C. below, and must be filed with the Secretary before the appointed time of the meeting.

F. Approval or disapproval of a lot or unit owner upon any matter, whether or not the subject of an Association meeting, shall be by the same person who cast the vote of such owner if in an Association meeting.

G. Except where otherwise required under the provisions of the Articles of Incorporation of the Association, these By-Laws, the Declarations of Condominium or Declarations of Restrictions or whether the same may otherwise be required by law, the affirmative vote of the persons entitled to cast a majority of the votes at any duly called members' meeting at which a quorum is present shall be binding upon the members.

H. The eligibility to ballot on any issue shall be dependent upon the payment of all assessment fees then due, and the Treasurer is directed to inform the President before any ballot of those members then delinquent.

### 3. ANNUAL AND SPECIAL MEETING OF MEMBERSHIP:

A. The annual members' meeting shall be held at such hour and place designated by the Board of Directors, on the 2nd Saturday of each October of each year for the purpose of electing Directors and of transacting any other business authorized to be transacted by the members, provided, however, that if the day is a legal holiday, the meeting shall be held at the same hour on the next succeeding Saturday.

B. Special members' meetings shall be held whenever called by the President or Vice President or by a majority of the Board of Directors and must be called by such officers upon written request from members of the Association owning a majority of the lots or Condominium units.

C. Notice of all members' meetings, regular or special, shall be given by the President, Vice President or Secretary of the Association, or other officer of the Association in absence of said officers, to each member, unless waived in writing, such notice to be written or printed and to state the time and place and object for which the meeting is called. Such notice shall be given to each member not less than ten (10) days nor more than sixty (60) days prior to the date set forth for such meeting, which notice shall be mailed or presented personally to each member within said time. If presented personally, receipt of such notice shall be signed by the member, indicating the date on which such notice was received by him. If mailed, such notice shall be deemed to be properly given when deposited in the United States mail addressed to the member at his post office address as it appears on the records of the Association (register of owners) as of the date of mailing such notice, the postage thereon prepaid. Proof of such mailing shall be given by affidavit of the person giving the notice. Any member may, by signed written waiver of notice, waive such notice and, when filed in the records of the Association whether before or after the holding of the meeting, such waiver shall be deemed equivalent to the giving of notice to the member. If any members' meeting cannot be organized because a quorum has not attended, or because the greater percentage of the membership required to constitute a quorum for particular purposes has not attended (wherever the latter percentage of attendance may be required as set forth in the Articles of Incorporation, these By-Laws or the Declaration of Condominium or Declarations of Restrictions) the members who are present, either in person or by proxy, may adjourn the meeting from time to time until a quorum, or the required percentage of attendance, if greater than a quorum, is present.

D. The order of business at annual members' meetings and, as far as practical at any other members' meetings, shall be:

- i) Calling of roll and certifying of proxies;
- ii) Proof of notice of meeting or waiver of notice;
- iii) Reading and disposal of any unapproved minutes;
- iv) Reports of officers;
- v) Reports of committees;
- vi) Appointment of inspectors of election by Chairman; vii) Unfinished business;
- viii) New business; and
- ix) Adjournment.

#### 4. BOARD OF DIRECTORS

A. The Board of Directors shall consist of five (5) persons, each of whom must be either an owner, a representative of the Developer, or an employee of a corporate owner. No director shall be required to be a resident in the Project.

B. Election of Directors shall be conducted in the following manner:

(i) Beginning with the first annual meeting of the membership of the Association. stated herein above, all members of the Board of Directors shall be elected by a plurality of the votes cast at the annual meeting of the members of the Association. -

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

(iii) At the first election of the Board, the term of office of the three Directors receiving the highest plurality of votes shall be established at two (2) years, and the term of office of the other two (2) Directors shall be established at one (1) year. Thereafter, as many Directors of the Association shall be elected at the annual meeting as there are regular terms of office of Directors expiring at such time, and the term of office of the Directors so elected at the annual meeting of the members each year shall be for two (2) years expiring at the second annual meeting following their election., and thereafter until their successors are duly elected and qualified, or until removed in the manner elsewhere provide or as may be provided by law.

(iv) In the election of Directors, there shall be appurtenant to each lot or Condominium unit a total vote equal to the number of Directors to be multiplied by one; provided, however, that no member of any lot or Condominium unit may cast more than one (1) vote for anyone (1) person nominated as Director; it being the intent hereof that voting for Directors shall be non cumulative.

C. Notwithstanding the foregoing, until such time as seventy percent (70%) of the lots or units have been sold and deeded to purchasers, the Developer shall have the right to select and appoint the persons who shall serve as members of the Board of Directors of the Association. In accordance with these rights, the Developer shall have the absolute right, at any time, in its sole discretion. to replace such person or persons with another person or persons to serve on said Board of Directors. Replacement of any person or persons designated by Developer to serve on any Board of Directors of the Association shall be made by written instrument delivered to any officer of the Association, which instrument shall specify the name or names of the person or persons to be replaced and the name or names of the person or persons appointed as successor or successors to the persons so removed from said Board of Directors. The removal of any Director

and appointment of his successor shall be effective immediately upon delivery of such written instrument by Developer to any officer of the Association.

D. The organizational meeting of each newly elected Board of Directors shall be held within ten (10) days of their election, at such time and at such place as shall be fixed by the Directors at the meeting at which they were elected, and no further notice of the organizational meeting shall be necessary provided a quorum shall be present.

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

F. Special meetings of the Directors may be called by the President, and must be called by the Secretary at the written request of one-third (1/3) of the votes of the Board. Not less than three (3) days notice of a meeting shall be given to each Director, personally or by mail telephone or telegram, which notice shall state the time, place and purpose of the meeting.

G. Any director may waive notice of the meeting before or after the meeting, and such waiver shall be deemed equivalent to the giving of notice.

H. A quorum at a Directors' meeting shall consist of the Directors entitled to cast a majority of the votes cast at a meeting at which a quorum is present shall constitute the acts of the Board of Directors, except as specifically otherwise provided in the Articles of Incorporation or these By-Laws or the Declarations of Condominiums or Declarations of Restrictions. If any Directors' meeting cannot be organized because a quorum has not attended, or because the greater percentage of the Directors required to constitute a quorum for particular purposes has not attended, wherever the latter percentage of attendance may be required as set forth in the Articles of Incorporation, these By-Laws or Declarations of Condominium or Declarations of Restrictions; the Directors who are present may adjourn the meeting from time to time until a quorum, or the required percentage of attendance, if greater than a quorum, is present. At any adjourned meeting, any business that might have been transacted at the meeting as originally called may be transacted without further notice. The joinder of a Director in the action of a meeting by signing and concurring in the minutes thereof shall constitute the presence of such Director for the purpose of determining a quorum.

1. The presiding officer of Directors' meetings shall be the Chairman of the Board, if such an officer has been elected; and, if none, then the President of the Association shall preside. In the absence of the presiding officer, the Directors present shall designate one of their number to preside.

J. Directors' fees, if any, shall be determined by vote of the members at any annual meeting of the membership.

K. All of the powers of and the duties of the Association shall be exercised by the Board of Directors, including those existing under the common law and statutes, the Articles of Incorporation of the Association, these By-Laws and the Declarations of Condominium and Declarations of Restrictions. Such powers and duties shall be exercised in accordance with said Articles of Incorporation, these By-Laws, Declarations of Condominium and Declarations of Restrictions, and shall include, without limiting the generality of the foregoing, the following:

(i) To make, levy and collect assessments against members and members' lots and condominium units to defray the costs of the Project as provided in the Declarations of Condominium and the Declarations of Restrictions, and to use the proceeds of said assessments

in the exercise of the powers and duties granted unto the Association. Provided, however, the annual assessment may not be increased more than ten percent (10%) above the maximum assessment for the previous year without a vote of the membership.

(ii) To maintain, repair, replace, operate and manage the private streets and drainage systems, recreational facilities and open space areas wherever the same is required to be done and accomplished by the Association for the benefit of its members; and, further, to approve any expenditures made or to be made for said purposes.

(iii) To reconstruct any part of the common property after casualty, and to make further improvement to the common property, real and personal, and to enter into any and all contracts, necessary or desirable to accomplish said purposes.

(iv) To make, amend and enforce regulations governing the use of the common property and lots and Condominium units so long as such regulations or amendments thereto do not conflict with restrictions and limitations which may be placed upon the use of such property under the terms of the Articles of Incorporation and the Declarations of Condominium and Declarations of Restrictions.

(v) To acquire, operate, lease, manage and otherwise trade and deal with the property, real or personal, and in accomplishing the purposes set forth in the Declarations of Condominium and Declarations of Restrictions, provided that the acquisition of real property shall require the approval of the Association.

(vi) To acquire now or at any time hereafter, and to enter into leases and agreements whereby the Association acquires leaseholds, memberships, and other possessory or use interests in lands or facilities including, but not limited to, swimming pools, tennis and other recreational facilities whether or not contiguous to the lands of the Project to provide enjoyment, recreation, or other use or benefit to the owners of lots and Condominium units.

(vii) To contract for the management of the Project and to designate to such contractor all of the powers and duties of the Association. except those which may be required by the Declarations of Condominium and Declarations of Restrictions to have approval of the Board of Directors or the membership of the Association.

(viii) To enforce by legal means or proceedings the provisions of the Articles of Incorporation and By-Laws of the Association, the Declarations of Condominium, Declarations of Restrictions and the regulations hereinafter promulgated governing use of the common property in the Project.

(ix) To pay all taxes and assessments which are now or may become liens against any part of the lots or Condominium units and the appurtenances thereto and to assess the same against the members and their respective lots and Condominium units subject to such liens.

(x) To purchase insurance for the protection of the members and the Association against casualty and liability for loss or injury upon common property owned by the Association.

(xi) To pay all costs of power, water, sewer and other utility services rendered to the Project and not billed to the owners of the separate lots and Condominium units.

(xii) To designate and remove personal necessary for the maintenance, repair, replacement and operation of the Project, including the common property.

L. Anyone or more of the members of the Board of Directors may be removed, either with or without cause, at any time by a vote of the members owning a majority of the lots and

Condominium units in the Project, at any special meeting called for such purpose, or at the annual meeting, provided, however, that only the Developer shall have the right to remove a Director appointed by it.

## 5. OFFICERS

A. The executive officers of the Association shall be a President, who shall be a Director, a Vice President, a Treasurer, a Secretary and an Assistant Secretary, all of whom shall be elected annually by the Board of Directors and who may be peremptorily removed by a vote of the Directors at any meeting. Any person may hold two (2) or more offices, except that the President shall not also be Vice President, Secretary or an Assistant Secretary. The Board of Directors shall from time to time, elect such other officers and designate their powers and duties as the Board shall find to be required to manage the affairs of the Association.

B. The President shall be the Chief Executive Officer of the Association. He shall have all the powers and duties which are usual vested in the office of the president of any association, including, but not limited to, the power to appoint committees from among the members from time to time, as he may, in his discretion, determine appropriate to assist in the conduct of the affairs of the Association.

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

D. The Secretary shall keep the minutes of all proceedings of the Directors and the members. He shall attend to the giving and serving of all notices to the members and Directors, and such other notices required by law. He shall have custody of the seal of the Association and affix the same to instruments requiring a seal when duly signed. He shall keep the records of the Association, except those of the Treasurer, and shall perform all other duties incident to the office of secretary of an association and as may be required by the Directors or the President. The Assistant Secretary shall perform the duties of Secretary when the Secretary is absent.

E. The Treasurer shall have custody of all the property of the Association, including funds, securities and evidences of indebtedness. He shall keep, or supervise the keeping at: the assessment rolls and accounts of the members; he shall keep the books of the Association in accordance with good accounting practices; and he shall perform all other duties incident to the office of Treasurer.

F. The compensation of all officers and employees of the Association shall be fixed by the Directors. This provision shall not preclude the Board of Directors from employing a Director as an employee of the Association, nor preclude the contracting with a Director for the management of the Project.

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

## 6. FISCAL MANAGEMENT:

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

A. An assessment roll shall be maintained in a set of accounting books in which there shall be an account for each sold lot and/or Condominium unit. Such account shall designate the name and address of the lot or unit owner or owners, the amount of each assessment against the owners, the dates and amounts in which assessments come due, the amounts paid upon the account, and the balance due upon assessments.

B. The Board of Directors shall adopt a budget for each calendar year which shall contain estimates of the cost of performing the functions of the Association, including, but not limited to, the following:

(i) Common expense budget, which may include, without limiting the generality of the foregoing, the estimated amounts necessary for maintenance and operation of and capital improvements to the common property including landscaping, street and walkways, office expense, utility services, casualty insurance, liability insurance, administration and reserves (operating and capital improvement replacement), management fees and costs of maintaining leaseholds, memberships, and other possessory or use interests in lands or facilities whether or not contiguous to the lands of the Project, to provide enjoyment, recreation or other use or benefit to the lot and unit owners; and

(ii) Proposed assessments against each member and his lot or unit.

C. Copies of the proposed budget and proposed assessments shall be transmitted to each member prior to January 1 of the year for which the assessments are made, a copy of the amended budget shall be furnished to each member concerned. Delivery of a copy of any budget to each member shall not affect the liability of any member for any such assessment, nor shall delivery of a copy of such budget or amended budget be considered as a condition precedent to the effectiveness of said budget and assessments levied pursuant thereto, and nothing herein contained shall be construed as restricting the right of the Board of Directors, at any time *in* their sole discretion, to levy any additional assessments *in* the event that the budget originally adopted shall appear to be insufficient to pay costs and expenses of operation and management, or *in* the event of emergencies. Notwithstanding the provisions of the various Declarations of Restrictions, - which refer to monthly payments, the full annual assessment shall be due and payable on January 1 of each year for all lot owners, and may be paid by January 31 without penalty. Thereafter, interest will be added to each delinquent account and billed beginning February 28.

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

E. An audit of the accounts of the Association shall be made annually by a certified public accountant, and a copy of the report shall be furnished to each member not later than April 15 of the year following the year for which the report is made.

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

7. PARLIAMENTARY RULES:

Robert's Rules of Order (latest edition) shall govern the conduct of corporate proceedings when no in conflict with the Articles of Incorporation and these By-Laws or with the Statutes of the State of North Carolina.

8. AMENDMENTS TO BY-LAWS:

Amendments to these By-Laws shall be proposed and adopted in the following manner:

A. Amendments to these By-Laws may be proposed by the Board of Directors of the Association acting upon vote of the majority of the Directors, or by the members of the Association owning a majority of the lots and Condominium units in THE CAPE, whether meeting as members or by instrument in writing signed by them.

B. Upon any amendment or amendments to these By-Laws being proposed by said Board of Directors or members, such proposed amendment or amendments shall be transmitted to the President of the Association, or other officer of the Association in the absence of the President, who shall thereupon call a special joint meeting of the members of the Board of Directors of the Association and the membership for a date not sooner than twenty (20) days or later than sixty (60) days from receipt by such officer of the proposed amendment or amendments and it shall be the duty of the Secretary to give each member written or printed notice of such meeting the same form and in the same manner as notice of the call of a special meeting of the members if required as herein set forth.

C. In order for such amendment or amendments to become effective the same must be approved by an affirmative vote of a majority of the entire membership of the Board of Directors and by an affirmative vote of the members owning not less than a majority (fifty-one percent (51 %)) of the lots and Condominium units in the Project. Thereupon, such amendment or amendments to these By-Laws shall be transcribed, certified by the President and Secretary of the Association, and a copy thereof shall be recorded in the Public Records of New Hanover County, North Carolina, within ten (10) days from the date on which any amendment or amendments have been affirmatively approved by the Directors or members. No amendments shall become operative or effective until it shall have been duly recorded.

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

E. At any meeting held to consider an amendment or amendments to the By-Laws, the written vote of any member of the Association shall be recognized if such member is not in attendance at such meeting or represented thereat by proxy, provided such written vote is delivered to the Secretary of the Association at or prior to such meeting.

F. Notwithstanding the foregoing provisions of this Article VIII, no amendment to these By-Laws which shall abridge, amend or alter the right of the Developer to designate and select members of each Board of Directors of the Association, as provided in Article IV hereof: may be adopted or become effective without the prior written consent of the Developer.

## 9. COMPLIANCE:

These By-Laws are set forth to comply with the requirements of the Unit Ownership Act, Chapter 47A of the General Statutes of North Carolina. In the events that any of these By-Laws conflict with the provisions of said statute, it is hereby agreed and accepted that the provisions of the statute shall apply.

The foregoing were adopted as the By-Laws of THE CAPE HOMEOWNERS' ASSOCIATION, a nonprofit corporation under the laws of the State of North Carolina, at a meeting of the Board of Directors on October 31, 1986 and amended on December 15, 1992.