

BYLAWS  
OF  
WINCHESTER TOWNHOMES ASSOCIATION

ARTICLE I

NAME AND LOCATION. The name of the corporation is WINCHESTER TOWNHOMES ASSOCIATION, herein referred to as the "Association". The principal office of the corporation shall be located in New Hanover County, North Carolina. Meetings of members and directors may be held at such places within the State of North Carolina, County of New Hanover, as may be designated by the Board of Directors.

ARTICLE II

Section 1. "Association" shall mean and refer to Winchester Townhomes Association, its successors and assigns.

Section 2. "Properties" shall mean and refer to that certain real property described in the Declaration of Covenants, Conditions and Restrictions affecting Property now within the jurisdiction of the Association and such additions thereto as may hereafter be brought within the jurisdiction of the Association.

Section 3. "Common Area" shall mean all real property owned by the Association for the common use and enjoyment of members or designated classes of members of the Association, including private streets, Limited Common Area, all water lines outside public streets which serve Winchester Townhomes and all sewer lines outside of public streets or dedicated easements which serve Winchester Townhomes.

Section 4. "Limited Common Area" shall mean those portions of the Common Area that serve only a limited number of lots and which may include, but specifically is not limited to, driveways and walkways, parking buildings or areas serving only specified lots, and such other similar areas as may be designated by the Association.

Section 5. "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 Area and Limited Areas.

Section 6. "Lot in Use" shall mean and refer to any lot on which a dwelling unit has been fully constructed and either made ready for occupancy as a dwelling unit, including, without limitation, completion of the installation of final floor covering, interior paint and wallpaper and all appliances or for which a certificate of occupancy has been issued. In addition to the foregoing, a Lot may become a Lot in Use by contractual agreement between the Declarant and the Owner of such Lot.

Section 7. "Member" shall mean and refer to every person or entity who holds a membership in the Association.

Section 8. "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 the Properties, including contract sellers but excluding those having such interest merely for the performance of an obligation.

Section 9. "Declarant" shall mean and refer to Ammons-Boykin Corporation and its successors and assigns to whom the rights of Declarant are expressly transferred in whole or in part, as set forth in the Declarations.

Section 10. "Declaration" shall mean and refer to the Declaration of Covenants, Conditions and Restrictions applicable to the Properties recorded in the Office of the Register of Deeds of New Hanover County, North Carolina.

ARTICLE III

MEMBERSHIP

Section 1. Membership. Every person or entity who is a record owner of a fee or undivided fee interest in any Lot which is subject by covenants of record to assessment by the Association, including contract sellers, shall be a member

of the Association. The foregoing is not intended to include persons or entities who hold an interest merely as security for the performance of an obligation. Membership shall be appurtenant to and may not be separated from ownership of any Lot which is subject to assessment by the Association. Ownership of such Lot shall be the sole qualification for membership. As evidence of each Owner's membership, each Owner shall deliver to the office of the Association a photocopy of the page(s) of his deed(s) which contains the name of the member and the Lot(s) owned by such member.

Section 2. Suspension of Membership. During any period in which a member shall be in default in the payment of any annual or special assessment levied by the Association the voting rights and rights to use of recreational facilities located in the Common Areas (if any) of such member may be suspended by the Board of Directors until such assessment has been paid. Such rights of a member may also be suspended, after notice and hearing, for a period not to exceed 30 days, for violation of any rules and regulations established by the Board of Directors governing the use of the Common Area and facilities.

ARTICLE IV

PROPERTY RIGHTS: RIGHTS OF ENJOYMENT

Section 1. Each member shall be entitled to the use and enjoyment of the Common Area and facilities as provided in the Declaration. Any member may delegate his rights of enjoyment of the Common Area and facilities to the members of his family, his tenants or contract purchasers, who reside on the property. Such member shall notify the secretary in writing of the name of any such delegee. The rights and privileges of such delegee are subject to suspension to the same extent as those of the member.

ARTICLE V

BOARD OF DIRECTORS: SELECTION: TERM OF OFFICE

Section 1. Number. The affairs of this Association shall be managed by a Board of not less than three (3), nor more than nine (9) directors, who need not be members of the Association.

Section 2. Election. At the first annual meeting the members shall elect one-third of the directors for a term of one year, one-third of the directors for a term of two years and one-third of the directors for a term of three years; and at each annual meeting thereafter the members shall elect one-third of the directors for a term of three years, and thereafter until their successors are elected and qualified.

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. 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. Compensation. No director shall receive compensation for any service he may render to the Association in the capacity of director. However, any director may be reimbursed for 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 VI

MEETING OF DIRECTORS

Section 1. Regular Meetings. Regular meetings of the Board of Directors shall be held annually, without notice, after the annual meeting of members as

provided in Article X, Section 1. In addition, the Board of Directors may provide, by resolution, the time and place for the holding of additional regular meetings. Should said meetings fall upon a legal holiday, then that meeting shall be held at the same time on the next day which is not a legal holiday.

Section 2. Special Meetings. Special meetings of the Board 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 present at a duly held meeting at which a quorum is present shall be regarded as the act of the Board.

ARTICLE VII

NOMINATION AND ELECTION OF DIRECTORS

Section 1. Nomination. Nomination for election to the Board of Directors shall be made by a Nominating Committee. Nominations may also be made from the floor at the annual meeting. The Nominating Committee shall consist of a Chairman, who shall be a member of the Board of Directors, and two or more members of the Association. The Nominating Committee shall be appointed by the Board of Directors prior to each annual meeting of the members, to serve from the close of such annual meeting until the close of the next annual meeting and such appointment shall be announced at each annual meeting. The Nominating Committee shall make as many nominations for election to the Board of Directors as it shall in its discretion determine, but not less than the number of vacancies that are to be filled. Such nominations may be made from among members or non-members.

Section 2. Election. Election to the Board of Directors shall be by secret written ballot. At such election the members 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.

ARTICLE VIII

POWERS AND DUTIES OF THE BOARD OF DIRECTORS

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

(a) To adopt and amend and publish rules and regulations governing the use of the Common Area and facilities, and the personal conduct of the members and their guests thereon, and to establish penalties for the infraction thereof;

(b) To exercise for the Association all powers, duties and authority vested in or delegated to this Association not reserved to the membership by other provision of these Bylaws, the Articles of Incorporation or the Declaration;

(c) To declare the office of a member of the Board of Directors to be vacant in the event such member shall be absent from three (3) consecutive regular meetings of the Board of Directors; and

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

Section 2. Duties. 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. Also, to present such statement at any special meeting, when such statement is requested in writing by one-fourth (1/4) of the Class A members who are entitled to vote;

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

(c) As more fully provided herein and in the Declaration;

(1) To fix the amount of the annual assessment against each Lot at least thirty (30) days in advance of each annual assessment period, as hereinafter provided in Article XII, and

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

(d) 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.

A reasonable charge may be made by the board for the issuance of these certificates. Such certificate shall be conclusive evidence of any assessment therein stated to have been paid;

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

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

(g) To cause the Common Area, the improvements on the Common Area and the Townhomes and Townhome Lots to be maintained;

(h) To cause the payment of ad valorem taxes and public assessments levied against the property of the Association; and

(i) To direct and supervise the affairs of the Association and require the Association to fulfill all of its obligations and duties as set forth in the Declaration.

ARTICLE IX

COMMITTEES

Section 1. The Association may appoint an Architectural Control Committee provided in the Declaration and a Nominating Committee as provided in these Bylaws. In addition, the Board of Directors may appoint other committees as deemed appropriate in carrying out its purposes, such as:

(a) A Recreation Committee which shall advise the Board of Directors on all matters pertaining to the recreational program and activities of the Association and shall perform such other functions as the Board, in its discretion, determines;

(b) A Maintenance Committee which shall advise the Board of Directors on all matters pertaining to the maintenance, repair or improvement of the Properties, and shall perform such other functions as the Board in its discretion, determines;

(c) A Publicity Committee which shall inform the members of all activities and functions of the Association and shall, after consulting with the Board of Directors, make such public releases and announcements as are in the best interests of the Association;

(d) An Audit Committee which shall supervise the annual audit of the Association's books and approve the annual budget and statement of income and expenditures to be presented to the membership at its regular meeting as provided in Article XI, Section 8(d) of these Bylaws. The Treasurer shall be an ex-officio member of the Committee.

Section 2. It shall be the duty of each committee to receive complaints from members on any matter involving Association functions, duties, and activities within its field of responsibility. It shall dispose of such complaints as it deems appropriate or refer them to such other committee, director or officer of the Association as is further concerned with the matter presented.

ARTICLE X

MEETINGS OF MEMBERS

Section 1. Annual Meetings. The annual meeting of the members shall be held on the second Wednesday in the month of February of each year at the hour of 7:30 o'clock p.m., and at such place as is fixed by the Board of Directors. The Directors may change the date of the annual meeting from time to time.

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 the entire membership or who are entitled to vote one-fourth (1/4) of the votes of the Class A membership.

Section 3. Notice of Meetings. 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 such notice, postage prepaid, at least 15 days before such meeting to each member entitled to vote thereat, addressed to the member's address last appearing on the books of the Association, or supplied by such member to the Association for the purpose of notice. Such notice shall specify the place, day and hour of the meeting, and, in the case of a special meeting, the purpose of the meeting.

~~Handwritten mark~~ Section 4. Quorum. The presence at the meeting of members entitled to cast, or of proxies entitled to cast, one-tenth (1/10) of the votes of each class of membership 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 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.

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OFFICERS AND THEIR DUTIES

Section 1. Enumeration of Offices. The officers of this Association shall be a President and Vice-President, who shall at all times be members of the Board of Directors, a Secretary and a Treasurer, and such other officers as the Board may from time to time by resolution create.

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

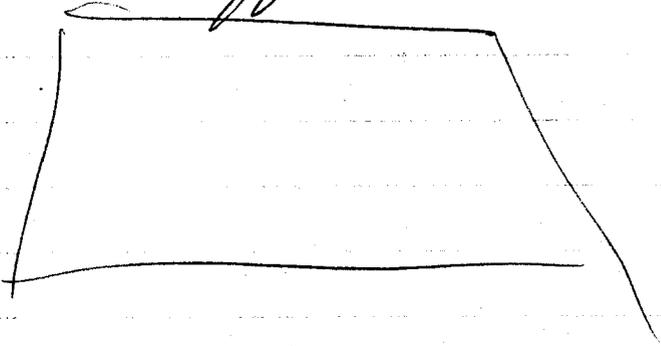
Section 3. Term. The officers of this Association shall be elected annually by the Board and each shall hold office for one (1) year unless he shall sooner resign, or shall be removed, or otherwise disqualified to serve.

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

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

Section 6. Vacancies. A vacancy in any office may be filled in the manner prescribed for regular election. The officer elected to such vacancy shall serve for the remainder of the term of the officer he replaces.

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

(a) President. The President shall preside at all meetings of the Board of Directors and all meetings of the members; shall see that orders and resolutions of the Board are carried out; shall sign all leases, mortgages, deeds and other written instruments and shall co-sign all promissory notes.

(b) Vice-President. The Vice-President shall act in the place and stead of the President in the event of his absence, inability or refusal to act, and shall exercise and discharge such other duties as may be required of him by the Board.

(c) Secretary. The Secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board and of the members; keep the corporate seal of the Association and affix it on all papers requiring said seal; serve notice of meetings of the Board and of the members; keep appropriate current records showing the members of the Association together with their addresses, and shall perform such other duties as required by the Board.

(d) Treasurer. The Treasurer shall receive and deposit in appropriate bank accounts all monies of the Association and shall disburse such funds as directed by resolution of the Board of Directors; keep proper books of account; cause an annual audit of the Association books to be made by an independent certified public accountant at the completion of each fiscal year; and shall prepare an annual budget and a statement of income and expenditures to be presented to the membership at its regular annual meeting, and delivery of a copy of each to the members.

ARTICLE XII

COVENANT FOR ASSESSMENTS

Section 1. Creation of the Lien and Personal Obligation of Assessments.

Notwithstanding any provision herein to the contrary, the assessment for each lot owned by Declarant shall be twenty-five percent (25%) of the assessment which is applicable for a Lot titled in a name other than Declarant provided, however, if the Declarant rents a Townhome and Lot to a third party the Declarant shall pay to the Association the full assessment applicable to that Lot, as provided in Section three of this Article.

Such assessments shall be fixed, established, and collected from time to time as hereinafter provided.

The annual and special assessments, together with such interest thereon and costs of collection thereof, as hereinafter provided, shall be a charge on the

land and shall be a continuing lien upon the lot and improvements against which each such assessment is made. Each such assessment, together with such interest and costs and reasonable attorney's fees, shall also be the personal obligation of the person who was the owner of the Lot at the time the assessment fell due. The personal obligation of an owner for delinquent assessments shall not pass to his successors in title unless expressly assumed by them. All assessments shall be shared equally by the owners of each Lot, except as otherwise provided in this section.

Section 2. Purpose of Assessments. The assessments levied by the Association shall be used exclusively for promoting the recreation, health, safety, and welfare of the residents and the Property; enforcing these covenants and the rules of the Association; paying common expenses; improving and maintaining the Property and the townhomes situated thereon and the Common Area; and providing the services and facilities for purposes of and related to the use and enjoyment of the Common Area and facilities.

Section 3. Amount of Assessment.

(a) Initial Assessment. To and including December 31, 1987, the initial annual assessment shall not be in excess of Fifty Dollars Dollars (\$50.00) per Lot, the exact amount of which shall be determined from time to time as provided in Subsection (d) of this Section 3.

(b) Increase by Association. From and after December 31, 1987, the annual assessment effective for any year may be increased from and after January 1 of the succeeding year by the Board of Directors, without a vote of the membership, to an amount which may not exceed the original assessment (or revised assessment determined pursuant to subparagraph (c) below) plus seven percent (7%) of said assessment per year since December 31, 1987, or the date the revised assessment was established, whichever is later.

(c) Increase by Members. From and after December 31, 1987, the annual assessment may be increased by a percentage greater than permitted by this Article by an affirmative vote of two-thirds (2/3) of each class of members who are voting in person or by proxy, at a meeting duly called for such purpose, written notice of which, setting forth the purpose of the meeting, shall be sent to all members not less than fifteen (15) days nor more than thirty (30) days in advance of the meeting. The limitations herein set forth shall not apply to any increase in assessments undertaken as an incident to a merger or consolidation in which the Association is authorized to participate under its Articles of Incorporation.

(d) Criteria for Establishing Annual Assessment. The Association is required to establish and maintain an adequate reserve fund for the periodic maintenance, repair and replacement of improvements to the common areas and such other areas and structures which the Association may be obligated to maintain. The fund shall be maintained out of annual assessments for common expenses as provided for in this article. In establishing the annual assessment for any assessment year, the board of directors shall set the annual assessment high enough to cover all current costs and expenses of the Association, any accrued debts, and reserves for future needs, but it may not fix the annual assessment in an amount in excess of the amount derived by the Index formula provided in subsection (b) without the consent of members required by subsection (c) of this Section 3.

(e) The Board of Directors may decrease the annual assessment from time to time if in its opinion such decrease is prudent.

Section 4. Special Assessments for Capital Improvements. In addition to the annual assessments authorized above, the Association may levy, in any assessment year, a special assessment applicable to that year only for the purpose of defraying, in whole or in part, the costs of construction or reconstruction, unexpected repair, or replacement of a described capital improvement upon the common area, including

the necessary fixtures and personal property related thereto, provided that any such assessment 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, setting forth the purpose of the meeting, shall be sent to all members not less than fifteen (15) days nor more than thirty (30) days in advance of the meeting. The amount of the proposed assessment need not be stated.

Section 5. Special Assessments for Capital Improvements. In the event that any townhome located on the Property is substantially destroyed by fire or other hazard and the owner decides to sell said unit, the Association is empowered to contract for the purchase of such unit provided the contract is contingent upon the Board and Members of the Association deciding they want to purchase said unit as set out in sub-paragraph (a) of this section. The Owner shall have the right to sell said unit to any party, in addition to the Association. For the purposes of this section "substantially destroyed" shall mean that the costs of replacement or repair equals at least thirty-three percent (33%) of the appraised value of the improvements on the lot before they were damaged.

(a) Determination of Whether to Purchase. The Board of Directors shall appoint a committee, or shall designate an existing committee of the Association, to determine whether failure to reconstruct the damaged townhome will result in substantial pecuniary injury to the Association or diminution in value of the remaining Property. The committee may employ such persons, including, but not limited to, real estate appraisers, realtors, architects, and engineers, as are reasonably necessary to make its determination, and shall report its conclusions, with supporting data, in writing to the Board within fifteen (15) days. The report shall set forth such matters as the Board and committee deem pertinent, but shall contain estimates of the pecuniary injury and diminution in value along with an estimate of the cost of purchase and reconstruction of the townhome.

If the Board of Directors determines that it would be advantageous to the Association and/or to the remaining Property to purchase and reconstruct the townhome, it shall call a special meeting by giving written notice thereof, setting forth the following submission of the committee report. The special meeting of members shall be held not less than seven (7) days nor more than fifteen (15) days following notice to members. Upon an affirmative vote of at least sixty-six and two-thirds percent (66-2/3%) of each class of membership present and voting, the Board will be authorized to purchase and reconstruct the townhome and to assess all lots equally for all costs and expenses arising out of the purchase and repair or reconstruction of the townhome. The Board may require that the assessment be paid in a lump sum, in installments during an assessment year, or over a period of two (2) or more assessment years, as the Board, in its discretion, shall determine to be appropriate.

Such an assessment shall be in addition to, and not in lieu of, the annual assessments provided for in Section 3 and the special assessments provided for in Section 4 of this Article.

(b) Application of Insurance Proceeds. The owner of the townhome, prior to conveyance to the Association, shall apply or cause to be applied so much of the proceeds of any hazard insurance paid by reason of the damage or destruction of the townhome as shall be necessary to pay all liens, mortgages, deeds of trust, taxes and encumbrances upon the lot so that the fee simple marketable title thereto may be conveyed free and clear of all liens and encumbrances. If the insurance proceeds are not sufficient to pay all liens, encumbrances, and obligations upon the lot, the purchase price shall be reduced by an amount adequate to pay any such deficiency.

(c) New Unit to Conform with Existing Development. Whether the Owner retains the Lot or conveys it, the site shall be used only as a site of an attached single-family townhome unit. Any townhome unit reconstructed or repaired shall be

substantially identical to the destroyed townhome unit, unless a change shall be approved by the Board, and shall be constructed in conformity with plans submitted to and approved by the Board prior to construction.

(d) Retention by Owner. If a townhome is not habitable by reason of damage, and the owner gives notice of his election to repair or reconstruct the townhome, the obligation of the owner to pay annual assessment installments shall not be suspended. In the event a townhome is damaged or destroyed, or the owner does not begin repair or reconstruction within thirty (30) days following the damage or destruction, he shall remove or cause to be removed, at his expense, all debris from the lot, so that it shall be placed in a neat, clean, and safe condition and if he fails to do so, the Association may cause the debris to be removed, and the cost of removal shall constitute a lien upon the townhome and its lot until paid by the owner, unless the lot is thereafter sold to the Association.

(e) Reconstruction by the Association. Upon acquisition of title to the townhome, the Association is authorized to arrange such financing and execute such notes, mortgages, deeds of trust, and other instruments, to enter into such contracts, and to do and perform such other matters and things as are necessary to accomplish the reconstruction of the townhome; provided, however, that only that townhome which is to be reconstructed shall stand as security for any liens, mortgages, or obligations arising out of the purchase or reconstruction fo the townhome, and no other portion of the Property, including the limited common area and facilities, shall be pledged, hypothecated, mortgaged, deeded in trust, or otherwise given as security for any obligations arising out of said purchase or reconstruction, and no member shall be required to become personally obligated therefor.

The Association shall hold title to the lot and improvements for the benefit of all members. The Board may lease or sell the lot and improvements upon such terms and conditions as it, in its discretion, deems most advantageous to the

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#4 Special Account for Capital  
#5 Special Account for Capital  
Improvements

members. The lease rental shall be applied in the following order of priority:

(1) to the payment of taxes, assessments, liens, encumbrances, and obligations on or secured by the lot; (2) to the maintenance, upkeep, and repair of the townhome; (3) to payment or repayment to the members, pro rata, of the special assessment, if any, for purchase and reconstruction of the townhome; and (4) to the general expenses of the Association. In the event the lot is sold, the purchase price shall be applied in the following order or priority: (1) to the payment of taxes, assessments, liens, encumbrances, and obligations on or secured by the lot; (2) to payment or repayment to the members, pro rata, of the special assessment, if any, for the purchase and reconstruction of the townhome; and (3) to the general expenses of the Association. Any payment or repayment to members of the special assessment may be in cash or may be applied to the annual assessment due or to become due.

(f) Application of Declaration and Bylaws. Any townhome which has been destroyed in whole or in part, by fire or other casualty, and is subsequently restored or reconstructed, shall be subject to the provisions of this Declaration and to the Bylaws of the Association.

Section 6. Uniform Rate of Assessment. Both annual and special assessments must be fixed at a uniform rate for all lots on a per lot basis, and may be collected on a monthly basis.

Section 7. Quorum for any Action Authorized Under Sections 3, 4 and 5. At the first meeting called, as provided in Sections 3, 4 and 5 of this Article, the presence at the meeting of members or of proxies entitled to cast sixty percent (60%) of all the votes of each class of membership shall constitute a quorum. If the required quorum is not forthcoming at any meeting, subsequent meetings may be called, subject to the notice requirement set forth in Section 3, 4 and 5, and the required quorum at any such subsequent meeting shall be one-half (1/2) of the

required quorum at the next preceding meeting. No such subsequent meeting shall be held more than sixty (60) days following the next preceding meeting.

Section 8. Date of Commencement of Annual Assessments: Due Dates. The annual assessments provided herein for Lots shall be paid in equal monthly installments and the payment of such shall commence as to each Lot covered by this Declaration, on the date this Declaration is recorded in the New Hanover County Registry. Annual assessments for Lots developed in the future shall begin on the date a map showing those Lots is recorded in the New Hanover County Registry. Provide however, any provision of this Declaration to the contrary notwithstanding, the Declarant may at its election, postpone the date on which the assessment shall commence as to a Lot or Lots, provided the Declarant maintains the common areas and townhomes for which no assessment is being collected during the period of such postponement. The first annual assessment shall be adjusted according to the number of months remaining in the calendar year. The Board of Directors shall fix the amount of the annual assessment against each lot at least thirty (30) days in advance of each annual assessment period. Written notice of the annual assessment shall be sent to every owner subject thereto. The due dates shall be established by the Board of Directors. The Association, upon demand at any time, shall furnish a certificate in writing signed by an officer of the Association setting forth whether the assessments on a specified lot have been paid. A properly executed certificate of the Association as to the status of assessments on a lot is binding upon the Association as of the date of its issuance.

Section 9. Effect of Nonpayment of Assessments: Remedies of the Association. Any assessments or portion thereof which are not paid when due shall be delinquent. If the assessment or portion thereof is not paid within thirty (30) days after the due date, the same shall bear interest from the date of delinquency at the highest rate then permitted by the regulations of the Federal Housing Administration

(FHA) and the regulations of the Veterans Administration (VA); provided, however, that if highest rate permitted by FHA and VA are not the same, the interest rate shall be the lower of rates permitted by these two agencies. The Association may bring an action against the owner personally obligated to pay the same, and interest, costs, late payment charges and reasonably attorney's fees of any such action shall be added to the amount of such assessment. If any law permits the filing of a lien and the foreclosure of such lien, or other similar action, as a method of enforcement of the Association's right to collect assessments, the Association may use such remedy. No owner may waive or otherwise escape liability for the assessment provided for herein by nonuse of the common area or abandonment of his lot.

Section 10. Subordination of the Lien to Mortgages. The lien of the assessments provided for herein on any lot shall be subordinate to the lien of any first mortgage on such lot. A sale or any transfer of any Lot shall not affect the assessment liens; provided, however, that the sale or transfer of any lot pursuant to mortgage foreclosure or any proceeding in lieu thereof, shall extinguish the lien of such assessments as to payments which became due prior to such sale or transfer. No sale or transfer shall relieve such lot from liability for any assessments thereafter becoming due or from the lien thereof.

Section 11. Exempt Property. Any portion of the Property dedicated to, and accepted by, a local public authority and all properties owned by a charitable or non-profit organization exempt from taxation by the laws of the State of North Carolina shall be exempt from the assessments created herein, except no land or improvements devoted to dwelling use shall be exempt from said assessments.

Section 12. Two Months of Assessments to be Collected at Closing. At the closing of the sale of each townhome unit by the Declarant, a sum shall be collected equal to the total assessment for such townhome unit for the succeeding two months and such sum shall be contributed to the general operating of the fund of the Association for the purpose of insuring that the Association will have sufficient funds

to meet unforeseen expenditures. This contribution shall not be considered an advance against assessments to become due, or a refundable deposit.

ARTICLE XIII

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 or his designated agent. 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 XIV

CORPORATE SEAL

The Association shall have a seal in circular form having within its circumference the words "Winchester Townhomes Association".

ARTICLE XV

AMENDMENTS

Section 1. These Bylaws may be amended at a regular or special meeting of the members, by a vote of a majority of a quorum of the members present in person or by proxy.

Section 2. Notwithstanding any provision in this instrument to the contrary, as long as the Declarant controls the Association and if the subdivision has been approved by the Veterans Administration and the Federal Housing Administration for loans guaranteed by the Veterans Administration or the Federal Housing Administration (but not otherwise), any amendment of these Bylaws will require the prior approval of the Federal Housing Administration or the Veterans Administration.

Section 3. In the case of any conflict between the Articles of Incorporation and these Bylaws, the Articles shall control; and in case of any conflict between the Declaration and these Bylaws, the Declaration shall control.

ARTICLE XVI  
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.

IN WITNESS WHEREOF, we, being all of the directors of Winchester Townhomes Association, have hereunto set our hands this the \_\_\_\_ day of December, 1986.

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director