

BYLAWS
FOR
WINDING CREEK CONDOMINIUMS

BA 2915

THESE BYLAWS of Winding Creek Condominiums are promulgated pursuant to the Unit Ownership Act, Section 47A-1 et seq. of the Code of Laws of North Carolina (the "Act") for the purpose of governing Winding Creek Association of Unit Owners (the "Association") and the administration of Winding Creek Condominiums (the "Property"), which has been submitted to unit ownership pursuant to the Act. The terms used herein are defined in the Declaration by which the Property was so submitted, and these Bylaws incorporate and are subject to the provisions of said Declaration.

ARTICLE I

OWNERS

A. Membership. Every Owner shall be a member of the Association. A person who holds title to a Unit merely as security for payment of a debt shall not be entitled to exercise the rights of an Owner unless such person holds a proxy conferring such rights.

B. Voting. Votes of the Owners shall be cast only at meetings of the Owners convened in accordance with these Bylaws. The affirmative vote of a Majority of the Owners, as hereinafter defined, shall be required to adopt decisions.

C. Majority of the Owners. As used in these Bylaws, the term "Majority of the Owners" means Owners entitled to cast a total of more than fifty (50) votes.

D. Quorum. A Majority of the Owners present in person or by proxy shall constitute a quorum for the transaction of business at meetings of the Owners.

E. Consents. Any action which may be taken by a vote of the Owners may also be taken by written consent to such action signed by all Owners.

F. Annual Meetings. An annual meeting of the Owners shall be held on the third Monday in November of each year or at such other time during each year as may be determined by a Majority of the Owners. Any business which is appropriate for action of the Owners may be transacted at an annual meeting.

G. Special Meetings. Special meetings of the Owners may be called at any time by the President of the Association or by a Majority of the Board of Directors and shall be called upon the written request of a Majority of the Owners. Only such business as is stated in the notice of meeting shall be transacted at a special meeting unless all Owners waive notice of any additional business.

H. Notice of Meeting. Written notice of every annual or special meeting of the Owners stating the time, date and place of the meeting and, in the case of a special meeting, the business proposed to be transacted shall be given to every Owner not fewer than ten (10) nor more than thirty (30) days in advance of the meeting. Failure to give proper notice of a meeting of the Owners shall not invalidate any action taken at such meeting unless an Owner who was not given proper notice objects in writing to the lack of proper notice within thirty (30) days following such meeting, in which case the action to which such Owner objects shall be void.

I. Waiver of Notice. Waiver of notice of a meeting of the

Owners shall be deemed the equivalent of proper notice. Any Owner may in writing waive notice of any meeting of the Owners either before or after such meeting. Attendance at a meeting by an Owner, whether in person or by proxy, shall be deemed waiver by such Owner of notice of the time, date and place thereof unless such Owner specifically objects to lack of proper notice at the time the meeting is called to order. Attendance at a special meeting shall also be deemed waiver of notice of all business transacted thereat unless objection to lack of notice is raised before the business of which proper notice was not given is put to a vote.

J. Place of Meeting. All meetings of the Owners shall be held upon the Property or at such other place which is convenient to the Owners as the President of the Association or the Board of Directors may direct.

K. Adjournment. Any meeting of the Owners may be adjourned from time to time for periods not exceeding forty-eight (48) hours by vote of Owners holding a majority of the votes represented at such meeting, regardless of whether a quorum is present. Any business which could properly be transacted at the original session of a meeting may be transacted at an adjourned session, and no additional notice of adjourned sessions shall be required.

L. Order of Business. The order of business at all meetings of the Owners shall be as follows:

1. Roll Call;
2. Proof of proper notice of the meeting or waiver of notice;
3. Reading of minutes of preceding meeting;
4. Report of the Board of Directors;
5. Reports of officers;
6. Reports of committees;
7. Election of inspectors of election (when required);
8. Election of Directors (when required);
9. Unfinished business;
10. New business.

M. Minutes of Meetings. The Secretary of the Association shall prepare, or cause to be prepared, and keep accurate minutes of every meeting of the Owners. Such minutes shall be made available for examination and copying by any Owner at any reasonable time.

N. Who May Act for an Owner. In the absence of a valid proxy, an individual shall act in his own behalf, a corporation shall act by any officer thereof, a partnership shall act by any general partner thereof, an association shall act by any associate thereof, a trust shall act by any trustee thereof, and any other legal entity shall act by any managing agent thereof. When an Owner consists of two or more persons, any one of such persons shall be deemed authorized to act for all in taking any action on behalf of such Owner unless another of such persons objects, in which case the votes which such Owner would otherwise be entitled to cast may not be cast.

O. Proxies. Any Owner may by written proxy designate an agent to cast the votes of such Owner. Unless otherwise stated therein, a proxy shall be deemed to confer the authority to execute consents and waivers and to exercise the right to examine

the books and records of the Association. A proxy may be revocable or irrevocable but shall be deemed revocable at will unless otherwise specified therein. No proxy shall be honored until delivered to the Secretary of the Association.

ARTICLE II

BOARD OF DIRECTORS

A. Form of Administration. The administration of the Association and the Property shall be vested in a Board of Directors consisting of not less than three (3) nor more than five (5) Directors elected from the Owners.

B. Authorities and Duties. The authorities and duties of the Board of Directors shall include the following:

1. To provide for the security of the Property;
2. To provide for the maintenance, repair and replacement of the Common Elements;
3. To employ and discharge the persons necessary for the operation, maintenance, repair and replacement of the Common Elements;
4. To collect from the Owners their respective shares of the Common Expenses;
5. To insure the Property as hereinafter provided;
6. To enact reasonable regulations governing the operation and use of the Property;
7. To enforce the terms of the Unit Ownership Act, the Declaration and these Bylaws and the Regulations promulgated pursuant hereto as hereinafter provided; and
8. To administer the Association and the Property on behalf of and for the benefit of all Owners.

C. Qualification. ~~Only an individual who is an Owner, or~~ who together with another person or other persons is an Owner, or who is an officer of a corporation, a general partner of a partnership, an associate of an association, a trustee of a trust, or a managing agent of any other legal entity which is an Owner, or which together with another person or persons is an Owner, may be elected or continue to serve as a Director of the Association. The number of Directors provided at any one time by an Owner which is an organization or which consists of more than one individual shall not exceed the number of Units owned by such Owner.

D. Election and Term. The initial Board of Directors shall be elected at the organizational meeting of the Association and shall serve until the first annual meeting of the Owners. At each annual meeting of the Owners a new Board of Directors shall be elected to succeed the Directors whose terms expire at such meeting. Each Director shall be elected to serve until the next annual meeting of the Owners following his election. A Director may be elected to succeed himself, and a Director shall be deemed to continue in office until his successor has been elected and has assumed office.

E. Removal. A Director may be removed from office with or without cause by the affirmative vote of a Majority of the Owners.

F. Vacancies. Any vacancy in the Board of Directors caused by any reason shall be filled by a new Director elected by the

affirmative vote of a Majority of the Owners.

G. Voting. Each Director shall have one (1) vote on all matters acted upon by the Board of Directors. The affirmative vote of a simple majority of the Directors present at the time of a vote, if a quorum is present at such time, shall be sufficient for any action unless otherwise specified in these Bylaws.

H. Quorum. Two (2) Directors shall constitute a quorum for the transaction of business.

I. Consents. Any action which may be taken by a vote of the Board of Directors may also be taken by written consent to such action signed by all Directors.

J. Referendum. Any action taken by a vote of a Majority of the Owners shall be binding upon the Board of Directors and shall supersede any inconsistent action previously or thereafter taken by the Board of Directors, but no such action by the Owners shall impair the enforceability of any contract duly authorized or entered into by the Board of Directors pursuant to authority granted in the Unit Ownership Act, the Declaration or these Bylaws.

K. ~~Annual Meetings.~~ An annual meeting of the Board of Directors shall be held during each fiscal year ~~within ten (10) days following the annual meeting of the Owners.~~ The time, date and place of the annual meeting of the Board of Directors shall be fixed at the annual meeting of the Owners by mutual consent of the Directors present at such meeting, and no further notice thereof shall be necessary. Any business which is appropriate for action of the Board of Directors may be transacted at a regular meeting.

(L) Regular Meetings. Regular meetings of the Board of Directors shall be held at such times, dates and places as the Board of Directors may determine from time to time, but ~~at least three (3) regular meetings shall be held each fiscal year.~~ Any business which is appropriate for action of the Board of Directors may be transacted at a regular meeting.

M. Special Meetings. Special meetings of the Board of Directors may be called from time to time by the President of the Association and shall be called upon the written request of three (3) of the Directors. Only such business as is stated in the notice of meeting shall be transacted at a special meeting unless all Directors waive notice of any additional business.

N. Notice of Meetings. Written notice of every regular or special meeting of the Board of Directors stating the time, date and place of the meeting and, in the case of a special meeting, the business proposed to be transacted, shall be given to every Director not fewer than three (3) nor more than ten (10) days in advance of the meeting. Failure to give proper notice of a meeting of the Board of Directors shall not invalidate any action taken at such meeting unless a Director who was not given proper notice objects in writing to the lack of proper notice within thirty (30) days following such meeting, in which case the action to which such Director objects shall be void.

O. Waiver of Notice. Waiver of notice of a meeting of the Board of Directors shall be deemed the equivalent of proper notice. Any Director may in writing waive notice of any meeting of the Board of Directors either before or after such meetings. Attendance at a meeting by a Director shall be deemed waiver by such Director of the time, date and place thereof unless such Director specifically objects to lack of proper notice at the time the meeting is called to order. Attendance at a special meeting shall also be deemed waiver of notice of all business transacted thereat unless objection to lack of notice is raised before the business of which proper notice was not given is put to a vote.

P. Place of Meeting. All meetings of the Board of Directors shall be held upon the Property or at such other place convenient to the Directors as the President of the Association or the Board of Directors may direct. Meetings may be conducted by telephone if all Directors consent.

Bo. of Directors

Q. Minutes of Meetings. The Secretary of the Association shall prepare, or cause to be prepared, and keep accurate minutes of every meeting of the Board of Directors. ~~A copy of such minutes shall be distributed to each Owner within thirty (30) days following each meeting, and all such minutes shall be made available for examination and copying by any Owner at any reasonable time.~~

R. Compensation. The Directors shall serve without compensation but shall be entitled to reimbursement by the Association for expenses incurred in the conduct of their duties.

ARTICLE III

OFFICERS

A. Designation. The Association shall have a ~~President, a Vice President, a Secretary and a Treasurer.~~ The Association may also have one or more assistants to the Secretary and to the Treasurer and such other officers as may be necessary from time to time. The offices of the Secretary and the Treasurer may be filled by the same individual.

B. Qualifications. The President and the Vice President must be Directors, and all other officers must be individuals who are qualified to be Directors.

C. Election and Term. Officers of the Association shall be elected at each annual meeting of the Board of Directors and at such other times as may be required to fill vacancies of any office. All officers shall serve until their successors have been elected and assumed office unless sooner removed as hereinafter provided. An officer may be reelected to any number of terms.

D. Removal. Any officer may be removed from office at any time with or without cause by the Board of Directors or by the Owners. An officer removed by the Owners shall be replaced only by the Owners.

E. President. The President shall be the chief executive officer of the Association. He shall preside at all meetings of the Association and of the Board of Directors at which he is present. He shall have all of the general powers and duties which are usually vested in the office of the president of an unincorporated association, including but not limited to the power to appoint committees from among the Owners from time to time as he may in his discretion decide is appropriate to assist in the conduct of the affairs of the Association.

F. Vice President. The Vice President shall take the place and perform the duties of the President whenever the President shall be absent or unable to act. If neither the President nor the Vice President is able to act, the Board of Directors shall appoint some other Owner to take the place and perform the duties of the President on an interim basis. The Vice President shall also perform such other duties as shall from time to time be imposed upon him by the Board of Directors.

G. Secretary. The Secretary shall keep the minutes of all meetings of the Owners and of the Board of Directors, shall have charge of such books and papers as the Board of Directors may direct, and shall, in general, perform all the duties incident to the office of the Secretary of an unincorporated association.

H. Treasurer. The Treasurer shall have custody of and responsibility for Association funds and securities and shall

keep the financial records and books of account belonging to the Association. If a Manager is employed as hereinafter provided, custody of Association funds and securities and responsibility for maintaining full and accurate accounts of all receipts and disbursements may be delegated to the Manager if the Board of Directors so determine, but in such case the Treasurer shall verify the amounts of Association funds and securities in the custody of the Manager and review and reconcile the accounts maintained by the Manager at such intervals as may be determined by the Board of Directors.

I. Compensation. The officers may receive such compensation as the Owners may determine and shall be entitled to reimbursement by the Association for expenses incurred in the conduct of their duties.

ARTICLE IV

MANAGER

A. Employment. The Board of Directors may employ a professional Manager to assist in or take charge of the administration of the Association and the Property.

B. Qualification. The Manager may be a corporation or other legal entity.

C. Authority and Duties. The Manager shall have such authority and duties as may be determined by the Board of Directors and shall report to the Board of Directors or to the President, as the Board of Directors may determine.

D. Compensation. The Manager shall receive such compensation as the Board of Directors may determine.

ARTICLE V

FINANCES

A. ~~Fiscal Year.~~ The fiscal year of the Association shall begin ~~October 1 and run through September 30~~ of the following year unless the Owners shall otherwise determine.

B. ~~*Budget.~~ The Board of Directors shall prepare, or cause to be prepared, and ~~submit to the Owners at each annual meeting~~ of the Owners a proposed budget for the Association for the fiscal year in which the meeting is held. The proposed budget shall set forth with particularity the anticipated Common Expenses for the fiscal year and the amount of money needed to establish reasonable reserves for the payment of future or unforeseen Common Expenses.

C. Approval of Budget. The proposed budget, as it may be amended upon motion of any Owner, shall be submitted to a ~~vote of the Owners~~ and, when approved by the affirmative ~~vote of a Majority of the Owners~~, shall become the budget of the Association for the fiscal year (the "Budget"). The terms of the Budget shall be binding upon the Board of Directors until such terms are amended by action of the Owners.

D. Regular Assessments. The funds required by the Budget shall be collected from the Owners by the Board of Directors in equal monthly assessments.

E. ~~Special Assessments.~~ The funds required from time to time to pay any Common Expenses which are not covered by the Budget but which are approved by the Owners shall be collected from the Owners by the Board of Directors in such installments as the Owners shall determine.

F. Individual Assessments. Any payments to the Association which one or more, but fewer than all, of the Owners shall be obligated to make pursuant to the terms of the Unit Ownership

Act, the Declaration or these Bylaws, shall be due upon demand and shall be collected by the Board of Directors.

G. Collection. Owners shall be liable for all assessments and shall pay the same promptly when due. The Board of Directors shall take prompt and appropriate action to collect by suit, foreclosure or other lawful method any overdue assessment. If any overdue assessment is collected by an attorney or by action at law, the Owner owing the same shall be required to pay all reasonable costs of collection, including attorney's fees. Assessments together with any and all late charges or penalties and costs of collection as provided herein, shall constitute a lien on the Unit as provided in the Unit Ownership Act, these Bylaws and the Declaration. The provisions of Article IV, Section D of the Declaration are specifically incorporated herein by reference.

H. Penalty. An assessment not paid within ten (10) days following the date when due shall bear a penalty of five dollars (\$5.00) plus two percent (2%) of the assessment per month from the date when due. The penalty shall be added to and collected in the same manner as the assessment. The Board of Directors may in its discretion waive all or any portion of a penalty or interest imposed pursuant to this paragraph if it affirmatively appears that the failure to pay the assessment when due was caused by circumstances beyond the control of the Owner.

I. Accounts. The Board of Directors shall maintain on behalf of the Association a checking account with a state or federally chartered bank having an office in Cumberland County. The Board of Directors may also maintain on behalf of the Association an interest-bearing account. If a Manager is employed, said accounts may be maintained in the name of the Manager if the Board of Directors approve. All funds of the Association shall be promptly deposited in one of said accounts, except that the Board of Directors may maintain a petty cash fund of not more than One Hundred dollars (\$100.00) for payment for minor current expenses of the Association. The books and records relating to any account of the Association shall be made available for examination and copying by any Owner, lender, or a holder, insurer, or guarantor of a first mortgage, at any reasonable time.

J. Payments. The Board of Directors shall provide for payment of all debts of the Association from the funds collected from the Owners. ~~Expenditures specifically approved in the Budget may be paid without further approval unless the Board of Directors shall otherwise determine.~~ All other expenditures which are in excess of one hundred dollars (\$100.00) shall be reviewed and approved by the President or the Board of Directors before payment is made. All checks and requests for withdrawals drawn upon any account of the Association shall be signed by the President and the Treasurer or by any two (2) alternate officers of the Association designated by the Board of Directors. If a Manager is employed, the Board of Directors may authorize the Manager to draw checks upon the account of the Association. The Board of Directors may also authorize the Manager to make disbursements from the petty cash fund, if any.

K. Bonding. The Board of Directors shall secure from a surety company rated "AAA" or better by Best's Insurance Reports a fidelity bond in an amount of not less than ten thousand dollars (\$10,000.00) covering every individual authorized to withdraw funds from any checking or savings account maintained by the Association. The cost of the bond shall be a Common Expense.

L. Financial Statement. Upon specific written request, the holder of a first mortgage on a Unit shall be furnished a financial statement for the fiscal year immediately preceding.

ARTICLE VI

MAINTENANCE AND IMPROVEMENTS

A. Maintenance by Board of Directors. The Board of Directors shall provide for the maintenance, repair and replacement of the Common Elements and shall employ and dismiss the personnel required for such maintenance, repair and replacement. At their discretion, they may also provide such maintenance service to Units as the budget will permit and as they deem advisable.

B. Maintenance by Owners. Each Owner shall maintain his Unit in good condition and repair.

C. ~~Default by Owner~~. In the event that any Owner fails to perform the maintenance required of such Owner by these Bylaws or by any lawful Regulation enacted pursuant hereto and such failure creates or permits a condition which is hazardous to life, health or property or which unreasonably interferes with the rights of another Owner or which substantially detracts from the value or appearance of the Property, the Board of Directors shall, after giving such Owner reasonable notice and opportunity to perform such maintenance, cause such maintenance to be performed and charge all reasonable expenses of so doing to such Owner by an individual assessment.

D. Expenses. Except as hereinafter provided, the expenses of all maintenance, repair and replacement provided by the Board of Directors shall be Common Expenses. The expenses of maintenance, repair or replacement which are necessitated by (i) the failure of an Owner to perform the maintenance required by these Bylaws or by any lawful regulation enacted pursuant hereto, (ii) the willful act, neglect or abuse of an Owner, or (iii) an uninsured loss which is to be borne by an Owner in accordance with Article VII of these Bylaws, shall be charged to such Owner by an individual assessment.

~~E. Improvements~~. The Board of Directors shall provide for the making of such improvements to the Common Elements as may be approved from time to time by the Owners. The cost of such improvements shall be Common Expenses; provided, however, that no Owner shall without his consent be assessed in any one year for the making of improvements to the Common Elements an amount in excess of one percent (1%) of the value of his Unit as set forth in the Declaration.

ARTICLE VII

RECONSTRUCTION

A. Decision of Owners. In the event of substantial damage to or destruction of any portion of the Property, the damage or destruction shall promptly be appraised by the Board of Directors. If more than two-thirds (2/3) of the Property has been destroyed, the Board of Directors shall promptly call a special meeting of the Owners to determine in the manner provided in the Declaration whether the Property shall be reconstructed. In the event that the Owners determine not to reconstruct the Property, the Secretary shall execute a certificate to that effect and cause the same to be recorded in the same manner as these Bylaws.

B. Reconstruction. Unless the Owners affirmatively determine in the manner provided in the Declaration not to reconstruct the Property following damage or destruction thereof, the Board of Directors shall promptly provide for such reconstruction. Such reconstruction shall encompass and include repair and replacement of all floor coverings, fixtures and appliances originally installed in the Unit by the builder or equivalent replacements thereof installed by a subsequent Owner. If the cost of such reconstruction exceeds ten thousand dollars

(\$10,000.00), the Board of Directors may employ an architect licensed to practice in the jurisdiction or jurisdictions in which the Property is situated to supervise the reconstruction. It shall be the duty of such architect to inspect the progress of the reconstruction at regular intervals and to submit written authorizations to the Insurance Trustee hereinafter identified for the payment for work performed. When an architect is not employed, the Board of Directors may perform such inspections and submit such authorizations.

C. Costs. The Board of Directors shall employ for the purpose of reconstructing the Property the proceeds of any insurance obtained on the Property by the Board of Directors on behalf of the Association. If such insurance proceeds do not cover the cost of the reconstruction, the deficiency shall be borne by the Association as a Common Expense up to an amount equal to the sum of (i) amount deducted pursuant to a "loss deductible" clause of the insurance policy plus (ii) fees and expenses of the Insurance Trustee hereinafter identified. Any deficiency in excess of such amount shall be borne by the Owners in proportion to their respective interests in the portion or portions of the Property reconstructed.

ARTICLE VIII

CONDEMNATION

A. Rights of Owners. If any portion of the Property is condemned by any authority having the power of eminent domain, each Owner shall be entitled to receive notice of such condemnation and to participate in the proceedings incident thereto unless otherwise prohibited by law. Each Owner shall be entitled to an individual award to be determined by the value of his interest in the portion or portions of the Property condemned.

B. Duties of the Association. In the event that any award is received by the Association on account of condemnation of any portion or portions of the Common Elements, the Board of Directors shall promptly pay such award to the Insurance Trustee hereinafter identified as trustee for the Owners to be disbursed in the same manner as if it were insurance proceeds. The Board of Directors shall promptly call a special meeting of the Owners to determine whether any condemned portion of the Common Elements shall be replaced. If the Owners determine to replace any condemned portion of the Common Elements, the Board of Directors shall provide for the replacement of such portions in the same manner as if such portions had been destroyed by casualty.

ARTICLE IX

INSURANCE

A. Hazard Insurance. The Board of Directors shall insure the Property for the full replacement cost thereof against all hazards and risks normally covered by a standard "all-risk" policy, including fire and lightning, and the hazards and risks covered by "extended coverage" and by "special extended coverage" in the amount of the replacement cost of the Property without regard to depreciation. Such insurance shall cover only the Units and the common Elements. No insurance of the contents of any Unit (other than the fixtures installed therein and being part of such Unit) or any improvements made to a Unit by any Owner shall be provided by the Board of Directors. The hazard insurance obtained by the Board of Directors may provide that an amount not to exceed one thousand dollars (\$1,000.00) shall be deductible from any indemnity payable on account of a single loss, except that in the case of loss caused by wind or hail the deductible amount may not exceed one percent (1%) of the loss. Any such deductible portion shall be borne by the Association as a Common Expense regardless of the number of Owners directly affected by the loss.

B. Liability Insurance. The Board of Directors shall also obtain premises liability insurance on the Property providing for a single-limit indemnity of not less than one million dollars (\$1,000,000.00) and covering bodily and personal injury and property damage. The Board of Directors shall not be required, however, to obtain public liability insurance covering accidents occurring within a Unit or off the Property. The Board of Directors shall cause medical payment coverage to be included within the policy of liability insurance with indemnity limits of not less than five hundred dollars (\$500.00) per person and ten thousand dollars (\$10,000.00) for each accident.

C. General Provisions. All Insurance obtained on the Property by the Board of Directors shall be written in the name of the Board of Directors or Manager as trustee for the Owners, and the cost of such insurance shall be a Common Expense. All such insurance shall be obtained from a company or companies licensed to do business in the State of North Carolina and rated "AAA" or better by Best's Insurance Report. No such insurance shall be permitted to expire except upon resolution of the Owners to that effect. Certificates of all policies of hazard insurance obtained on the Property by the Board of Directors, as trustee for the Owners, shall be delivered upon request to any Owner or any person holding a mortgage on a Unit.

D. Hazard Policy Provisions. All policies of hazard insurance on the Property obtained by the Board of Directors, as trustee for the Owners, shall provide as follows:

1. The indemnity payable on account of any damage to or destruction of the Property shall be payable to any persons holding liens on or security interest in any Unit as their interest may appear;
2. The policy shall not be cancelled without thirty (30) days' prior written notice to the Board of Directors and to every holder of a lien upon or security interests in any Unit who is named in the policy or an endorsement thereto;
3. No Owner shall be prohibited from insuring his own Unit for his own benefit;
4. No insurance obtained by an Owner on his own Unit shall be brought into contribution with the insurance obtained by the Board of Directors;
5. No right of subrogation shall exist against any Owner or members of his household;
6. The insurer shall not be entitled to reconstruction in lieu of paying the indemnity in cash if the Owners determine in the manner provided in the Declaration not to repair or restore the Property; and
7. The policy shall not be cancelled on account of the actions of one or more, but fewer than a Majority, of the Owners.

If a policy of insurance containing all of the foregoing provisions cannot be obtained at a reasonable cost, one or more of such provisions may be waived by unanimous resolution of the Board of Directors preceded by ten (10) days' notice of every Owner or by resolution of the Owners.

E. Claims. The Board of Directors, as trustee for the Owners, shall have exclusive authority to negotiate and settle on behalf of the Owners all claims arising under policies of hazard insurance obtained on the Property by the Board of Directors, as trustee for the Owners. In the event of damage to or destruction of any portion of the Property, the Board of Directors shall promptly file a claim for any indemnity due under any such policies. The Board of Directors shall simultaneously notify the holders of any liens upon or security interests in the Property who may be entitled to participate in such claim or the filing of

the same.

F. Insurance Proceeds. The net proceeds received by the Board of Directors from any indemnity paid under a policy of hazard insurance obtained on the Property by the Board of Directors, as trustee for the Owners, shall promptly be paid by the Board of Directors to an Insurance Trustee as Trustee for the Owners as hereinafter provided. The Insurance Trustee shall be a state or federally chartered bank selected by the Board of Directors and having trust powers and capital and surplus of five million dollars (\$5,000,000.00) or more. The Insurance Trustee shall hold the insurance proceeds in trust and disburse said proceeds, after deduction of all reasonable fees and expenses of the Insurance Trustee, as follows:

1. If the Owners determine in the manner provided in the Declaration not to reconstruct the Property, the Insurance Trustee shall distribute the insurance proceeds among all the Owners in proportion to their respective interests in the portion or portions of the Property damaged or destroyed; and

2. If the Board of Directors is required to provide for the reconstruction of the Property, the Insurance Trustee shall disburse the insurance proceeds to the person or persons employed by the Board of Directors to effect such reconstruction in accordance with written authorizations submitted to the Insurance Trustee by the architect, if any, supervising the reconstruction or by the Board of Directors. Any portion of the insurance proceeds remaining after all the costs of reconstructing the Property have been paid shall be disbursed to the Owners in proportion to their interests in the portion or portions of the Property reconstructed.

In making disbursements of the insurance proceeds, the Insurance Trustee shall be entitled to rely without further inquiry upon the written authorizations submitted as provided above or upon any written certification of facts submitted to the Insurance Trustee by the Board of Directors as hereinafter provided. The Insurance Trustee shall in no event be responsible for obtaining insurance on the Property, paying the premiums on any such insurance or filing claims for any payments due under any such insurance.

G. Insurance by Owners. Each Owner shall be responsible for obtaining such amounts of the following types of insurance as he deems necessary or desirable:

1. Hazard insurance on his Unit for his own benefit;
2. Hazard insurance on the contents of his Unit and on improvements made to his Unit; and
3. Liability insurance covering accidents occurring within his Unit.

Any Owner who obtains hazard insurance on his Unit for his own benefit shall within thirty (30) days of obtaining the same deliver to the Board of Directors a copy of the policy of Insurance.

ARTICLE X

RESTRICTIONS AND REGULATIONS

A. Restrictions. The use of the Property shall be subject to the following restrictions:

1. Units shall be used only as residences. No Owner shall rent or lease less than all of his Unit.
2. No Owner shall maintain or permit any nuisance within his unit or unreasonably interfere with the use and enjoyment of the Property by any other person entitled to the

same by creating anywhere on the Property or permitting within his Unit the creation of excessive noise, smoke or offensive odors. No person shall maintain on the Property, and no Owner shall permit within his Unit, any condition which is unreasonably hazardous to the life, health or property of any other person.

3. No person shall make any additions to or perform any work upon the Common Elements or otherwise alter the Common Elements without the express authorization of the Board of Directors. No Owner shall alter or permit the alteration of the external appearance of any portion of his Unit without the express approval of the Board of Directors.

B. Regulations. The Board of Directors shall adopt and amend from time to time such reasonable regulations ("Regulations") governing the operation and use of the Property as they may deem necessary or desirable. It shall not be necessary to record Regulations newly adopted or the amendment or repeal of existing Regulations, but no Owner shall be bound by any newly adopted Regulation or any amendment or repeal of an existing Regulation until a copy of the same has been delivered to such Owner.

C. Enforcement. The Board of Directors shall enforce the terms of the Unit Ownership Act, the Declaration and these Bylaws and the Regulations promulgated pursuant hereto and shall take prompt and appropriate action to correct any violations of the same. In addition to any other remedy to which the Association or any Owner may be entitled, the Board of Directors may impose against an Owner reasonable fines not to exceed a total of ten dollars (\$10.00) per day for any violation of the terms of the Unit Ownership Act, Declaration, or these Bylaws, or of the Regulations promulgated pursuant hereto. Such fines shall be collected by individual assessment. Each day during which a violation occurs or continues may be deemed a separate offense.

D. Responsibility of Owners. Each Owner shall be deemed responsible for the conduct of members of his household and his tenants, agents and guests, but the responsibility of the Owners shall not relieve any member of his household or any of his tenants, agents or guests for any liability to the Association or to an Owner for their own acts.

ARTICLE XI

LIABILITIES AND INDEMNIFICATION

A. Liability of the Association. No Owner shall be liable upon a debt or tort of the Association for any amount in excess of such portion of the liability of the Association which bears the same ratio to the total liability as the percentage of interest of such Owner in the Common Elements bears to the whole. All correspondence of the Association and all contracts executed by the Association shall incorporate the following recital:

Winding Creek Association of Unit Owners is an unincorporated association established pursuant to the Unit Ownership Act of North Carolina. No member of the Association shall be liable upon a debt of the Association for an amount in excess of such portion of the debt which the Owner is required to pay pursuant to the terms of the Declaration and the Bylaws of Winding Creek Condominiums.

B. Indemnification Among Owners. Each Owner shall be entitled to contribution from and indemnification by every other Owner to the extent that such Owner discharges or is required to discharge any portion of any liability of the Association in excess of such Owner's proportionate share thereof, except that no Owner shall be required to provide contribution of indemnification on account of a debt which was due and payable prior to the time such Owner became an Owner.

C. Liability of Directors and Officers. No Director or

officer of the Association shall be liable to any Owner for any decision, action or omission made or performed by such Director or officer in the course of his duties unless such Director or officer acted in bad faith or in reckless disregard of the rights of any persons or of the terms of the Unit Ownership Act, the Declaration, or these Bylaws.

D. Indemnification of Directors and Officers. The Association shall indemnify and defend each Director and each officer of the Association from any liability claimed or imposed against him by reason of his position or actions as a Director or an officer of the Association if all of the following conditions are satisfied:

1. Such liability does not arise from the willful misconduct of such Director or officer;
2. Such Director or officer is not required to bear such liability by the terms of the Unit Ownership Act, the Declaration or these Bylaws;
3. Such Director or officer gives the Association adequate notice of the claim or imposition of liability to permit the Association reasonable opportunity to defend against the same; and
4. Such Director or officer cooperates with the Association in defending against the liability.

The expense of indemnifying a Director or an officer shall be a Common Expense and shall be borne by all the Owners, including such Director or officer, in accordance with their percentage of ownership.

ARTICLE XII

ATTESTATIONS AND CERTIFICATIONS

A. Attestation of Documents. The presence of the signature of the Secretary or an assistant secretary of the Association on any contract, conveyance or any other document executed on behalf of the Association by another officer of the Association shall attest:

1. That the officer of the Association executing the document does in fact occupy the official position indicated, that one in such position is duly authorized to execute such document on behalf of the Association, and that the signature of such officer subscribed to the document is genuine; and
2. That the execution of the document on behalf of the Association has been duly authorized.

B. Certification of Documents. When any document relating to the Property or the Association is certified as authentic by the Secretary or an assistant secretary of the Association, a third party without knowledge or reason to know to the contrary may rely on such document as being what it purports to be.

C. Certification of Actions and Facts. When a written statement setting forth (i) actions taken by the Owners or by the Board of Directors or (ii) facts relating to the Property or the Association as determined by the Board of Directors is executed by the Secretary or an assistant secretary of the Association, a third party without knowledge or reason to know to the contrary may rely on such statement as factually true and correct.

ARTICLE XIII

AMENDMENTS

A. Procedure. These Bylaws may be amended from time to time by resolution adopted by the affirmative vote of the Owners

entitled to cast a total of no fewer than 75 votes. No amendment shall be effective unless and until recorded as an amendment to the Declaration as required by the Unit Ownership Act.

B. Effect. All Owners, tenants of Owners, employees of Owners and tenants, and any other persons that may in any manner use the Property or any part thereof shall be bound to abide by any amendment to these Bylaws duly adopted and recorded as specified herein.

ARTICLE XIV

MISCELLANEOUS

A. Record of Ownership. Any person who acquires title to a Unit except a person who acquires title to a Unit merely as security for a debt, shall promptly inform the Board of Directors of the identity of such person and the date upon and manner in which title to the Unit was acquired. The Board of Directors shall maintain a record of the names of all Owners and of the dates upon which they acquired title to their Units.

B. Notices. Any notices or documents placed in the mail or affixed to the front door of a Unit by or at the direction of the Board of Directors shall be deemed delivered to the Owner of such Unit, unless the Owner of such Unit has previously specified to the Board of Directors in writing another address for delivery of such notices and documents. Any notice or document addressed to the Board of Directors and delivered to any Director by or at the direction of an Owner shall be deemed delivered to the Board of Directors.

C. Waiver. No provision of these Bylaws or of the Regulations promulgated pursuant hereto shall be deemed to have been abrogated or waived by reason of any failure to enforce the same, regardless of the number of violations or breaches which may have occurred.

D. Conflicts. In the event of any conflict between these Bylaws and the Unit Ownership Act or the Declaration, the Unit Ownership Act or the Declaration shall control, as appropriate. In the event of a conflict between these Bylaws and the Regulations promulgated pursuant hereto, these Bylaws shall control.

E. Severability. The provisions of these Bylaws are severable, and the invalidity of one or more provisions hereof shall not be deemed to impair or affect in any manner the enforceability or effect of the remainder hereof.

F. Captions. The captions herein are inserted only as a matter of convenience and for reference and in no way define, limit or describe the scope of these Bylaws or the intent of any provision hereof.

G. Gender and Number. All pronouns used herein shall be deemed to include the masculine, the feminine and the neuter and the singular and the plural whenever the context requires or permits.

H. Document Availability. The Association will make available to Owners and lenders, and to holders, insurers or guarantors of any first mortgage, current copies of the Declaration, Bylaws, and other Rules concerning the Property, during normal business hours.

I. Lender's Notices. Upon written request to the Association, identifying the name and address of the holder, insurer, or guarantor and the unit number or address, any mortgage holder or insurer or guarantor of a unit will be entitled to timely written notice of :

a. Any condemnation loss or any casualty loss which

affects a material portion of the Property;

b. Any delinquency in the payment of assessments or charges owed by an owner of a unit subject to a first mortgage held, insured or guaranteed by such holder or insurer or guarantor, which remains uncured for a period of sixty (60) days;

c. Any proposed action which would require the consent of a specified percentage of mortgage holders.

- Roof structure: Wood trusses at 24" o.c., 1/2" plywood sheathing, 235 asphalt shingles on 15 lb. felt, 1/2" gyp drywall ceiling.
- Party wall partitions: Staggered studs with 3-1/2" blanket insulation woven between.

The approximate sound insulating values of partitions are as follows:

- Party walls: STC = 46
- Partitions within apartments: STC = 31

These ratings are adequate for their use in apartment construction. Floor-to-floor sound transmission is not a factor since all units are townhouse type.

The quality of the majority of appliances and air conditioning should provide as long life expectancy as any other type that could have been used. No ranges have been replaced, only minor repair and parts replacement has been necessary. I was surprised to find that no water heaters have been replaced, only a few thermostats and heating elements have been replaced. All mechanical equipment and water heating facilities are manufactured by Rheem, a well respected manufacturer of this type equipment.

Every door and window that I checked was operable and weathertight.

Roofing and Sheet Metal:

- 1) Roof shingles are beginning to craze and signs of deterioration are appearing. While no leaks are presently apparent, I would expect an additional 5-10 years service by the shingles.
- 2) Some gutters have poor slopes and badly ponding water.
- 3) Gutters/gravel stops/rain diverters are rusty and should be painted immediately if any appreciable life is to remain in them.

Roadways/Parking:

- 1) The entire complex of roads and parking areas has concrete curb and gutters that are in excellent condition.
- 2) Some pavement has been patched but appears in stable condition.

Roadways/Parking (Continued):

- 3) One parking area has a long fissure in the center. This occurs between Buildings 553 and 567. Proper repairing will extend the life of this area a great deal.
- 4) Only one sidewalk panel appears to need replacing.
- 5) No soft spots were detectable in any of the paved areas.

Building Exteriors:

Several conditions were observed on the exterior that require maintenance activity. They consist mainly of the following:

- 1) Fence doors need adjusting.
- 2) Railings need stabilizing.
- 3) One downspout is loose.
- 4) Several gutter spikes loose.
- 5) Many storage room doors need replacing.
- 6) Brick retaining walls at the rear of units are in very good condition; however, a few brick have broken loose and need repair or replacement.
- 7) Wood fence top rails are in process of being replaced with pressure-treated material.

My overall impression of this project is that it has been well maintained and should serve as viable rental property for as many years as good maintenance practices are used. The landscaping is in good condition and well cared for. During the writer's visit, topsoil was being stockpiled for grassing some bald areas in this project.

This concludes our report on the project unless you wish further investigation or require other information. If you have any questions in this regard, please let me know.

Yours very truly,

FEREBEE, WALTERS AND ASSOCIATES.


Herschel G. Walters, AIA
Director of Construction Quality Control

HGW:jec

Federal National Mortgage Association

100 Peachtree Street, NW
Atlanta, Georgia 30303
404 572 6000

August 16, 1982

Mr. John E. Haas
Vice President
South Carolina National Bank
101 Greystone Boulevard
Columbia, SC 29226

Dear Mr. Haas:

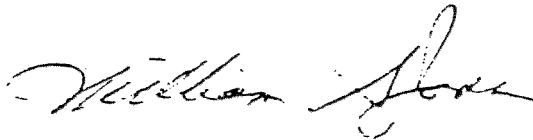
Subject: Winding Creek
Phase I (108 Units)
Fayetteville, NC

We are pleased to enclose FNMA Form 1027, Conditional Condominium/PUD Project Acceptance, indicating our conditional approval for this development.

Please note the conditions on the Form 1027 as well as on the Addendum "A."

If you have any questions about the conditional acceptance, please contact Mr. John Van House, who reviewed the application. If we can be of any further assistance, please let us know.

Sincerely,



William S. Jones
Regional Underwriter

Enclosures

WSJ/pjy

**CONDITIONAL CONDOMINIUM/PUD PROJECT
ACCEPTANCE**

TO: (Name and Address of Seller)

South Carolina National Bank
101 Greystone Boulevard
Columbia, SC 29226

Winding Creek

Project Name

Phase I (108 Units)

Phase/Section

553 Winding Creek Road

Project Street Address

Fayetteville, NC 28305

City/State/ZIP Code

PROJECT IS A:

- CONDOMINIUM PLANNED UNIT DEVELOPMENT

The Federal National Mortgage Association ("FNMA") will agree to purchase mortgages on units from within the project specified above ("Project") submitted by South Carolina National Bank hereinafter "Seller", subject, however, to Seller's (1) compliance with the requirements set out in the FNMA Conventional Home Mortgage Selling Contract Supplement ("the Conventional Selling Supplement"), (2) full satisfaction of the Terms and Conditions marked and otherwise set forth below, and (3) full satisfaction of the provisions of any FNMA Form 1028, Final Condominium/PUD Project Acceptance related to the above Project.

TERMS AND CONDITIONS

1. The appraised values, if any, for basic dwelling unit types and optional variations and equipment, as set forth on FNMA Form 1027A, Master Schedule of Approved Values, dated and attached hereto, have been approved and are accepted as correct, provided that approval and acceptance of such values will expire on _____ unless said date is extended at FNMA's sole option. In the event of any damage or destruction of the property or any significant change in the conditions or circumstances upon which such approved appraised values are predicated, occurring on or after the date upon which such values are established, approval of such appraised values may be terminated at FNMA's option.
2. Bona fide agreements of sale must have been executed by ~~principal residents~~ purchasers of units which, in the aggregate, represent no less than 50 % of the total number of units in the Project. Upon satisfaction of this requirement, FNMA Form 1029, Evidence of Presales, reflecting this information shall be submitted for approval.
3. An opinion of Seller's designated counsel substantially in the form reflected in FNMA Form 1037, Guide Form for Attorney's Opinion, must be approved by FNMA. The Seller will not submit such opinion until notified by FNMA that the opinion is due.
4. a. Final certifications, in acceptable form, must be furnished from the Appraiser, Seller and Architect/Engineer, reflecting that all improvements to the Project (including common areas) have been fully completed in substantial compliance with final plans and specifications previously approved. FNMA will consider Seller's request to provide evidence of assurance of completion of construction (e.g., cash deposit, letter of credit, assignment of certificate of deposit, or assignment of other assets readily convertible to cash) for completion of minor items not affecting livability. This Conditional Project Acceptance shall be null and void if substantial changes are made in the final plans and specifications without prior written approval.
- b. Supply acceptable assurance against construction and structural defects.
5. Submit a registered architect's or engineer's report, acceptable to FNMA, on the quality of construction, compliance with building codes of the jurisdiction involved and adequacy of the electrical, plumbing, fire safety, energy, heating and air conditioning system (individual as well as central systems).