

**BYLAWS  
OF  
LIBERTY SQUARE TOWNHOME HOMEOWNERS' ASSOCIATION,  
INC.**

ARTICLE 1

NAME AND LOCATION

The name of the corporation is Liberty Square Townhome Homeowners Association, Inc. herein after referred to as the "Association." Meetings of Members and the meetings of the Executive Board may be held at such places with the State of North Carolina, County of Randolph, City of Archdale, as may be designated by the Executive Board.

ARTICLE II

DEFINITIONS

Section 1. "Association" shall mean and refer to Liberty Square Townhome Association, Inc.

Section 2. "Common Elements" or "Common Area" shall mean all real property owned (whether in fee or by way of license or easement) or leased by the Association, as more fully described in the Declaration.

Section 3. "Declaration" shall mean and refer to any Declaration of the Covenants, Conditions, and Restrictions applicable to the Properties recorded in the Office of the Register of Deeds of Randolph County, North Carolina except as otherwise herein defined, the capitalized terms used herein shall have the meaning set forth in the Declaration.

Section 4. "Lot" shall mean and refer to any separately numbered plot of land shown upon any now or subsequently recorded subdivision map of the Properties intended for residential townhome purposes and shall include any improvements constructed thereon and "Lots" shall refer to all such lots collectively.

Section 5. "Member" shall mean and refer to those persons or entities entitled to Membership with voting rights as provided in the Declaration and in Article III of these Bylaws.

Section 6. “Owner” shall mean and refer to the recorded Owner, whether one or more persons or entities of a fee simple title to any Lot which is a part of the Properties but excluding those having such interest as security for the performance of an obligation.

Section 7. “Properties” shall mean and refer to that certain real property described in the Declaration of Covenants, Conditions, and Restrictions for Liberty Square Townhomes and such additions thereto as may hereafter be brought within the jurisdiction of the Association.

### ARTICLE III

#### MEMBERSHIP AND PROPERTY RIGHTS

Section 1. Membership. All Owners shall be Members of the Association. The voting rights of the Members shall be as provided by the Declaration. When more than one person holds interest in any Lot, all such persons shall be Members. The vote or votes for such lot shall be exercised as they amongst themselves determine. The President of the Association shall have the authority to require that such multiple Owners of a Lot file a Certificate with the Secretary of the Association, signed by all of the Owners, designating the person entitled to cast a vote for such Lot. Such Certificate shall be valid until revoked by subsequent Certificate. If such Certificate is not filed when required, the vote of such Owners shall not be considered in determining the requirements for a quorum or for any other purpose.

Section 2. Property Rights. Each Member shall be entitled to the use and enjoyment of the Common Elements as provided in the Declaration. Any Owner may delegate his right of the enjoyment to the Common Elements and facilities to the members of his/her family, to their tenants, or to contract purchasers who reside on the property.

### ARTICLE IV

#### MEETINGS OF THE MEMBERS

Section 1. Annual Meetings. The Annual Meeting of the Members shall be held in the fourth (4<sup>th</sup>) quarter of each year.

Section 2. Special Meetings. Special Meetings of the Members may be called, at any time, by the President or by the Executive Board, or upon written request of the Members who are entitled to one-fourth (1/4) of all the votes of the Membership of the Association.

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 a meeting, by mailing a copy of such notice, or by method outlined below, postage prepaid, at least fifteen (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 of 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. Waiver by a Member in writing of the notice required herein, signed by him/her before or after such meeting, shall be equivalent to

the giving of such notice. Posting on the door of a Members residence, for on-site owners, shall satisfy the requirement of notice. A homeowner may opt for e-mail notification, and such shall also satisfy the requirement for notice.

Section 4. Quorum. The presence at the meeting of the Members entitles to cast, or of Proxies entitled to cast, one-tenth (1/10) of the votes of the Membership of the Association, shall constitute a quorum for any action except as otherwise provided in the Article of Incorporation, the Declaration, or these Bylaws. If, however, such quorum shall not be present or represented at any meeting, the Members entitled to vote thereat shall have the power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum as aforesaid shall be present or be represented.

Section 5. Proxies. At all meetings of Members, each member may vote in person, by ballot, or by proxy. All ballots or proxies must be in writing and filed with the Secretary. Every proxy shall be revokable and shall automatically cease upon conveyance of a member of his Lot, until revoked by written instrument, at date specified by the owner, or eleven (11) months from the date of issue.

## ARTICLE V

### EXECUTIVE BOARD: SELECTION: TERM OF SERVICE

Section 1. Number. The affairs of this Association shall be managed by an Executive Board who are members of the Association and elected by the Members for a two (2) year term at the annual Membership meeting. Each succeeding Executive Board shall consist of up to seven (7) members.”

Section 2. Term of Office. At the first annual meeting at which Members are entitled to elect all the members of the Executive Board, at least two-thirds (2/3) of the members of the Executive Board shall be elected for a term of two (2) years and the remaining members of the Executive Board shall be elected for a term of one (1) year; at each annual meeting thereafter the Executive Board members shall be elected for a term of two (2) years.

Section 3. Term Limits of Officers. Any person holding the office of President or Vice President shall serve for no more than two (2) consecutive terms. Any person holding the office of Treasurer shall serve no more than three (3) consecutive terms. Any person holding the office of Secretary shall serve no more than five (5) consecutive terms. If there are no Board Members willing to serve in an Officer position who has met their term limit of office, he/she may continue but only until there is someone available to assume the office.

Section 4. Removal: Filing Vacancies. Any Executive Board Member elected by the the Members of the association may be removed from the Board, with or without cause, by a majority vote of the Members of the Association. Vacancies in the Executive Board may be filled until the Annual Meeting of the Association or until a Special Meeting of the Members of the Association called for such purpose by the remaining Executive Board Members.

Section 5. Compensation. No Executive Board members shall receive compensation for any service he/she may render to the Association. However, any Executive Board Member may be reimbursed for his/her actual expenses incurred in the performance of his/her duties as approved by the Executive Board.

## ARTICLE VI

### NOMINATION AND ELECTION OF EXECUTIVE BOARD MEMBERS

Section 1. Nomination. The Nominating Committee shall consist of three (3) members of Liberty Square Townhome Homeowners Association. One to be Chairman. The President shall appoint the nominating Committee prior to each Annual Meeting to serve until the close of the next Annual Meeting. The Nominating Committee shall make nominations for the election of the Executive Board of the Association, 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 the Members of the Association residing at Liberty Square Townhomes. Nominations may also be made from the floor at the Annual Meeting.

Section 2. Election. Election to the Executive Board of the Association shall be by secret ballot. At such election the Members of the Association or their proxies may cast their vote in respect to each vacancy, the persons receiving the largest number of votes shall be elected. Votes will be counted by the Nominating Committee.

Section 3. Election of Officers. The Members of the Association shall elect the offices of President, Vice-President, Secretary, and Treasurer. The persons receiving the largest number of votes cast will be elected to the position the vote was called for.

## ARTICLE VII

### POWER AND DUTY OF THE EXECUTIVE BOARD

Section 1. Powers. In addition to the power enumerated in the Declaration and the Associations Articles of Incorporation, the Executive Board shall have the power to:

- (a) Adopt and publish Rules and Regulations governing the use of the Common Elements and facilities, and the personal conduct of the Members, and their guests thereon, and establish penalties for the infraction thereof.

- (b) Suspend the voting rights and the right to use any recreational facilities of a Member during any period in which such Member shall be in default in the payment of any assessment, dues or charge levied by the Association. Such rights may also be suspended after notice and hearing, for a period not to exceed sixty (60) days, for infraction of published rules and Regulations.
- (c) Exercise for the Association all powers, duties, and authority vested in or delegated to this Association and not reserved to the Membership by other provisions of these Bylaws, the Articles of Incorporation or the Declaration.
- (d) Declare the office of a member of the Executive Board to be vacant in the event such member shall be absent from three (3) consecutive regular meetings of the Executive Board.
- (e) Contract for the benefit of the Properties and to delegate to such contractors all of the powers and duties of the Association, except those which may be required by the Declaration to have approval of the Executive Board or membership of the Association. The undertakings and contracts authorized by the initial Executive Board or Membership of the Association (including contracts for the management of Liberty Square Townhomes) shall be binding upon the Association in the same manner as though such undertakings and contracts had been authorized by any Executive Board duly elected by the Membership after the recording of this Declaration, so long as undertakings and contract are within the scope of the powers and duties which may be exercised by the Executive Board of the Association in accordance with the Declaration, the Articles of Incorporation, and these Bylaws.
- (f) Employ attorneys to represent the Association when deemed necessary.

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

- (a) 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 Members, or any Special Meeting, when such statement is requested in writing, by the members entitled to cast at least one-fourth (1/4) of the votes of the Membership of the Association.
- (b) Supervise all officers, agents, and employees of this Association and see that their duties are properly performed.
- (c) As more fully provided in the Declaration to:
  - (1) Fix the amount of the annual assessment against each lot at least thirty (30) days in advance of each assessment period.

- (2) Send written notice to each assessment to every Owner subject thereto at least thirty (30) days in advance of each assessment period (provided, however, that failure of any Owner to receive such notice shall in no way affect the obligation of such Owner to pay annual assessments); and
  - (3) In the discretion of the Executive Board, foreclose the lien against any property assessments are not paid within thirty (30) days after the due date or to bring action at law against the Owner personally obligated to pay the same.
- (d) Issue, or to cause an appropriate officer to issue, upon demand by any person, a certificate setting forth whether an assessment has not been paid. A reasonable charge may be made by the Board for the issuance of these certificates. If the certificate states an assessment has been paid, such certificate shall be conclusive evidence of such payment.
- (e) Procure and maintain insurance covering the Association, its Executive Board members, officers, agents, and employees, procure and maintain adequate hazard insurance on the real and personal property owned by the Association as follows:
- (1) A policy of property insurance in an amount equal to the full replacement value (i.e. 100% of the current “replacement cost” excluding land, foundations, excavations, streets and parking facilities) if the Common Elements owned by the Association (including all building service and related equipment) with an Agreed Amount Endorsement or its equivalent, if available, or an Inflation Guard Endorsement. Such insurance policy must protect against loss or damage by fire and other hazards covered by the standard extended coverage endorsement, and by sprinkler leakage, debris removal, cost of demolition, vandalism, malicious mischief, and windstorm. If coverage is available, the policy may include coverage for water damage.
  - (2) A comprehensive policy of public liability insurance issuing the Association in an amount not less than One Million Dollars (\$1,000,000.00) for claims for personal injury and/or Property damage arising out of a single occurrence, such coverage to include protection against liability for non-owned and hired automobiles and liability for property of others, and if available, may include coverage for water damage.
  - (3) If the Association elects to manage its own affairs and directly receive and disburse its own funds (or, if in addition to professional management, the Officers or Executive Board Members of the Association can and do directly receive or disburse monies of the Association), the Executive Board shall

maintain fidelity coverage against dishonest acts by the Association's officers, Executive Board members, trustees, and employees, and all others who are responsible for the handling of funds of the Association. If the Association employs a professional property management person or firm to manage the Association and to receive and disburse the monies of the Association, then such professional management person or firm shall have adequate fidelity coverage against dishonest acts and the existence of such coverage shall satisfy the requirement of this paragraph.

Any such fidelity bonds shall name the Association as an obligee; shall be written in an amount equal to at least 150% of the annual operating expenses of the Association, including reserves; shall contain waivers of defense based on the definition of "employee" or similar expression; and shall provide that they may not be cancelled or substantially modified (including cancellation for non-payment of the premium) without at least thirty (30) days' notice to the Association and to any Institutional lender who has given the notice required under Article IX of the Declaration.

- (4) If any of the insurance described above is not reasonably available, the Association promptly shall cause notice to the fact to be hand-delivered or sent by pre-paid mail to all owners.
- (5) Insurance policies carried in pursuant to this subsection shall provide that (a) each Owner is an insured person under the policy to the extent of the Owner's insurable interest; (b) the insurer waives its rights to subrogation under the policy against any Owner or member of the Owner's household; (c) no act or omission by an Owner, unless acting within the scope of the Owner's authority on behalf of the Association, will preclude recovery under the policy; and (d) if, at the time of a loss under the policy, there is other insurance in the name of the Owner covering the same risk covered by the policy, the Association's policy provides primary insurance.
- (f) Cause all Officer or employees having fiscal responsibilities to be bonded, as it may deem appropriate
- (g) Cause the Common Elements and the exterior of the Lots and the dwellings located thereon to be maintained in accordance with the provisions of the Declaration.
- (h) Maintain any dedicated streets within the Properties which are not accepted for dedication by an appropriate government authority.
- (i) Maintain such properties as set out in the Declarations.

## ARTICLE IX

### OFFICERS AND THEIR DUTIES

Section 1. Enumeration of Officers. The Officer's of this Association shall consist of a President, Vice President, a Secretary/Treasurer and two (2) at large members who shall always be members of the Executive Board.

Section 2. Term Compensation. No officer shall receive compensation for services rendered in such capacity to the Association, however, that an officer may be reimbursed for actual expenses incurred in the performance of such duties as approved by the Executive Board. The term of elected officers shall begin on January 1<sup>st</sup> and conclude December 31<sup>st</sup>.

Section 3. 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 a period, have such authority, and perform such duties as the Board may, from time to time, determine.

Section 4. Resignation and Removal. Any officer may be removed from office, with or without cause, by the Board. Any officer may resign, at any time, by giving written notice to the Board, the President, or the Secretary. Such resignation shall take effect on the date of receipt of the notice or at any later time specified therein, and unless otherwise specified, the acceptance of such resignation shall not be necessary to make it effective.

Section 5. Vacancies. A vacancy in any officer may be filled by appointment of the Board. Vacancies in the Executive Board shall be filled, as an At-Large Board Member, until the date of the next Annual Meeting of the Association or until a Special Meeting of the Members of the Association called for the purpose of re-positioning the Officers of the Board members of the Executive Board. This Special Meeting shall be called by the remaining board or the community.

Section 6. Duties. The duties of the Officers are as follows:

- (a) **President.** President shall preside at all meetings of the Executive Board, shall see the orders and resolutions of the Board are carried out; shall sign all leases, mortgages, deeds, and other written instruments and shall co-sign all checks and promissory notes.
- (b) **Vice President.** The Vice President shall act in the place and stead of the President in the event of his/her absence, inability or refusal to act, and shall exercise and discharge such other duties as may be required of him/her 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. The minutes shall be available to the Members, regardless of approval status, within fifteen (15) days of any meeting. Keep the Corporate Seal of the Association and

affix it on all papers requiring the seal; serve notice of the meetings of the Board and of the Association together with their addresses and shall perform other duties as required by the Board.

- (d) **Treasurer** The Treasurer can receive and deposit in appropriate bank accounts all monies of the Association and shall disburse such funds as directed by resolution of the Executive Board; shall sign all checks and Promissory Notes of the Association; keep proper books of account; cause an annual audit of the Associations books to be made by an independent certified public accountant at the completion of each fiscal year; shall prepare an annual budget and statement of income and expenditures to be presented to the Membership at its regular annual meeting and deliver a copy to each of the Members. If the Association employs a person or firm to receive and deposit monies, and disburse funds, this person/firm will sign the checks.

## ARTICLE X

### COMMITTEES

The Executive Board shall appoint an Architectural Control Committee, as provided in the Declaration, and a Nominating Committee, as provided in these Bylaws. In addition, the Executive Board shall appoint other committees as deemed appropriate in carrying out its purpose.

## ARTICLE XI

### BOOKS AND RECORDS

The books, records and papers of the Association shall always, during reasonable business hours, be subject to inspection by any Member, and any Institutional Lender, as that term is defined in the Declaration. The Declaration, the Articles of Incorporation and the Bylaws of the Association shall be available for inspection at the principal office of the Association, where copies may be purchased at a reasonable cost. The books, records and papers of the Association will be stored on a yearly basis at a safe place determined by the executive Board. The nonpermanent records, books and papers will be kept for a five (5) year period. Permanent Records must be maintained in perpetuity.

## ARTICLE XII

### WORKING CAPITAL FUND

In order to ensure that the Association will have sufficient monies available to meet its initial operational, the Association shall establish a Working Capital Fund. At the time of closing

of the first sale of each Lot, the purchaser thereof shall pay into such fund an amount equal to two-twelfths (2/12) of the current annual assessment established by the Association. No such payments made into the Working Capital Fund shall be considered advance or current payment of regular assessments. All monies paid into the Working Capital Fund shall be held and administered by the Association in accordance with the terms of the Declaration and these Bylaws.

### ARTICLE XIII

#### ASSESSMENTS

As more fully provided in the Declaration, each member is obligated to pay the Association annual and special assessments which are secured by a continuing lien upon the property against which the assessment is made. Any assessments which are not paid when due shall be delinquent. The Association may charge a reasonable late fee, the amount of which will be established from time to time by the Executive Board of the Association, for assessments not paid within thirty (30) days after the due date. In addition, if the assessment is not paid within thirty (30) days after the due date, the assessment shall bear interest from the date of delinquency at the rate, from time to time established by the Executive Board of the Association, said rate not to exceed eighteen percent (18%) per annum, and the Association may bring an action at law against the owner personally obligated to pay the same amount or foreclose the lien against the property, and interest, costs, and reasonable attorney's fees of any such action shall be added to the amount of the assessments. No Owner may waive or otherwise escape liability for the assessment provided for herein by nonuse of the Common Elements or Abandonment of his Lot.

### ARTICLE XIV

#### CORPORATE SEAL

The Association shall have a seal in circular form having within its circumference the words: Liberty Square Townhome Homeowners Association, Inc., North Carolina.

### ARTICLE XIV

#### AMENDMENTS

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

## ARTICLE XVI

### MISCELLANEOUS

The fiscal year of the Association shall begin the first day of January and end the 31<sup>st</sup> day of December of every year, except that the first fiscal year shall begin the date of Incorporation.

No One (1) single Executive Board Member shall be allowed, at any time, to spend any Association funds without prior approval by majority vote from the Executive Board Members. Any single member of the Executive Board who violates this rule will be held financially liable for said amount. Additionally, any Board Member(s) who know of violation of this rule and fails to inform the community shall also be held jointly and separately responsible for said amounts. Any Board Member who becomes aware of such violation shall notify the Members of the Association at the first available opportunity or at the next scheduled meeting of the Association.

The Board is prohibited from spending more than \$2500.00, on a single project, regardless of whether it completes a project or if the project is done in phases. In any fiscal year, once the Board spends a total of \$2500.00, additional expenditures shall require a unanimous vote of the Board. Any total expenses above \$5,000.00 spent, in any fiscal year, shall be brought before the Association, at a scheduled meeting, and approved by a majority vote of those in attendance before funds may be spent. This provision does not include items accounted for in the approved Annual Budget or in the case of an emergency. In this provision, an emergency shall be defined as an immediate danger of injury, loss of life, or encumbered use of a residence as normally intended, i.e., a main water line leak or sewer line breakage.

Any monies that are spent above our regular budget must have signatures of a majority of the Board Members approval before receiving payment.

## ARTICLE XVII

### INDEMNIFICATION

Every person who is or shall be or shall have been a member of the Executive Board or officer of the Association and in his or her personal representative shall be indemnified by the Association against all costs and expenses reasonably incurred by or imposed on him or her in a party by reason of his or her in connection with or resulting from any action, suit or proceeding to which he or she being or having been a member of the Executive Board or Officer of the Association or any subsidiary or affiliate thereof, except in relation to such matters as to which he or she shall finally be adjudicated in such action, suit or proceeding to have acted in bad faith or to have been liable by reason of willful misconduct in the performance of his or her duty as member of the Executive Board or officer. For the purposes of this provision, "costs and expenses" shall include, without limiting the generality thereof, attorney's fees, damages, and reasonable amounts paid in settlement. Nothing in these Articles shall be deemed to eliminate or reduce the protection from personal liability granted to members of the Executive Board by the

North Carolina Nonprofit Corporation Act and by the Articles of Incorporation of the Association.