



By-Laws

The Preserve Homeowners Association, Inc.

18-April-2017



Contents

ARTICLE I OFFICES	4
ARTICLE II Members	4
1. Members of the Corporation	4
2. Annual and Special Meetings of Members	4
3. Annual Report to Members	5
4. Presiding Officers of Meetings of Members and Order of Business	5
5. Proxy	6
6. Inspectors of Elections	6
7. Quorum and Voting Requirements	6
8. Record Date of Meetings and Members	7
9. Evidence of Membership	7
10. Capital Contributions	7
ARTICLE III	7
BOARD OF DIRECTORS	7
1. Number of Board of Directors	7
2. Election of Board of Directors and Term of Office	7
3. Termination of Directors	8
4. Vacancies and Newly-Created Directorships	8
5. Regular and Special Meetings of the Board of Directors	8
6. Quorum and Voting Requirements at Board of Directors Meetings	8
7. Presiding Officers	9
8. Committees	9
ARTICLE IV	9
1. Officers	9
2. Term of Office. Removal and Functions	9
3. Duties of Officers	9
ARTICLE V	10
MISCELLANEOUS	10
1. Books and Records	10
2. Corporate Seal	10
3. Fiscal Year	10
4. Amendment of By-Laws	10
ARTICLE VI	10
Display of Flags and Signs	10
ARTICLE VII	10
PROCEDURES FOR ENFORCEMENT OF COVENANTS	10
1. Procedures for Addressing Non-Compliance with Covenants and By-Laws	10
2. Temporary Waivers Policies	10
ARTICLE VIII	11
ESTABLISHMENT OF PRESERVATION FUND	11
1. Power to establish a Preservation Fund	11

2. Preservation Fund Budget	11
Appendix A List of Motions to Change the By-Laws	12

ARTICLE I OFFICES

The principal office of the Corporation shall be located in the County of Granville and State of North Carolina

The Corporation may also have such offices at such other places within or without the State as the Board of Directors may from time to time determine.

ARTICLE II Members

1. Members of the Corporation

(a) The persons signing the Certificate of Incorporation as Incorporators shall be the first members of the Corporation, unless they shall have resigned as such members or unless membership shall otherwise have been terminated. Thereafter, the eligibility and qualifications for membership, and the manner of and admission into membership shall be prescribed by resolutions duly adopted by the Board of Directors of the Corporation or by such rules and regulations as may be prescribed by the Board of Directors. All such resolutions or rules and regulations relating to members adopted by the Board of Directors of the Corporation shall be affixed to the By-Laws of the Corporation, and shall be deemed to be a part thereof. Such resolutions or rules and regulations adopted by the Board of Directors may prescribe, with respect to all members, the amount and manner of imposing and collecting any initiation fees, dues or other fees, assessments, fines and penalties, the manner of suspension or termination of membership, and for reinstatement of membership, and, except as may hereinafter otherwise be provided, the rights, liabilities and other incidents of membership.

(b) The right or interest of a member shall not terminate except upon the happening of any of the following events: - death, resignation, expulsion, dissolution or liquidation of the Corporation.

(c) The membership rights will be temporarily suspended for any lot owner that is not a Member in Good Standing. A Member in Good Standing will be defined as any lot owner who has no unpaid fines, fees, dues or assessments as well as no open compliance issues with the covenants of the Corporation. The suspension of membership rights makes the lot owner ineligible to utilize the Corporation's facilities, ineligible to vote in the Annual Meeting or any Special Meetings, and ineligible to be elected to any directorship or titled position in the Corporation. The suspension of membership rights will be lifted as soon as all payments have been collected and/or the compliance issues have been rectified to the satisfaction of the Board of Directors of the Corporation. [2]

2. Annual and Special Meetings of Members

(a) The Annual Meeting of Members of the Corporation shall be held on such date or dates as shall be fixed from time to time by the Board of Directors of the Corporation. The first Annual Meeting shall be held on a date within twelve months after the formation of the Corporation. Each successive Annual Meeting shall be held on a date not more than twelve months following the preceding Annual Meeting. Special Meetings of members may be held on such date or dates as may be fixed by the Board of Directors of the Corporation from time to time and by the members on such date or dates as shall be permitted by law.

(b) Any Annual or Special Meeting of Members may be held at such place within or without the State as the Board of Directors of the Corporation may from time to time fix. In the event the Board of Directors shall fail to fix such place or time, or in the event members are entitled to call or convene a Special Meeting in accordance with law, then, in such event, such meeting shall be held at the principal office of the Corporation.

(c) Annual or Special Meetings of Members may be called by the Board of Directors or by any officer of the Corporation instructed to do so by the Board of Directors, except to the extent that directors may be required by law to call a meeting, and shall be called by the Secretary on behalf of the members, when required to do so by law.

(d) . Written notice stating the place, day and hour of the meeting shall be given for all meetings. Such notice shall state the person or persons calling the meeting. Notice for an Annual Meeting shall state that the meeting is being called for the election of directors and for the transaction of such other business as may properly come before the meeting including the general nature of any proposed amendment to the declaration or bylaws, any budget changes, and any proposal to remove a director or officer. Notices of Special Meeting shall state the purpose or purposes for which the meeting is called. At any Special Meeting, only the business stated in the Notice of Meeting may be transacted thereat. Notice of Meeting shall be hand-delivered or sent prepaid by United States mail to the mailing address of each lot owner or to any other mailing address designated in writing by the lot owner, or sent by electronic means, including by electronic mail over the Internet, to an electronic mailing address designated in writing by the lot owner not less than 10 days nor more than 50 days before the date of the meeting. Any meeting of members may be adjourned from time to time. In such event, it shall not be necessary to provide further notice of the time and place of the adjourned meeting if announcement of the time and place of the adjourned meeting is given at the meeting so adjourned. In the event the Board of Directors fixes a new record date for an adjourned meeting, a new notice shall be given, in the same manner as herein provided. No notice need be given to any member who executes and delivers a Waiver of Notice before or after the meeting. The attendance of a member in person or by proxy at the meeting without protesting the lack of notice of the meeting, shall constitute a waiver of notice by such member. Any notice of meeting to members relating to the election of directors, shall set forth any amendments to the By-Laws of the Corporation adopted by the Board of Directors, together with a concise statement of the changes made. [3]

(e). At every meeting of members, there shall be presented a list or record of members as of the record date, certified by the officer responsible for its preparation, and upon request therefor, any member who has given written notice to the Corporation, which request shall be made at least 10 days prior to such meeting, shall have the right to inspect such list or record at the meeting. Such list shall be evidence of the right of the persons to vote at such meeting, and all persons who appear on such list or record to be members may vote at such meeting.

3. Annual Report to Members

At each Annual Meeting of Members, the Board of Directors shall present an Annual Report. Such report shall be filed with the records of the Corporation and entered in the minutes of the proceedings of such Annual Meeting of Members.

4. Presiding Officers of Meetings of Members and Order of Business

(a) Meetings of the members shall be presided over by the following officers, in order of seniority - the Chairman of the Board, Vice Chairman of the Board, President, Executive Vice-President, Vice-President or, if

none of the foregoing is in office or present at the meeting, by a Chairman to be chosen by a majority of the members in attendance. The Secretary or an Assistant Secretary of the Corporation shall act as Secretary of every meeting. When neither the Secretary nor an Assistant Secretary is available, the Chairman may appoint a Secretary of the meeting.

(b) The order of business at all meetings of members shall be as follows:

- i. Roll call.
- ii. Reading of the minutes of the preceding meeting.
- iii. Report of standing committees.
- iv. Officers' reports.
- v. Old business.
- vi. New business.

(c) Every member may authorize another person to act for him by proxy in all matters in which a member may participate, including waiving notice of any meeting, voting or participating in a meeting, or expressing consent or dissent without a meeting. Every proxy shall be signed by the member or his attorney in fact, and shall be revocable at the pleasure of the member executing it, except as otherwise provided by law. Except as otherwise provided by law, no proxy shall be valid after the expiration of eleven months from its date.

5. Proxy

Every member may authorize another person to act for him by proxy in all matters in which a member may participate, including waiving notice of any meeting, voting or participating in a meeting, or expressing consent or dissent without a meeting. Every proxy shall be signed by the member or his attorney in fact, and shall be revocable at the pleasure of the member executing it, except as otherwise provided by law. Except as otherwise provided by law, no proxy shall be valid after the expiration of 11 months from its date.

6. Inspectors of Elections

The directors may, but need not, appoint one or more inspectors to act at any meeting or any adjournment thereof. If inspectors are not appointed, the presiding officer of the meeting may, but need not, appoint inspectors. Each appointed inspector shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of his ability. The inspectors shall determine the number of memberships outstanding, the voting power of each, the number of memberships represented at the meeting, the existence of a quorum, and the validity and effect of proxies. The inspectors shall receive votes, ballots or consents, hear and determine all challenges and questions arising in connection with the right to vote, count and tabulate all votes, ballots or consents, determine the result and do such acts as are proper to conduct the election or vote of all members. The inspectors shall make a report in writing of all matters determined by them with respect to such meeting.

7. Quorum and Voting Requirements

Except as provided by law, 30 percent of the General PHOA Membership the members entitled to cast a majority of the total number of votes entitled to be cast at the meeting, shall constitute a quorum at a meeting of members for the transaction of any business. The members present may adjourn the meeting despite the absence of a quorum. Each membership shall entitle the holder thereof to one vote. In the election of directors, a plurality of the votes cast shall elect. Except to the extent provided by law, all other action shall be by a majority of the votes cast, provided that the majority of the affirmative votes cast shall be at least equal to a quorum. Whenever the vote of members is required or permitted, such action may be taken without a meeting on the written consent setting forth the action taken signed by all the members

entitled to vote. [1]

8. Record Date of Meetings and Members

The Board of Directors of the Corporation shall fix a record date for the purpose of determining members entitled to notice of, to vote, to express consent or dissent from any proposal without a meeting, to determine members entitled to receive distributions or allotment of rights, or for any other proper purpose. Such record date shall not be more than 50 days nor less than 10 days prior to the date of such meeting or consent or the date on which any distribution or allotment of rights, as the case may be, is to be made. In the event no record date is fixed, the record date for the determination of members entitled to vote at a meeting of members shall be the close of business on the day next preceding the day on which notice is given, or, if no notice is given, the day on which the meeting is held. The record date for determining members for any purpose other than that specified in the preceding sentence shall be the close of business on the day on which the resolution of directors relating thereto is adopted. Establishment of a record date shall apply to any adjournment of any meeting, unless a new record date is fixed by the Board of Directors for such adjourned meeting.

9. Evidence of Membership

The Board of Directors may cause to be issued certificates, cards or other instruments permitted by law evidencing membership in the Corporation. Such membership certificate, card or other instrument shall be non-transferable, and a statement to that effect shall be noted on the certificate, card or other instrument. Membership certificates, cards or other instruments, if issued, shall bear the signatures or facsimile signatures of an officer or officers designated by the Board of Directors and may bear the seal of the Corporation or a facsimile thereof.

10. Capital Contributions

In the event any capital contribution shall be made or accepted pursuant to authorization conferred by the Certificate of Incorporation of the Corporation, each certificate evidencing such capital contribution shall conform to the law of the State of Incorporation.

ARTICLE III

BOARD OF DIRECTORS

1. Number of Board of Directors

The Corporation shall be managed by a Board of Directors. Each director shall be at least 18 years of age, and shall be a member of the Corporation during his directorship. The initial Board of Directors shall consist of 3 persons. Thereafter, the number of directors constituting the entire Board shall be no less than three. Subject to the foregoing, the number of Board of Directors may be fixed from time to time by action of the members or of the Directors. The number of Directors may be increased or decreased by action of the members or the Board of Directors, provided that any action by the Board of Directors to effect such increase or decrease shall require the vote of a majority of the entire Board of Directors. No decrease shall shorten the term of any director then in office.

2. Election of Board of Directors and Term of Office

The first Board of Directors shall consist of those persons elected by the Incorporators or named as the initial Board of Directors in the Certificate of Incorporation of the Corporation, and they shall hold office until the first Annual Meeting of Members, and until their successors have been duly elected and qualified. Thereafter, at each Annual Meeting of Members, the membership shall elect directors to hold office until the next Annual Meeting. Each director shall hold office until the expiration of the term for which he was elected, and until his successor has been duly elected and qualified, or until his prior

resignation or removal as hereinafter provided.

(a) Board of Directors are elected for a 2 year term with a term limit of 2 consecutive terms. Elections are staggered so that all positions do not expire at the same time. If a term is filled due to an absence, that time shall not be part of the term limit.

3. Termination of Directors

(a) Any or all of the members of the Board of Directors may be removed with or without cause by vote of the members of the Corporation. The Board of Directors may remove any director thereof for cause only.

(b) A director may resign at any time by giving written notice to the Board of Directors or to an officer of the Corporation. Unless otherwise specified in the notice, the resignation shall take effect upon receipt thereof by the Board of Directors or such officer. Acceptance of such resignation shall not be necessary to make it effective.

4. Vacancies and Newly-Created Directorships

Newly-created directorships or vacancies in the Board of Directors may be filled by a vote of majority of the Board of Directors then in office, although less than a quorum, unless otherwise provided in the Certificate of Incorporation of the Corporation. Vacancies occurring by reason of the removal of directors without cause shall be filled by a vote of the members. A director elected to fill a vacancy caused by resignation, death, or removal shall be elected to hold office for the unexpired term of his predecessor.

5. Regular and Special Meetings of the Board of Directors

(a) A regular Annual Meeting of the Board of Directors shall be held immediately following the Annual Meeting of Members. All other meetings shall be held at such time and place as shall be fixed by the Board of Directors from time to time.

(b) No notice shall be required for regular meetings of the Board of Directors for which the time and place have been fixed. Special meetings may be called by or at the direction of the Chairman of the Board, the President, or by a majority of the directors then in office.

(c) Written, oral, or any other method of notice of the time and place shall be given for special meetings of the Board of Directors in sufficient time for the convenient assembly of the Board of Directors. The notice of any meeting need not specify the purpose of such meeting. The requirement for furnishing notice of a meeting may be waived by any director who signs a Waiver of Notice before or after the meeting or who attends the meeting without protesting the lack of notice to him.

6. Quorum and Voting Requirements at Board of Directors Meetings

Except to the extent herein or in the Certificate of Incorporation of the Corporation provided, a majority of the entire members of the Board of Directors shall constitute a quorum. At any meeting held to remove one or more directors a quorum shall consist of a majority of the directors present at such meeting. Whenever a vacancy on the Board of Directors shall prevent a quorum from being present, then, in such event, the quorum shall consist of a majority of the members of the Board of Directors excluding the vacancy. A majority of the directors present, whether or not a quorum is present, may adjourn a meeting to another time and place. Except to the extent provided by law and these By-Laws, the act of the Board of Directors shall be by a majority of the directors present at the time of vote, a quorum being present at such time. Any action authorized by resolution, in writing, by all of the directors entitled to vote thereon and filed with the minutes of the corporation shall be the act of the Board of Directors with the same force and effect as if the same had

been passed by unanimous vote at a duly called meeting of the Board.

7. Presiding Officers

The Chairman of the Board, if any, shall preside at all meetings of the Board of Directors. If there be no Chairman or in his absence, the President shall preside and, if there be no President or in his absence, any other director chosen by the Board, shall preside.

8. Committees

Whenever the Board of Directors shall consist of more than three persons, the Board of Directors may designate from their number, an executive committee and other standing committees. Such committees shall have such authority as the Board of Directors may delegate, except to the extent prohibited by law. In addition, the Board of Directors may establish special committees for any lawful purpose, which may have such powers as the Board of Directors may lawfully delegate.

ARTICLE IV

1. Officers

The Board of Directors may elect or appoint a Chairman of the Board of Directors, a President, one or more Vice-Presidents, a Secretary, one or more Assistant Secretaries, a Treasurer, one or more Assistant Treasurers, and such other officers as they may determine. The President may but need not be a director. Any two or more offices may be held by the same person except the office of President and Secretary.

2. Term of Office. Removal and Functions

Each officer shall hold office until the Annual Meeting of the Board of Directors, and until his successor has been duly elected and qualified. The Board of Directors may remove any officer with or without cause at any time.

3. Duties of Officers

(a) The President shall be the chief executive officer of the Corporation, shall have the responsibility for the general management of the affairs of the Corporation, and shall carry out the resolutions of the Board of Directors.

(b) During the absence or disability of the President of the Corporation, the Vice-President, or, if there be more than one, the Executive Vice-President shall have all the powers and functions of the President. The Vice-President shall perform such duties as may be prescribed by the Board of Directors from time to time.

(c) The Treasurer shall have the care and custody of all of the funds and securities of the Corporation, and shall deposit said funds in the name of the Corporation in such bank accounts as the Board of Directors may from time to time determine. The Treasurer or President shall, when duly authorized by the Board of Directors, sign and execute all contracts in the name of the Corporation; they may also sign checks, drafts, notes and orders for the payment of money, which shall have been duly authorized by the Board of Directors; one other board member other than the president or treasurer must sign the invoice, notice, or other artifact requesting the payment. Payment for items that are expenses covered by a line of the ratified budget or line item on an amendment to the ratified budget does not require further approval or secondary signatures. Use of electronic billing and payment are permitted for all transactions based on the conditions set out in this section. The Secretary shall keep the minutes of the Board of Directors and the minutes of the members. He shall have custody of the seal of the Corporation, and shall affix and attest the same to documents duly authorized by the Board of Directors. He shall serve all notices for the Corporation which shall have been authorized by the Board of Directors, and shall have charge of all books and records of the Corporation. [4]

ARTICLE V

MISCELLANEOUS

1. Books and Records

The Corporation shall keep at the principal office of the Corporation, complete and correct records and books of account, and shall keep minutes of the proceedings of the members, the Board of Directors, or any committee appointed by the Board of Directors, as well as a list or record containing the names and address of all members.

2. Corporate Seal

The corporate seal shall be in such form as the Board of Directors shall from time to time prescribe.

3. Fiscal Year

The fiscal year of the Corporation shall be fixed by the Board of Directors from time to time, subject to applicable law.

4. Amendment of By-Laws

(a) All By-Laws of the Corporation shall be subject to alteration or repeal, and new by-laws may be made, by a majority vote of the members entitled to vote in the election of directors, at a special meeting of the members called for such purpose.

(b) The Board of Directors shall have the power to make, alter or repeal, from time to time, By-Laws of the Corporation, except that the Board may not amend or repeal any bylaw in which control thereof is vested exclusively in the members. If any by-law regulating an impending election of directors is adopted, amended or repealed by the Board, there shall be set forth in the notice of the next meeting of members for the election of directors, the by-law so made, amended or repealed, together with a concise statement of the changes made.

ARTICLE VI

Display of Flags and Signs

[This section has been removed as it has been superseded by the Covenants, Conditions, and Restrictions Dated May 20, 2016]

ARTICLE VII

PROCEDURES FOR ENFORCEMENT OF COVENANTS

1. Procedures for Addressing Non-Compliance with Covenants and By-Laws

North Carolina General Statutes Article 47C-3-107.1 provides procedures for fines and suspension of privileges or services for condominiums. Home owners associations also fall under this section of North Carolina laws. While the NC General Statutes do not provide for waivers, most zoning and use ordinances have procedures for requesting temporary waivers or variances.

2. Temporary Waivers Policies

The following policies and procedures shall be followed in instances where temporary relief is requested by owner(s) of lots for activities or situations that will or could violate one or more sections of Article III:

- (a) A restriction and use waiver for non-compliance shall be submitted in writing to the PHOA Board of Directors prior to any violation. This waiver may be presented by email to the PHOA and must address the article for which relief is sought, the date(s) involved, a description of the violation, and the reason for the request.
- (b) The request will be reviewed at the next meeting of the Board of Directors. In cases where a more timely decision is required, the Board may call a special meeting or, if needed, a temporary approval may be granted by one board member or the declarant until the next regular meeting of the board.
- (c) If the request is denied at the next board meeting, the waiver is null and void immediately and the lot owner must be notified in writing.
- (d) A waiver cannot exceed 90 days. Any lot owner requiring relief longer than 90 days must submit a new request prior to the expiration of the existing waiver.
- (e) No waiver issued shall be construed as precedence for other waivers or a modification of any covenant section in force for the association.
- (f) Any waiver shall be for the owner(s) requesting relief and shall not pass with the sale of the lot to subsequent owner(s). Enforcement of Covenants to establish consistent policies to address instances of violations of sections of our covenants and by-laws, the following procedures are to be followed in the order given:
- (g) So that owners are informally notified of violation(s), a member of the Board of Directors shall attempt to personally communicate with the owners who are in violation with the intent to resolve the situation.
- (h) Should informal communications not be sufficient to reach a resolution, a letter shall be delivered by the Board of Directors to the owner(s) presenting the understanding of the Board of Directors of the nature of the violation, steps needed to resolve the situation and the timeline for taking these steps. The letter should also offer the availability of the Board of Directors to meet with the owner(s).
- (i) Should there be no positive response to the formal notification letter, the Board of Directors shall follow the provisions of North Carolina General Statutes Article 47C-3107.1

ARTICLE VIII

ESTABLISHMENT OF PRESERVATION FUND

1. Power to establish a Preservation Fund

The PHOA Board of Directors shall establish a Preservation Fund for monies set aside for repairs, maintenance and improvements to the amenities of the Preserve HOA that occur in intervals that are greater than twelve months and have a cost greater than \$2500.00. These funds shall be placed in a separate account from operating funds and other reserve funds. Monies placed in this fund shall not be used for routine operating expenses of the PHOA

2. Preservation Fund Budget

A budget shall be maintained for this fund separate from the annual operating expense budget. This Preservation Fund budget shall delineate the lifespan and/or repair/ maintenance cycles estimated for items where these lifespans or cycles can be determined. This budget will be established by a Reserve Study conducted by engineers certified as Reserve Specialist by the Community Association Institute. This budget and study should be updated every five years.

Appendix A List of Motions to Change the By-Laws

[1] The definition of a quorum was changed from “the members entitled to cast a majority of the total number of votes entitled to be cast at the meeting” to one-third of the General PHOA Membership” by the Board of Directors on July 26, 2010.

[The Definition of a quorum was changed from “one-third” to “30 percent” on April 19, 2015 by vote of the membership at the annual meeting]

[2] Article 2, Section 1(c) was added by the Board of Directors on April 24, 2012

[3] North Carolina General Statute § 47F-3-108 now accepts as an official notice of meetings notices “sent by electronic means, including by electronic mail over the Internet, to an electronic mailing address designated in writing by the lot owner. Article 2, Section 2 (d) of the By-Laws will be deleted and replaced with the following: [or sent by electronic means, including by electronic mail over the Internet, to an electronic mailing address designated in writing by the lot owner]

[4] Article 4 Section 3(c) was amended by a vote of the membership at the annual meeting on April 22, 2017 to facilitate the board using electronic means to transact its business. The old version is as follows:

(c) The Treasurer shall have the care and custody of all of the funds and securities of the corporation, and shall deposit said funds in the name of the Corporation in such bank accounts as the Board of Directors may from time to time determine. The Treasurer shall, when duly authorized by the Board of Directors, sign and execute all contracts in the name of the Corporation when countersigned by the President; he may also sign checks, drafts, notes and orders for the payment of money, which shall have been duly authorized by the Board of Directors and countersigned by the President.

The new language is in the section.