

**BYLAWS  
OF  
5401 NORTH RESIDENTIAL OWNERS ASSOCIATION, INC.**

**ARTICLE I  
NAME, MEMBERSHIP, APPLICABILITY, AND DEFINITIONS**

1.1. Name. The name of the Association shall be 5401 North Residential Owners Association, Inc. ("Residential Association").

1.2. Membership. The Residential Association shall have two classes of membership, as is more fully set forth in that Declaration of Covenants, Conditions, Restrictions and Easements for 5401 North Residential, recorded or to be recorded in the Office of the Register of Deeds of Wake County, North Carolina, as amended from time to time ("Residential Declaration"), the terms of which pertaining to membership are specifically incorporated by reference herein. Unless otherwise herein defined, or the context otherwise requires, all capitalized terms will have the meaning set forth in the Residential Declaration.

1.3. Definitions. The words used in these Residential Bylaws shall have the same meaning as set forth in the Residential Declaration and as set forth in the North Carolina Planned Community Act (codified in Chapter 47F of the North Carolina General Statutes) and the North Carolina Non-Profit Corporation Act (codified in Chapter 55A of the North Carolina General Statutes (together the "Act")), unless the context shall prohibit.

**ARTICLE II  
RESIDENTIAL ASSOCIATION: MEETINGS, QUORUM, VOTING, PROXIES**

2.1. Place of Meetings. Meetings of the Residential Association shall be held at the Residential Association's principal office or at such other suitable place convenient to the members as may be designated by the Residential Board, either on the Property or as convenient thereto as possible and practical.

2.2. First Meeting and Annual Meetings. An annual or special meeting shall be held within one year from the date the Residential Declaration is recorded. Dates and times of annual meetings shall be set by the Residential Board.

2.3. Special Meetings. The President may call special meetings. In addition, it shall be the duty of the President to call a special meeting of the Residential Association if so directed by resolution of the Residential Board or upon a petition signed by the members entitled to cast at least 10% of the votes of the Residential Association. The notice of any special meeting shall state the date, time, and place of such meeting and the purpose thereof. No business shall be transacted at a special meeting, except as stated in the notice.

2.4. Notice of Meetings. It shall be the duty of the Secretary to mail or to cause to be delivered to the Owner of each Lot (as shown in the records of the Residential Association) a notice of each annual or special meeting of the Residential Association stating the time and place where it is to be held, the agenda for such meeting, and in the notice of a special meeting, the purpose thereof. If an Owner wishes notice to be given at an address other than the Lot, the Owner shall designate by notice in writing to the Secretary such other address. The mailing or delivery of a notice of meeting in the manner provided in this Section shall be considered service of notice. Notices shall be served not less than 10 nor more than 60 days before a meeting.

2.5. Waiver of Notice. Waiver of notice of a meeting of the members shall be deemed the equivalent of proper notice. Any member may, in writing, waive notice of any meeting of the members, either before or after such meeting. Attendance at a meeting by a member, whether in person or by proxy, shall be deemed waiver by such member of notice of the time, date, and place thereof, unless such member specifically objects to lack of proper notice at the time the meeting is called to order.

2.6. Adjournment of Meetings. If any meetings of the Residential Association cannot be held because a quorum is not present, a majority of the members who are present at such meeting, either in person or by proxy, may adjourn the meeting to a time not less than five nor more than 30 days from the time the original meeting was called. At such adjourned meeting at which a quorum is present, any business which might have been transacted at the meeting originally called may be transacted without further notice.

2.7. Voting. The voting rights of the members shall be as set forth in the Residential Articles of Incorporation and the Residential Declaration, and such voting rights are specifically incorporated herein.

2.8. Proxies. At all meetings of members, each member may vote in person or by proxy. All proxies shall be in writing, dated, and filed with the Secretary before the appointed time of each meeting. Every proxy shall be revocable and shall automatically cease upon conveyance by the member of such member's Lot, or upon receipt of notice by the Secretary of the death or judicially declared incompetence of a member, or of written revocation, or upon the expiration of 11 months from the date of the proxy.

2.9. Quorum. Unless otherwise expressly provided, the presence, in person or by proxy, of 10% of the total eligible Residential Association vote shall constitute a quorum at all meetings of the Residential Association. The members present at a duly called or held meeting

at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough members to leave less than a quorum.

2.10. Action Without a Formal Meeting. Any action to be taken at a meeting of the members, or which may be taken at a meeting of the members, may be taken without a meeting if one or more written consents setting forth the action so taken shall be signed by members entitled to cast at least 80% of the votes of the Residential Association; provided, however, that prior to the Conversion Date, such action is also consented to by Declarant. Action taken without a meeting shall be effective on the date that the last consent is executed, and consented to by the Declarant, if required, unless a later effective date is specified therein. Each signed consent shall be delivered to the Residential Association and shall be included in the minutes of meetings of members filed in the Residential Association's permanent records.

2.11. Action by Written Ballot. As an alternative to the provisions of Section 2.10. above, any action to be taken at any annual, regular, or special meeting of members may be taken without a meeting if approved by written ballot as provided herein. The Residential Association shall deliver a written ballot to each member entitled to vote on the matter. The written ballot shall set forth each proposed action and provide an opportunity to vote for or against each proposed action. Approval by written ballot of an action shall be valid only when the number of votes cast by ballot equals or exceeds the quorum required to be present at a meeting held to authorize such action and the number of approvals equals or exceeds the number of votes that would be required to approve the matter at a meeting at which the total number of votes cast was the same as the number of votes cast by ballot. All solicitations for votes by written ballot shall indicate the number of responses needed to meet the quorum requirements; state the percentage of approvals necessary to approve each matter other than election of directors; and specify the time by which a ballot must be received by the Residential Association in order to be counted. A timely written ballot received by the Residential Association may not be revoked without the consent of the Residential Board. The results of each action by written ballot shall be certified by the Secretary and shall be included in the minutes of meetings of members filed in the Residential Association's permanent records.

2.12. Members List. The record date for determining members entitled to notice shall be the close of business of the day preceding the date notices are given. The record date for determining members entitled to vote at a meeting shall be the close of business of the business day preceding the date of the meeting. The Residential Association shall prepare an alphabetical list of the names of all its members who are entitled to notice of the meeting. The list must show the address and number of votes each member is entitled to vote at the meeting. Additionally, the Residential Association shall prepare on a current basis through the time of the membership meeting a list of members who are entitled to vote but not entitled to notice. This list shall be made available for any member for the purpose of communication concerning the meeting and shall make the list available at the meeting and any member, member's agent, or member's attorney is entitled to inspect the list at any time during the meeting.

**ARTICLE III**  
**RESIDENTIAL BOARD OF DIRECTORS: NUMBER, POWERS, MEETINGS**

**A. Composition and Selection.**

3.1. Governing Body; Composition. The affairs of the Residential Association shall be governed by a Residential Board of Directors.

3.2. Directors Appointed by Declarant. Prior to the Conversion Date, Declarant shall have the right to appoint or remove all members of the Residential Board.

3.3. Number of Directors. The initial Residential Board shall consist of three members. After the Declarant's right to appoint directors terminates, the Residential Board shall consist of at least three directors, but may expand the number of directors to five members, which shall be filled by a vote of the members in accordance with Section 3.5.(b).

3.4. Nomination of Directors. Candidates may be nominated from the floor and may also be nominated by a nominating committee, if such a committee is established by the Residential Board. All candidates shall have a reasonable opportunity to communicate their qualifications to the members and to solicit votes.

3.5. Election and Term of Office. Owner-elected directors shall be elected and hold office as follows:

(a) Following the Conversion Date, the Residential Association shall call a special meeting to be held at which Owners shall elect three directors.

(b) Thereafter, directors shall be elected at the Residential Association's annual meeting. All eligible members of the Residential Association shall vote on all directors to be elected, and the candidate(s) receiving the most votes shall be elected.

At the special meeting in which the Owners initially elect directors, two directors shall be elected to two-year terms and one director shall be elected to a one-year term. At the expiration of the initial term of office of each respective Owner-elected director, a successor shall be elected to serve for a term of two years. The directors shall hold office until their respective successors shall have been elected by the Residential Association.

3.6. Removal of Directors. At any regular or special meeting of the Residential Association duly called, any one or more of the directors may be removed, with or without cause, by a vote of a majority of the members and a successor may then and there be elected to fill the vacancy thus created. A director whose removal has been proposed by the Owners shall be given at least ten days' notice of the calling of the meeting and the purpose thereof and shall be given an opportunity to be heard at the meeting. Additionally, any director who has three consecutive unexcused absences from Residential Board meetings or who is delinquent in the payment of an assessment for more than 30 days may be removed by a majority vote of the

remaining directors at a meeting. This Section and the provisions of Section 3.7. below shall not apply to directors appointed by Declarant. Only Declarant can remove a director appointed by Declarant or fill any vacancy caused by the removal, resignation, or death of any director appointed by Declarant prior to the Conversion Date.

3.7. Vacancies. Vacancies in the Residential Board caused by any reason, excluding the removal of a director by vote of the Residential Association, shall be filled by a vote of the majority of the remaining directors, even though less than a quorum, at any meeting of the Residential Board. Each person so selected shall serve the unexpired portion of the term.

**B. Meetings.**

3.8. Organization Meetings. The first Residential Board meeting following each annual meeting of the membership shall be held at such time and place as shall be fixed by the Residential Board.

3.9. Regular Meetings. Regular Residential Board meetings may be held at such time and place as shall be determined from time to time by a majority of the directors. Notice of the regular schedule shall constitute sufficient notice of such meetings.

3.10. Special Meetings. Special meetings of the Residential Board shall be held when requested by the President, Vice President, or by any two directors. The notice shall specify the time and place of the meeting and the nature of any special business to be considered. The notice shall be given to each director by one of the following methods: (a) by personal delivery; (b) written notice by first class mail, postage prepaid; (c) by telephone communication, either directly to the director or to a person at the director's home or office who would reasonably be expected to communicate such notice promptly to the director; (d) electronic message, fiber optic, or telecommunication to the director; or (e) by commercial delivery service to such director's home or office. All such notices shall be given or sent to the director's address, telephone number, or other place of delivery as shown on the Residential Association's records. Notices sent by first class mail shall be deposited into a United States mailbox at least four days before the time set for the meeting. Notices given by personal delivery, telephone, or telecommunication shall be given at least 48 hours before the time set for the meeting.

3.11. Waiver of Notice. The transactions of any meeting of the Residential Board, however called and noticed or wherever held, shall be as valid as though taken at a meeting duly held after regular call and notice, if (a) a quorum is present, and (b) either before or after the meeting, each of the directors not present signs a written waiver of notice, a consent to holding the meeting, or an approval of the minutes. The waiver of notice or consent need not specify the purpose of the meeting. Notice of a meeting shall also be deemed given to any director who attends the meeting without protesting before or at its commencement about the lack of adequate notice.

3.12. Quorum of Residential Board of Directors. At all meetings of the Residential Board, a majority of the directors shall constitute a quorum for the transaction of business, and

the votes of a majority of the directors present at a meeting at which a quorum is present shall constitute the decision of the Residential Board.

3.13. Compensation. No director shall receive any compensation from the Residential Association for acting as such.

3.14. Open Meetings. All meetings of the Residential Board shall be open to all members, but members other than directors may not participate in any discussion or deliberation unless expressly so authorized by the Residential Board.

3.15. Executive Session. The Residential Board may adjourn a meeting and reconvene in executive session to discuss and vote upon personnel matters, litigation in which the Residential Association is or may become involved, and orders of business of a similar nature. The nature of any and all business to be considered in executive session shall first be announced in open session.

3.16. Action Without a Formal Meeting. Unless prohibited by North Carolina law, any action to be taken at a meeting of the directors or any action that may be taken at a meeting of the directors may be taken without a meeting if one or more consents, in writing, setting forth the action so taken, shall be signed by a majority of the directors and delivered to the Residential Association for inclusion in the minutes for filing in the corporate records.

3.17. Telephonic Participation. One or more directors may participate in and vote during any regular or special meeting of the Residential Board by telephone conference call or similar communication equipment by means of which all persons participating in the meeting can hear each other at the same time, and those directors so participating shall be present at such meeting. Any such meeting at which a quorum participates shall constitute a meeting of the Residential Board.

### C. **Powers and Duties.**

3.18. Powers. The Residential Board shall be responsible for the affairs of the Residential Association and shall have all of the powers and duties necessary for the administration of the Residential Association's affairs and, as provided by law, may do all acts and things as are not by the Residential Declaration, Residential Articles, or these Residential Bylaws directed to be done and exercised exclusively by the members. In addition to the duties imposed by these Residential Bylaws, the Residential Declaration, or by any resolution of the Residential Association that may hereafter be adopted, the Residential Board shall have the power to and be responsible for the following, in way of explanation, but not limitation:

- (a) preparation and adoption of an annual budget in which there shall be established the contribution of each Owner to the common expenses;
- (b) making assessments to defray the common expenses and establishing the means and methods of collecting such assessments;

(c) providing for the operation, care, upkeep, and maintenance of all areas which are the maintenance responsibility of the Residential Association;

(d) designating, hiring, and dismissing the personnel necessary for the operation of the Residential Association and, where appropriate, providing for the compensation of such personnel and for the purchase of equipment, supplies, and material to be used by such personnel in the performance of their duties;

(e) collecting the assessments, depositing the proceeds thereof in a bank depository which it shall approve, and using the proceeds to administer the Residential Association;

(f) making and amending use restrictions and rules and regulations;

(g) opening of bank accounts on behalf of the Residential Association and designating the signatories required;

(h) enforcing by legal means the provisions of the Residential Declaration, these Residential Bylaws, and the rules and regulations adopted by it, and bring any proceedings which may be instituted on behalf of or against the Owners concerning the Residential Association;

(i) obtaining and carrying insurance against casualties and liabilities, as provided in the Residential Declaration, and paying the premium cost thereof;

(j) paying the cost of all services rendered to the Residential Association or its members which are not directly chargeable to Owners;

(k) keeping books with detailed accounts of the receipts and expenditures affecting the Residential Association and its administration, and specifying the maintenance and repair expenses and any other expenses incurred; and

(l) contracting with any Person for the performance of various duties and functions.

3.19. Management Agent. The Residential Board may employ for the Residential Association a professional management agent or agents at a compensation established by the Residential Board to perform such duties and services as the Residential Board shall authorize. The Declarant or an affiliate of the Declarant may be employed as managing agent or Manager. The term of any management agreement shall not exceed one year and shall be subject to termination by either party, without cause and without penalty, upon not more than 90 days' written notice.

3.20. Fining or Suspension Procedure. The Residential Board shall not impose a fine (a late charge shall not constitute a fine) or suspend a member's right to use any part of the Common Property unless and until the following procedure is followed:

(a) Notice. Written notice shall be served upon the violator by first-class or certified mail sent to the last address of the member shown on the Residential Association's records, specifying:

(i) the nature of the violation, the fine or suspension to be imposed and the date, not less than 15 days from the date of the notice, that the fine or suspension will take effect;

(ii) that the violator may, within ten days from the date of the notice, request a hearing regarding the fine or suspension imposed;

(iii) the name, address, and telephone numbers of a person to contact to challenge the fine or suspension;

(iv) that any statements, evidence, and witnesses may be produced by the violator at the hearing; and

(v) that all rights to have the fine or suspension reconsidered are waived if a hearing is not requested within ten days of the date of the notice.

(b) Hearing. Any requested hearing may, in the sole discretion of the Residential Board, be held before the Residential Board in executive session. At the hearing, the violator shall be given a reasonable opportunity to be heard. The minutes of the meeting shall contain a written statement of the results of the hearing.

(c) Enforcement. In any action or proceeding to enforce the Residential Declaration, these Residential Bylaws, the rules and regulations of the Residential Association, or decision of the Residential Board, the Residential Association shall be entitled to recover all expenses from the violator, including all attorney's fees, thus incurred.

## **ARTICLE IV OFFICERS**

4.1. Officers. The officers of the Residential Association shall be a President, Secretary, and Treasurer. Any two or more offices may be held by the same person, excepting the offices of President and Secretary. The President and Treasurer shall be elected from among the members of the Residential Board. The Residential Board may appoint such other officers, including one or more Vice Presidents, Assistant Secretaries, or Assistant Treasurers, as it shall deem desirable.

4.2. Election, Term of Office, and Vacancies. The officers of the Residential Association shall be elected periodically by the Residential Board. A vacancy in any office arising because of death, resignation, removal, or otherwise may be filled by the Residential Board for the unexpired portion of the term.

4.3. Removal. Any officer may be removed by the Residential Board whenever, in its judgment, the best interests of the Residential Association will be served thereby.

4.4. President. The President shall be the chief executive officer of the Residential Association and shall preside at all meetings of the Residential Association and of the Residential Board. The President shall have all the general powers and duties that are incident to the office of the president of a corporation organized under the North Carolina Nonprofit Corporation Code.

4.5. Vice President. The Vice President shall act in the President's absence and shall have all powers, duties, and responsibilities provided for the President when so acting.

4.6. Secretary. The Secretary shall keep the minutes of all meetings of the Residential Association and of the Residential Board, shall prepare, execute, certify, and record any amendments to the Residential Declaration on behalf of the Residential Association, and shall have charge of such books and papers as the Residential Board may direct and shall, in general, perform all duties incident to the office of the secretary of a corporation organized in accordance with North Carolina law.

4.7. Treasurer. The Treasurer shall have the responsibility for the Residential Association's funds and securities and shall be responsible for keeping full and accurate financial records and books of account showing all receipts and disbursements, for preparing all required financial statements and tax returns, and for the deposit of all monies and other valuable effects in the name of the Residential Association or the managing agent in such depositories as may from time to time be designated by the Residential Board.

4.8. Resignation. Any officer may resign at any time by giving written notice to the Residential Board. Such resignation shall take effect on the date of the receipt of such notice or at any later time specified therein, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

## **ARTICLE V COMMITTEES**

Committees to perform such tasks and to serve for such periods as may be designated by the Residential Board are hereby authorized. Each committee shall be composed and shall operate in accordance with the terms of the resolution of the Residential Board designating the committee or with rules adopted by the Residential Board.

## **ARTICLE VI MISCELLANEOUS**

6.1. Fiscal Year. The fiscal year of the Residential Association shall be the calendar year unless otherwise determined by resolution of the Residential Board.

6.2. Parliamentary Rules. *Robert's Rules of Order* (current edition) shall govern the conduct of all Residential Association proceedings, when not in conflict with North Carolina law, the Articles of Incorporation, the Residential Declaration, these Residential Bylaws, or a ruling made by the person presiding over the proceeding.

6.3. Conflicts. If there are conflicts or inconsistencies between the provisions of North Carolina law, the Articles of Incorporation, the Residential Declaration, and these Residential Bylaws, the provisions of North Carolina law, the Residential Declaration, the Articles of Incorporation and the Residential Bylaws (in that order) shall prevail.

6.4. Amendment. These Residential Bylaws may be amended by the Residential Board if such amendment is necessary to bring any provision hereof into compliance with any applicable governmental statute, rule, regulation, or judicial determination. Otherwise, they may only be amended upon the affirmative vote of at least sixty-seven percent (67%) of the votes of the Residential Association cast at a meeting of the members duly called for such purpose or with the written consent of the members entitled to cast at least sixty-seven percent (67%) of the votes of the Residential Association; provided, however, prior to the Conversion Date, any such amendment must also be approved by Declarant.