

BY-LAWS

OF

CORNERSTONE OWNERS' ASSOCIATION, INC.  
A Corporation Not for Profit

ARTICLE I. IDENTIFICATION

1.1 Identity: These are the By-Laws of CORNERSTONE OWNERS' ASSOCIATION, INC., a corporation not for profit organized and existing under the laws of North Carolina, hereinafter called "Association."

1.2 Purpose: The Association has been organized for the purpose of perpetuating the maintenance of, preserving, managing and exercising architectural control over the Lots and Common Areas within Cornerstone, a subdivision located in Wake County, North Carolina in accordance with the Declaration of Covenants, Conditions and Restrictions and Easements for Cornerstone recorded in Book 5608, Page 90, Wake County, North Carolina Registry, as modified from time to time, herein called the "Declaration," and to promote the health, safety and welfare of the Owners and occupants of Cornerstone.

1.3 Office: The office of the Association shall be at 100 Europa Drive, Suite 271, Chapel Hill, North Carolina 27514, until otherwise changed by the Board.

1.4 Fiscal Year: The fiscal year of the Association shall be the calendar year.

1.5 Seal: The seal of the corporation shall consist of two concentric circles between which is the name of the Corporation and in the center of which is inscribed "SEAL".

ARTICLE II. MEMBERS

2.1 Qualification: The Members of the Association shall consist of all of the record Owners of Lots in Cornerstone which are subject to the Declaration.

2.2 Change of Membership: Change of membership in the Association shall be established by recording in the Wake County Registry, a deed or other instrument establishing a change in record title to a Lot. Upon the happening of such event, the Owner established by such instrument shall thereupon become a Member of the Association, and the membership of the prior owner shall be terminated. Following any such changes, the new Member shall deliver to the Association of a certified copy of such recorded instrument.

2.3 Multiple Owners: When a Lot is owned by more than one person, whether as co-tenants, joint tenants, tenants by the entirety or otherwise, each Owner shall be a Member of the Association by virtue of being a record Owner of an interest in a Lot. Lessees of Lots shall not be Members. All matters of voting shall be determined on a per acre basis, as provided in Article III.

2.4 Restraint Upon Assignment of Membership, Shares and Asset: The membership of an Owner, and the share of a Member in the funds and assets of the Association shall not be assigned, hypothecated or transferred in any manner except as an appurtenant to his Lot.

2.5 Evidence of Membership: There shall be no stock or membership certificates in the Association. Membership shall be determined by approved ownership as herein provided.

### ARTICLE III. VOTING

3.1 Voting Rights: The Member or Members who are the record owner of each Lot shall be collectively entitled to one (1) vote for acre owned, plus one (1) additional vote for each additional half acre owned, as provided in the Declaration and the Articles; provided, however, that there shall be at least one vote for each site. A vote may not be divided.

3.2 Voting Procedure: All determination of requisite majorities and quorums for all purposes under the Declaration, the Articles and these By-Laws shall be made by reference to the number of votes of the Members entitled to vote. Decisions of the Association shall be made by a majority of the votes entitled to be cast by Members represented at a meeting at which a quorum is present, unless a greater percentage is required by the Declaration, the Articles, or these By-Laws.

3.3 Quorum: A quorum shall exist when the Members representing a majority of all votes are present, either in person, by designated voting representative or by proxy. Members may participate in a meeting of the Members by means of a conference telephone or similar communications equipment by which all persons participating in the meeting can hear each other at the same time and participation by such means shall constitute presence in person at a meeting.

3.4 Approval or Disapproval of Matters: Whenever the decision of any Owner is required upon any matter, whether or not the subject of an Association meeting, such decision shall be expressed by the same person who would cast the vote of such Owner if at an Association meeting, unless the joinder of record owners is specifically required by the Declaration or these By-Laws.

3.5 Proxies: Votes may be cast in person or by proxy. A proxy shall be in writing and signed by the designated voting representative(s), or the Owner, if no voting representative(s) have been designated. A proxy shall be valid only for the particular meeting designated in the proxy, and must be filed with the Secretary of the Association before the appointed time of the meeting or any adjournments thereof. A properly executed and delivered proxy may be revoked by a writing delivered to the Secretary prior to the appointed time of the meeting or any adjournments thereof, or by the attendance in person of the persons executing said proxy at any meeting or adjournment thereof. In no event shall a proxy be valid for a period longer than ninety (90) days after the date of the first meeting for which it was given.

3.6 Method of Voting: Subject to the provisions of the Declaration, voting may be by roll call, voice vote or by written ballot; provided that whenever written approval is required by the Declaration, or whenever any amendment to the Declaration is proposed, or when any borrowing of funds, pledge, or other disposition of Association Property or asset is proposed, the voting shall be by written ballot. Routine matters such as approval of minutes, adjournment, acceptance of reports, parliamentary questions and social business may be determined by "yeas" and "nays," provided, that any two (2) voting Members, or the chairman, may require a roll call vote.

#### ARTICLE IV. MEETINGS OF MEMBERS

4.1 Annual Meeting: The annual meetings of the Members shall be held during the month of October of each year on a day and at a time determined by the Board; provided that notice pursuant to Section 4.3 is given at least thirty (30) days prior to the date set for the annual meeting. The annual meeting shall be for the purpose of electing Directors, to the extent that Members are entitled to elect Directors, and transacting any other business authorized to be transacted by the Members.

4.2 Special Meetings: Special meetings of the Members shall be held whenever called by the President, or Vice President, or by a majority of the Board, and must be called by such officers upon receipt of a written request from voting Members entitled to cast votes for not fewer than thirty-three percent (33%) of the total number of votes.

4.3 Notice of Meeting: Reasonable notice of all meetings of the Members, stating the time, place and the objects for which the meeting is called, shall be given by any officer unless waived in writing. The notice for any meeting at which assessments against Members are to be considered shall advise of the nature of such assessments and that such assessments will be considered. Notice of meetings may be waived in writing before, during or after meetings.

4.4 Place: Meetings of the Members shall be held at such place as the Board may designate in the Notice of Meeting.

4.5 Adjournments: If any meeting of Members cannot be organized because a quorum has not attended, the Members who are present, either in person or by proxy, may adjourn the meeting from time to time until a quorum is present.

4.6 Action Without Meeting: Whenever the affirmative vote or approval of the Members is required or permitted by the Declaration or these By-Laws, such action may be taken without a meeting if Members entitled to cast not fewer than seventy-five percent (75%) of the votes if such meeting were held, shall agree in writing that such action be taken and waive the necessity of such meeting. Provided, however, that if a greater percentage approval is required, then not less than such percentage must so agree in writing. Notice of the action so taken shall be given in writing to all Members who did not approve such action in writing within twenty (20) days of such approval.

#### ARTICLE V. DIRECTORS

5.1 Number: The affairs of the Association shall be managed by a Board of three (3) Directors. Upon the expiration of his or her term, a succeeding director shall be appointed or elected according to Section 5.3 of this Article.

5.2 Appointment and Election of Directors: In accordance with Article VII, Section 7.2 of the Declaration, the Declarant retains the right to appoint:

(i) three (3) directors so long as the Declarant owns not less than twenty-five percent (25%) of the total square footage of the Property; (exclusive of areas dedicated to public authority and Common Areas); and

(ii) two (2) of the three (3) directors so long as the Declarant owns not less than fifteen percent (15%) of such square foot area; (exclusive of areas dedicated to public authority and Common Areas); and

(iii) one (1) of the three (3) directors so long as the Declarant owns not less than five percent (5%) of such square foot area; (exclusive of areas dedicated to public authority and Common Areas).

Succeeding Directors who are not appointed by the Declarant shall be elected in the following manner:

(a) Election of Directors shall be held at the annual meeting of the Members. A nominating committee of not less than three (3) nor more than five (5) Members may be appointed by the Board not less than thirty (30) days prior to the annual meeting of the Members. The

nominating committee shall nominate at least one (1) person for each Directorship. Other nominations may be made from the floor, and nominations for additional directorships, if any, created at the meeting shall be made from the floor.

- (b) The election of directors shall be by ballots, unless dispensed with by unanimous consent and by a plurality of the votes cast, each person voting being entitled to cast his votes for each of as many nominees as there are vacancies to be filled. There shall be no cumulative voting.
- (c) Any Director elected by the Members may be recalled and removed from office, with or without cause, by the vote or agreement in writing by a majority of votes entitled to be cast by all Members, including the Declarant. A special meeting of the Members to recall a member or members of the Board elected by the Members may be called by ten percent (10%) of the Members giving notice of the meeting as required for a meeting of Members, and the notice shall state the purpose of the meeting. The vacancy in the Board so created shall be filled by vote of the Members of the Association at the same meeting.

5.3 Term: The term of each succeeding Director's service shall be three (3) years, and thereafter until his successor is duly elected and qualified, or until he is removed in the manner elsewhere provided.

5.4 Qualifications: Directors elected by the Association must be Members of the Association, but any Director appointed by the Declarant pursuant to the Declaration, the Articles and these By-Laws may, but need not be, a Member. An officer of any corporate Member, a general partner of any partnership Member or a Manager of any limited liability company Member shall be deemed Members for the purposes of qualifying for election to the Board.

5.5 Vacancies: Except as otherwise provided herein, if the office of any Director becomes vacant, whether by reason of death, resignation, retirement, disqualification, incapacity or otherwise, a majority of the remaining Directors shall select a successor, who shall hold the office for the unexpired term of Director he is replacing. Vacancies following removal of office pursuant to Section 5.2(c) shall be filled as therein provided. Any vacancy in the Board occurring during the time that the Declarant has retained the authority to appoint one or more Directors shall be filled in the manner in which the Director who has vacated his office was originally appointed or elected; i.e., if appointed by the Declarant, then the Declarant shall appoint a person to fill such vacancy, and if elected by Members other than the Declarant, the vacancy shall be filled by special election by Members other than the Declarant.

5.6 Disqualification and Resignation: Any Director may resign at any time by sending written notice to the Secretary of the Association. Such resignation shall take effect upon receipt by the Secretary, unless otherwise specified in the resignation. Any Director who is a Member of the Association shall be deemed to have resigned if he transfers his Lot so that he ceases to be a Member of the Association. More than three (3) consecutive unexcused absences from regular Board meetings by a Director elected by the Members shall be deemed a resignation, which shall be effective upon acceptance by the Board.

5.7 Voting: All voting for the election of Directors shall be by acre as provided in Article III hereof.

5.8 Regular Meetings: The Board may, from time to time, establish a schedule of regular meetings to be held at such time and place as the Board may designate. Any regular scheduled meeting may be dispensed with upon written concurrence of not less than fifty-one percent (51%) of the members of the Board.

5.9 Special Meetings: Special Meetings of the Directors may be called by the President and must be called by the Secretary or an Assistant Secretary at the request of not less than twenty percent (20%) of the members of the Board.

5.10 Notice: Notice of each regular or special meeting shall be given to each Director personally or by mail, telephone or telegraph at least three (3) days prior to the meeting date. All notices shall state the time and place of the meeting, and if a special meeting, the purposes thereof. Any Director may waive notice of a meeting before, during or after the meeting and all such waivers shall be deemed equivalent to the giving of notice. Attendance by a Director at a meeting shall be deemed a waiver of Notice by him.

5.11 Quorum: A quorum at Directors' meetings shall consist of a majority of the entire Board. Members of the Board may participate in a meeting of the Board by means of a conference telephone or similar communications equipment by which all persons participating in the meeting can hear each other at the same time and participation by such means shall constitute presence in person at a meeting. The acts approved by a majority of those present at a meeting at which a quorum is present shall constitute the act of the Board; except where approval of a greater number of Directors is required by the Declaration or these By-Laws.

5.12 Adjourned Meeting: If, at any meeting of the Board, there be less than a quorum present, the majority of those present may adjourn the meeting from time to time until a quorum is present. At any adjourned meeting any business which might have been transacted at the meeting as originally called may be transacted without further notice.

5.13 Informal Action by Directors: Action taken by a majority of the directors or members of a committee of the Board of Directors without a meeting is nevertheless Board or committee action if written consent to the action in question is signed by all the directors or members of the committee, as the case may be, and filed with the minutes of the proceedings of the Board or committee, whether done before or after the action so taken.

## ARTICLE VI. POWERS AND DUTIES OF BOARD OF DIRECTORS

The Board shall have all powers, authority, discretion and duties necessary for the administration and operation of Cornerstone, the Association and Common Areas, except as may be reserved or granted to the owners, Declarant or a specific committee or committees of the Association by the Declaration, the Articles or these By-Laws. The powers of the Board shall include, but shall not be limited to, the following:

6.1 General Powers: All powers specifically set forth in the Declaration, Articles and these By-Laws, and all powers incident thereto or reasonably to be inferred therefrom.

6.2 Enforcement: The Board shall enforce by legal means, provisions of the Declaration, the Articles, the By-Laws, and the Rules and Regulations for the use of the property of the Association. In the event that the Board determines that any owner is in violation of any of the provisions of the Declaration, ByLaws, Articles, or the Rules and Regulations, the Board, or an agent of the Board designated for that purpose, shall notify the Member of the nature of the violation. If said violation is not cured within the time frame(s) provided in the Declaration, or if said violation consists of acts or conduct by the Member, and such acts or conduct are repeated, the Board may exercise the responsibilities and rights as provided in the Declaration. Each day during which the violation continues shall be deemed a separate offense.

6.3 Budget and Assessments: To adopt budgets and make assessments, and to use and expend assessments and other receipts of the Association to carry out the powers and duties of the Association pursuant to the Declaration and By-Laws.

6.4 Employment: To employ, dismiss, control and contract for personnel and contractors for the administration and operation of the Association and the property of the Association, including but not limited to managers, maintenance personnel, attorneys, accountants and other professionals, by employment or contract, as the Board may determine.

6.5 Rules and Regulations: To adopt, amend and rescind reasonable rules and regulations relating to the administration of the Association and operation and use of the Association Property, as determined necessary by the Board in its discretion, subject to the Declaration and By-Laws. Provided, however, that

any rules or regulations adopted by the Board or other committee so designated in the Declaration may be supplemented, amended or rescinded by affirmative vote of the Members entitled to cast three-fourths (3/4) of the votes of the Members present at the meeting except that no such vote of the Members to supplement, amend or rescind a rule adopted by the Board shall be effective unless the written consent and joinder of the Declarant shall also be obtained during any period of time in which the Declarant owns any portion of Cornerstone. Any such rules or regulations approved by the Members shall not thereafter be amended or rescinded except upon affirmative vote of the Members entitled to cast sixty-six (66%) of the total votes of the Members.

6.6 Committees and Boards: To create and disband such committees and boards as the Board may from time to time determine as reasonably necessary or useful in and about the administration and operation of Cornerstone, the Association and Common Areas and to delegate such authority to such committees as may be reasonable in connection with their purpose, subject always to the provisions of the Declaration, Articles and By-Laws. All committees of the Association shall keep records and conduct meetings in the same manner, to the extent applicable, as is required of the Board. Nothing contained herein shall restrict the authority of the Members to create, elect and disband such committees, or from modifying the duties and responsibilities of such committees. Any such action of the Members shall not be amended or rescinded except by the Members. Nothing contained herein shall be deemed to restrict the authority of the President of the Association from appointing advisory committees not inconsistent with committees created by the Board and the owners.

6.7 Architectural Review Committee. The Architectural Review Committee (ARC) shall consist of three (3) members all of whom shall be appointed by, and serve at the will of, the Declarant for so long as Declarant has the right to appoint at least one (1) member of the Board of Directors of the Association. During such period, members of ARC may be removed and replaced by Declarant, at any time, with or without cause. Any two of these members shall constitute a quorum and the vote of a majority of the members of ARC shall constitute the action of ARC on any matter being considered. From and after the date that the Declarant no longer has the right to appoint the members of ARC, as aforesaid, they shall be appointed by the Board of Directors of the Association. The ARC members shall select their own chairman. Terms of the ARC members shall be for two (2) years, and the terms shall be, staggered so that no more than two (2) members are appointed for the same term. Members of ARC may be, but are not required to be, Members of the Association.

## ARTICLE VII. OFFICERS

7.1 Officers and Election: The officers of the Association shall be a President, a Vice President, a Treasurer, a Secretary,



an Assistant Secretary, if deemed appropriate by the Board, and such other officers as may be determined from time to time by the Board, all of whom shall be elected annually by the Board, and which officers may be removed by a majority vote of all Directors at any meeting. The officers of the Association may be, but are not required to be, Directors of the Association. Any person may hold two (2) offices. The Board shall designate the powers and duties of such other officers as it may create.

7.2 President: The President shall be the chief executive officer of the Association. He shall have all of the powers and duties which are usually vested in the office of President of an association; including but not limited to the power to appoint advisory committees from time to time, from among the Members or others as he may in his discretion determine appropriate, to assist in the conduct of the affairs of the Association. He shall serve as Chairman at all Board and Membership meetings.

7.3 Vice President: The Vice President shall, in the absence or disability of the President exercise the powers and perform the duties of the President. He shall also generally assist the President, and exercise such other powers and perform such other duties as shall be prescribed by the Directors.

7.4 Secretary and Assistant Secretary: The Secretary shall keep the minutes of all proceedings of the Directors and the Members. He shall attend to the giving and serving of all notice to the Members and Directors, and other notices required by law and the Declaration documents. He shall keep the records of the Association, except those of the Treasurer, and shall perform all other duties incident to the office of Secretary of an Association, as may be required by the Directors or the President. The Assistant Secretary or Assistant Secretaries, if such office(s) are created, shall perform the duties of the Secretary, when the Secretary is absent. The minutes of all meetings of the Members and the Board shall be kept in books available for inspection by Members, or their authorized representatives, and Board members at any reasonable time.

7.5 Treasurer: The Treasurer shall have the custody of all the property of the Association, including funds, securities and evidences of indebtedness. He shall keep the books of the Association in accordance with good accounting practices and provide for collection of assessments and he shall perform all other duties incident to the Office of Treasurer.

7.6 Indemnification of Directors and Officers: Every Director and every officer of the Association shall be indemnified by the Association against all expenses and liabilities, including attorney's fees, reasonably incurred by or imposed upon him in connection with any proceeding to which he may be a party or on which he may become involved by reason of his being or having been a Director or officer of the Association or a member of the Architectural Review Committee, whether or not he is Director, officer or member at the time such expenses are

incurred, except in such cases when the Director or officer is adjudged guilty of willful misfeasance or malfeasance in the performance of his duties. The foregoing right of indemnification shall be in addition to and not exclusive of all other rights to which such Director or officer may be entitled.

7.7 Term: All officers shall hold office until their successors are chosen and qualify.

#### ARTICLE VIII. FISCAL MANAGEMENT

The provisions for fiscal management of the Association set forth in the Declaration shall be supplemented by the following provisions:

8.1 Budget: The Board shall adopt a budget for each calendar year which shall include the estimated funds required to defray the current expenses and may provide funds for reserves and funds for specifically proposed betterments and approved improvements.

8.2 Assessments: Annual assessments against a Member for his share of the items of the budget shall be made in advance on or before December 31 preceding the year for which the assessment is made. Such assessment shall be due within thirty (30) days after the date of notice of such levy. If an annual assessment is not made as required, an annual assessment shall be presumed to have been made in the amount of the last prior annual assessment and payment thereon shall be due on or before January 31 of the year for which the assessment is presumed to have been made. Notwithstanding the foregoing, the initial annual assessment for the calendar year 1994 shall be levied following the adoption of a budget by the Board of Directors for 1994 which shall occur no later than June 30, 1994. Such assessment shall be paid within thirty (30) days after the date of notice of such levy. In the event the annual assessment proves to be insufficient, the budget may be amended at any time by the Board and a supplementary assessment levied. The supplementary assessment shall be due on the first day of the month next following the month in which the supplementary assessment is made or as otherwise provided by the Board. Special assessments may be made from time to time by the Board as provided in Article VII, Section 7.3 of the Declaration, with Association approval where required. In addition to annual assessments, supplementary assessments and special assessments, the Association and Board may levy other assessments in accordance with the provisions of the Declaration.

8.3 Late Charge: Assessments not paid on the due date thereof shall be subject to a late charge equal to four percent (4%) of the amount due and shall bear interest from said due date until paid at the lower of the:

(i) highest legal rate permitted by law in the State of North Carolina; or

(ii) four (4) points over the prime rate of interest from time to time prevailing during such delinquency at NationsBank of North Carolina, N.A., Charlotte, North Carolina or its successor.

The amount of any assessment not paid on the due date thereof together with all interest from time to time accrued thereon shall constitute a lien upon the Site, which lien may be enforced and foreclosed in accordance with the provisions of Article VIII of the Declaration.

8.4 Expenditures: All funds of the Association shall be expended only upon authorization of the Board. Approval of the budget shall be deemed authority to expend funds for the items and contingency funds within the budget. Funds derived from special assessments and funds in reserves shall be expended solely for the purpose for which such assessments were made or reserves established. Contingency funds may be expended for any legitimate purpose by action of the Board.

8.5 Depository: The depository of the Association shall be such bank or banks as shall be designated from time to time by the Directors, and in which the moneys of the Association shall be deposited. Withdrawal of moneys from such accounts shall be only by checks signed by such persons as are authorized by appropriate resolution of the Board. Funds of the Association may be commingled or kept in separate accounts.

#### ARTICLE IX. PARLIAMENTARY RULES

Roberts Rules of Order, the latest edition, shall govern the conduct of the meetings of the Association, the Board and Committees of the Association when not in conflict with the Declaration, Articles or these By-Laws.

#### ARTICLE X. AMENDMENTS

These By-Laws may be altered, amended or repealed and new By-Laws may be adopted by a majority vote of Directors holding office, or by a majority of the Members present and voting at a membership meeting duly called in conformity with the provisions herein. No By-law adopted or amended by the members may be altered or repealed by the Board of Directors. No Amendment shall be made that is in conflict with the Articles or the Declaration and no amendment may be made without the prior written consent and joinder of the Declarant during any period of time in which the Declarant owns any portion of Cornerstone. Amendments to the By-Laws shall not be effective until they have been certified by an authorized officer of the Association and a

copy of the Amendment is recorded in the books of the Association.

ARTICLE XI. MISCELLANEOUS

The provisions of these By-Laws shall be construed together with the Declaration and the Articles. In the event of a conflict between the provisions hereof and the provisions of the Declaration, the provisions of the Declaration shall control. The provisions hereof shall be liberally construed to grant to the Association sufficient practical authority to operate the Subdivision. All definitions contained in the Declaration are used with the same meanings herein unless expressly provided otherwise. Whenever the context so requires, the use of any gender herein shall be deemed to include all genders, and the use of the plural shall include the singular and the singular shall include the plural.

The foregoing was adopted as the By-Laws of CORNERSTONE OWNERS' ASSOCIATION, INC. at the first meeting of the Board on the 14th day of December, 1993.

ATTEST:

  
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Secretary

By:   
\_\_\_\_\_  
Vice President