

BY-LAWS
OF
GRANTHAM PLACE HOMEOWNERS' ASSOCIATION, INC.
Revised August 16, 2021

ARTICLE I
Definitions

The following terms as used in these By-Laws are defined as follows:

- A. "Association" means Grantham Place Homeowners' Association, Inc., a North Carolina non-profit corporation.
- B. "Board" means the Board of Directors of the Association.
- C. "By-laws" means the By-laws of the Association.
- D. "Declaration" means the Declarations of Restrictions, Conditions and Easements of Grantham Place, as the same may be supplemented or amended from time to time.

~~E. "Developer" means GRIT OF NEW BERN, LLC and its successors and assigns.~~

E. "Development" means Grantham Place Subdivision, as the same may be shown on the maps thereof recorded from time to time, including additional land annexed into the subdivision from time to time.

F. "Lot" means any single-family residential lot in the Development included from time to time in the recorded plats of the Development.

G. "Owner" means any person or legal entity ~~including Developer~~ who holds title to any Lot or Unit, whether legal or equitable.

ARTICLE II
Association Membership

Section 1. Class of Members: There shall be only one (1) class of members and one membership for each Lot. Each Owner shall, by reason of such ownership, become a member of the Association. In the event additional lots are annexed into the Subdivision by Declarant, the owner of each such lot shall become a member as designated in the Amendment to these Restrictions which is established to annex such lots.

Section 2. Privileges

- A. Privileges of Membership Generally: Each member in good standing shall be entitled to use Association property upon the terms and conditions established by the Board; and each member in good standing shall be entitled to vote on all questions presented to the members at any meeting of the Association. However, there shall be only one vote for each Lot owned; provided, however, when more than one person or entity holds an interest in any Lot, all such Owners shall hold the membership with regard to such Lot in undivided interests. The vote of such multiple Owners shall be exercised as they, among themselves, shall determine, but in no event shall any fractional vote be counted, or more than one vote be cast with respect to any one Lot.

Section 3. Suspension of Privileges of Membership: The Board, by vote taken pursuant to Article V, Section 7 of these By-laws, may suspend the membership privileges of any member for:

- A. Any period during which any Association charge or fee payable by such member, which is past due, remains unpaid.
- B. The period of any continuing violation by such member of the By-laws or the rules and regulations of the Association, after the existence of such violation shall have been declared by the Board.
- C. Any period determined by the Board, for repeated violations of the By-laws or the rules and regulations of the Association.

Nothing contained in this Section 3 shall be deemed to limit the discretion and powers of the Board pursuant to Article V, Section 1, (J) of these By-laws or otherwise granted in these By-laws.

ARTICLE III
Evidence of Membership and Transfer

Section 1. Membership Records: Adequate records showing the names of the members of the Association, the type of membership and the date of the membership shall be kept by the Association, as well as all other records required from time to time to be kept by nonprofit corporations pursuant to North Carolina law.

Section 2. Transfer: When a member ceases to be an Owner, such person's membership and the privileges existing through relationships to such person shall terminate; however, ~~he~~ they shall remain liable for all Association charges incurred prior to the giving of written notice to the Association that he is no longer an Owner.

ARTICLE IV
Meeting of Members

Section 1. Place of Meeting: Any meeting of the members of the Association shall be held in

the State of North Carolina at such place therein as may be stated in the notice of such meeting.

Section 2. The Annual Meeting: The annual meeting of the Association shall be held on the second Tuesday of January of each year commencing with the calendar year 2008.

Section 3. Substitute Annual Meeting: If the annual meeting shall not be held on the day designated by these By-laws, a substitute annual meeting may be called in accordance with the provisions of Section 4 of this Article. A meeting so called shall be designated and treated for all purposes as the annual meeting.

Section 4. Special Meetings of the Association: Special Meetings of the Association may be called by the Board at any time in the manner herein provided. A special meeting may also be called upon the written petition of fifteen percent (15%) of the members of the Association who would have the right to vote at such meeting. Such petitions shall set forth the purpose of the special meeting. The record date for determining the members entitled to vote shall be the date the first member signs the applicable written petition.

Section 5. Notice of Meetings of the Association: Written notice of the place, date and hour of the meeting, and in the case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered not less than ten (10) days, or, if notice is mailed by other than first class, registered or certified mail, no fewer than thirty (30) days nor more than sixty (60) days before the date of the meeting, either personally or by mail, to each member entitled to vote at such meeting; provided however, that these by-laws shall not affect the notice requirements of any meeting called for the purposes set forth in Sections 12D.(ii)(b) and 12E. of the Declarations of Restrictions, Conditions and Easements of Grantham Place. If mailed, such notice shall be deemed to have been delivered when deposited in the United States mail, addressed to the member at his address as it appears on the records of the Association, with postage prepaid; or such notice may be published in any newspaper or publication printed under the auspices of the Association and distributed generally among members of the Association. At a special meeting, no business shall be conducted except that stated in the notice of said meeting.

Section 6. Quorum: A quorum at any meeting, including a special meeting or annual meeting, of the Association shall be members, in person or by proxy, entitled to cast ~~sixty~~ fifty percent (~~60%~~) 50% of all votes of the membership. If the required quorum is not present, another meeting may be called subject to the same notice requirement, and the required quorum at the subsequent meeting shall be one-half (1/2) of the required quorum at the preceding meeting. No such subsequent meeting shall be held more than sixty (60) days following the preceding meeting.

Section 7. Voting: The vote of a majority of the votes entitled to be cast at any meeting at which a quorum is present shall be necessary for the adoption of any matter voted upon by the members, unless a greater vote is required by law, by these By-laws or by the Charter of the Association. The members present at a duly organized meeting may continue to do any and all business until adjournment, notwithstanding the withdrawal of enough members to leave less than a quorum.

Section 8: Proxies: Proxies shall be permitted provided they meet the requirements set forth in North Carolina General Statutes Section 55A-7-24, as amended from time to time.

ARTICLE V
The Directors

Section 1. Powers: The Board shall have authority to:

- A. Manage and control the affairs of the Association, and to delegate such management to managers or management services.
- B. Adopt a corporate seal as the seal of the Corporation.
- C. Designate a banking institution or institutions as depository for the Association's funds; and the officer or officers authorized to make withdrawals therefrom and to execute obligations on behalf of the Association.
- D. Perform other acts the authority for which has been granted herein or by law.
- E. Acquire and accept title to any and all Common Areas within the Development.
- F. Establish and levy reasonable fees for the use of Association property.
- G. Adopt reasonable rules of order for the conduct of the meetings of the Association, and with reference thereto, on procedural questions upon which no rules have been adopted, the ruling of the Chairman of the meeting shall be final.
- H. Select the officers of the Association. It may establish committees of the Association and appoint the members thereof. It may assign to such committees such responsibilities and duties not inconsistent with the provisions of these By-laws or with law as it may deem appropriate.
- I. The Board shall, prior to the annual meeting of the Association in each year shall ~~commencing with 2008, adopt~~ prepare an operating budget of the Association. The adoption of the budget and establishment of assessments shall be pursuant to the Declarations of Restrictions, Conditions and Easements of Grantham Place, as amended from time to time, and such rules and regulations as the Association's Directors may adopt not inconsistent with such Declaration.
- J. Adopt reasonable rules and procedures to implement the provisions of Article II, Section 2 of these By-laws, including, but not restricted to, procedures for determining when a member is not a member in good standing, and the sanctions which shall be imposed upon members not in good standing, which procedures and sanctions shall be reasonable and just, and shall be applied uniformly.

- K. To provide for reimbursement to Directors for actual expenses incurred as a result of serving as a Director; provided however, that such reimbursement shall only be made or paid to the extent that it does not jeopardize any tax exemption of the Association provided by the Internal Revenue Code and the regulations issued thereunder, as the same may be from time to time amended.

Section 2. Number and Term: The number of Directors of the Association shall be three (3). The term of each Director shall be as provided in Section 3 of this Article V. Each Director shall assume office at the first meeting of the Board following the election or appointment, as the case may be, of such Director.

Section 3. Appointment and Election of Directors:

- ~~A. Two (2) Directors of the Association shall be appointed by the Developer. One (1) of such Directors shall serve a term ending January 31, 2007, and the other of such Directors shall serve a term ending January 31, 2008. The appointments shall be made in writing and kept in the minutes of the Association. Upon the completion of the term ending January 31, 2007, the Developer may appoint one (1) Director to fill that seat for a term of one (1) year, which appointments shall continue each successive year until the Developer owns only fifteen (15) lots or less in the Development and owns no more adjacent land to be annexed into the Development. Upon the expiration of the term ending January 31, 2008, that seat shall be filled by election as set forth in subparagraph B. below. Further, upon the expiration of the authority of the Developer to appoint a Director for successive terms of one (1) year each, that seat shall also be filled by election as set forth in subparagraph B. below.~~

One (1) to three (3) Directors of the Association shall be elected by the members of the Association, in such manner and for such terms as follows: There shall be three (3) Directors on the Board. The Directors(s) shall each be elected (at the annual or substitute annual meetings) by the members of the Association for a term of one (1) year or until their successors shall have been elected. The maximum term a director may serve is five (5) consecutive years/terms.

- ~~1. At a meeting of the Association held during the calendar year of recordation of this Declaration, the members of the Association shall elect one (1) Director, to serve initially a term ending January 31, 2008, (or until his successor shall have been elected). Upon the expiration of the term of the Director appointed by the Developer with a term ending January 31, 2008, the members of the Association shall elect an additional Director to serve an initial term ending at the next successive annual meeting of members of the Association. Further, upon the expiration of the ability of the Developer to appoint a Director for successive terms of one (1) year each pursuant to subparagraph A. above, the members of the Association shall elect one (1) Director to fill such seat for an initial term ending at the next successive annual~~

~~meeting.~~
Option 1:

Section 4. Qualifications of Directors: Directors shall be at least twenty-one (21) years of age but need not be residents of the State of North Carolina. ~~Directors appointed pursuant to Paragraph A, Section 3, Article V or Paragraph B, Section 8, Article V hereof need not be members of the Association and may serve up to five (5) consecutive terms. Directors elected pursuant to Paragraph B, Section 3, Article V or Paragraph A, Section 8, Article V hereof shall be members in good standing of the Association. and may serve no more than three (3) consecutive terms.~~

Section 5. Meetings of the Board of Directors: The Board shall meet at least quarterly. Special meetings of the Board may be called by a majority of the Board and shall be held at such place as the call or notice of the meeting shall designate. Notice of a special meeting may be given in writing or orally at least twenty-four (24) hours prior to the date of said special meeting or notice thereof may be waived by the Directors in writing. After adoption of a resolution setting forth the times of regular meetings, no notice of such meetings shall be required, or waived, but notice of special meetings of the Board shall be given.

Section 6. Action Without Meeting: Unless prohibited by law, any action which may be taken at a meeting of the Board may be taken without a meeting if authorized in writing signed by all of the Directors who would be entitled to vote upon said action at a meeting and filed with the Secretary of the Association.

Section 7. Quorum: A majority of the Directors shall constitute a quorum to transact business of the Board, and the act of the majority of the Directors present at any meeting shall be deemed to be the act of the Board, except where a larger vote shall be required by law, by these By-laws or by the Charter of the Association.

Section 8. Vacancies: If any vacancy exists on the Board, such vacancy shall be filled in accordance with the following:

A. If such vacancy exists with respect to a Director elected by the membership, such vacancy shall be filled by the unanimous consent of the remaining Director or Directors who ~~was~~ were elected by the members of the Association. Any person so elected a Director shall serve the unexpired term of the Director whom he has replaced. This unexpired term will not be included as part of the five (5) year maximum as presented in Section 3 of this Article.

B. ~~—If such vacancy exists with respect to a Director appointed by the Developer, such vacancy shall be filled by appointment of the Developer, in a writing delivered to the Secretary or the Assistant Secretary of the Association. Any person so appointed a Director shall serve the unexpired term of the Director whom he has replaced.~~

Section 9. Removal of Directors: Elected Directors may at any time be removed from office

with or without cause by the vote of the members of the Association at a duly constituted meeting of the Association. With a vote of more than two thirds (2/3) vote of the membership at a duly called meeting of the Membership. ~~Appointed Directors may at any time be removed from office with or without cause by the Developer. The Developer shall notify the Association of such removal in writing.~~

ARTICLE VI The Officers

Section 1. Officers: The officers of the Association shall be the President, the Vice President, the Secretary, the Treasurer, and such other officers and assistant officers as the Board may from time to time elect. Officers shall serve at the will of the Board. Any two (2) or more offices may be held by the same person, except the offices of President and Secretary. Officers need not be members of the Association.

Section 2. President. The President shall be the general managerial officer of the Association, except as otherwise determined by the Board, and he shall be vested with the powers and duties generally incident to the office of President of a non-profit corporation, except as otherwise determined by the Board, or as may be otherwise set forth in these By-laws. He need not be a Director. He shall, when present, preside at all meetings of members. ~~He~~ The President shall sign, with any other proper officer, any deeds, leases, mortgages, bonds, contracts or other instruments which may be lawfully executed on behalf of the corporation, except where required or permitted by law to be otherwise signed and executed and except where the signing and execution thereof shall be delegated by the Board of Directors to some other officer or agent; and, in general, he shall perform all duties incident to the office of President and such other duties as may be prescribed by the Board of Directors from time to time.

Section 3. Vice-President: In the absence of the President, or in the event of his inability or refusal to act, the Vice-President, if any, is empowered to act and shall thereupon be vested with the powers and duties of the President. In the event that there is more than one Vice-President, the Board shall establish the order in which they shall so serve.

Section 4. Secretary: The Secretary of the Association shall keep the minutes of the business and other matters transacted at the meetings of the members and of the Board. He The Secretary shall mail, or cause to be mailed, all notices required under the By-laws. He The Secretary shall have the custody of the corporate seal and records and maintain a list of the members and their addresses and perform all other duties incident to the office of Secretary.

Section 5. Treasurer: The Treasurer shall have custody of the funds of the Association, collect monies due, pay the obligations of the Association out of its funds, and perform such other duties as are incident to the office of Treasurer. The Board may require that the Treasurer be bonded for such amount and under such conditions as the Board may require.

Section 6. Removal of Officers: Any officer may be removed when, in the judgment of the Board, the best interests of the Association will be served by such removal.

ARTICLE VII
Duties of Members

Section 1. Payment of Charges and Assessments

- A. Time of Payment: The charges or assessments, except fees for usage and charges for individual services or goods received by members through the facilities of the Association, shall be paid to the Association as provided in the applicable Declaration of Restrictive and Protective Covenants. Usage and service charges as aforesaid shall be paid monthly or more often as may be required.
- B. Lien of Assessment: If any annual charge or assessment shall not be paid when due, it shall bear interest from the date of delinquency at the lesser rate of ten percent (10%) per annum or the maximum rate allowed by law, until paid in full. The payment of any annual charge or assessment thereof shall be deemed delinquent if such annual charge or assessment is not paid within thirty (30) days of the due date of such payment. If unpaid within thirty (30) days of its due date, it shall become a lien or encumbrance upon the land when a Claim of Lien is filed with the Clerk of Superior Court of Craven County, North Carolina and acceptance of each deed, not including acceptance by a mortgagee, shall be construed to be a covenant to pay the charge. Every such lien as well as the obligation to pay the assessments and collection costs, including reasonable attorneys' fees, may be enforced as set forth in the Declarations of Restrictions, Conditions and Easements of Grantham Place, as amended from time to time, and any Lot acquired is taken subject to the lien for any unpaid prior charges, and every person who shall become the Owner of any Lot, except as hereinafter specified, shall be held conclusively to have covenanted to pay all such charges or assessments.

The Association may publish the names of delinquent members.

- C. Proof of Payment: Upon request and for a reasonable charge, the Association shall furnish a statement signed by an officer of the Association certifying that all assessments then due have been paid or indicating the amount then due.

Section 2. Further Duties of Members: In addition, each member shall comply with all rules and regulations of the Association, including but not restricted to those for use of specific Association property.

~~Section 3. Exceptions: No sanctions for non-payments of assessments or charges shall ever be imposed upon the Developer, the Association itself, or any corporation that may be created to acquire title to or operate any Common Areas, or recreational facilities, regardless of whether such Common Areas and/or facilities are used by persons other than members.~~

~~The Developer and such other person and corporations as aforesaid shall be exempt from payment of annual charges or charges or assessments to the Association.~~

Section 3. Sanctions: The Board of Directors of the Association shall have the right to suspend the privilege of use of the Common Areas of the Association as follows:

- A. For any period during which any Association charge of any kind whatsoever owed by the member, which is past due, remains unpaid.
- B. During the period of any continuing violation of the restrictive covenants of the Development by the member, after the existence of the violation shall have been declared by the Board of Directors of the Association.

ARTICLE VIII Indemnification

Any person who at any time serves or has served as a director, officer, employee or agent of the Association, or in such capacity at the request of the Association for any other corporation, partnership, joint venture, trust or other enterprise, shall have a right to be indemnified by the Association to the fullest extent required and/or permitted by law against:

- A. Reasonable expenses, including attorneys' fees, actually and necessarily incurred by him in connection with any threatened, pending or completed action, suit or proceedings, whether civil, criminal, administrative or investigative, and whether or not brought by or on behalf of the Association, seeking to hold him liable by reason of the fact that he is or was acting in such capacity, and
- B. Reasonable payments made by him in satisfaction of any judgment, money decree, fine, penalty or settlement for which he may become liable in any such action, suit or proceeding.

The Board of Directors of the Association shall take all such action as may be necessary and appropriate to authorize the Association to pay the indemnification required by this By-law, including without limitation, to the extent needed, making a good faith evaluation of the manner in which the claimant conducted himself, and the applicability of any and all statutory or other legal limitations on such indemnification, and the validity of the claim for indemnity due him, and giving notice to, and obtaining approval by, the members of the Association. Any person who at any time after the adoption of the By-law serves or has served in any of the aforesaid capacities for or on behalf of the Association shall be deemed to be doing or to have done so in reliance upon, and as consideration for, the right of indemnification provided herein. Such right shall inure to the benefit of the legal representatives of any such person and shall not be exclusive of any other rights to which such person may be entitled apart from the provision of this By-law.

ARTICLE IX Amendments

These By-laws may be amended by the affirmative vote of two-thirds (2/3) of the entire membership of the Board. ~~Notwithstanding the foregoing, for so long as the Developer has the~~

~~authority to appoint at least one (1) Director, the affirmative vote of at least one (1) Director appointed by the Developer shall be required to amend these By-laws.~~ In the event that applicable law requires the vote of members on a particular amendment, then such amendment shall require the affirmative vote of two-thirds (2/3) of the votes entitled to be cast by Members.

The foregoing is certified to be a true and correct copy of the By-laws of the Corporation, this the _____ day of _____, ~~2006~~, 2021

Secretary

BY-LAWS
OF
GRANTHAM PLACE HOMEOWNERS' ASSOCIATION, INC.

ARTICLE I
Definitions

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- C. "By-laws" means the By-laws of the Association.
- D. "Declaration" means the Declarations of Restrictions, Conditions and Easements of Grantham Place, as the same may be supplemented or amended from time to time.
- E. "Developer" means GRIT OF NEW BERN, LLC and its successors and assigns.
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- G. "Lot" means any single family residential lot in the Development included from time to time in the recorded plats of the Development.
- H. "Owner" means any person or legal entity including Developer who holds title to any Lot or Unit, whether legal or equitable.

ARTICLE II
Association Membership

Section 1. Class of Members: There shall be only one (1) class of members and one membership for each Lot. Each Owner shall, by reason of such ownership, become a member of the Association. In the event additional lots are annexed into the Subdivision by Declarant, the owner of each such lot shall become a member as designated in the Amendment to these Restrictions which is established to annex such lots.

Section 2. Privileges

- A. Privileges of Membership Generally: Each member in good standing shall be entitled to use Association property upon the terms and conditions established by the Board; and each member in good standing shall be entitled to vote on all questions presented to the members at any meeting of the Association. However, there shall be only one vote for each Lot owned; provided, however, when more than one person or entity holds an interest in any Lot, all such Owners shall hold the membership with regard to such Lot in undivided interests. The vote of such multiple Owners shall be exercised as they, among themselves, shall determine, but in no event shall any fractional vote be counted or more than one vote be cast with respect to any one Lot.

Section 3. Suspension of Privileges of Membership: The Board, by vote taken pursuant to Article V, Section 7 of these By-laws, may suspend the membership privileges of any member for:

- A. Any period during which any Association charge or fee payable by such member, which is past due, remains unpaid;
- B. The period of any continuing violation by such member of the By-laws or the rules and regulations of the Association, after the existence of such violation shall have been declared by the Board;
- C. Any period determined by the Board, for repeated violations of the By-laws or the rules and regulations of the Association.

Nothing contained in this Section 3 shall be deemed to limit the discretion and powers of the Board pursuant to Article V, Section 1, (J) of these By-laws or otherwise granted in these By-laws.

ARTICLE III
Evidence of Membership and Transfer

Section 1. Membership Records: Adequate records showing the names of the members of the Association, the type of membership and the date of the membership shall be kept by the Association, as well as all other records required from time to time to be kept by nonprofit corporations pursuant to North Carolina law.

Section 2. Transfer: When a member ceases to be an Owner, such person's membership and the privileges existing through relationships to such person shall terminate; however, he shall remain liable for all Association charges incurred prior to the giving of written notice to the Association that he is no longer an Owner.

ARTICLE IV
Meeting of Members

Section 1. Place of Meeting: Any meeting of the members of the Association shall be held in the State of North Carolina at such place therein as may be stated in the notice of such meeting.

Section 2. The Annual Meeting: The annual meeting of the Association shall be held on the second Tuesday of January of each year commencing with the calendar year 2008.

Section 3. Substitute Annual Meeting: If the annual meeting shall not be held on the day designated by these By-laws, a substitute annual meeting may be called in accordance with the provisions of Section 4 of this Article. A meeting so called shall be designated and treated for all purposes as the annual meeting.

Section 4. Special Meetings of the Association: Special Meetings of the Association may be called by the Board at any time in the manner herein provided. A special meeting may also be called upon the written petition of fifteen percent (15%) of the members of the Association who would have the right to vote at such meeting. Such petitions shall set forth the purpose of the special meeting. The record date for determining the members entitled to vote shall be the date the first member signs the applicable written petition.

Section 5. Notice of Meetings of the Association: Written notice of the place, date and hour of the meeting, and in the case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered not less than ten (10) days, or, if notice is mailed by other than first class, registered or certified mail, no fewer than thirty (30) days nor more than sixty (60) days before the date of the meeting, either personally or by mail, to each member entitled to vote at such meeting; provided however, that these by-laws shall not affect the notice requirements of any meeting called for the purposes set forth in Sections 12D.(ii)(b) and 12E. of the Declarations of Restrictions, Conditions and Easements of Grantham Place. If mailed, such notice shall be deemed to have been delivered when deposited in the United States mail, addressed to the member at his address as it appears on the records of the Association, with postage prepaid; or such notice may be published in any newspaper or publication printed under the auspices of the Association and distributed generally among members of the Association. At a special meeting, no business shall be conducted except that stated in the notice of said meeting.

Section 6. Quorum: A quorum at any meeting, including a special meeting or annual meeting, of the Association shall be members, in person or by proxy, entitled to cast sixty percent (60%) of all votes of the membership. If the required quorum is not present, another meeting may be called subject to the same notice requirement, and the required quorum at the subsequent meeting shall be one-half (1/2) of the required quorum at the preceding meeting. No such subsequent meeting shall be held more than sixty (60) days following the preceding meeting.

Section 7. Voting: The vote of a majority of the votes entitled to be cast at any meeting at which a quorum is present shall be necessary for the adoption of any matter voted upon by the members, unless a greater vote is required by law, by these By-laws or by the Charter of the

Association. The members present at a duly organized meeting may continue to do any and all business until adjournment, notwithstanding the withdrawal of enough members to leave less than a quorum.

Section 8: Proxies: Proxies shall be permitted provided they meet the requirements set forth in North Carolina General Statutes Section 55A-7-24, as amended from time to time.

ARTICLE V The Directors

Section 1. Powers: The Board shall have authority to:

- A. Manage and control the affairs of the Association, and to delegate such management to managers or management services.
- B. Adopt a corporate seal as the seal of the Corporation.
- C. Designate a banking institution or institutions as depository for the Association's funds; and the officer or officers authorized to make withdrawals therefrom and to execute obligations on behalf of the Association.
- D. Perform other acts the authority for which has been granted herein or by law.
- E. Acquire and accept title to any and all Common Areas within the Development.
- F. Establish and levy reasonable fees for the use of Association property.
- G. Adopt reasonable rules of order for the conduct of the meetings of the Association, and with reference thereto, on procedural questions upon which no rules have been adopted, the ruling of the Chairman of the meeting shall be final.
- H. Select the officers of the Association. It may establish committees of the Association and appoint the members thereof. It may assign to such committees such responsibilities and duties not inconsistent with the provisions of these By-laws or with law as it may deem appropriate.
- I. The Board shall, prior to the annual meeting of the Association in each year, commencing with 2008, adopt an operating budget of the Association. The adoption of the budget and establishment of assessments shall be pursuant to the Declarations of Restrictions, Conditions and Easements of Grantham Place, as amended from time to time, and such rules and regulations as the Association's Directors may adopt not inconsistent with such Declaration.

- J. Adopt reasonable rules and procedures to implement the provisions of Article II, Section 2 of these By-laws, including, but not restricted to, procedures for determining when a member is not a member in good standing, and the sanctions which shall be imposed upon members not in good standing, which procedures and sanctions shall be reasonable and just, and shall be applied uniformly.
- K. To provide for reimbursement to Directors for actual expenses incurred as a result of serving as a Director; provided however, that such reimbursement shall only be made or paid to the extent that it does not jeopardize any tax exemption of the Association provided by the Internal Revenue Code and the regulations issued thereunder, as the same may be from time to time amended.

Section 2. Number and Term: The number of Directors of the Association shall be three (3). The term of each Director shall be as provided in Section 3 of this Article V. Each Director shall assume office at the first meeting of the Board following the election or appointment, as the case may be, of such Director.

Section 3. Appointment and Election of Directors:

- A. Two (2) Directors of the Association shall be appointed by the Developer. One (1) of such Directors shall serve a term ending January 31, 2007, and the other of such Directors shall serve a term ending January 31, 2008. The appointments shall be made in writing and kept in the minutes of the Association. Upon the completion of the term ending January 31, 2007, the Developer may appoint one (1) Director to fill that seat for a term of one (1) year, which appointments shall continue each successive year until the Developer owns only fifteen (15) lots or less in the Development, **and** owns no more adjacent land to be annexed into the Development. Upon the expiration of the term ending January 31, 2008, that seat shall be filled by election as set forth in subparagraph B. below. Further, upon the expiration of the authority of the Developer to appoint a Director for successive terms of one (1) year each, that seat shall also be filled by election as set forth in subparagraph B. below.
- B. One (1) to three (3) Directors of the Association shall be elected by the members of the Association, in such manner and for such terms as follows:
 - 1. At a meeting of the Association held during the calendar year of recordation of this Declaration, the members of the Association shall elect one (1) Director, to serve initially a term ending January 31, 2008, (or until his successor shall have been elected). Upon the expiration of the term of the Director appointed by the Developer with a term ending January 31, 2008, the members of the Association shall elect an additional Director to serve an initial term ending at the next successive annual meeting of members of the Association. Further, upon the expiration of the ability of the Developer to appoint a Director for successive terms of one (1) year each

pursuant to subparagraph A. above, the members of the Association shall elect one (1) Director to fill such seat for an initial term ending at the next successive annual meeting.

2. As the terms of the respective Directors expire, the successor Director (or Directors) shall each be elected (at annual or substitute annual meetings) by the members of the Association for a term of one (1) year or until his or their successors shall have been elected.

Section 4. Qualifications of Directors: Directors shall be at least twenty-one (21) years of age, but need not be residents of the State of North Carolina. Directors appointed pursuant to Paragraph A, Section 3, Article V or Paragraph B, Section 8, Article V hereof need not be members of the Association, and may serve up to five (5) consecutive terms. Directors elected pursuant to Paragraph B, Section 3, Article V or Paragraph A, Section 8, Article V hereof shall be members in good standing of the Association, and may serve no more than three (3) consecutive terms.

Section 5. Meetings of the Board of Directors: The Board shall meet at least quarterly. Special meetings of the Board may be called by a majority of the Board and shall be held at such place as the call or notice of the meeting shall designate. Notice of a special meeting may be given in writing or orally at least twenty-four (24) hours prior to the date of said special meeting, or notice thereof may be waived by the Directors in writing. After adoption of a resolution setting forth the times of regular meetings, no notice of such meetings shall be required, or waived, but notice of special meetings of the Board shall be given.

Section 6. Action Without Meeting: Unless prohibited by law, any action which may be taken at a meeting of the Board may be taken without a meeting if authorized in writing signed by all of the Directors who would be entitled to vote upon said action at a meeting, and filed with the Secretary of the Association.

Section 7. Quorum: A majority of the Directors shall constitute a quorum to transact business of the Board, and the act of the majority of the Directors present at any meeting shall be deemed to be the act of the Board, except where a larger vote shall be required by law, by these By-laws or by the Charter of the Association.

Section 8. Vacancies: If any vacancy exists on the Board, such vacancy shall be filled in accordance with the following:

A. If such vacancy exists with respect to a Director elected by the membership, such vacancy shall be filled by the unanimous consent of the remaining Director or Directors who was (were) elected by the members of the Association. Any person so elected a Director shall serve the unexpired term of the Director whom he has replaced.

B. If such vacancy exists with respect to a Director appointed by the Developer, such vacancy shall be filled by appointment of the Developer, in a writing delivered to the Secretary

or the Assistant Secretary of the Association. Any person so appointed a Director shall serve the unexpired term of the Director whom he has replaced.

Section 9. Removal of Directors: Elected Directors may at any time be removed from office with or without cause by the vote of the members of the Association at a duly constituted meeting of the Association. Appointed Directors may at any time be removed from office with or without cause by the Developer. The Developer shall notify the Association of such removal in writing.

ARTICLE VI The Officers

Section 1. Officers: The officers of the Association shall be the President, the Vice President, the Secretary, the Treasurer, and such other officers and assistant officers as the Board may from time to time elect. Officers shall serve at the will of the Board. Any two (2) or more offices may be held by the same person, except the offices of President and Secretary. Officers need not be members of the Association.

Section 2. President. The President shall be the general managerial officer of the Association, except as otherwise determined by the Board, and he shall be vested with the powers and duties generally incident to the office of President of a non-profit corporation, except as otherwise determined by the Board, or as may be otherwise set forth in these By-laws. He need not be a Director. He shall, when present, preside at all meetings of members. He shall sign, with any other proper officer, any deeds, leases, mortgages, bonds, contracts or other instruments which may be lawfully executed on behalf of the corporation, except where required or permitted by law to be otherwise signed and executed and except where the signing and execution thereof shall be delegated by the Board of Directors to some other officer or agent; and, in general, he shall perform all duties incident to the office of President and such other duties as may be prescribed by the Board of Directors from time to time.

Section 3. Vice-President: In the absence of the President, or in the event of his inability or refusal to act, the Vice-President, if any, is empowered to act and shall thereupon be vested with the powers and duties of the President. In the event that there is more than one Vice-President, the Board shall establish the order in which they shall so serve.

Section 4. Secretary: The Secretary of the Association shall keep the minutes of the business and other matters transacted at the meetings of the members and of the Board. He shall mail, or cause to be mailed, all notices required under the By-laws. He shall have the custody of the corporate seal and records and maintain a list of the members and their addresses and perform all other duties incident to the office of Secretary.

Section 5. Treasurer: The Treasurer shall have custody of the funds of the Association, collect monies due, pay the obligations of the Association out of its funds, and perform such other duties as are incident to the office of Treasurer. The Board may require that the Treasurer be bonded for such

amount and under such conditions as the Board may require.

Section 6. Removal of Officers: Any officer may be removed when, in the judgment of the Board, the best interests of the Association will be served by such removal.

ARTICLE VII Duties of Members

Section 1. Payment of Charges and Assessments

- A. Time of Payment: The charges or assessments, except fees for usage and charges for individual services or goods received by members through the facilities of the Association, shall be paid to the Association as provided in the applicable Declaration of Restrictive and Protective Covenants. Usage and service charges as aforesaid shall be paid monthly or more often as may be required.
- B. Lien of Assessment: If any annual charge or assessment shall not be paid when due, it shall bear interest from the date of delinquency at the lesser rate of ten percent (10%) per annum or the maximum rate allowed by law, until paid in full. The payment of any annual charge or assessment thereof shall be deemed delinquent if such annual charge or assessment is not paid within thirty (30) days of the due date of such payment. If unpaid within thirty (30) days of its due date, it shall become a lien or encumbrance upon the land when a Claim of Lien is filed with the Clerk of Superior Court of Craven County, North Carolina and acceptance of each deed, not including acceptance by a mortgagee, shall be construed to be a covenant to pay the charge. Every such lien as well as the obligation to pay the assessments and collection costs, including reasonable attorneys' fees, may be enforced as set forth in the Declarations of Restrictions, Conditions and Easements of Grantham Place, as amended from time to time, and any Lot acquired is taken subject to the lien for any unpaid prior charges, and every person who shall become the Owner of any Lot, except as hereinafter specified, shall be held conclusively to have covenanted to pay all such charges or assessments.

The Association may publish the names of delinquent members.

- C. Proof of Payment: Upon request and for a reasonable charge, the Association shall furnish a statement signed by an officer of the Association certifying that all assessments then due have been paid or indicating the amount then due.

Section 2. Further Duties of Members: In addition, each member shall comply with all rules and regulations of the Association, including but not restricted to those for use of specific Association property.

Section 3. Exceptions: No sanctions for non-payments of assessments or charges shall ever be

imposed upon the Developer, the Association itself, or any corporation that may be created to acquire title to or operate any Common Areas, or recreational facilities, regardless of whether such Common Areas and/or facilities are used by persons other than members.

The Developer and such other person and corporations as aforesaid shall be exempt from payment of annual charges or charges or assessments to the Association.

Section 4. Sanctions: The Board of Directors of the Association shall have the right to suspend the privilege of use of the Common Areas of the Association as follows:

- A. For any period during which any Association charge of any kind whatsoever owed by the member, which is past due, remains unpaid.
- B. During the period of any continuing violation of the restrictive covenants of the Development by the member, after the existence of the violation shall have been declared by the Board of Directors of the Association.

ARTICLE VIII Indemnification

Any person who at any time serves or has served as a director, officer, employee or agent of the Association, or in such capacity at the request of the Association for any other corporation, partnership, joint venture, trust or other enterprise, shall have a right to be indemnified by the Association to the fullest extent required and/or permitted by law against:

- A. Reasonable expenses, including attorneys' fees, actually and necessarily incurred by him in connection with any threatened, pending or completed action, suit or proceedings, whether civil, criminal, administrative or investigative, and whether or not brought by or on behalf of the Association, seeking to hold him liable by reason of the fact that he is or was acting in such capacity, and
- B. Reasonable payments made by him in satisfaction of any judgment, money decree, fine, penalty or settlement for which he may become liable in any such action, suit or proceeding.

The Board of Directors of the Association shall take all such action as may be necessary and appropriate to authorize the Association to pay the indemnification required by this By-law, including without limitation, to the extent needed, making a good faith evaluation of the manner in which the claimant conducted himself, and the applicability of any and all statutory or other legal limitations on such indemnification, and the validity of the claim for indemnity due him, and giving notice to, and obtaining approval by, the members of the Association. Any person who at any time after the adoption of the By-law serves or has served in any of the aforesaid capacities for or on behalf of the Association shall be deemed to be doing or to have done so in reliance upon, and as consideration for, the right of indemnification provided herein. Such right shall inure to the benefit

of the legal representatives of any such person and shall not be exclusive of any other rights to which such person may be entitled apart from the provision of this By-law.

ARTICLE IX
Amendments

These By-laws may be amended by the affirmative vote of two-thirds (2/3) of the entire membership of the Board. Notwithstanding the foregoing, for so long as the Developer has the authority to appoint at least one (1) Director, the affirmative vote of at least one (1) Director appointed by the Developer shall be required to amend these By-laws. In the event that applicable law requires the vote of members on a particular amendment, then such amendment shall require the affirmative vote of two-thirds (2/3) of the votes entitled to be cast by Members.

The foregoing is certified to be a true and correct copy of the By-laws of the Corporation, this the ____ day of _____, 2006.

Secretary