

**BY-LAWS  
OF  
THE SANCTUARY COMMUNITY ASSOCIATION, INC.**

**ARTICLE I  
NAME AND LOCATION**

The name of the corporation is THE SANCTUARY COMMUNITY ASSOCIATION, hereinafter referred to as the "Association". The principal office of the corporation shall be located in Raleigh, Wake County, North Carolina, but meetings of members of directors may be held at such places within the State of North Carolina, County of Wake, as may be designated by the Board of Directors.

**ARTICLE II  
DEFINITIONS**

The following words when used in these by-laws or amendment hereto (unless the context shall prohibit) shall have the following meanings:

(a) Act. The North Carolina Planned Community Act codified in Chapter 47F of the North Carolina General Statutes, as amended, and succession statutes in substitution and replacement thereof; specific statutory citations referenced herein are for convenience only and as such exist in the North Carolina General Statutes on the date hereof.

(b) Articles of Incorporation. The Articles of Incorporation of the Association as on file with the North Carolina Secretary of State and all amendments hereinafter filed.

(c) Association. The Sanctuary Community Association, Inc., a North Carolina nonprofit corporation, its successors and assigns; subject to the Special Declarant Rights, the Association shall have all powers set forth in Section 47F-3-102 of the Act.

(d) By-Laws. The By-laws of the Association as they now or hereafter exist.

(e) Common Elements. Any real property, fixture or improvement within the Community owned or leased by the Association other than a single-family home, including private streets and open space area as designated on any recorded plat of the Community and any other real property acquired by the Association for the benefit of the Members, together with all improvements and facilities located thereon and dedicated to the common use, benefit and/or enjoyment of the Members.

(f) Common Expenses. Expenditures made by or financial liabilities of the Association, together with any allocation to reserves.

(g) Community Property. Collectively, the Common Elements and any personal property, now or hereafter owned by the Association for the common use and enjoyment of the Members.

(h) Declarant. ZG Partners, LLC, a North Carolina limited liability company and its successors and assigns pursuant to a written assignment of Special Declarant Rights duly recorded in the Wake County Registry, and any agent or agents appointed by the Company to act on its behalf for the purpose of administering or enforcing, in whole or in part, the rights reserved to the Declarant in the Declaration.

(i) Declarant Control Period. The period commencing on the date hereof and continuing until the earlier of: (i) six (6) months following the conveyance of the last single-family lot and single-family home in the Community from Declarant or Builder to a consumer-Occupant purchaser, or (ii) the date the Declarant surrenders the authority to appoint and remove directors and officers of the Association by an express amendment to the Declaration executed and filed by Declarant in the Wake County Registry.

(j) Executive Board or Board. The body designated herein to act on behalf of the Association in accordance with the terms of the Declaration and the By-Laws and the definition of "Executive Board" set forth in Section 47F-1-103(13) of the Act.

(k) Lot. Any separately numbered lot or parcel of Community land (regardless of size) shown on an approved subdivision plat of the Community duly recorded in the Wake County Registry.

(l) Maintain or Maintenance (or any substantially similar term used in the Declaration, when applied to a power or duty of the Declaration or Association). The right to improve, repair, and replace the improvement, property or other item which is the subject thereof.

(m) Member. All those Owners who are members of the Association as defined in Section 3.1 hereof.

(n) Mortgagee. The holder of a mortgage.

(o) Owner. The record Owner, whether one or more persons of the fee simple title to any Lot including contract sellers, but excluding (1) any person holding such interest

merely as security for the performance or satisfaction of any obligation, and (ii) any Lessee or tenant of an Owner.

(p) Person. A natural person, a corporation, partnership (general or limited), limited liability company, registered limited liability partnership, association trust, or other legal entity, or any combination thereof.

(q) Rules and Regulations. Those written actions of the Board, duly adopted and any amendments thereto consistent with the Declaration, and any Supplementary Declaration, the purpose of which is to interpret and apply the provisions of the Declaration and the By-Laws and to establish and prescribe the administration and management of the Community and the use, operation, and management of the Common Elements and the improvements and facilities located thereon.

### **ARTICLE III** **MEETINGS**

Section 1. Annual Meetings. The first annual meeting of the members shall be held within eighteen months after the date of incorporation of the Association, and each subsequent regular annual meeting of the members shall be held in the same month of each year thereafter, on the day and at the hour specified in the notice to members of the meeting.

Section 2. Special Meetings. Special meetings of the members may be called at any time by the President or by the Board of Directors, or upon written request of the members who are entitled to vote one-fourth (1/4) of all of the votes of either the Class A or Class B membership.

Section 3. Notice of Meetings. Except as otherwise provided in the Articles of Incorporation, the Declaration or these By-laws, written notice of each meeting of the members shall be given by, or at the direction of, the Secretary or person authorized to call the meeting, by mailing a copy of such notice, postage prepaid, at least 30 days before such meeting to each member entitled to vote there-at, addressed to the member's address last appearing on the books of the Association, or supplied by such member to the Association for the purpose of notice. Such notice shall specify the place, day and hour of the meeting, and in the case of a special meeting, the purpose of the meeting.

Section 4. Quorum. The presence at the meeting of members entitled to cast, or of proxies entitled to cast, one-tenth (1/10) of the votes of each class of membership shall constitute

a quorum for any action except as otherwise provided in the Articles of Incorporation, the Declaration, or these By-Laws. If, however, such quorum shall not be present or represented at any meeting, the members entitled to vote thereat shall have the power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum as aforesaid shall be present or represented.

Section 5. Proxies. At all meetings of members, each member may vote in person or by proxy. All proxies shall be in writing and filed with the secretary. Every proxy shall be revocable and shall automatically cease upon transfer or conveyance by the member of his Lot.

#### **ARTICLE IV** **BOARD OF DIRECTORS; SERVICE; TERM OF OFFICE**

Section 1. Number. The affairs of this Association shall be managed by a Board of not less than three (3) nor more than five (5) directors, who shall be members of the Association.

Section 2. Term of Office. At the first annual meeting the members shall elect one (1) director for a term of one year, one (1) director for a term of two years, and one (1) director for a term of three years, and at each annual meeting thereafter the members shall elect directors for the terms expiring that year for a term of three (3) years.

Section 3. Removal. Any director may be removed from the Board, with or without cause, by a majority vote of the members of the Association. In the event of death, resignation or removal of a director, his successor shall be selected by the remaining members of the Board and shall serve for the unexpired term of his predecessor.

Section 4. Compensation. No director shall receive compensation for any service he may render to the Association. However, any director may be reimbursed for his actual expenses incurred in the performance of his duties.

Section 5. Action Taken Without a Meeting. The directors shall have the right to take any action in the absence of a meeting which they could take at a meeting by obtaining the written approval of all the directors. Any action so approved shall have the same effect as though taken at a meeting of the directors.

**ARTICLE V**  
**NOMINATION AND ELECTION OF DIRECTORS**

Section 1. Nomination. Nomination for election to the Board of Directors shall be made by a Nominating Committee. Nominations may also be made from the floor at the annual meeting. The Nomination Committee shall consist of a Chairman, who shall be a member of the Board of Directors, and two or more members of the Association. The Nominating Committee shall be appointed by the Board of Directors prior to each annual meeting of the members, to serve from the close of such annual meeting until the close of the next annual meeting and such appointment shall be announced at each annual meeting. The Nominating Committee shall make as many nominations for election to the Board of Directors as it shall in its discretion determine, but not less than the number of vacancies that are to be filled. Such nominations may be made from among members.

Section 2. Election. Election to the Board of Directors shall be by secret written ballot. At such election the members or their proxies may cast, in respect to each vacancy, as many votes as they are entitled to exercise under the provisions of the Declaration. The persons receiving the largest number of votes shall be elected. Cumulative voting is not permitted.

**ARTICLE VI**  
**MEETINGS OF DIRECTORS**

Section 1. Regular Meetings. Regular meetings of the Board of Directors shall be held at least quarterly without notice, at such place and hour as may be fixed from time to time by resolution of the Board. Should said meeting fall upon a legal holiday, then that meeting shall be held at the same time on the next day which is not a legal holiday.

Section 2. Special Meetings. Special meetings of the Board of Directors shall be held when called by the president of the Association, or by any two directors, after not less than three (3) days notice to each director.

Section 3. Quorum. A majority of the number of directors shall constitute a quorum for the transaction of business. Every act or decision done or made by a majority of the directors present at a duly held meeting at which a quorum is present shall be regarded as the act of the Board.

**ARTICLE VII**  
**POWERS AND DUTIES OF THE BOARD OF DIRECTORS**

Section 1. Powers. The Board of Directors shall have power to:

(a) formulate, publish and enforce reasonable rules and regulations concerning the use and enjoyment the Common Elements. Such rules and regulations may provide for imposition of fines or penalties for the violation thereof, or for the violation of any of the covenants and conditions contained in the Declaration. The Board shall have the power to enforce compliance with said rules and regulations by all appropriate legal and equitable remedies, and an Owner determined by judicial action to have violated said rules and regulations shall be liable to the Association and/or the Declarant for all damages and costs, including attorney's fees.

(b) suspend the voting rights and the right to use of the Common Elements of a member and his guest during any period in which such member shall be in default in the payment of any assessment levied by the Association. Such rights may also be suspended after notice and hearing, for a period not to exceed sixty (60) days for infraction of published rules and regulations;

(c) exercise for the Association all powers, duties and authority vested in or delegated to this Association and not reserved to the membership by other provisions of these By-Laws, the Articles of Incorporation, or the Declaration;

(d) declare the office of a member of the Board of Directors to be vacant in the event such member shall be absent from three (3) consecutive regular meetings of the Board of Directors; and

(e) employ a manager, an independent contractor, or such other employees as they deem necessary, and to prescribe their duties.

(f) provide one or more central television antennas and supply cablevision for the convenience of the members, the cost of which may be included in annual or special assessments, and regulate or prohibit the erection of television antennas or dishes on individual Lots;

(g) contract with the owners of recreational facilities for the use of such facilities by the members, or furnish such facilities.

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

(a) cause to be kept a complete record of all its acts and corporate affairs and to present a statement thereof to the members at the annual meeting of the members, or at any special meeting when such statement is requested in writing by one-fourth (1/4) of the members who are entitled to vote.

(b) supervise all officers, agents and employees of this Association, and to see that their duties are properly performed;

(c) as more fully provided in the Declaration, to:

(1) fix the amount of any annual assessment against each member at least thirty (30) days in advance in each annual assessment period;

(2) send written notice of each assessment to every Owner subject thereto at least thirty (30) days in advance of each annual assessment period; and

(3) foreclose the lien against any property for which assessments are not paid within thirty (30) days after due date and/or to bring an action at law against the owner personally obligated to pay the same.

(d) issue, or to cause an appropriate officer to issue, upon demand by any person, a certificate setting forth whether or not any assessment has been paid. A reasonable charge may be made by the Board for the issuance of these certificates. If a certificate states an assessment has been paid, such certificate shall be conclusive evidence of such payment;

(e) procure and maintain fidelity bond coverage, and liability and hazard insurance on property owned by the Association in conformance with the FMNA Lending Guide, Chapter 3, Part 5, Insurance Requirements and the Declaration.

(f) cause all officers or employees having fiscal responsibilities to be bonded in an amount equal to a minimum of three (3) months operating expenses plus the amount of the reserve account.

(g) cause the Common Elements to be maintained;

(h) pay all ad valorem taxes and public assessments relating to the Community Common Area Space and;

(i) all contracts entered into by the Association prior to transfer of control shall provide for the right of termination by the Association upon no less than ninety (90) days notice without penalty.

## **ARTICLE VIII** **OFFICERS AND THEIR DUTIES**

Section 1. Enumeration of Offices. The officers of this Association shall be a president and vice president, who shall at all times be members of the Board of Directors, a secretary, and a treasurer, and such other officers as the Board may from time to time by resolution create.

Section 2. Election of Officers. The election of officers shall take place at the first meeting of the Board of Directors following each annual meeting of the members.

Section 3. Term. The officers of this Association shall be elected annually by the Board and each shall hold office for one (1) year unless he shall sooner resign, or shall be removed, or otherwise disqualified to serve.

Section 4. Special Appointments. The Board may elect such other officers as the affairs of the Association may require, each of whom shall hold office for such period, have such authority, and perform such duties as the Board may, from time to time determine.

Section 5. Resignation and Removal. Any officer may be removed from office with or without cause by the Board. Any officer may resign at any time giving written notice to the Board, the president or the secretary. Such resignation shall take effect on the date of 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.

Section 6. Vacancies. A vacancy in any office may be filled by appointment by the Board. The officer appointed to such vacancy shall serve for the remainder of the term of the officer he replaces.

Section 7. Multiple Offices. The offices of secretary and treasurer may be held by the same person. No person shall simultaneously hold more than one of any of the other offices except in the case of special offices created pursuant to Section 4 of this Article.

Section 8. Duties. The duties of the officers are as follows:

President



(a) The President shall preside at all meetings of the Board of Directors; shall see that orders and resolutions of the Board are carried out; shall sign all leases, mortgages, deeds and other written instruments and shall co-sign all checks and promissory notes.

Vice-President

(b) The vice-president shall act in the place and stead of the president in the event of his absence, inability or refusal to act, and shall exercise and discharge such other duties as may be required of him by the Board.

Secretary

(c) The secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board and of the members; keep the corporate seal of the Association and affix it on all papers requiring said seal; serve notice of meetings of the Board and of the members; keep appropriate current records showing the members of the Association together with their addresses, and shall perform such other duties as required by the Board.

Treasurer

(d) The treasurer shall receive and deposit in appropriate bank accounts all monies of the Association and shall disburse such funds as directed by resolution of the Board of Directors; shall sign all checks and promissory notes of the Association; keep proper books of account; at the discretion of the Board, cause an annual audit of the Association books to be made by an independent accountant at the completion of each fiscal year; and shall prepare an annual budget and a statement of income and expenditures to be represented to the membership at its regular annual meeting, and deliver a copy of each to the members.

**ARTICLE IX**  
**COMMITTEES**

The Association shall appoint an Architectural Review Board and a Nominating Committee, as provided in these By-Laws. The Board of Directors, in its discretion, may serve as the Architectural Committee and perform the functions of the Architectural Review Board as set forth in the Declaration. In addition, the Board of Directors shall appoint other committees as deemed appropriate in carrying out its purpose.

**ARTICLE X**  
**BOOKS AND RECORDS**

The books, records, financial statements and papers of the Association shall be available upon request within five (5) business days upon write request, be subject to inspection by any member. The Declaration, the Articles of Incorporation and the By-Laws of the Association shall be available for inspection by any member at the principal office of the Association, where copies may be purchased at reasonable cost. Such documents shall also be made available to lenders, holders, insurers, guarantors of any first mortgages or deed of trust on the lot(s) and the City of Raleigh.

**ARTICLE XI**  
**ASSESSMENTS**

(a) The Board of Directors shall determine from time to time the amount of any initiation fee, if any, and any annual assessments as are necessary to care for and maintain any Community Property, and provide for the best interest and welfare of the Association, and shall give appropriate notice to the members thereof. The Board of Directors may direct that annual assessments be collected in advance or by installments with such frequency as may be determined appropriate by the Board of Directors. Each member is obligated to pay to the Association such annual assessments as are adopted by the Board of Directors. Assessments of

a new member shall be prorated from the first day of the month in which such new member is accepted for membership.

(b) As more fully provided in the Declaration, each member is obligated to pay to the Association annual and special assessments which are secured by a continuing lien upon the property against which the assessment is made. Any assessments which are not paid when due shall be delinquent. If the assessment is not paid within thirty (30) days after the due date, the assessment shall bear interest from the date of delinquency at the highest rate then permitted by North Carolina law, and the Association may bring an action at law against the owner personally obligated to pay the same and/or foreclose the lien against the property, and interest, late fees, costs, and reasonable attorney's fees of any such action shall be added to the amount of such assessment. No Owner may waive or otherwise escape liability for the assessments provided for herein by non-use of the Community Property or abandonment of his Lot.

#### **ARTICLE XII CORPORATE SEAL**

The Association shall have a seal in circular form having within its circumference the words: THE SANCTUARY COMMUNITY ASSOCIATION, INC.

#### **ARTICLE XIII AMENDMENTS AND CONFLICTS**

Section 1. These By-Laws may be amended, at a regular or special meeting of the members, by a vote of a majority of each class of members present in person or by proxy.

Section 2. In the case of a conflict between the Articles of Incorporation and these Bylaws, the Articles shall control; and in the case of any conflict between the Declaration and these Bylaws, the Declaration shall control.

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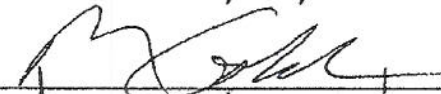
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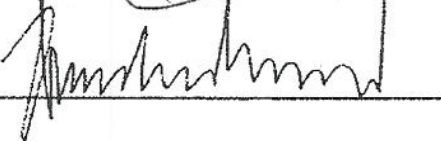
**ARTICLE XIV  
FISCAL YEAR**

The fiscal year of the Association shall begin on the first day of January and end on the 31st day of December of every year, except that the first fiscal year shall begin on the date of incorporation.

*IN WITNESS WHEREOF*, we, being all of the directors of THE SANCTUARY COMMUNITY ASSOCIATION, INC., have hereunto set our hands this 20<sup>th</sup> day of December, 2004.

 (SEAL)

 (SEAL)

 (SEAL)

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**CERTIFICATION**

I, the undersigned, do hereby certify:

THAT I am the duly elected and acting secretary of THE SANCTUARY COMMUNITY ASSOCIATION, INC., a North Carolina nonprofit corporation: and

THAT the foregoing By-Laws constitute the original By-Laws of said Association, as duly adopted at a meeting of the Board of Directors thereof, held on the \_\_\_\_ day of \_\_\_\_\_, 2004.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed the seal of said Association this 20<sup>th</sup> day of December, 2004.

(CORPORATE SEAL)

  
\_\_\_\_\_  
SECRETARY (SEAL)