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River Ridge Run Property Owners Association

By-Laws

Revised and Approved at the Annual General Membership Meeting
February 5, 2019

BY-LAWS

OF RIVER RIDGE RUN PROPERTY OWNERS ASSOCIATION INC.

ARTICLE I

The Registered Office will be at the residence of 12 Knob Hill Rd., Taylorsville in Alexander County, North Carolina 28681. The registered agent will be the presiding RRRPOA President.

ARTICLE II

Meeting of the members:

- a. The place of the meeting will be designated by the Board of Directors.
- b. Annual/General Meeting: The members of this Corporation will meet at least annually during the month of February at a time and place designated by the Board of Directors.
- c. Special Meetings: Other meetings may be called at any time by the President or three (3) members of the Board of Directors or twenty (20%) percent of the members entitled to attend said meetings.
- d. Notice of the meetings will state the purpose, time and place of the meetings and will be distributed at least twenty (20) days prior to the meeting.

ARTICLE III

Voting of the Membership:

Only regular active members in good standing shall be entitled to attend meetings and shall have one vote for each Lot on which they pay a maintenance fee. All votes shall be cast in person during meetings but not by proxy or via mailed ballot when so specified and required.

A Majority Vote: More than one-half (1/2) of the votes cast by members legally entitled to vote and in favor of the motion or action, either at a meeting or via mailed ballot at which the specified quorum is obtained.

A Two Thirds Vote: Two-thirds (2/3) of the votes cast by members legally entitled to vote and in favor of the motion or action, either at a meeting or via mailed ballot at which the specified quorum is obtained.

Counting the Vote: The quorum for the specific motion or action must be met prior to any vote count. Refer to the Covenants and By-Laws for quorum requirements on specific motions or actions.

- a. To calculate quorum requirements for a physical meeting, total the number of votes that attending members of good standing can legally represent based on the Covenants' instruction. Members must be present at the meeting to be counted. Once the count meets or exceeds requirement, the quorum has been met. February 12, 2008 Page 1

- b. To calculate quorum requirements for a mail-in ballot, total the number of all returned ballots, which include votes of "For", "Against", "Abstained" and even blank ballots. Non-returned ballots will not be counted as part of the quorum. Once the count meets or exceeds requirement, the quorum has been met.

Once the quorum has been met, total the number of "For" and "Against" votes. If the "For" or favorable vote meets the requirement needed (Majority, Two—Thirds, or Other) to pass the motion/action, the motion/action is accepted, otherwise the motion/action is defeated. Non-returned, Abstained, and blank ballots/votes will not be counted as "For" or "Against" the motion/action.

ARTICLE IV

Fifteen (15%) percent of the members of the Corporation entitled to attend shall constitute a quorum at the meeting of the members.

ARTICLE V

Member List: At least ten (10) days prior to the annual/general meeting the Board of Directors shall prepare or cause to be prepared a list of members qualified to attend such meetings. This list should be available and kept open at all times and subject to inspection by any member during the meeting.

ARTICLE VI

Board of Directors:

- a. General Powers: The property affairs and business of this Corporation shall be managed by the Board of Directors.
- b. Number and Qualifications: The number of Directors on the Board shall be nine (9). There shall be two (2) Alternates to substitute for or replace a regular director in their absence. Each director and alternate shall at all times be a regular active member in good standing of the Corporation or a spouse of a regular active member in good standing.
- c. Election and Term of Office: Three (3) members of the Board of Directors shall be elected each year for three-year terms at the annual meeting. After serving two consecutive three-year terms, the member must be off of the Board of Directors for at least one year. Two (2) members shall be elected as Alternate to the Board of Director each year for a one year term at the annual meeting.
- d. Vacancies: A vacancy in the Board of Directors shall be filled by Board of Director Alternates or other Association members by the majority vote of the remaining Board of Directors.
- e. Nominations: Nominations of the Board of Directors will be done by a nominating committee that is appointed by the President. Nominations may be made from the floor for the Board of Directors.

f. Election of Officers: Following the annual/general meeting and election of the Board of Directors, the Board of Directors shall elect the President, Vice-president, Secretary, and Treasurer by a majority rate.

g. Meeting of the Board of Directors: Special meetings of the Board of Directors will be held at the discretion of the President and the Board of Directors. The place and purpose of the meeting will be determined by the President. A quorum will be five (5) directors.

Officers of the Corporation: The officers of the Corporation consist of a President, Vice president, Secretary, and Treasurer. They will be elected. The election will be by majority vote of the Board of Directors soon after the annual/general meeting. Vacancies will be filled by appointment or elections to such office. The officers shall have such duties as assigned to them by the Board of Directors.

No officer or member of the Board of Directors of this non-profit corporation shall receive a salary.

Committees: The President shall appoint various standing committees. The Chairperson of these committees will be a member of the Board of Directors.

ARTICLE VII

Contracts Loans, Checks, Deposits Etc.

a. Contracts: The Board of Directors may authorize an individual to enter into a contract on behalf of the Corporation, and such authority may be general or confined to specific instances.

b. Loans: No loan shall be contracted on behalf of the Corporation without a two-thirds (2/3) vote of the entire Board of Directors and a two-thirds (2/3) vote of the general membership present.

c. Checks and Drafts: All checks and drafts will be signed by two officers or agents of the Board of Directors.

ARTICLE VIII

Regular members shall be considered persons who own one or more properties in River Ridge Run.

a. Tenant members are persons who rent properties owned by a member in good standing. Their membership shall be limited to the period of their occupancy, and they have no voting privileges.

b. Honorary members are persons who, by unanimous vote of the Board of Directors, shall be deemed to have rendered unusual service or benefit to the community. Honorary members shall not vote.

c. Every one or entity who is a record owner of a fee or undivided fee interest of any lot contained within River Ridge Run Subdivision, including contract sellers, shall have a membership in the Association.

ARTICLE IX

Property Owners Charges for the Fiscal Year:

Charges shall be defined as all dues, fees, and assessments as fixed and determined by the Board Directors.

a. Adjacent Lots: When a residence is erected on two or more lots, only one such lot shall be charged.

b. Multiple ownership: Any member owning more than one nonadjacent property within River Ridge Run shall pay a separate charge for each lot or property owned.

c. Collections: The Board of Directors shall determine the dates and manner in which the charges are billed and payable. In the event payment is not made when due, the owners shall be liable for interest from the due date. In the event the account is turned over to an agent for collection, an additional fee to cover collection fees shall also be paid.

d. Fiscal Year: The fiscal year shall be the period from July 1 through June 30.

e. Payment of Dues: All dues and assessments are payable within thirty (30) days after notice is mailed to members. Members whose dues and assessments have not been paid within thirty (30) days shall be deemed delinquent and not in good standing and subject to such penalties as the Board of Directors decides.

f. Amount & Dues: The amount of the maintenance fee is dictated by the Covenants: Section 8.1 of RRR Section 1 & 2's Covenants; Section 12 of RRR Section 3's Covenants; and Section 22 of Lake Forest Covenants (RRR Section 4) However, the Board may recommend a credit to be applied to the maintenance fee, thus reducing the net amount due. This credit to be determined each year, based on the checking account balance, anticipated income and expenses for the ensuing year. This recommended credit to be voted on at the annual/general meeting by those present. If approved, the annual maintenance bill mailed in June will reflect this credit thus reducing the net amount due.

Annual Budget and Expense Reporting Procedures:

The Board shall develop an annual budget during the month of January and submit said budget for approval during the Annual RRRPOA Meeting held in February. The **fiscal** budget period would be from July 1st of the current year until June 30th of the next. (Example: A Budget planned in January 2019 would develop a budget for July 2019 through June 2020 and be presented at the Annual RRRPOA Meeting on February 2019).

a. Voting Approval Requirements for setting the Budget:

1. A quorum of the Board of Directors of RRRPOA (5 Directors) must be present at a board meeting and at least 5 Director's acceptance vote is required to present the new budget to the Association for approval.
2. A quorum of the Association members (15% of members in good standing) must be present at an annual/general meeting. Votes are counted as set forth in the covenants (one vote for each maintenance fee paid). A two-thirds (2/3) acceptance vote is required to pass the new budget.

b. Suggestion for budget development: First calculate the new budget fixed expenses (electricity, water, taxes, insurance, landscaping, etc.) using the previous year's expense plus a 3% or appropriate increase. Then, estimate fluctuating expenses based on history and projected maintenance project. Lastly, document and plan for any small improvement items whose costs are below the amount requiring the capital expenditures procedure process. Lastly, include any Association approved capital expenditures projects. Note: A sample of the suggested budget planning report can be found at the end of the By-Laws.

Expense Reports:

Actual monthly expenses and budget comparison are to be reported by the Treasurer at each RRRPOA meeting. The accuracy of these reports is the responsibility of the Treasurer and President of the RRRPOA. However, it should be the entire RRRPOA's goal to spend within the plans of the developed budget. A sample of the suggested expense report can be found at the end of the By-Laws.

Reserve Fund Procedures:

Definition: The Reserve Fund is a portion of the total annual assessment that is set aside for the purpose of; preventing the total depletion of annual assessment funds within the year prior to the collection of the next year's annual assessment, and could also be used as a limited emergency fund. The reserve is not a savings account that would grow from year to year. The total Reserve amount would only increase as the total value of the Annual Assessment increases or the Reserve Fund Percentage increases.

Example: The reserve fund could be related to a cars gas meter. When the gas meter pointer is located on "E" (empty) there is a reserve amount of gas still in the tank (normally about 5 gallons). This gives the driver a warning to get more gas before the car completely runs out of gas. When the driver fills the tank again the reserve is still the same 5 gallons as before.

Setting Reserve Percentage: The Reserve is to be set at 50% of the total Annual Assessment (Maintenance Fee) received for the year. Example: The amount for the current year (2019/2020) would have been set at \$8610.00 using a 50% percentage against total Annual Assessment.

Voting Approval Requirements for Changing the Reserve Fund Percentage:

a. A quorum of the Board of Directors of RRRPOA (5 Directors) must be present at a board meeting and at least 5 Director's acceptance vote is required to present the new Reserve Fund Percentage to the Association for approval.

b. A quorum of the Association members (15% of members in good standing) must be present at an annual/general meeting. Votes are counted as set forth in the covenants (one vote for each maintenance fee paid). A two thirds (2/3) acceptance of total votes counted is required to change the Reserve Fund percentage.

Capital Expenditures Procedures:

A capital expenditure project is any new development project in RRR that does not currently exist. An example would be any new construction, landscape, lighting, watering system, property purchase, etc. it would not include maintenance to existing structures.

A Capital Expenditures Threshold is determined by multiplying the Annual Assessment (Maintenance Fee) times the Capital Expenditures Percentage (currently set a 5%) Example: The total Annual Association Fee collected for the year (2019/2020) is \$17,220.00 (\$210 X 82) times the Capital Expenditures Percentage of 5% would equal a Capital Expenditure Threshold of \$861.00.

a. Voting Approval Requirements for changing the Capital Expenditures Percentage:

1. A quorum of the Board of Directors of RRRPOA (5 Directors) must be present at a board meeting and at least 5 Director's acceptance vote is required to present the new Capital Expenditures percentage to the Association for approval.
2. A quorum of the Association members (15% of members in good standing) must be present at an annual/general meeting. Votes are counted as set forth in the covenants (one vote for each maintenance fee paid). A two-thirds (2/3) acceptance of total votes counted is required to change the Capital Expenditures percentage.

b. Small Capital Improvement Expenditures

Any capital expenditure project estimated to cost less than the set Capital Expenditures Threshold can be approved by the Board of Directors. This does not mean that a larger project can be broken down into smaller ones just so the Board of Directors can approve a project without following procedures for a larger project. These projects would be paid for using existing Annual/Maintenance Fee funds.

Large Capital improvement Expenditures

All capital expenditure projects estimated to cost more than the Capital Expenditures Threshold would be processed with the following procedures.

These projects need to be well documented with drawings, explanation of benefits, costs to construct or implement, costs to maintain (amount that will be added to the annual maintenance cost), an explanation of how the project's costs will be paid for, etc. All documentation should be sent to the Association for review prior to any ballots being sent out.

Larger projects should be paid for with an approved loan or an extra assessment added to the Annual Assessment (Maintenance Fee). Larger projects should never be paid for using the normal Annual Assessment funds.

Voting Approval Requirements for acceptance of a Large Capital Expenditures projects:

A quorum of the Board of Directors of RRRPOA (5 Directors) must be present at a board meeting and at least 5 Director's acceptance vote is required to present the new Capital Expenditures percentage to the Association for approval.

A Ballot Vote via U.S. Mail or similar board approved means should be used. A quorum of the Association members (two-thirds (2/3) of members in good standing) votes must be returned

and requires a majority approval of the votes received to proceed with Large Capital Expenditures. Upon approval, additional funds would be obtained and the Annual Budget would require adjustment.

ARTICLE X

The Board of Directors shall have the duty to review, to the extent possible, all plans for new construction in the River Ridge Run Development. The purpose of the review is to ensure that all new construction will comply with the minimum standards set by the covenants that attach to each lot. In addition to the covenants requirements, all homes or other improvements shall be constructed pursuant to the North Carolina Building Code by duly licensed and insured building contractors, as named in the plans approved by the Architectural Committee, and shall be constructed with framing assembled on-site. Construction of homes shall not utilize modular wall sections or other offsite construction of major structural portions of the home, with the exception of roof and floor trusses, and precast or preassembled basement walls.

The Board shall approve or disapprove in writing to each prospective homeowner; and if disapproved, will state the reasons for so disapproving. The Board has the power to make the prospective homeowner change plans or stop construction.

Baseline Operations:

The Board shall affect or caused to be affected a series of essential activities without which the RRRPOA would cease to function and ultimately cease to exist.

- a. Invoice, collect, and care for the annual dues and accumulated monetary assets of the RRRPOA
- b. Attend to pertinent tax obligations
- c. Enforce covenants
- d. Conduct periodic Board meetings targeted at a monthly frequency and an annual/general membership meeting.
- e. Communicate to members meeting minutes and other important items
- f. Maintain perpetual archives using a Year-Book approach.

Variable Operations:

The Board shall effect or cause to be effected a series of activities intended to satisfy the purposes and objectives of the organization as outlined in the Articles of incorporation. These shall include but are not limited to:

- a. Maintain common areas and road right-of-ways
- b. Conduct improvement projects receiving majority support
- c. Welcome newcomers
- d. Recognize special holidays/events
- e. Initiate/sponsor periodic social functions.

f. Represent the membership, as appropriate, to Federal, State and Local authorities and other entities.

g. Review and approve construction plans

Officers:

As a guideline, the officers shall, by position be responsible for;

President:

- a. calls meetings
- b. writes agendas
- c. writes letters to members referencing issues under the name of Board of Directors
- d. performs other activities to keep River Ridge Run Property Owners Association on track
- e. keeps the yearbook

Vice President:

- a. generates project ideas
- b. researches
- c. interfaces with attorney
- d. performs project management of large projects
- e. fills in for President

Secretary:

- a. writes minutes
- b. distributes minutes
- c. sends mass membership mailings
- d. keep the corporate seal
- e. distributes the membership directory annually

Treasurer:

- a. keeps checkbook
- b. keeps account balance
- c. sends out yearly dues bills
- d. collects dues and fees
- e. keeps expense records

f. updates membership directory based on tax records

Committees: Certain special purpose committees sewing the on-going needs of maintenance and special on-time projects will have a designated Chairperson assigned.

ARTICLE XI

Amendments to the By-laws: Amendments to the By-laws can be made at any River Ridge Run general membership meeting by two thirds (2/3) vote of all entitled to vote members present, provided first that written notice of the amendment shall have been submitted to the Board of Directors and the same is approved by at least five (5) Directors. This proposed amendment should be mailed with the meeting notice to the eligible members prior to the general meeting.

Rev: 1990.

Updated Registered Agent's Address July 27, 1998.

Updated Articles VIII & X and Registered Agent's Address August 2007

Rev. Articles III, VI, IX, X, XI February 12, 2008

Rev. Articles IX February 13, 2017

Rev. Article IX February 5, 2019