

BYLAWS
FOR
HALL'S CREEK NORTH SECTION I HOA, INC.
(A NONPROFIT CORPORATION)

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ADOPTED AS OF
June 1, 2006

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BYLAWS FOR
HALL'S CREEK NORTH SECTION I HOA, INC.
(A NONPROFIT CORPORATION)

ARTICLE 1

NAME AND DEFINITIONS

Section 1.1. Name. The name of the corporation shall be Hall's Creek North Section I HOA, Inc. (including any successors and assigns) (the "Corporation").

Section 1.2. Definitions. Terms specifically defined in the Declaration of Hall's Creek North Section I, as may be amended from time to time, and including all attachments (hereinafter referred to as the "Declaration") shall have the same meaning, in these Bylaws, unless the context shall otherwise prohibit. In addition, any capitalized word not defined in the Declaration, unless it is plainly evident from the context of these Bylaws that a differing meaning is intended, shall, as used herein, have the meaning as set forth in North Carolina General Statute Section 47F-1-103. The term "assessments" as used herein shall mean all assessments, charges, dues, or any other obligation levied by the Corporation against the Lots, as authorized in the Declaration. "Corporation Documents" shall mean the Articles, these Bylaws, the Declaration and any duly adopted resolutions or rules and regulations of the Corporation. "Owner" or "Owners" as used herein shall mean "Lot owners" or "owner of a Lot" as such two latter terms are used in the Declaration.

ARTICLE 2

MEMBERSHIP AND VOTING

Section 2.1. Membership. A Person shall automatically become a member of the Corporation upon such Person's acquisition of an interest in a Lot in fee simple and may become a member in no other manner. A Person having an interest in a Lot solely by virtue of a contract for purchase or as security for an obligation shall not be a member of the Corporation. If more than one Person owns a Lot, then all of the Persons who own such Lot shall be members of the Corporation. However, the ownership of each Lot creates the right of one (1) vote only, applicable to its owning member, or owning members collectively, on matters upon which members vote (see Section 2.5 below). Membership in the Corporation shall be appurtenant to and may not be separated from the ownership of a Lot.

The Corporation shall have one (1) class of members, and members shall each be entitled to one (1) vote for each Lot owned; provided, however, when more than one (1) Person holds an interest in any Lot, then all such Persons collectively shall be entitled to one (1) vote for each Lot collectively owned, and each such Person shall be a member of the Corporation subject to the provisions regarding voting in the event there is more than one Owner of a Lot as hereinafter set forth. The vote of such multiple Owners of a Lot shall be exercised as they,

among themselves, shall determine (subject to the provisions of Section 2.6(b) below), but in no event shall any fractional vote be counted or more than one vote be cast with respect to any Lot.

Section 2.2. Notice of Membership. Membership in the Corporation is mandatory. Upon acquiring title to a Lot, each new Owner immediately shall give written notice to the Secretary of the Corporation stating the name and address of such new Owner and the Lot acquired by such new Owner. If the new Owner fails to give the Secretary such notice within thirty (30) days of acquiring title to such Lot, then cost of locating each Owner and reasonable record keeping costs incurred by the Corporation may be assessed against each Owner.

Section 2.3. Transfer of Membership. Memberships are not transferable. Each membership in the Corporation shall relate to and have a unity of interest with an individual Lot which may not be separated from ownership of said Lot.

Section 2.4. Fines, Penalties, and Suspension or Termination of Membership. The membership rights of a member shall not be suspended so long as the member is not in violation of any provision of the Corporation Documents and is not in default in the payment of any assessment, installment, or any other amounts owing to the Corporation pursuant to the Declaration. However, provided that the Corporation complies with the hearing procedure set forth in Section 47F-3-107.1 of the North Carolina Planned Community Act, the Corporation shall have the right, consistent with applicable provisions of the Declaration and these Bylaws, to impose a fine and/or penalty, undertake remedial action permitted under the Declaration, and suspend voting and/or other privileges and/or services to an Owner for (a) violations of the Corporation Documents, or (b) during any period that assessments or other amounts due and owing to the Corporation remain unpaid for a period of thirty (30) days or longer. The membership of a member in the Corporation shall terminate automatically upon such member being divested of such Person's ownership interest in a Lot, regardless of the means by which such ownership interest may be divested (other than by means of a security interest, such as a deed of trust).

Section 2.5. Vote/Voting Rights. Each member of the Corporation shall be entitled to the voting rights set forth in Section 2.1 and this Section. Members shall be entitled to vote on all matters as to which members may be entitled to vote under the North Carolina Nonprofit Corporation Act and the North Carolina Planned Community Act, unless specifically provided otherwise in these Bylaws, the Articles, or the Declaration. In addition, members shall be entitled to vote on any other matters specifically provided for in the Declaration. The Corporation shall have the right to suspend the voting rights of an Owner in the event of any nonpayment of any general or special assessment for any period during which an assessment against the Owner's Lot remains unpaid for a period of thirty (30) days or longer; provided, however, that any such suspension shall comply with the hearing procedures provided in the Declaration and Section 47F-3-107.1 of the North Carolina Planned Community Act.

Section 2.6. Additional Provisions Governing Voting.

(a) Corporation Votes. If the Corporation is an Owner of a Lot, the Corporation shall not cast the vote appurtenant to such Lot, nor shall any such vote be counted for the purpose of establishing a quorum.

(b) Multiple-Person Owners. In the event that any Lot is owned by more than one Person, and if only one of such Persons is present at a meeting of the Corporation, that Person so present shall be entitled to cast the vote for that Lot. If more than one of such Persons is present, the vote appurtenant to that Lot shall be cast only in accordance with unanimous agreement of such Persons who are present at the meeting, and such agreement shall be conclusively presumed if any of such Persons purports to cast the vote appurtenant to that Lot without protests being made forthwith to the individual presiding over the meeting by any of the other Persons having an ownership interest in the Lot.

(c) Voting Certificate. If a member is not a natural person, the vote by such member may be cast by any natural person authorized by such member. Such natural person must be named and a certificate signed by an authorized officer, partner, member, or trustee of such Person and filed with the Secretary; provided, however, that any vote cast by a natural person on behalf of such member shall be deemed valid unless successfully challenged prior to the adjournment of the meeting at which the vote is cast. Such certificate shall be valid until revoked by a subsequent certificate similarly executed and filed with the Secretary. Whenever the approval or disapproval of a member is required by any of the Corporation Documents, such approval or disapproval may be made by any person who would be entitled to cast the vote of such member at any meeting of the Corporation.

(d) Delinquency. No member may vote at any meeting of the Corporation or be elected to serve on the Executive Board or be appointed to serve on any committee if payment by such member of any financial obligation to the Corporation is delinquent more than thirty (30) days and the amount necessary to bring the account current has not been paid by the record date set pursuant to Section 3.9 hereof for the applicable members' meeting (in the case of a member voting or being elected to serve on the Executive Board) or has not been paid by the date of appointment, in the case of appointment to serve on any committee.

Section 2.7. Manner of Voting. Voting by members at a meeting, except for the election of directors which shall be by written ballot, shall be by voice vote or a show of hands unless any member present at the meeting requests, and by an affirmative vote of a majority of the votes cast the members consent to, a vote by written ballots. Except for the election of directors as provided in Section 4.1 herein, if a quorum is present, action on a matter at a meeting of members shall be deemed approved if approved by the affirmative vote of a majority of the votes cast, unless a greater vote is required by the North Carolina Nonprofit Corporation Act, the North Carolina Planned Community Act, the Articles of Incorporation, the Bylaws, or the Declaration.

Section 2.8. Proxies. Members may vote either in person or by an agent authorized by a written proxy signed by the Owner of a Lot. If a Lot is owned by more than one Person, each Owner of the Lot may vote or register protest to the casting of votes by the other Owners of the Lot through a duly executed proxy. A proxy is void if it is not dated. A proxy shall be valid for eleven (11) months from the date of its execution unless a shorter period is expressly provided therein. All proxies shall be filed with the Secretary of the Corporation. A proxy given by a member may be revoked by such member by giving actual notice of its revocation to the person presiding over a meeting of the Corporation in oral or written form.

ARTICLE 3

MEETING OF MEMBERS

Section 3.1. Place of Meeting. All meetings of members shall be held at the principal office of the Corporation or at such other place within or without the State of North Carolina as shall be designated in the notice of the meeting.

Section 3.2. Annual Meetings. The annual meetings of members of the Corporation shall be held at least once a year. The annual meeting of Members shall be held at such date and time as may be determined on an annual basis by the Executive Board and stated in the notice of such members' meeting. The annual meeting of members shall be held for the purpose of electing directors of the Corporation, and for such other purposes as may be included in the notice of such meeting.

Section 3.3. Special Meetings. Special meetings of the members may be called at any time by (a) the President, or (b) a majority of the Executive Board of the Corporation, and (c) the holders of at least ten percent (10%) of all the votes entitled to be cast on any issue proposed in such request to be considered at the meeting and, in which case, shall be noticed by the Secretary of the Corporation within thirty (30) days upon receipt of a written request signed, dated, and delivered to the Secretary. The signatures on a petition requesting a special meeting shall be valid for a period of ninety (90) days after the date of the first signature. The call for a special meeting shall: (1) specify the time and place at which the meeting is to be held, which place must be in Onslow County or Onslow County, North Carolina; (2) either specify a date on which the meeting is to be held which date will allow the Secretary to comply with all notice provisions of this Article or else specify that the Secretary shall designate the date of the meeting; (3) specify the purposes for which the meeting is to be held; and (4) be delivered to the Secretary in writing.

Section 3.4. Notice of Meetings. Notice of meetings of members shall be given by the President, Secretary, or other person calling the meeting by any means that is fair and reasonable, and for this purpose, written or printed notice stating the time, place, and date of the meeting shall be delivered by hand delivery or United States mail (postage prepaid) (a) not less than ten (10) nor more than sixty (60) days before the date thereof, or (b) not less than thirty (30) nor more than sixty (60) days before the date thereof, if such notice is mailed by other than first class, registered, or certified mail, to each member of record entitled to vote at such

meeting, unless the North Carolina Nonprofit Corporation Act or the Articles of Incorporation require that such notice be given to all members with respect to such meeting. If mailed, such notice shall be deemed to be effective when deposited in the United States mail, correctly addressed to the member at the member's address as it appears on the current record of members of the Corporation, with postage thereon prepaid. For this purpose, a member's address shall be the mailing address of each Lot or to any other mailing address designated in writing by the Owner to the Secretary of the Corporation.

Notwithstanding the foregoing, if the notice provided for the above clearly would not be fair and reasonable under the circumstances then existing, then notice appropriate for the circumstances shall be given; PROVIDED, HOWEVER, THAT notice of a meeting where any of the following matters are to be voted on in all events shall be given as provided in the first paragraph of this Section: (i) director conflict of interest or indemnification, (ii) amendment to the Articles of Incorporation or Bylaws, or Declaration, PROVIDED, HOWEVER, THAT the Declaration shall only be amended pursuant to the Declaration (iii) plan of merger or dissolution, or (iv) a sale of assets other than in the regular course of the Corporation's activities; and PROVIDED, FURTHER HOWEVER, THAT any special notice procedure set forth in the Declaration for any of the foregoing or any other matter shall be followed in addition to the notice provisions set forth herein.

The notice of any meeting shall state the items on the agenda, including a summary or copy of any proposed amendment to the Declaration, the Bylaws or the Articles of Incorporation; any budget changes; and any proposal to remove a director or officer; and shall include any other matters and a copy or summary of any proposed action that expressly is required by the provisions of the North Carolina Nonprofit Corporation Act or the North Carolina Planned Community Act. Only those matters which are stated in the notice may be acted upon at a meeting of members.

Also, notice of an annual, regular, or special meeting of members shall give notice of any matter a member intends to raise at the meeting if the Corporation receives a written request of any matter the members intend to raise by the members entitled to call a special meeting pursuant to Section 3.3 ("Special Meetings") of this Article, and such written request is received by the Secretary or President of the Corporation at least ten (10) days before the Corporation gives notice of such meeting.

In the event business cannot be conducted at any meeting of members because a quorum is not present, that meeting may be adjourned to a later date by the affirmative vote of a majority of those present in person or by proxy. If any meeting of members is adjourned by the vote of a majority of votes cast on the motion to adjourn to a different date, time, or place, notice need not be given of the new date, time, or place if the new date, time, or place is announced at the meeting before adjournment and if a new record date is not fixed for the adjourned meeting. If a new record date for the adjourned meeting is or must be fixed pursuant to North Carolina law, notice of the adjourned meeting must be given as provided in this Section to the members of record entitled to vote at the meeting as of the new record date. As is provided in the North Carolina Planned Community Act, the quorum requirement at the next meeting of members, in

the event of an adjournment because a quorum is not present, shall be one-half of the quorum requirement applicable to the meeting adjourned for lack of a quorum. This provision will continue to reduce the quorum by fifty percent (50%) from that required at the previous meeting, as previously reduced, until such time as a quorum is present and business can be conducted.

Section 3.5. Waiver of Notice of Meetings. Any member may waive notice of any meeting before or after the meeting. The waiver must be in writing, signed by the member, and delivered to the Corporation for inclusion in the minutes or filing with the corporate records. A member's attendance, in person or by proxy, at a meeting (a) waives objection to lack of notice or defective notice of the meeting, unless the member or the member's proxy at the beginning of the meeting objects to holding the meeting or transacting business thereat, and (b) waives objection to consideration of a particular matter at the meeting that is not within the purpose or purposes described in the meeting notice, unless the member or the member's proxy objects to considering the matter before it is voted upon.

Section 3.6. Quorum. Unless provided otherwise by the Articles, these Bylaws, the Declaration, or by law, thirty percent (30%) of the votes entitled to be cast on a matter, represented in person or by proxy, shall constitute a quorum on that matter at the opening of a meeting of members. Once a member is present or represented by proxy for any purpose at a meeting, such member is deemed present for quorum purposes for the remainder of the meeting and for any adjournment of that meeting unless a new record date (set forth in Section 3.9 below) is or must be set for that adjourned meeting under the North Carolina Nonprofit Corporation Act.

Section 3.7. Order of Business. Unless otherwise specified in the notice of the meeting, the order of business at all meetings of the Corporation shall be as follows: (1) roll call or proof of quorum; (2) proof of notice of meeting; (3) reading of the minutes of the preceding meeting; (4) reports of officers and management; (5) report of Executive Board; (6) reports of committees; (7) election of directors; (8) unfinished business; and (9) new business; provided, however, that the voting for election of directors may commence at any time at the direction of the presiding officer.

Section 3.8. Conduct of Meetings. The President shall preside over all meetings of the Corporation and the Secretary shall keep the minutes of the meetings and record all resolutions adopted at the meetings and proceedings occurring at such meetings. The President may appoint a parliamentarian at any meeting of the Corporation. The President shall, in his sole discretion, determine the procedural manner in which each meeting of the Corporation shall be conducted and it shall not be according to Robert's Rules of Order Newly Revised unless that specific determination is made by the President at the beginning of the meeting.

Section 3.9. Record Date to Determine Members and List of Members. The date for determining which Persons are members and therefore entitled to vote ("Record Date") shall be the close of business on the seventieth (70th) day prior to the date of the meeting, unless the Executive Board shall determine a Record Date closer to the meeting date. The Executive

Board is not permitted to set a Record Date retroactively. The membership list shall be current as of the Record Date. Before each meeting of members, the Corporation shall prepare an alphabetical list of the members entitled to notice of the meeting and entitled to vote at the meeting, showing each such member's address and the number of votes each such member is entitled to cast at the meeting. As a part of the aforementioned membership list and prepared on the same basis, the Corporation shall list, current through the time of the membership meeting, a list of members, if any, who are entitled to vote at the meeting, but not entitled to notice of the meeting. The list shall be kept on file at the principal office of the Corporation for the period beginning two (2) business days after notice of the meeting is given and continuing through the meeting, and shall be available for inspection by any member, personally or by or with such member's representative, at anytime prior to the meeting. A determination of members entitled to notice of, or to vote at, a membership meeting is effective for any adjournment of the meeting unless the Executive Board fixes a new date for determining the right to notice or the right to vote, which the Executive Board shall do if the meeting is adjourned to a date more than 120 days after the date fixed for the original meeting.

ARTICLE 4

EXECUTIVE BOARD

Section 4.1. Number, Election of Directors, and Terms of Office of Directors.

(a) Number of Directors. The initial directors of the Corporation, who shall serve as directors until their successors shall be elected and qualify, are set forth in the Articles of Incorporation of the Corporation. Subsequent to the initial directors, the number of directors of the Corporation shall be not less than three (3) nor more than five (5), as from time to time may be fixed or changed within said minimum and maximum by the Executive Board. The Executive Board of the Corporation shall be referred to herein from time to time as the "Executive Board."

(b) Election of Directors by Members. Except as provided in Section 4.4 hereof, the directors shall be elected at the annual meeting of members; and those persons who receive the highest number of votes by the members entitled to vote in the election at a meeting at which a quorum is present shall be deemed to have been elected.

(c) Terms of Directors. The directors shall be divided into three (3) classes, as nearly equal in number as may be, to serve in the first instance for terms of one (1) year, two (2) years, and three (3) years, respectively, and until their successors shall be elected and shall qualify, and thereafter the successors in each class of directors shall be elected to serve for terms of three (3) years and until their successors shall be elected and shall qualify. In the event of any increase in the number of directors, the additional directors shall be so classified such that all classes of directors shall be increased equally, as nearly as may be, and, in the event of any decrease in the number of directors, all classes of directors shall be decreased equally, as nearly as may be. Except as specifically provided above, each director shall hold office for a term of three (3) years or until such director's death, resignation, retirement, removal

or disqualification. Despite the expiration of a director's term, the director continues to serve as such until the director's successor is elected and qualifies, or there is a decrease in the number of directors. The term of the first Executive Board elected by the membership shall be staggered as follows: The nominee receiving the most votes shall be elected for a term of three (3) years; the nominee receiving the next highest number of votes shall be elected for a term of two (2) years; and the nominee receiving the third highest number of votes shall be elected for a term of one (1) year. Except for directors elected to fill vacancies (who shall hold office until the expiration of the term of the person they are replacing), all directors elected by member vote after the first meeting shall hold office for a term of three (3) years.

Section 4.2. Election Procedures and Qualifications.

(a) **Nominations Committee.** Nominations for election to the Executive Board of the directors not appointed by the Declarant may be made by a Nominations Committee. If appointed by the Executive Board, the Nominations Committee shall develop election procedures and administer such procedures as are approved by the Executive Board providing for election of directors by members at the annual meetings, and, where appropriate, at special meetings. If appointed, the Nominations Committee shall serve from the date of their appointment through the close of the annual meeting or, where appropriate, the special meeting, at which the election for members of the Executive Board is to be held.

(b) **Nominations.** Persons qualified to be directors who are not appointed by the Declarant, may be nominated for election by the Nominations Committee and the names of such persons nominated shall be submitted in writing to the President of the Corporation and the Executive Board sixty (60) days before the meeting at which the election is to be held. The Nominations Committee may make as many nominations for election to the Executive Board as it shall in its discretion determine but in no event less than the number of vacancies or terms to be filled. Any written nominations presented by the Nominations Committee shall be accompanied by a statement signed by the nominees indicating the willingness of such nominees to serve as directors. If no Nominations Committee is appointed, nominations for directors may be made by the Executive Board and may be made from the floor by any member at the meeting at which election is held for any vacancy on the Executive Board. The nominee must either be present at said meeting and consent to the nomination or have indicated in writing his or her willingness to serve as a director.

(c) **Qualifications.** No person shall be eligible for election by the members of the Corporation as a director unless such person is an Owner or is the individual nominee of an Owner which is other than an individual. No Owner or representative of such owner shall be elected as a director or continue to serve as a director (a) if the member is more than thirty (30) days delinquent in meeting any financial obligation owed to the Corporation, if such delinquency is not cured by the record date set pursuant to Section 3.8 hereof for such members' meeting in the case of an election of directors, or (b) if the member otherwise is in violation of any provision of the Corporation Documents.

Section 4.3. Voting, Quorum, and Manner of Acting. Each director shall be entitled to one (1) vote on all matters that come before the Corporation. A majority of the directors in office immediately before a meeting begins shall constitute a quorum for the transaction of business at any meeting of the Executive Board. Unless a vote of greater percentage is required by the Articles of Incorporation, these Bylaws, the North Carolina Nonprofit Corporation Act, the North Carolina Planned Community Act, or the Declaration, the act of the majority of the directors present at a meeting at which a quorum is present shall be the act of the Executive Board. A director who participates in a meeting by any means of communication by which all directors may simultaneously hear each other during the meeting shall be deemed present at a meeting for all purposes.

Section 4.4. Removal or Resignation of Directors and Filling of Vacancies.

(a) Any director may be removed from office at any time with or without cause by at least a majority vote of all members present and entitled to vote at any meeting of members at which a quorum is present. A director may not be removed by the members at a meeting unless the notice of the meeting states that the purpose, or one of the purposes, of the meeting is the removal of the director so removed. If any directors are so removed, new directors may be elected at the same meeting. In addition, any director not in attendance at three (3) consecutive regular meetings of the Executive Board shall be removed automatically.

(b) A vacancy in the Executive Board caused by a removal of a director by the members shall be filled by a vote of the members. A vacancy among the directors of the Executive Board caused by any reason other than the removal of a director by the members shall be filled by the remaining directors at a meeting of the Executive Board held for such purpose promptly after the occurrence of such vacancy. If the directors remaining in office do not constitute a quorum of the Executive Board, the directors may fill the vacancy by the affirmative vote of a majority of the remaining directors, or by the sole remaining director, as the case may be. The term of a director elected to fill a vacancy expires at the end of the unexpired term that such director is filling.

(c) A director may resign at any time by giving notice to the Executive Board, the President or the Secretary. Unless otherwise specified, such resignation shall take effect upon the receipt thereof and the acceptance of such resignation shall not be necessary to make it effective. A director shall be deemed conclusively to have resigned upon disposition by the Owner of the Lot which made such individual eligible to be a director or upon any other event of disqualification set forth in these Bylaws.

Section 4.5. Powers and Duties of the Executive Board. The business and affairs of the Corporation shall be managed and directed by the Executive Board. Except as provided below, the Executive Board shall have all of the powers and duties necessary for the administration of the affairs of the Corporation, including, but not by way of limitation, all powers as set forth in Article 3 of Chapter 55A of the North Carolina General Statutes (North Carolina Nonprofit Corporation Act) and Section 47F-3-102 of the North Carolina Planned Community Act but may not do any such acts and things which are (a) required by the

Declaration, the Bylaws, or the Articles to be exercised and done by the members, or (b) reserved in the Declaration to be done by the Declarant; provided, however, that all such powers, duties, acts, and things shall be exercised consistent with the provisions of the Declaration, the Bylaws, and the Articles of Incorporation. Notwithstanding any other provision of these Bylaws, neither the Corporation, the members, nor the Executive Board may take any action which affects the Declarant's rights as reserved in the Declaration or amend these Bylaws in any manner so as to affect Declarant's rights set forth in the Declaration or these Bylaws. The Executive Board may delegate to one of its members or to a Person employed for such purpose the authority to act on behalf of the Executive Board on such matters relating to the duties of the managing agent (as defined in Section 5.3 hereof), if any, which may arise between the meetings of the Executive Board as the Executive Board deems appropriate. In addition to the duties imposed by any other provision of the Declaration or by any resolution of the Corporation that hereafter may be adopted, the Executive Board shall perform the following duties and take the following actions on behalf of the Corporation, subject to any voting rights of the members provided by the Declaration, these Bylaws, and the Articles, or by law:

- (a) Provide goods and services to the members in accordance with the Declaration.
- (b) Designate, hire, dismiss and, where appropriate, compensate the personnel necessary to provide goods and services to the Owners, as provided for in the Declaration, as well as purchase equipment, supplies and materials to be used by such personnel in the performance of their duties.
- (c) Collect the assessments specified in the Declaration, deposit the proceeds thereof in depositories designated by the Executive Board and use the proceeds to carry out the purposes of the Corporation, as provided in the Declaration.
- (d) Adopt, amend and repeal any reasonable rules and regulations not inconsistent with the Declaration and these Bylaws.
- (e) Open bank accounts on behalf of the Corporation and designate the signatories thereon.
- (f) Enforce by legal means the provisions of the Corporation Documents as are in effect from time to time.
- (g) Act with respect to all matters arising out of any eminent domain proceeding affecting any property owned by the Corporation, if any.
- (h) Notify the members of any litigation against the Corporation involving a claim in excess of ten percent (10%) of the amount of the annual budget.
- (i) Obtain and carry insurance pursuant to applicable provisions of the Declaration and pay the premiums therefor and adjust and settle any claims thereunder.

(j) Pay the cost of all authorized goods and services rendered to the Corporation and not billed to Owners of Lots or otherwise provided for in the Declaration.

(k) Acquire, hold and dispose of Lots and mortgage the same without the prior approval of the Corporation if such expenditures and hypothecations are included in the budget.

(l) For each fiscal year, the Executive Board shall cause to be prepared and adopt a proposed budget in compliance with the Declaration, including therein estimates of the amount considered necessary to pay the expenses of the Corporation, together with amounts considered necessary by the Executive Board for reserves. Within thirty (30) days after the adoption of any proposed budget for the Corporation, the Executive Board shall provide a copy or summary of the budget to all Owners, and shall set a date and give notice for a meeting of the Owners to consider ratification of the budget, with such notice to include a statement that the budget may be ratified without a quorum. The date of the meeting of Owners to consider ratification of the budget shall be not less than ten (10) nor more than sixty (60) days after the mailing of the copy or summary and notice. There shall be no requirement that a quorum be present at the meeting. The budget is ratified unless at that meeting eighty percent (80%) of all the Owners of the Corporation (based on one vote per Lot) reject the budget. In the event the proposed budget is rejected, the periodic budget last ratified by the Owners shall be continued until such time as the Owners ratify a subsequent budget proposed by the Executive Board.

(m) Adopt an annual budget and make assessments (general or special) (subject to any applicable voting rights of members provided in the Declaration) against the Lots to defray the expenses of the Corporation, establish the means and methods of collecting such assessments from the Owners and establish the period of the installment payment, if any, of the assessments for expenses of the Corporation, and establish appropriate reserve funds for the Corporation, all as provided in the Declaration.

(n) Borrow money on behalf of the Corporation when required for any valid purpose.

(o) Enter into contracts to carry out the business and activities of the Corporation.

(p) Accept the transfer of the Permit and all responsibilities under the Permit from Declarant, subject to the terms and conditions regarding such acceptance in the Declaration and the Articles; perform all responsibilities of the Corporation set forth in the Declaration with regard to the Permit and, if applicable, the North Carolina Department of Environment and Natural Resources, Division of Water Quality.

Section 4.6. Meeting of Directors.

(a) Types of Meetings. The Organizational meeting of the Executive Board shall be held immediately after, and at the same place as, the annual meeting of members. Other regular meetings of the Executive Board may be held at such time and place as shall be determined from time to time by a majority of the directors; provided, however, such meetings shall be held at least quarterly during each fiscal year. Special meetings of the Executive Board may be called by the President, and shall be called by the President or Secretary upon the written request of at least two (2) directors. All meetings of the Executive Board shall be open to Owners as observers, except that the President or presiding officer may call the Executive Board into executive session on sensitive matters such as personnel, litigation strategy or hearings with respect to violations of the Corporation Documents. Any final action taken by the Executive Board in executive session shall be recorded in the minutes.

(b) Notice. Regular meetings of the Executive Board may be held without notice. The Chairperson, if any, the President, or any two (2) directors may call and give notice of a meeting of the Executive Board. The person or persons calling a special meeting of the Executive Board, at least two (2) days before the meeting, shall give notice thereof by any usual means of communication. Such notice need not specify the purpose for which the meeting is called. Any duly convened regular or special meeting may be adjourned by the directors to a later time without further notice.

(c) Waiver of Notice. Any director may waive notice of any meeting before or after the meeting. The waiver must be in writing, signed by the director entitled to the notice, and delivered to the Corporation for inclusion in the minutes or filing with the corporate records. The attendance by a director at, or the participation of a director in, a meeting shall constitute a waiver of any required notice of such meeting, unless the director, at the beginning of the meeting (or promptly upon the director's arrival thereat), objects to holding the meeting or to transacting any business at the meeting and does not thereafter vote for or assent to action taken at the meeting.

(d) Conduct of Meetings. The President shall preside over meetings of the Executive Board and the Secretary shall keep the minutes of the meeting and record all resolutions adopted at the meetings and proceedings occurring at the meetings.

Section 4.7. Action by Directors Without Meeting. Action required or permitted to be taken at a meeting of the Executive Board may be taken without a meeting if the action is taken by all members of the Executive Board and evidenced by one or more written consents signed by each director before or after such action, describing the action taken, and delivered to the Secretary of the Corporation for inclusion in the minutes or filing with the corporate records.

ARTICLE 5

MANAGING AGENT

Section 5.1. Compensation. The Executive Board may employ, for the purpose of managing its required activities pursuant to the Corporation Documents, a "managing agent" at a compensation to be established by the Executive Board.

Section 5.2. Requirements. The managing agent must be able to advise and assist the Executive Board regarding the administrative operation of the Corporation and shall employ personnel knowledgeable in the areas of insurance, accounting, contract negotiation, and property management. Otherwise, the managing agent may be a full-time employee of the Corporation who shall organize, staff, train and administer the in-house personnel solely to perform the managing agent duties set forth below. The Executive Board shall impose appropriate standards of performance upon the managing agent.

Section 5.3. Duties. The managing agent shall perform such duties and services as the Executive Board shall direct. Such duties and services may include, without limitation, the duties listed in Section 4.5(a), (b), (c), (f), and (j). However, the Executive Board may not delegate to the managing agent the powers and duties set forth in Section 4.5(d), (e), (g), (h), (i), (k), (l), (m), (n), (o) and (p). In addition and generally, the managing agent shall perform the obligations, duties and services relating to the management of the Lots in compliance with the provisions of the Corporation Documents.

Section 5.4. Standards. The Executive Board shall impose appropriate standards of performance upon the managing agent. Unless the managing agent is instructed otherwise by the Executive Board:

- (a) The accrual method, or the cash method, or the modified cash method of accounting shall be employed and expenses required by these Bylaws to be charged to one (1) or more but less than all Owners shall be accounted for and reported separately;
- (b) Two (2) or more individuals shall be responsible for handling cash and signing checks to maintain adequate financial control procedures;
- (c) Cash accounts of the Corporation shall not be commingled with any other entity's accounts;
- (d) No remuneration shall be accepted by the managing agent from vendors, independent contractors or others providing goods or services to the Corporation whether in the form of commissions, finders fees, service fees or otherwise; and any discounts received shall benefit the Corporation;

(e) Any financial or other interest which the managing agent may have in any firm providing goods or services to the Corporation shall be disclosed promptly to the Executive Board;

(f) A financial report shall be prepared for the Corporation at least quarterly, containing: (i) an "income and expense statement" reflecting all income and expense activity for the preceding month and year to date on an accrual basis reflecting "actual versus budgeted"; (ii) an "account activity statement" reflecting all receipt and disbursement activity for the preceding period on a cash basis; (iii) a "balance sheet" reflecting the financial condition of the Corporation on an unaudited and accrual basis; (iv) a "budget report" reflecting any actual or pending obligations which are in excess of budgeted amounts; (v) a "delinquency report" listing all Owners who are delinquent and describing the status of any actions to collect such assessments; and (vi) copies of all bank account statements reconciled to the balance sheet reserve; and

(g) The managing agent, upon termination of such agent's contract with the Corporation by either party, shall, within five (5) business days of such termination, turn over all books and records of the Corporation held by such managing agent to the President or Secretary of the Corporation.

ARTICLE 6

OFFICERS

Section 6.1. Designation and Duties of Officers. The principal officers of the Corporation shall be the President (who shall also serve as Chairman of the Executive Board), the Vice President, the Secretary and the Treasurer, all of whom shall be elected by the Executive Board. The Executive Board may also elect an assistant treasurer, an assistant secretary and such other officers as in its judgment may be necessary. All officers shall be Owners, officers of corporate Owners, partners of partnership Owners, or members of limited liability company Owners. The President and Vice President shall be members of the Executive Board. Any other officers, may, but need not be directors. Each officer shall perform such duties as are normally associated with such office in parliamentary organizations, except to the extent, if any, inconsistent with the Declaration and these Bylaws, and shall perform such other duties as may be assigned to such office by resolution of the Executive Board. If any officer is unable for any reason to perform the duties of the officer, the President (or the Executive Board if the President is unable to do so) may appoint another qualified individual to act in such officer's stead on an interim basis.

Section 6.2. Election of Officers. The officers of the Corporation shall be elected annually by the Executive Board at the Executive Board's regular meeting of the Executive Board that is held immediately after, and at the same place, as the annual meeting of members pursuant to Section 4.6(a) of these Bylaws, and shall hold office at the pleasure of the Executive Board. Any officer may hold more than one position; provided, however, that the offices of President, Vice President and Secretary shall be held by three different individuals.

Each officer shall hold office for a term one (1) year or until such officer's death, resignation, retirement, removal or disqualification, or until the election and qualification of such officer's successor.

Section 6.3. Removal and Resignation. Any officer or agent may be removed by the Executive Board at any time with or without cause; but such removal shall be without prejudice to the contract rights, if any, of the person so removed. An officer may resign at any time by notifying the Corporation, orally or in writing, of such resignation. A resignation shall be effective upon receipt by the Corporation unless it specifies in writing a later effective date. In the event a resignation so specifies a later effective date, the Executive Board may fill the pending vacancy prior to such date; however, the successor to the resigning officer may not take office until the effective date. An officer's resignation does not affect the Corporation's contract rights, if any, with such officer.

Section 6.4. Vacancies. A vacancy in any office may be filled by appointment by the Executive Board. The individual appointed by the Executive Board to fill a vacancy shall serve for the remainder of the term of the officer such individual replaces.

Section 6.5. President. The President shall be the principal executive officer of the Corporation and, subject to the control of the Executive Board, shall supervise and control the management of the Corporation in accordance with these Bylaws. The President, when present, shall preside at all meetings of members. The President, with any other proper officer, may sign any deeds, leases, mortgages, bonds, contracts or other instruments which lawfully may be executed on behalf of the Corporation, except where required or permitted by law otherwise to be signed and executed and except where the signing and execution thereof shall be delegated by the Executive Board to some other officer or agent. In addition, the President shall prepare, execute, certify, and record amendments to the Declaration on behalf of the Corporation. In general, the President shall perform all duties incident to the office of President and such other duties as from time to time may be assigned by the Executive Board.

Section 6.6. Vice President. In the absence of the President or in the event of the President's death, inability or refusal to act, the Vice Presidents in the order of their length of service as Vice Presidents, unless otherwise determined by the Executive Board, shall perform the duties of the President, and when so acting shall have all the powers of and be subject to all the restrictions upon the President. Any Vice President shall perform such other duties as from time to time may be assigned by the President or by the Executive Board.

Section 6.7. Secretary. The Secretary shall: keep the minutes of all meetings of the Corporation and of the Executive Board; have charge of such books and papers as the Executive Board may direct and as may be required by Article 16 of the North Carolina Nonprofit Corporation Act; give or cause to be given all notices required to be given by the Corporation; give each Owner notice of each assessment against such Owner's Lot as soon as practicable after assessment is made; provide for each Owner, upon request, a copy of the rules and regulations of the Corporation; maintain a register setting forth the place to which all notices to members hereunder shall be delivered; make it possible for any member to inspect and copy

at reasonable times and by appointment the records of the Corporation in accordance with and as required by the North Carolina Nonprofit Corporation Act; and, in general, perform all the duties incident to the office of Secretary.

Section 6.8. Assistant Secretaries. In the absence of the Secretary or in the event of the Secretary's death, inability or refusal to act, the Assistant Secretaries in the order of their length of service as Assistant Secretaries, unless otherwise determined by the Executive Board, shall perform the duties of the Secretary, and when so acting shall have all the powers of and be subject to all the restrictions upon the Secretary. Assistant Secretaries shall perform such other duties as from time to time may be assigned by the Secretary, by the President, or by the Executive Board.

Section 6.9. Treasurer: The Treasurer shall have custody of all funds and securities belonging to the Corporation and shall receive, deposit or disburse the same under the direction of the Executive Board. The Treasurer shall maintain appropriate accounting records as may be required by law and, in general, perform all the duties incident to the office of Treasurer and such other duties as from time to time may be assigned by the President or by the Executive Board.

Section 6.10. Assistant Treasurers. In the absence of the Treasurer or in the event of the Treasurer's death, inability or refusal to act, the Assistant Treasurers in the order of their length of service as Assistant Treasurers, unless otherwise determined by the Executive Board, shall perform the duties of the Treasurer, and when so acting shall have all the powers of and be subject to all the restrictions upon the Treasurer. Assistant Treasurers shall perform such other duties as from time to time may be assigned by the Treasurer, by the President, or by the Executive Board.

ARTICLE 7

COMMITTEES

Section 7.1. Nominations Committee. The Executive Board may establish a Nominations Committee, pursuant to Section 7.4 below, as set forth in Section 4.2(a) of these Bylaws.

Section 7.2. Architectural Committee and Architectural Restrictions. The Declaration sets forth the appointment and the members of the Architectural Control Committee of the Corporation ("Committee"). The Committee shall have the powers as set forth in the Declaration. Amendment to the provisions of the Declaration dealing with the Committee shall be done as set forth in the Declaration.

Section 7.3. Committees of the Executive Board. The Executive Board, by resolution of a majority of the number of directors in office, may designate two or more directors to constitute an Executive Committee and such other committees as the Executive Board shall deem advisable, each of which, to the extent authorized by the North Carolina

Nonprofit Corporation Act and provided in such resolution, shall have and may exercise all of the authority of the Executive Board in the management of the Corporation. Each committee member serves at the pleasure of the Executive Board. The provisions of these Bylaws governing meetings, action without meeting, notice and waiver of notice, and quorum and voting requirements of the Executive Board apply to any committees of the Executive Board established pursuant to this Section. The designation of any committee of the Executive Board and the delegation thereto of the Executive Board's authority shall not operate to relieve the Executive Board, or any member thereof, of any responsibility imposed upon him or her by law.

Section 7.4. Other Committees. Other committees not having and exercising the authority of the Executive Board in the management of the Corporation may be designated by resolution adopted by a majority of the directors present at a meeting at which a quorum is present. Such committee shall have such duties and responsibilities as may be set forth in the resolution designating the committee. For committees set up under this Section 7.4 to which decision making authority is delegated by the Executive Board or in any Corporation Documents, the provisions of these Bylaws governing meetings, action without meeting, notice and waiver of notice, and quorum and voting requirements of the Executive Board shall apply to any such committees. Further, such committees shall keep a written record of actions taken by such committees. It is provided, however, that the authority of any such committees shall not exceed the power granted to the Corporation in the Declaration.

ARTICLE 8

INDEMNIFICATION AND OTHER DIRECTOR AND OFFICER ISSUES

Section 8.1. Execution of Documents. Unless as may otherwise be provided in a resolution of the Executive Board, all agreements, contracts, deeds, leases, checks and other instruments of the Corporation for expenditures or obligations for expenses of the Corporation, shall be executed by any two (2) individuals designated by the Executive Board. Any officer of the Corporation may be designated by Executive Board resolution to sign a statement of expenses on behalf of the Corporation.

Section 8.2. Indemnification.

The Corporation shall indemnify, to the fullest extent permitted by law and this Article, any person who is or was a party or is threatened to be made a party to any threatened, pending, or completed action, suit, or proceeding (and any appeal therein), whether civil, criminal, administrative, arbitative, or investigative and whether or not brought by or on behalf of the Corporation, by reason of the fact that such person is or was a director or officer of the Corporation, or is or was serving at the request of the Corporation as a director, officer, partner, trustee, employee, or agent of another corporation, partnership, joint venture, trust, or other enterprise or as a trustee or administrator under an employee benefit plan, or arising out of such party's activities in any of the foregoing capacities, against all liability and litigation expense, including reasonable attorneys' fees; PROVIDED, HOWEVER, THAT the Corporation shall not indemnify any such person against liability or expense incurred on account of such

person's activities which were at the time taken known or believed by such person to be clearly in conflict with the best interests of the Corporation or if such person received an improper personal benefit from such activities. The Corporation likewise shall indemnify any such person for all reasonable costs and expenses (including attorneys' fees) incurred by such person in connection with the enforcement of such person's right to indemnification granted herein.

The Corporation shall pay all expenses incurred by any claimant hereunder in defending a civil or criminal action, suit, or proceeding as set forth above in advance of the final disposition of such action, suit, or proceeding upon receipt of and undertaking by or on behalf of such claimant to repay such amount unless it ultimately shall be determined that such claimant is entitled to be indemnified by the Corporation against such expenses.

The Executive Board of the Corporation shall take all such action as may be necessary and appropriate to authorize the Corporation to pay the indemnification required by this Bylaw, including without limitation, (a) a determination by a majority vote of disinterested directors (i) that the activities giving rise to the liability or expense for which indemnification is requested were not, at the time taken, known or believed by the person requesting indemnification to be clearly in conflict with the best interests of the Corporation and (ii) that the person requesting indemnification did not receive an improper personal benefit from the activities giving rise to the liability or expense for which indemnification is requested, and (b) to the extent needed, giving notice to the members of the Corporation.

Any person who at any time after the adoption of this Bylaw serves or has served in any of the aforesaid capacities for or on behalf of the Corporation 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 Bylaw.

Section 8.3. Compensation of Directors and Officers. No salary or other compensation shall be paid by the Corporation to any director or officer of the Corporation for serving or acting as such, but this shall not preclude the payment of salary or other compensation for the performance by any person serving as a director or officer for services provided to the Corporation in a capacity other than that of director or officer nor shall it preclude the reimbursement of reasonable, ordinary and necessary expenses incurred in serving or acting as a director or officer.

ARTICLE 9

BOOKS AND RECORDS

Section 9.1. Maintenance. The Corporation shall keep books and records as required by Article 16 of the North Carolina Nonprofit Corporation Act. The Corporation shall keep financial records sufficiently detailed to enable the Corporation to comply with the North Carolina Planned Community Act.

Section 9.2. Availability. The books and records of the Corporation shall be available for inspection by the members and their attorneys and accountants pursuant to the terms and conditions of Article 16 of the North Carolina Nonprofit Act and Article 3 of the North Carolina Planned Community Act.

Section 9.3. Accounting Report and Audit. Within one hundred twenty (120) days after the end of each fiscal year, the Executive Board shall make available to members an itemized accounting of the expenses of the Corporation for such fiscal year actually incurred and paid, together with a tabulation of the amounts collected pursuant to the budget adopted by the Executive Board for such fiscal year, and showing the net amount over or short of the actual expenditures plus reserves.

In addition, the Executive Board, in its sole discretion, may authorize an audit of the Corporation or any other level of financial review of the books and records of the Corporation, and if authorized, such service shall be an expense of the Corporation. In the event that an Owner or Owners request an audit of the Corporation and the Executive Board does not authorize an audit, an audit may be conducted and paid for by the requesting Owner or Owners.

Section 9.4. Fiscal Year. The fiscal year of the Corporation shall be fixed by the Executive Board.

Section 9.5. Seal. The corporate seal of the Corporation shall consist of two concentric circles between which is the name of the Corporation and in the center of which is inscribed "SEAL"; and such seal, in the form approved by the Executive Board, shall be adopted by the Executive Board as the corporate seal of the Corporation.

Section 9.6. Information. Upon the written request of any holder, insurer or guarantor of any first mortgage on a Lot stating the mortgage holder's, insurer's or guarantor's name and address and the Lot number upon which the mortgage holder holds a mortgage, the Corporation shall provide timely written notice of the following:

- (a) Any thirty (30) day delinquency in the payment of assessments or charges owed by the Owner of the Lot upon which the mortgage holder holds a mortgage;
- (b) Any lapse, cancellation, or material modification of any insurance policy or fidelity bond maintained by the Corporation; and,
- (c) Any special or annual meeting of the Corporation, with the right of the mortgage holder to designate a representative to attend such meetings.

ARTICLE 10

NOTICES

Except as specifically provided otherwise in the Corporation Documents, the North Carolina Nonprofit Corporation Act, or the North Carolina Planned Community Act, all notices, demands, bills, statements or other communications shall be in writing and shall be deemed to have been duly given if delivered personally or sent by United States mail, postage prepaid, or if notification is of a default or lien, sent by registered or certified United States mail, return receipt requested, postage prepaid: (a) if to an Owner, at the address which the Owner shall designate in writing and file with the Secretary or, if no such address is designated, at the address of the Lot of such Owner; and (b) if to the managing agent, at the principal office of the managing agent or at such other address as shall be designated by notice in writing to the Corporation. If a Lot is owned by more than one Person, each such Person who so designates an address in writing to the Secretary shall be entitled to receive all notices hereunder, otherwise the Person receiving the notice shall have the responsibility for notifying the other Persons comprising the Owner.

ARTICLE 11

AMENDMENTS TO BYLAWS

Except as hereinafter provided, these Bylaws may be amended or repealed and new Bylaws may be altered, amended, or repealed at any time by the members and by the Executive Board pursuant to the applicable provisions of the North Carolina Nonprofit Corporation Act. Notwithstanding the foregoing:

(a) Until the power of the Declarant unilaterally to amend these Bylaws terminates as is provided in this subparagraph and Article 17 of the Articles, the Declarant, as is permitted in Section 55A-8-01(c) of the North Carolina Nonprofit Corporation Act, shall have the authority, instead of the Executive Board, to amend the Bylaws without the joinder or consent of any other Person if such amendment is required by any governmental agency for governmental approval, including, but not limited to, (i) compliance with any requirements imposed by any agency of the State of North Carolina with respect to the Permit or North Carolina Sedimentation and Erosion Control Permits; or (ii) compliance with any rule or regulation of the Department of Housing and Urban Development, the Veterans Administration, or their successors. The aforementioned right of the Declarant shall begin on the date of incorporation of the Corporation and shall terminate on the earlier to occur of: (i) the date that is fifteen (15) years after the date of incorporation of the Corporation, or (ii) the date such right is relinquished by Declarant by a signed document recorded in the office of the Register of Deeds of Onslow County.

(b) Until the power of the Declarant unilaterally to amend these Bylaws terminates pursuant to the provisions of subparagraph (a) above, the members of the Corporation shall have no voting rights with regard to any proposed amendments to these

Bylaws described in subparagraph (a) above as to which the Declarant has the unilateral right to make amendments; provided, however, that during such time as the Declarant has the unilateral right to amend these Bylaws as provided in Article 17 of the Articles, the members of the Corporation shall have the right to vote on any changes to these Bylaws as to which the Declarant does not have the unilateral right to amend these Bylaws pursuant to Article 17 of the Articles. Further, after the unilateral right of the Declarant to amend these Bylaws terminates pursuant to Article 17 of the Articles and subparagraph (a) above, the members of the Corporation shall be entitled to vote on all proposed changes to these Bylaws pursuant to Section 55A-10-21 of the North Carolina Nonprofit Corporation Act.

(c) As is set forth in Article 15 of the Articles and in this subparagraph, any proposed changes to these Bylaws except as set forth in subparagraph (a) and (b) above must be approved in writing by the Declarant and shall not be effective until Declarant gives such approval in writing. This requirement of written approval by the Declarant of any proposed changes to the Bylaws shall begin on the date of incorporation of the Corporation and shall end on the earlier to occur of: (i) the date that is fifteen (15) years after the date of incorporation of the Corporation, or (ii) the date such right is relinquished by Declarant by a signed document recorded in the office of the Register of Deeds of Onslow County.

ARTICLE 12

AMENDMENTS TO ARTICLES OF INCORPORATION

Until such time as the power of the Declarant unilaterally to amend the Articles of Incorporation terminates pursuant to Article 17 of the Articles of Incorporation, the members of the Corporation shall not be entitled to vote on any proposed amendment to the Articles of Incorporation over which the Declarant has the unilateral right to amend as provided in Article 17 of the Articles; provided, however, that during such time as the Declarant has the unilateral right to amend the Articles of Incorporation as provided in Article 17 of the Articles, the members of the Corporation shall have the right to vote on any changes to the Articles of Incorporation as to which the Declarant does not have the unilateral right to amend the Articles pursuant to Article 17 of the Articles. Further, after the unilateral power of the Declarant to amend the Articles of Incorporation terminates pursuant to Article 17 of the Articles, the members of the Corporation shall be entitled to vote on all proposed changes to the Articles of Incorporation pursuant to Section 55A-10-03 of the North Carolina Nonprofit Corporation Act. Notwithstanding any other provision hereof, these Bylaws shall not be amended, without Declarant's prior written consent, in any manner which affects Declarant's rights to appoint the Architectural Control Committee and to transfer Declarant's appointment rights, all as set forth in the Declaration.

ARTICLE 13

PRIORITY

In the event of any inconsistency between the Bylaws and the Declaration, the Declaration shall control; in the event of any inconsistency between the Bylaws and the Articles of Incorporation, the Articles shall control; and in the event of any inconsistency between the Articles and the Declaration, the Declaration shall control.

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