

BYLAWS FOR BELVEDERE PLANTATION  
TOWNHOMES ASSOCIATION

ARTICLE I

NAME AND DEFINITIONS

Section 1.1. Name. The name of the association shall be Belvedere Plantation Townhomes Association (the "Association").

Section 1.2. Definitions. Terms specifically defined in the Declaration for Covenants, Conditions, Restrictions and Easements of Belvedere Plantation Townhomes, 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 payment levied by the Association against the Lots, as authorized in the Declaration.

ARTICLE II

MEMBERSHIP AND VOTING

Section 2.1. Membership. A Person shall automatically become a member of the Association 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 of purchase or as security for an obligation shall not be a member of the Association. If more than one Person owns a Lot, then all of the Persons who own such Lot shall be members of the Association. Membership in the Association shall be appurtenant to and may not be separated from the ownership of a Lot. Until the Class B membership terminates as set forth below, the Association shall have two (2) classes of members as is set forth below:

Class A - The Class A member(s) shall be all Owners with the exception of any Owners who qualify as Class B members, and Class A members shall each be entitled to one (1) vote for each Lot owned; provided, however, when more than one Person holds an interest in any Lot, then all such Persons collectively shall be entitled to one (1) vote for each Lot collectively owned. 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.

Class B - The Class B member shall be the Declarant. The Class B member shall have a veto power, under certain circumstances and as more particularly set forth in the Articles and these Bylaws, over all actions of the Executive Board or any committee as may have been appointed by the Executive Board or established by these Bylaws or the Declaration. The

Class B member shall be entitled to three (3) votes for each Lot owned. The Class B membership shall cease and be converted to Class A membership upon the occurrence of the earlier of (i) the expiration of the Development Period, or (ii) when the total votes outstanding in the Class A membership equal or exceed the total votes outstanding in the Class B membership.

Section 2.2. Notice of Membership. Membership in the Association is mandatory. Upon acquiring title to a Lot, each new Owner (except a Class B member) shall immediately give written notice to Secretary of Association 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 Association may be assessed against such Owner as is set forth in the Declaration.

Section 2.3. Transfer of Membership. Memberships are not transferable. Each membership in the Association 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 Association Documents and is not in default in the payment of any assessment, installment, or any other amounts owing to the Association pursuant to the Declaration. Except as may be otherwise specifically authorized by the Declaration, and permitted by the Declaration, the Executive Board shall not impose a fine or penalty, undertake permitted remedial action, or suspend voting or infringe upon other rights of a member or other occupant for violations of the Association Documents, or for assessments or other amounts due and owing to the Association remaining unpaid for a period of thirty (30) days, or longer, unless and until the Association complies with the hearing procedures set forth in the Declaration. The membership of a member in the Association 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 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 Association 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, unless specifically provided otherwise in these Bylaws, the Articles of Incorporation, or the Declaration. In addition, members shall be entitled to vote on any other matters specifically provided for in the Declaration, the Articles of Incorporation, the Bylaws, or the North Carolina Planned Community Act. Unless provided otherwise by law or any of the Association Documents, members shall not vote by class.

Section 2.6. Additional Provisions Governing Voting

(a) Association Votes. If the Association is an Owner, the Association shall not cast the vote of 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 Association, 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 Association 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 Association.

(d) Delinquency. No member (i) may vote at any meeting of the Association if such member's voting rights have been suspended pursuant to Section 2.4 hereof through the date of such meeting, or (ii) may 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 Association is delinquent more than sixty (60) 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 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 in 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 is 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 one or more agents 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. A revocable appointment of 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 Association in oral or written form.

### ARTICLE III

#### MEETING OF MEMBERS

Section 3.1. Place of Meeting. All meetings of members shall be held at the principal office of the Association or at such other place inside or outside the State of North Carolina as shall be designated in the notice of the meeting.

Section 3.2. Annual Meetings. An annual meeting of members shall be held at such date, time, and place as may be determined 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 Association (except as provided otherwise in Section 4.1 in these Bylaws), such other purposes as may be included in the notice of such meeting, and for the transaction of such other business as properly may be brought before the 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 Board of Directors of the Association, and shall be called by the Secretary of the Association within thirty (30) days upon receipt of a written request signed, dated, and delivered to the Secretary by 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. The record date for determining members entitled to demand a special meeting is the date the first member signs the demand. Such resolution, petition or request must: (1) specify the time and place at which the meeting is to be held, which place must be in Pender County, North Carolina; (2) either specify a date on which the meeting is to be held which will permit 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 by United States mail (postage prepaid) (a) not less than ten (10) nor more than sixty (60) days before the date thereof, either in person, or by first class, certified, or registered mail, 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 Association, with postage thereon prepaid. For notice purposes, a member's address shall be the mailing address of each Lot or to any other mailing address designated in writing by the member to the Secretary of the Association.

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 for a meeting where any of the following matters are to be approved 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, Bylaws, or Declaration (iii) plan of merger or dissolution, or (iv) a sale of assets other than in the regular course of the Association's activities; and PROVIDED, 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 any required notice set forth herein.

The notice of any meeting of members shall state the items on the agenda, including the general nature 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 special 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 Association receives a written request to do so by 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 Association at least ten (10) days before the Association 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 Association 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 of Incorporation, these Bylaws, the Declaration, or by law, a majority 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 represented 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 (defined 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 Association 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 Association 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 Association.

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 shall not set a Record Date retroactively. The membership list shall be current as of the Record Date. Before each meeting of members, the Association 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 Association 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 Association 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 for the purpose of communication with other members concerning the meeting and at anytime during the meeting or any adjournment thereof. 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 Board of Directors fixes a new date for determining the right to notice or the right to vote, which the Board shall do if the meeting is adjourned to a date more than 120 days after the date fixed for the original meeting.

## ARTICLE IV

### EXECUTIVE BOARD

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

(a) Declarant Controlled Executive Board. The initial directors of the Association, who shall serve as directors until their successors shall be elected and qualify, are set forth in the Articles of Incorporation of the Association. Subsequent to the initial directors, and for the period of time the Declarant controls the Executive Board pursuant to these Bylaws, the number of directors of the Association three (3). Except as otherwise provided in subparagraph (b) of this Section, all of the directors shall be appointed by the Declarant. The Declarant shall appoint the aforementioned directors by written notice sent to the Secretary of the Association. The Board of Directors of the Association shall be referred to herein from time to time as the "Executive Board."

(b) Election of Directors by Members. At the annual meeting of members following the sale by the Declarant of at least one-half (1/2) of the Initial Lots, the Class A members shall be entitled to elect one (1) director of the Association. At the next annual meeting of members following the sale by the Declarant of at least two-thirds (2/3) of the Initial Lots, the Class A members of the Association shall be entitled to elect two (2) directors of the Association. At the next annual meeting of members following the sale by the Declarant of at least seventy-five percent (75%) of the Initial Lots, the Class A members of the Association shall be entitled to elect all the directors of the Association, thus ending the period of Declarant control of the Executive Board in subparagraph (a) above. For purposes of the foregoing, "Initial Lots" shall mean the Lots shown and designated on the map recorded in Map Book 36, Page 033, on Slide 485 in the Office of the Register of Deeds of Pender County, North Carolina. Once the Class A members are entitled to elect all the directors of the Association pursuant to the foregoing, (i) the number of directors of the Association shall be not less than three (3) and not more than five (5), as from time to time may be fixed or changed within said minimum and maximum by the members or the Board of Directors, (ii) the entire Executive Board shall be elected, pursuant to the following sentence, by the members of the Association (including the Declarant as a member for any Lot owned) as Class A members with one (1) vote for each Lot owned (see Section 2.1 of these Bylaws), and (iii) at least a majority of the Executive Board members shall be Owners of Lots. Except as provided in subparagraph (a) of this Section and

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.

(d) Veto Power. Pursuant to the reservation of an option to expand the Property in Section 4.1 of the Declaration, the Declarant may create Additional Lots. In such event, the Declarant shall have a veto power, as is set forth in the Articles of Incorporation of the Association, as follows. The Declarant shall have veto power over all actions taken by the Board of Directors of the Association or by any committee of the Association as may have been appointed by the Board or established by these Bylaws or the Declaration. The Declarant's veto power shall begin if, and as of the date, the Declarant exercises the Declarant's option in Section 4.1 of the Declaration to incorporate all or any portion of the Additional Property into the Property and shall end when at least eighty percent (80%) of the Lots constituting the Additional Property so submitted by the Declarant are owned by other than the Declarant. (If the Declarant exercises the aforementioned option in Section 4.1 of the Declaration as to only a portion of Additional Property, then the Declarant's veto power shall end when at least eighty percent (80%) of the Lots constituting that portion of Lots of Additional Property so submitted are owned by other than the Declarant. However, in such event, the Declarant's veto power would resume if, and as of the date, the Declarant exercised the option to incorporate another portion of Additional Property into the Property under Section 4.1 of the Declaration and would end again when at least eighty percent (80%) of such Lots of such Additional Property are owned by other than the Declarant.) During such time as the Declarant's veto power is in effect as set forth above, the Board of Directors and any committee of the Association shall communicate to the Declarant any and all action taken by the Board or committee, as applicable, within twenty-four (24) hours of taking action, and the Declarant shall have ten (10) business days in which to veto such action by delivering written notice of the Declarant's veto to the Secretary of the Association.



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, the Nominations Committee shall be appointed by the Executive Board. If appointed, 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 submitted in writing to the President of the Association 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. Additional nominations may be made from the floor at the meeting at which the election is held for each vacancy on the Executive Board for which no more than one person has been nominated by the Nominations Committee. 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. Except for directors appointed by the Declarant, no person shall be eligible for election as a member of the Executive Board unless such person is a member of the Association or is the individual nominee of a member which is other than an individual. No member or individual nominee of a member who is other than an individual shall be elected as a director or continue to serve as a director (a) if the member is more than sixty (60) days delinquent in meeting any financial obligation owed to the Association, if such delinquency is not cured by the record date set pursuant to Section 3.9 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 Association 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 Association. 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 higher vote is required by the Articles of Incorporation, these Bylaws, the North Carolina Nonprofit Corporation 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 simultaneous 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 not appointed by the Declarant 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 removal of the director. 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 Board shall be removed automatically. Only the Declarant may remove a director appointed by the Declarant, which shall be by written notice of such removal sent by the Declarant to the Secretary of the Association.

(b) A vacancy 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 (other than any director appointed by the Declarant) 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 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 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. Any vacancy of a director appointed by the Declarant shall be filled by the Declarant by written notice of such appointment to the Secretary of the Association.

(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 Board. The business and affairs of the Association shall be managed by the Executive Board. The Executive Board shall have all of the powers and duties necessary for the administration of the affairs of the Association, 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, as both may be amended from time to time, and may do all such acts and things as are not required by the Declaration, the Bylaws, or the Articles to be exercised and done by the members; 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. The Executive Board shall delegate to one of its members or to a Person employed for such purpose the authority to act on behalf of the 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 meetings of the Board as the Board deems appropriate. In addition to the duties imposed by any other provision of the Declaration or by any resolution of the Association that may hereafter be adopted, the Board shall perform the following duties and take the following

actions on behalf of the Association, 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, and provide for the management and Upkeep of all of the Common Areas, as provided in the Declaration.

(b) Designate, hire, dismiss and, where appropriate, compensate the personnel necessary to provide for the maintenance and Upkeep of the Common Areas, as provided for in the Declaration, and 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, deposit the proceeds thereof in depositories designated by the Executive Board and use the proceeds to provide the goods, services, and Upkeep set forth in Subparagraph (a) of this Section 4.5.

(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 Association and designate the signatories thereon.

(f) Enforce by legal means the provisions of the Association Documents as are in effect from time to time.

(g) Act with respect to all matters arising out of any eminent domain proceeding affecting the Common Areas.

(h) Notify the members of any litigation against the Association 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 Association 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 Association if such expenditures and hypothecations are included in the budget.

(l) Charge reasonable fees for the use of the Common Areas and for services.

(m) Suspend the right of any Owner or other occupant of a Lot, and the right of such Person's household, guests, employees, customers, tenants, agents and invitees to use any recreational facilities, areas or amenities located in the Common Areas, subject to the hearing procedures provided in the Declaration.

(n) For each fiscal year, the Board shall prepare and adopt a proposed budget in compliance with the Declaration, including therein estimates of the amount considered necessary to pay the Common Expenses, together with amounts considered necessary by the Board for reserves. Within thirty (30) days after the adoption of any proposed budget for the Association, the Board shall provide a 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 for 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 summary and notice. There shall be no requirement that a quorum be present at the meeting. The budget is ratified unless at that meeting a majority of all the Owners of the Association (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 Board.

(o) Adopt an annual budget and make assessments (general or special) against the Lots to defray the Common Expenses of the Association, 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 Common Expenses, and establish appropriate reserve funds for the Association, all as provided in the Declaration.

(p) Borrow money on behalf of the Association when required for any valid purpose.

(q) Grant easements, rights-of-ways or licenses over and through the Common Areas pursuant to North Carolina General Statute Section 47F-3-102(9).

(r) Enter into contracts to carry out the business and activities of the Association.

(s) 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; perform all responsibilities of the Association 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. A regular meeting of the Board of Directors 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 Board into executive session on sensitive matters such as personnel, litigation strategy or hearings with respect to violations of the Association Documents. Any final action taken by the Board in executive session shall be recorded in the minutes.

(b) Notice. Regular meetings of the Executive Board may be held without notice. 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. In the event business cannot be conducted at any regular or special meeting because a quorum is not present, the meeting may be adjourned until a later date and time without further notice by the affirmative vote of the majority of those directors present.

(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 Association 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 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 Association for inclusion in the minutes or filing with the corporate records.

## ARTICLE V

### MANAGING AGENT

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

Section 5.2. Requirements. The managing agent shall be a bona fide business enterprise which manages common interest communities. Such firm or its principals shall have a minimum of two (2) years experience in community association management and shall employ persons possessing a high level of competence in the technical skills necessary to properly manage the Property pursuant to the Association Documents. The managing agent must also be able to advise and assist the Executive Board regarding the administrative operation of the Association 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 Association who shall organize, staff, train and administer the in-house personnel solely to perform the managing agent duties set forth above. Any managing agent must carry adequate liability and dishonesty bond insurance coverage sufficient to cover the funds of the Association in such managing agent's control and as may be required, from time to time by the Executive Board.

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 set forth in Section 4.5(d), (e), (g), (h), (i), (k), (l), (m), (o), (p), (q), (r), and (s). In addition and generally, the managing agent shall perform the obligations, duties and services relating to the management of the Property in compliance with the provisions of the Association 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 cash method or 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 account of the Association 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 Association whether in the form of commissions, finders fees, service fees or otherwise; and any discounts received shall benefit the Association;

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

(f) A financial report shall be prepared for the Association at least monthly, containing: (i) an "income and expense statement" reflecting all income and expense activity for the preceding period on an accrual basis reflecting "actual versus budgeted" on a month to month and year to date; (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 Association on an unaudited and accrual basis; (iv) a "budget report" reflecting any actual or pending obligations which are in excess of budgeted amounts by an amount exceeding the operating reserves or ten percent (10%) of a major budget category (as distinct from a specific line item in an expanded chart of accounts); and (v) a "delinquency report" listing all Owners who are delinquent in pay assessments and describing the status of any actions to collect such assessments and copies of all bank account statements, and.

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

## ARTICLE VI

### OFFICERS

Section 6.1. Designation and Duties of Officers. The principal officers of the Association 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. After the Class B membership terminates pursuant to the Declaration and these Bylaws, all officers shall be Owners, officers of corporate Owners, partners of partnership Owners, or members of limited liability company Owners and shall be members of the Executive Board. 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.

Section 6.2. Election of Officers. The officers of the Association shall be elected annually by the Executive Board at the Board's regular meeting of the Board of Directors 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 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 Association, orally or in writing, of such resignation. A resignation shall be effective upon receipt by the Association unless it specifies in writing a later effective date. If a resignation is made effective at a later date and the Association accepts the future 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 Association'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. Individuals appointed to fill a vacancy by the Executive Board 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 Association and, subject to the control of the Executive Board, shall supervise and control the management of the Association 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 Association, 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 Association. 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 Association and of the Executive Board; have charge of such books and papers as the 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 Association; 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 Association; 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 Association 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 Association 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 VII

### COMMITTEES

Section 7.1. Covenants Committee. The Executive Board may establish a Covenants Committee as a Committee of the Board, and if so, shall establish such committee pursuant to Section 7.4 below.

Section 7.2. Nominations Committee. The Executive Board may establish a Nominations Committee, pursuant to Section 7.5 below, as set forth in Section 4.2(a) of these Bylaws.

Section 7.3. Architectural Committee. The Executive Board shall establish an Architectural Committee pursuant to Section 7.5 of these Bylaws. The Architectural Committee shall be as is set forth in, and subject to the terms and conditions of, Article 9 of the Declaration.

Section 7.4. Committees of the Board. The Executive Board, by resolution of a majority of directors in office, may designate two or more directors to constitute an Executive Committee and such other committees as the 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 Association. 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 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 7.5. Other Committees. Other committees not having and exercising the authority of the Executive Board in the management of the Association 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.

## ARTICLE VIII

### 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 Association for expenditures or obligations for Common Expenses, shall be executed by any two (2) individuals designated by the Executive Board. Any officer of the Association may be designated by Board resolution to sign a statement of Common Expenses on behalf of the Association.

Section 8.2. Indemnification. The Association 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, arbitral, or investigative and whether or not brought by or on behalf of the Association, by reason of the fact that such person is or was a director or officer of the Association, or is or was serving at the request of the Association 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 Association 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 Association or if such person received an improper personal benefit from such activities. The Association 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 Association 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 Association against such expenses.

The Executive Board of the Association shall take all such action as may be necessary and appropriate to authorize the Association to pay the indemnification required by this 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 Association 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 Association.

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 Association shall be deemed to be doing or to have done so in reliance upon, and as consideration for, the right of indemnification provided herein. Such right shall inure to the benefit of the legal representatives of any such person and shall not be exclusive of any other rights to which such person may be entitled apart from the provision of this Bylaw.

Section 8.3. Compensation of Directors and Officers. No salary or other compensation shall be paid by the Association to any director or officer of the Association 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 Association 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 IX

### BOOKS AND RECORDS

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

Section 9.2. Availability. All financial and other records of the Association shall be made reasonably available for examination by any Owner and the Owner's authorized agents. For this purpose, the books and records of the Association 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 Corporation 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 Common Expenses 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 Association or any other level of financial review of the books and records of the Association, and if authorized, such service shall be a Common Expense of the Association. In the event that an Owner or Owners request an audit of the Association 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 Association shall be fixed by the Executive Board.

ARTICLE X

NOTICES

Except as specifically provided otherwise in the Association 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 Association. 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 XI

AMENDMENTS

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 Board of Directors pursuant to the applicable provisions of the North Carolina Nonprofit Corporation Act.

ARTICLE XII

PRIORITY

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