

BYLAWS OF
CAPE FEAR NATIONAL AT BRUNSWICK FOREST
NEIGHBORHOOD ASSOCIATION, INC.

Article I
Name, Principal Office, and Definitions

1.1 Name.

The name of the corporation is Cape Fear National at Brunswick Forest Neighborhood Association, Inc. (the "Association").

1.2 Principal Office.

The principal office of the Association shall be located in Brunswick County, North Carolina. The Association may have such other offices, either within or outside Cape Fear National at Brunswick Forest, as the Board of Directors may determine or as the affairs of the Association may require.

1.3 Definitions.

The words used in these Bylaws shall be given their normal, commonly understood definitions. Capitalized terms shall have the same meaning as set forth in that certain recorded Declaration of Covenants, Conditions and Restrictions for Cape Fear National at Brunswick Forest (as amended from time to time, the "Declaration"), unless the context indicates otherwise.

Article II
Membership: Meetings, Quorum, Voting, Proxies

2.1 Membership.

Every Owner shall be a Member of the Association. There shall be only one membership per Unit. If a Unit is owned by more than one Person, all co-Owners shall share the privileges of that membership. The membership rights of an Owner which is a corporation, partnership or other legal entity may be exercised by any officer, director, partner, or trustee, or by any other individual designated from time to time by the Owner in a written instrument provided to the Secretary of the Association, provided that only one person (and such person's immediate family members with respect to membership rights other than voting) may be designated to act in such capacity for such an Owner at any particular time.

Membership in the Association shall inure automatically to Owners upon acquisition of the fee simple title to any one or more Units. The date of recordation in the Office of the Register of Deeds of Brunswick County of the conveyance of the Unit in question shall govern the date of ownership of each particular Unit. However, in the case of death, the transfer of ownership shall occur on the date of death in the case of intestacy or the date of probate of the will in the case of

testacy. Until a decedent's will is probated, the Association may rely on the presumption that a deceased Owner died intestate.

The Association shall have two classes of membership, Class "A" and Class "B", as more fully set forth in the Declaration. The provisions of the Declaration pertaining to membership are incorporated by this reference.

2.2 Place of Meetings.

Meetings of the Association shall be held at the principal office of the Association or at such other suitable place convenient to the Members as the Board may designate.

2.3 Annual Meetings.

A meeting of the Association shall be held at least once a year. The first meeting of the Association, whether a regular or special meeting, shall be held within one year after the date of incorporation of the Association, on the date and hour designated by the Class "B" Member. Subsequent regular annual meetings shall be set by the Board in the same quarter of the Association's fiscal year on a date and at a time set by the Board.

2.4 Special Meetings.

The President may call special meetings. In addition, it shall be the duty of the President to call a special meeting if so directed by resolution signed by a majority of the Board or upon a petition signed by Members representing at least 10% of the total Class "A" votes of the Association. Business to be acted upon at all Special Meetings shall be confined to the subject(s) states in the notice of such meeting.

2.5 Notice of Meetings.

Written or printed notice stating the time and place of any meeting of the Members shall be delivered, either personally or by mail, to each Member entitled to vote at such meeting, not less than ten (10) nor more than sixty (60) days before the date of such meeting, by or at the direction of the President or the Secretary or the officers or persons calling the meeting. Such notice shall also specify the items on the agenda, including the general nature of any proposed amendment to the Declaration, Bylaws, any budget changes, and any proposal to remove a director or officer.

In the case of a special meeting or when otherwise required by statute or these Bylaws, the purpose or purposes for which the meeting is called shall be stated in the notice. No business shall be transacted at a special meeting except as stated in the notice.

If mailed, the notice shall be deemed to be delivered when deposited in the United States mail addressed to each Member's mailing address last appearing on the books of the Association, or to any other mailing address designated in writing by such member to the Association for the purpose of receiving notice, with postage prepaid. Alternatively, written notice of each meeting of Members may be given by or at the direction of the Secretary or other person authorized to call the meeting by electronic means, including by electronic mail over the Internet, to an electronic mailing address designated in writing by the Member. Notice given electronically shall be deemed to be delivered when dispatched, unless an error message is reported back to the sending system.

2.6 Waiver of Notice.

Waiver of notice of a meeting of the Members shall be deemed the equivalent of proper notice. Any Member may waive, in writing, notice of any meeting of the Members, either before or after such meeting. Attendance at a meeting by a Member shall be deemed waiver by such Member of notice of the time, date, and place thereof, unless such Member specifically objects to lack of proper notice at the time the meeting is called to order. Attendance at a special meeting also shall be deemed waiver of notice of all business transacted at such meeting unless an objection on the basis of lack of proper notice is raised before the business is put to a vote.

2.7 Voting Required to Transact Business.

When a quorum is present at any meeting, a majority of the votes entitled to be cast by the Members present or represented by proxy shall decide any question brought before the meeting unless the question is one upon which, by express provision of the Declaration or these Bylaws, a different vote is required, in which case such express provision shall govern and control the decision of such question.

If any meeting of the Association cannot be held because a quorum is not present, a majority of the Members who are present at such meeting may recess the meeting to a time not less than five (5) nor more than thirty (30) days from the time the original meeting was called. At the reconvened meeting, if a quorum is present, any business may be transacted which might have been transacted at the meeting originally called; provided, however, in the event any meeting is recessed and reconvened due to lack of a quorum, the quorum requirement applicable to such reconvened meeting shall be one-half ($\frac{1}{2}$) of the quorum requirement applicable at the meeting recessed due to lack of a quorum.

If a time and place for reconvening the meeting is not fixed by those in attendance at the original meeting or if for any reason a new date is fixed for reconvening the meeting after recess thereof, notice of the time and place for reconvening the meeting shall be given to Members in the manner prescribed for regular meetings.

Members present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough Members to leave less than a quorum, provided that any action taken is approved by at least a majority of the votes required to constitute a quorum.

2.8 Voting.

The voting rights of the Members shall be as set forth in the Declaration and in these Bylaws, and such voting rights provisions are specifically incorporated by this reference.

2.9 Proxies.

Members may vote either in person or by agents duly authorized by written proxy, subject to the limitations of North Carolina law relating to use of general proxies and subject to any specific provision to the contrary in the Declaration or these Bylaws.

Every proxy shall be in writing specifying the Unit for which it is given, signed by the Member or his duly authorized attorney-in-fact, dated, and filed with the Secretary of the Association prior to the meeting for which it is to be effective. Unless otherwise specifically provided in the proxy, a proxy shall be presumed to cover all votes which the Member giving such proxy is entitled to cast, and in the event of any conflict between two or more proxies purporting to cover the same voting rights, the later dated proxy shall prevail, or if dated as of the same date, both shall be deemed invalid.

Every proxy shall be revocable and shall automatically cease upon: (a) conveyance of any Unit for which it was given or (b) receipt by the Secretary of written notice of revocation of the proxy or of the death or judicially declared incompetence of a Member who is a natural person, from the date of the proxy, unless a shorter period is specified in the proxy.

2.10 Majority.

As used in these Bylaws, the term "majority" shall mean those votes, Owners, or other group as the context may indicate totaling more than 50% of the total eligible number.

2.11 Quorum.

Except as otherwise provided in these Bylaws or in the Declaration, the presence in person or by proxy of Members representing twenty percent (20%) of the total votes in the Association shall constitute a quorum at all Association meetings.

2.12 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 in a minute book all resolutions adopted and all other transactions occurring at such meetings.

2.13 Action Without a Meeting.

Any action required or permitted by law to be taken at a meeting of the Members may be taken without a meeting, without prior notice and without a vote if written consent specifically authorizing the proposed action is signed by Members holding at least the minimum number of votes necessary to authorize such action at a meeting if all Members entitled to vote thereon were present. Such consents shall be signed within sixty (60) days after receipt of the earliest dated consent, dated and delivered to the Association. Such consents shall be filed with the minutes of the Association and shall have the same force and effect as a vote of the Members at a meeting. Within ten (10) days after receiving authorization for any action by written consent, the Secretary shall give written notice to all Members entitled to vote who did not give their written consent, fairly summarizing the material features of the authorized action.

Article III
Board of Directors: Selection, Meetings, Powers

A. *Composition and Selection.*

3.1 Governing Body; Composition.

The affairs of the Association shall be governed by a Board of Directors, each of whom shall have one (1) vote. Except with respect to directors appointed by the Class "B" Member, directors shall be Members or residents; provided, however, no Owner, resident or tenant representing the same Unit may serve on the Board at the same time. A "resident" shall be any natural person eighteen (18) years of age or older whose principal residence is a Unit within Cape Fear National at Brunswick Forest. If a Member is not a natural person, any officer, director, partner or officer of such Member shall be eligible to serve as a director unless otherwise specified by written notice to the Association signed by such Member; provided, no Member may have more than one such representative on the Board at a time, except in the case of directors appointed by the Class "B" Member.

3.2 Number of Directors.

The Board shall consist of three (3) to five (5) directors, as further provided in Sections 3.3 and 3.5 below. The initial Board shall consist of three (3) directors as identified in the Articles of Incorporation.

3.3 Directors During Class "B" Control Period.

Directors appointed by the Class "B" Member pursuant to Section 3.5 of these Bylaws shall be appointed by the Class "B" Member acting in its sole discretion and shall serve at the pleasure of the Class "B" Member.

3.4 Nomination and Election Procedures.

Prior to each election of Directors, the Board shall prescribe the opening date and the closing date of a reasonable filing period in which each and every eligible person who has a bona-fide interest in serving as a director may file as a candidate for any position to be filled by votes of the Members. The Board shall also establish such other rules and regulations as it deems appropriate to conduct the nomination of directors in a fair, efficient and cost-effective manner. Nominations also may be permitted from the floor.

Except with respect to directors selected by the Class "B" Member, a Nominating Committee may also make nominations for election to the Board. The Nominating Committee, if any, shall consist of a Chairman, who shall be a member of the Board, and three (3) or more Members or representatives of Members. Members of the Nominating Committee shall be appointed by the Board not less than thirty (30) days prior to each annual meeting to serve a term of one (1) year and until their successors are appointed, and such appointment shall be announced in the notice of each election.

The Nominating Committee may make as many nominations for election to the Board as it shall in its discretion determine. In making its nominations, the Nominating Committee shall use

reasonable efforts to nominate candidates representing the diversity that exists within the pool of potential candidates.

Each candidate shall be given a reasonable, uniform opportunity to communicate his or her qualifications to the Members and to solicit votes.

3.5 Election and Term of Office.

Except as these Bylaws may otherwise specifically provide, election of directors shall take place at the Association's annual meeting.

(a) Until the termination of the Class "B" Control Period, the Class "B" Member shall be entitled to appoint all of the directors, who shall serve at the discretion of the Class "B" Member; and the Class "B" Member shall also be entitled to determine the number constituting the Board of Directors, which number shall be not greater than five (5) and not less than three (3), and may be changed at any time in the Class "B" Member's sole discretion.

(b) Within thirty (30) days after termination of the Class "B" Control Period, the President shall call for an election by which the Class "A" Members shall be entitled to elect all five (5) of the directors.

(c) The term of office of a director elected by the Class "A" Members shall be two (2) years. The first election of the Board of Directors shall provide for the election of three (3) directors for a two (2) year term and for the election of two (2) directors for a one (1) year term. Thereafter, all directors shall be elected for a two (2) year term such that three (3) directors are elected one year and two (2) directors the next year. Directors elected by the Members shall hold office until their respective successors have been elected.

(d) The Association shall publish the names and addresses of all officers and directors within thirty (30) days of their election.

3.6 Removal of Directors and Vacancies.

Any director elected by the Members may be removed, with or without cause, by the vote of Members holding a majority of the votes entitled to be cast for the election of such director. Any director whose removal is sought shall be given notice prior to any meeting called for that purpose. Upon removal of a director, a successor shall be elected by the Members entitled to elect the director so removed to fill the vacancy for the remainder of the term of such director.

Any director elected by the Members who has three (3) consecutive unexcused absences from Board meetings, or who is more than thirty (30) days delinquent (or is the representative of a Member who is so delinquent) in the payment of any assessment or other charge due the Association, may be removed by a majority of the directors present at a regular or special meeting at which a quorum is present, and the Board may appoint a successor to fill the vacancy for the remainder of the term.

In the event of the death, disability, or resignation of a director, the Board may declare a vacancy and appoint a successor to fill the vacancy until the next annual meeting, at which time the Members entitled to fill such directorship may elect a successor for the remainder of the term.

This Section shall not apply to directors appointed by the Class "B" Member nor to any director serving as Declarant's representative. The Class "B" Member or Declarant shall be entitled to appoint a successor to fill any vacancy on the Board resulting from the death, disability or resignation of a director appointed by or elected as a representative of the Class "B" Member or Declarant.

B. *Meetings.*

3.7 Organizational Meetings.

The first meeting of the Board following each annual meeting of the membership shall be held within thirty (30) days thereafter at such time and place as the Board shall fix.

3.8 Regular Meetings.

Regular meetings of the Board may be held at such time and place as a majority of the directors shall determine, but at least four (4) such meetings shall be held during each fiscal year with at least one (1) per quarter.

3.9 Special Meetings.

Special meetings of the Board shall be held when called by written notice signed by the President or Vice President or by a majority of the directors.

3.10 Notice; Waiver of Notice.

(a) Notices of Board meetings shall specify the time and place of the meeting and, in the case of a special meeting, the nature of any special business to be considered. The notice shall be given to each director by: (i) personal delivery; (ii) first class mail, postage prepaid; (iii) telephone communication, either directly to the director or to a person at the director's office or home who would reasonably be expected to communicate such notice promptly to the director; or (iv) facsimile, computer, fiber optics or other electronic communication device, with confirmation of transmission. All such notices shall be given at the director's telephone number, fax number, electronic mail number, or sent to the director's address as shown on the records of the Association. Notices sent by first class mail shall be deposited into a United States mailbox at least five (5) business days before the time set for the meeting. Notices given by personal delivery, telephone, or other device shall be delivered or transmitted at least seventy-two (72) hours before the time set for the meeting.

(b) Transactions of any Board meeting, however called and noticed or wherever held, shall be as valid as though taken at a meeting duly held after regular call and notice if (i) a quorum is present and (ii) either before or after the meeting each director not present signs a written waiver of notice, a consent to holding the meeting, or an approval of the minutes. The waiver of notice or consent need not specify the purpose of the meeting. Notice of a meeting also shall be deemed given to any director who attends the meeting without protesting before or at its commencement about the lack of adequate notice.

3.11 Telephonic Participation in Meetings.

Members of the Board or any committee designated by the Board may participate in a meeting of the Board or committee by means of conference telephone or similar communications equipment, by means of which all persons participating in the meeting can hear each other. Participation in a meeting pursuant to this subsection shall constitute presence in person at such meeting.

3.12 Quorum of Board.

At all Board meetings, a majority of the directors shall constitute a quorum for the transaction of business, and the votes of a majority of the directors present at a meeting at which a quorum is present shall constitute the decision of the Board, unless otherwise specifically provided in these Bylaws or the Declaration. A meeting at which a quorum is initially present may continue to transact business, notwithstanding the withdrawal of directors, if any action taken is approved by at least a majority of the required quorum for that meeting. If any Board meeting cannot be held because a quorum is not present, a majority of the directors present at such meeting may recess the meeting to a time not less than five (5) nor more than thirty (30) days from the date of the original meeting. At the reconvened meeting, if a quorum is present, any business which might have been transacted at the meeting originally called may be transacted without further notice.

3.13 Conduct of Meetings.

The President shall preside over all meetings of the Board, and the Secretary shall keep a minute book of Board meetings, recording all Board resolutions and all transactions and proceedings occurring at such meetings.

3.14 Owners' Opportunity to Attend Board Meetings; Executive Session.

(a) At regular intervals, the Board shall provide Owners an opportunity to attend a portion of a Board meeting and to speak to the Board about their issues or concerns. Notice shall be posted of these meetings at least forty-eight (48) hours in advance of the meeting at a conspicuous place within Cape Fear National at Brunswick Forest which the Board establishes for the posting of notices relating to the Association. The Board may place reasonable restrictions on the number of persons who speak on each side of an issue and may place reasonable time restrictions on persons who speak.

(b) Except as otherwise provided in these Bylaws, meetings of the Board shall be conducted in accordance with the most recent edition of *Robert's Rules of Order Newly Revised*.

(c) Notwithstanding the above, the President may recess any meeting of the Board and reconvene in executive session, and may exclude persons other than directors, to discuss matters of a sensitive nature, such as pending or threatened litigation, personnel matters, etc.

3.15 Action Without a Formal Meeting.

Any action to be taken at a meeting of the directors or any action that may be taken at a meeting of the directors may be taken without a meeting if a consent in writing, setting forth the

action so taken, is signed by all of the directors, and such consent shall have the same force and effect as a unanimous vote.

C. *Powers and Duties.*

3.16 Powers.

The Board shall have all of the powers and duties necessary for the administration of the Association's affairs and for performing all responsibilities and exercising all rights of the Association as set forth in the Declaration, and as provided by law. The Board may do or cause to be done on behalf of the Association all acts and things except those which the Declaration or North Carolina law require to be done and exercised exclusively by the Members or the membership generally.

3.17 Duties.

Duties of the Board shall include, without limitation:

- (a) preparing and adopting, in accordance with the Declaration, an annual budget of expenses as more particularly described in the Declaration;
- (b) levying and collecting Assessments from the Owners;
- (c) providing for the operation, care, upkeep, and maintenance of the Lawn Maintenance and Landscaping Elements and the Limited Common Area consistent with the standards required by the Declaration;
- (d) designating, hiring, and dismissing personnel necessary to carry out the Association's rights and responsibilities and where appropriate, providing for compensation of such personnel and for the purchase of equipment, supplies, and materials to be used by such personnel in the performance of their duties;
- (e) depositing all funds received on behalf of the Association in a bank depository which it shall approve; and using such funds to operate the Association; provided, any reserve funds may be deposited, in the Board's best judgment in depositories other than banks;
- (f) making and amending use restrictions and rules in accordance with the Declaration;
- (g) opening bank accounts on behalf of the Association and designating the signatories required;
- (h) making or contracting for the making of repairs, additions, and improvements to or alterations of the Lawn Maintenance and Landscaping Elements and the Limited Common Area in accordance with the Declaration and these Bylaws;
- (i) enforcing by legal means the provisions of the Declaration and bringing any proceedings which may be instituted on behalf of or against the Owners concerning the Association;

provided, the Association's obligation in this regard shall be subject to the provisions of the Declaration;

(j) obtaining and carrying property and liability insurance and fidelity bonds, as provided in the Declaration, paying the cost thereof, and filing and adjusting claims, as appropriate;

(k) paying the cost of all services rendered to the Association;

(l) keeping books with detailed accounts of the Association's cash receipts, expenditures, and all assets and liabilities;

(m) permitting utility suppliers to use portions of the Limited Common Area reasonably necessary to the ongoing development or operation of Cape Fear National at Brunswick Forest; and

(n) indemnifying a director, officer or committee member, managing agent, or former director, officer or committee member of the Association, to the extent such indemnity is required in these Bylaws, North Carolina law, the Articles of Incorporation or the Declaration.

3.18 Compensation.

Directors shall not receive any compensation from the Association for acting as such unless approved by Members representing a majority of the total Class "A" votes (and, if during the Class "B" Control Period, the Class "B" Member) at a regular or special meeting of the Association. Any director may be reimbursed for expenses incurred on behalf of the Association upon approval of a majority of the other directors. Nothing herein shall prohibit the Association from compensating a director, or any entity with which a director is affiliated, for services or supplies furnished to the Association in a capacity other than as a director pursuant to a contract or agreement with the Association, provided that such director's interest was made known to the Board prior to entering into such contract and such contract was approved by a majority of the Board, excluding the interested director.

3.19 Right of Class "B" Member to Disapprove Actions.

So long as the Class "B" membership exists, the Class "B" Member shall have a right to disapprove any action, policy or program of the Association, the Board and any committee which, in the sole judgment of the Class "B" Member, would tend to impair rights of Declarant or authorized builders under the Declaration or these Bylaws, or interfere with development or construction of any portion of Cape Fear National at Brunswick Forest, or diminish the level of services being provided by the Association.

(a) Notice. The Class "B" Member shall be given written notice of all meetings and proposed actions approved at meetings (or by written consent in lieu of a meeting) of the Association, the Board or any committee. Such notice shall be given by certified mail, return receipt requested, or by personal delivery at the address it has registered with the Secretary of the Association, which notice complies as to Board meetings with Sections 3.8, 3.9, 3.10, and 3.11 herein and which notice shall, except in the case of the regular meetings held pursuant to the Bylaws, set forth with reasonable particularity the agenda to be followed at such meeting.

(b) Opportunity to be Heard. The Class “B” Member shall be given the opportunity at any such meeting to join in or to have its representatives or agents join in discussion from the floor of any prospective action, policy, or program which would be subject to the right of disapproval set forth herein.

No action, policy or program subject to the right of disapproval set forth herein shall become effective or be implemented until and unless the requirements of subsections (a) and (b) above have been met.

The Class “B” Member, its representatives or agents, shall make its concerns, thoughts, and suggestions known to the Board and/or the members of the subject committee. The Class “B” Member, acting through any officer or director, agent or authorized representative, may exercise its right to disapprove at any time within ten (10) days following the meeting at which such action was proposed or, in the case of any action taken by written consent in lieu of a meeting, at any time within ten (10) days following receipt of written notice of the proposed action. This right to disapprove may be used to block proposed actions but shall not include a right to require any action or counteraction on behalf of any committee, the Board, or the Association. The Class “B” Member shall not use its right to disapprove to reduce the level of services which the Association is obligated to provide or to prevent capital repairs or any expenditure required to comply with applicable laws and regulations.

3.20 Management.

The Board may employ for the Association a professional management agent or agents at such compensation as the Board may establish, to perform such duties and services as the Board shall authorize. The Board may delegate such powers as are necessary to perform the manager’s assigned duties, but shall not delegate policy-making authority or those duties set forth in Sections 3.17(a) (with respect to adoption of the budget), 3.17(b), 3.17(f), 3.17(g), 3.17(j) and 3.17(i) herein. Declarant or its affiliate may be employed as managing agent or manager.

The Board may delegate to one of its members the authority to act on the Board’s behalf on all matters relating to the duties of the managing agent or manager, if any, which might arise between Board meetings.

3.21 Accounts and Reports.

The following management standards of performance shall be followed unless the Board by resolution specifically determines otherwise:

- (a) accrual accounting, as defined by generally accepted accounting principles, shall be employed;
- (b) accounting and controls should conform to generally accepted accounting principles;
- (c) cash accounts of the Association shall not be commingled with any other 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, finder's fees, service fees, prizes, gifts, or otherwise (*i.e.*, any thing of value 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 Board;

(f) commencing at the end of the quarter in which the first Unit is sold and closed, financial reports shall be prepared for the Association at least quarterly containing:

(i) an income statement reflecting all income and expense activity for the preceding period on an accrual basis

(ii) a variance report reflecting the status of all accounts in an "actual" versus "approved" budget format;

(iii) a balance sheet as of the last day of the preceding period; and

(iv) a delinquency report listing all Owners who are delinquent in paying any assessments at the time of the report and describing the status of any action to collect such assessments which remain delinquent (any assessment or installment thereof shall be considered to be delinquent on the fifteenth (15th) day following the due date unless otherwise specified by Board resolution); and

(g) an annual report consisting of at least the following shall be made available to all Members at no charge within seventy-five (75) days after the close of the fiscal year: (i) a balance sheet; (ii) an operating (income and expense) statement; and (iii) a statement of changes in financial position for the fiscal year. Such annual report shall be prepared on an audited, reviewed, or compiled basis, as the Board determines, by an independent public accountant; provided, upon written request of any holder, guarantor or insurer of any first Mortgage on a Unit, the Association shall provide an audited financial statement.

3.22 Borrowing.

The Association shall have the power to borrow money for any legal purpose; provided, however, the Board shall obtain Member approval in the same manner provided in the Declaration for Special Assessments if the proposed borrowing is for the purpose of making discretionary capital improvements and the total amount of such borrowing, together with all other debt incurred within the previous 12-month period, exceeds or would exceed ten percent (10%) of the Association's budgeted gross expenses for that fiscal year.

3.23 Right to Contract.

The Association shall have the right to contract with any Person for the performance of various duties and functions. This right shall include, without limitation, the right to enter into common management, operational, or other agreements with trusts, condominiums, cooperatives, or other owners' or residents' associations, within and outside Cape Fear National at Brunswick Forest. Any common management agreement shall require the consent of a majority of the Board.

3.24 Enforcement.

The Association shall have the power, as provided in the Declaration, to impose sanctions for any violation of the Declaration. To the extent specifically required by the Declaration, the Board shall comply with the following procedures prior to imposition of sanctions:

(a) Notice. The Board or its delegate shall serve the alleged violator with written notice describing (i) the nature of the alleged violation, (ii) the proposed sanction to be imposed, (iii) a period of not less than fifteen (15) days within which the alleged violator may present a written request for a hearing to the Board; and (iv) a statement that the proposed sanction shall be imposed as contained in the notice (including the collection of court costs and reasonable attorneys' fees) unless a challenge is begun within fifteen (15) days of the notice. If a timely request for a hearing is not made, the sanction stated in the notice shall be imposed; provided the Board may, but shall not be obligated to, suspend any proposed sanction if the violation is cured within the 15-day period. Such suspension shall not constitute a waiver of the right to sanction future violations of the same or other provisions and rules by any Person.

(b) Hearing. If a hearing is requested within the allotted 15-day period, the hearing shall be held before the Board of Directors in executive session or an adjudicatory panel appointed by the Board. Any adjudicatory panel appointed by the Board shall be composed of members of the Association who are not officers of the Association or members of the Board. At the hearing, the alleged violator shall be afforded a reasonable opportunity to be heard. Prior to the effectiveness of any sanction hereunder, proof of proper notice shall be placed in the minutes of the meeting. Such proof shall be deemed adequate if a copy of the notice, together with a statement of the date and manner of delivery, is entered by the officer, director, or agent who delivered such notice. The notice requirement shall be deemed satisfied if the alleged violator or its representative appears at the meeting. The minutes of the meeting shall contain a written statement of the results of the hearing and the sanction, if any, imposed.

(c) Decision and Appeal After the hearing, or in the event that no hearing is required, the Owner charged shall be given notice of the decision. If it is decided that a suspension of Planned Community Privileges should be imposed, the suspension may be continued without further hearing until the violation or delinquency is cured. If it is decided that a fine should be imposed, the fine may continue to be imposed each day until the violation or delinquency is cured, provided that the fine may only be imposed if the violation or delinquency has not been cured within five days after the Board or adjudicatory panel has made the decision to impose the fine. The Owner may appeal the decision of an adjudicatory panel to the Board by delivering written notice of appeal to the Board within fifteen (15) days after the date of the decision. The Board may affirm, vacate, or modify the prior decision of the adjudicatory body.

(d) Additional Enforcement Rights. Notwithstanding anything to the contrary in this Article, the Board may elect to enforce any provision of the Declaration by self-help (specifically including, but not limited to, towing vehicles that violate parking rules) or, following compliance with the dispute resolution procedures set forth in the Declaration, if applicable, by suit at law or in equity to enjoin any violation or to recover monetary damages or both, without the necessity of compliance with the procedure set forth above. In any such action, to the maximum extent permissible, the Owner or occupant responsible for the violation of which abatement is sought shall pay all costs, including reasonable attorney's fees actually incurred. Any entry onto a Unit for

purposes of exercising this power of self-help shall not be deemed as trespass. Pursuant to Section 16.3 of the Declaration, the Board shall not be required to provide any Owner with notice and an opportunity to be heard in order to impose reasonable fines for the late payment or nonpayment of any general, special or individual assessment which has remained unpaid for a period of thirty (30) days or longer. The enforcement rights described in this Section 3.24 are in addition to and not in limitation of or in lieu of any enforcement rights or remedies set out in the Governing Documents.

3.25 Board Standards.

In the performance of their duties, Association directors and officers shall be insulated from personal liability as provided by North Carolina law for directors and officers of nonprofit corporations, and as otherwise provided in the Declaration. Directors are required to exercise the ordinary and reasonable care of directors of a corporation, subject to the business judgment rule.

As defined herein, a director shall be acting in accordance with the business judgment rule so long as the director (a) acts within the express or implied terms of the Declaration and the Articles of Incorporation and his or her actions are not *ultra vires* (i.e., outside the scope of the director's authority); (b) affirmatively undertakes to make decisions which are necessary for the Association's continued and successful operation and, when decisions are made, they are made on an informed basis; (c) acts on a disinterested basis, promptly discloses any real or potential conflict of interests (pecuniary or other), and avoids participation in decisions and actions when a conflict exists; and (d) acts in a non-fraudulent manner and without reckless indifference to the association's affairs. A director acting in accordance with the business judgment rule shall be protected from personal liability.

Board determinations of the meaning, scope, and application of the Declaration and the Articles of Incorporation shall be upheld and enforced so long as such determinations are reasonable. The Board shall exercise its power in a fair and nondiscriminatory manner and shall adhere to the procedures established in the Declaration and Articles.

Article IV **Officers**

4.1 Officers.

Officers of the Association shall be a President, Vice President, Secretary, and Treasurer. The President and Secretary shall be elected from among Board members; other officers may, but need not be, Board members. The Board may appoint such other officers, including one or more Assistant Secretaries and one or more Assistant Treasurers, as it shall deem desirable, such officers to have such authority and perform such duties as the Board prescribes. Any two (2) or more offices may be held by the same person, except the offices of President and Secretary.

4.2 Election and Term of Office.

The Board shall elect the Association's officers at the first Board meeting following each annual meeting of the Members, to serve until their successors are elected. Notwithstanding the foregoing, the initial officers shall be selected by a written consent or directive signed by the two (2) initial directors and such officers shall serve at the pleasure of the Board until the Board's expansion to five (5) directors as provided herein.

4.3 Removal and Vacancies.

The Board may remove any officer whenever in its judgment the best interests of the Association will be served, and may fill any vacancy in any office arising because of death, resignation, removal, or otherwise, for the unexpired portion of the term.

4.4 Powers and Duties.

The Association's officers shall each have such powers and duties as generally pertain to their respective offices, as well as such powers and duties as may specifically be conferred or imposed by the Board. The President shall be the chief executive officer of the Association. The Treasurer shall have primary responsibility for preparation of the budget as provided for in Section 9.3 of the Declaration and may delegate all or part of the preparation and notification duties to a finance committee, management agent, or both.

4.5 Resignation.

Any officer may resign at any time by giving written notice to the Board, the President, or the Secretary. Such resignation shall take effect on the date of the receipt of such notice or at any later time specified therein, and unless otherwise specified therein, acceptance of such resignation shall not be necessary to make it effective.

4.6 Agreements, Contracts, Deeds, Leases, Checks, Etc.

All agreements, contracts, deeds, leases, checks, and other instruments of the Association shall be executed by at least two (2) officers or by such other person or persons as may be designated by Board resolution.

4.7 Compensation.

Compensation of officers shall be subject to the same limitations as compensation of directors under Section 3.18 herein.

4.8 Indemnification.

To the fullest extent and upon the terms and conditions from time to time provided by law, the Association shall indemnify any and all of its officers, directors, employees and managing agents, or any person who has served or is serving in such capacity at the request of the Association in any other Association, partnership, joint venture, trust or other enterprise, against liability and reasonable litigation expenses, including attorneys' fees incurred by him in connection with any action, suit or proceeding in which he is made or threatened to be made a party by reason of being or having been such director, officer, employee or agent (excluding, however, liability or litigation expenses which any of the foregoing may incur in relation to matters as to which he shall be adjudged in such action, suit or proceeding to have acted in bad faith or to have been liable or guilty by reason of willful misconduct in the performance of his duty). Such directors, officers, employees and agents shall be entitled to recover from the Association, and the Association shall pay, all reasonable costs, expenses and attorneys' fees in connection with the enforcement of rights of indemnification granted herein. 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 right to which such person may be entitled apart from the provisions of this bylaw.

The Board of Directors of the Association shall take all such action as may be necessary and appropriate to authorize the Association to pay the indemnification required by this bylaw, including without limitation, to the extent needed, making a good faith evaluation of the manner in which the claimant for indemnity acted and of the reasonable amount of indemnity due him and giving notice to, and obtaining approval by, the members of the Association.

Expenses incurred by a director, officer, employee or agent in defending a civil or criminal action, suit or proceeding shall be paid by the Association in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of the director, officer, employee or agent to repay such amount unless it shall be ultimately determined that he is entitled to be indemnified by the Association against such expenses.

The Association shall have the power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Association, or is or was serving at the request of the Association as a director, officer, employee or agent of another Association, partnership, joint venture, trust or other enterprise against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the Association would have the power to indemnify him against such liability.

Any person who at any time after the adoption of this Section 4.8 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.

Article V **Committees**

5.1 General.

The Board may appoint such committees as it deems appropriate to perform such tasks and to serve for such periods as the Board may designate by resolution. Each committee shall operate in accordance with the terms of such resolution.

Article VI **Miscellaneous**

6.1 Fiscal Year.

The Association's fiscal year shall be the calendar year.

6.2 Parliamentary Rules.

Except as may be modified by Board resolution, *Robert's Rules of Order* (current edition) shall govern the conduct of Association proceedings when not in conflict with North Carolina law.

6.3 Conflicts.

If there are conflicts among the provisions of North Carolina law, the Articles of Incorporation, the Declaration, and these Bylaws, the provisions of North Carolina law, the Declaration, the Articles of Incorporation, and the Bylaws (in that order) shall prevail.

6.4 Books and Records.

(a) Inspection by Members and Mortgagees. The Board shall make available for inspection and copying by any holder, insurer or guarantor of a first Mortgage on a Unit, any Member, or the duly appointed representative of any of the foregoing at any reasonable time and for a purpose reasonably related to his or her interest in a Unit: the Declaration, the Articles of Incorporation, the membership register, books of account, and the minutes of meetings of the Members, the Board, and committees. The Board shall provide for such inspection to take place at the Association's office or at such other place within Cape Fear National at Brunswick Forest as the Board shall designate.

(b) Rules for Inspection. The Board shall establish rules with respect to:

- (i) notice to be given to the custodian of the records;
- (ii) hours and days of the week when such an inspection may be made;
- (iii) payment of the cost of reproducing documents requested.

and

(c) Inspection by Directors. Every director shall have the absolute right at any reasonable time to inspect all books, records, and documents of the Association and the physical properties owned or controlled by the Association. The right of inspection by a director includes the right to make a copy of relevant documents at the Association's expense.

6.5 Notices.

Except as otherwise provided in the Declaration or these Bylaws, all notices, demands, bills, statements, or other communications under the Declaration or these Bylaws shall be in writing and shall be deemed to have been duly given if delivered personally or if sent by United States mail, first class postage prepaid:

(a) if to a Member or Member, at the address which the Member or Member has designated in writing and filed with the Secretary or, if no such address has been designated, at the address of the Unit of such Member or Member;

(b) if to the Association, the Board, or the managing agent, at the principal office of the Association or the managing agent or at such other address as shall be designated by notice in writing to the Members pursuant to this Section; or

(c) if to any committee, at the principal address of the Association or at such other address as shall be designated by notice in writing to the Members pursuant to this Section.

6.6 Amendment.

(a) By Class "B" Member. Prior to termination of the Class "B" Control Period, the Board of Directors may unilaterally amend these Bylaws. Thereafter, the Board of Directors may unilaterally amend these Bylaws at any time and from time to time if such amendment is necessary (i) to bring any provision into compliance with any applicable governmental statute, rule or regulation, or judicial determination; (ii) to enable any reputable title insurance company to issue title insurance coverage on the Units; or (iii) to enable any institutional or governmental lender, purchaser, insurer or guarantor of mortgage loans, including, for example, the Federal National Mortgage Association or Federal Home Loan Mortgage Corporation, to make, purchase, insure or guarantee mortgage loans on the Units. Provided, any such amendment shall not adversely affect the title to any Unit unless the Owner shall consent thereto in writing. So long as the Class "B" membership exists, the Class "B" Member may unilaterally amend these Bylaws for any other purpose, provided the amendment has no material adverse effect upon any right of any Member.

(b) By Members Generally. Except as provided above, these Bylaws may be amended only by the affirmative vote or written consent, or any combination thereof, of Members representing fifty-one percent (51%) of the total Class "A" votes in the Association and the consent of the Class "B" Member, if such exists. In addition, the approval requirements set forth in the Declaration shall be met, if applicable. Notwithstanding the above, the percentage of votes necessary to amend a specific clause shall not be less than the prescribed percentage of affirmative votes required for action to be taken under that clause. No amendment may remove, revoke, or modify any right or privilege of Declarant or the Class "B" Member without the written consent of Declarant, the Class "B" Member, or the assignee of such right or privilege.

(c) Officers Authorized to Prepare, Execute, and Certify Amendments to the Bylaws. In the event an amendment to the Bylaws is approved in accordance with these Bylaws, such amendment shall be prepared, executed, certified by the President or Vice President of the Association and shall be made reasonably available to the Members.

CERTIFICATION

I, the undersigned, do hereby certify:

That I am the duly elected and acting Secretary of Cape Fear National at Brunswick Forest Neighborhood Association, Inc., a North Carolina non-profit corporation; that the foregoing Bylaws constitute the original Bylaws of said Association, as duly adopted at a meeting of the Board of Directors thereof held on the 24th day of November, 2008.

CAPE FEAR NATIONAL AT BRUNSWICK
FOREST NEIGHBORHOOD ASSOCIATION,
INC.

By: Trae Feind
Print Name: TRAE FEIND
Title: Secretary