

BYLAWS

OF

CLUB VILLAS AT ST. JAMES PLANTATION OWNERS' ASSOCIATION, INC.

1. IDENTITY

These are the Bylaws of Club Villas at St. James Plantation Owners' Association, Inc., a nonprofit corporation under the laws of the State of North Carolina, the Articles of Incorporation of which were filed in the Office of the Secretary of State on September 22, 1997. Club Villas at St. James Plantation Owners' Association, Inc., hereinafter called "Association," has been organized for the purpose of administering the operation and management of Club Villas at St. James Plantation, a Condominium, a condominium established or to be established in accordance with the laws of the State of North Carolina upon certain property situate, lying and being in the development known as St. James Plantation in Lockwood Folly Township, Brunswick County, North Carolina.

a) The provisions of these Bylaws are applicable to Club Villas at St. James Plantation, a Condominium, and the terms and provisions hereof are expressly subject to the terms, provisions, conditions and authorization contained in the Articles of Incorporation and which may be contained in the Declaration of Condominium which will be recorded in the Public Records of Brunswick County, North Carolina (the "Declaration"), at the time said property and the improvements now or hereafter situated thereon are submitted to the plan of condominium ownership, the terms and provisions of said Articles of Incorporation and Declaration to be controlling wherever the same may be in conflict herewith. All present or future owners of Condominium Units (specifically including Club Villas at St. James Plantation, LLC, a North Carolina limited liability company hereinafter referred to as "Declarant") and any tenants, future tenants or their employees that might use Club Villas at St. James Plantation, a Condominium, or any of the facilities thereof in any manner, are subject to the provisions of these Bylaws and of the Articles of Incorporation and Declaration of Condominium.

b) The office of the Association shall be at 4006 St. James Drive SE, Southport, North Carolina 28461, or such other place as the Executive Board shall designate from time to time.

c) The fiscal year of the Association shall be the calendar year, except that in the initial year of operation of the Condominium, the fiscal year shall commence with the closing of the sale of the first Condominium Unit.

d) Defined terms used in these Bylaws shall have the same meaning given such terms in Section 47C-1-103 of the North Carolina General Statutes.

2. MEMBERSHIP, VOTING, QUORUM, PROXIES

a) The qualification of members, the manner of their admission to membership and termination of such membership, and voting by members shall be as set forth in Article VI of the Articles of Incorporation of the Association, the provisions of which Article are incorporated herein by reference.

b) A quorum at members' meetings shall consist of the presence at the beginning of the meeting of persons owning at least ten percent (10%) of the total Allocated Interests in the Common Elements of the Condominium. The joinder of a member in the action of a meeting by signing and concurring in the minutes thereof shall constitute the presence of such person for the purpose of determining a quorum.

c) The vote of the Owners of a Unit owned by more than one person or by an association or other entity shall be cast by the one person named in a certificate signed by all of the Owners of the Unit and filed with the Secretary of the Association, and such certificate shall be valid until revoked by a subsequent certificate. If such a certificate is not on file, the vote of such Owners shall not be considered in determining the requirement for a quorum, or for any other purpose.

d) Votes may be cast in person or by proxy. Proxies shall be valid only for the particular meeting designated thereon and must be dated and filed with the Secretary before the appointed time of the meeting.

e) Approval or disapproval of an Owner upon any matter, whether or not the subject of an Association meeting, shall be by the same person who would cast the vote of such Owner if in an Association meeting.

f) Except where otherwise required under the provisions of the Articles of Incorporation of the Association, these Bylaws, the Declaration of Condominium, or whether the same may otherwise be required by law, the affirmative vote of the persons entitled to cast a majority of the votes at any duly called members' meeting at which a quorum is present shall be binding upon the members.

3. ANNUAL AND SPECIAL MEETINGS OF MEMBERSHIP

a) The First Annual Meeting shall be held within one (1) year of the incorporation of the Association. Thereafter, the Annual Meeting of members of the Association shall be held at such time and place as may be designated in the notice of meeting, for the purpose of informing the membership of the names of the individuals appointed to the new Executive Board, if any, of electing Members of the Executive Board whom Declarant shall not be entitled to appoint, of informing the membership of the status of the budget for the coming year and for such other purposes as the Board Members may determine.

b) Special meetings of members of the Association shall be held whenever called by the President or Vice President or by a majority of the Executive Board and must be called by such officers within thirty (30) days following receipt of a written request from members of the Association representing at least twenty percent (20%) of the votes in the Association, describing the purpose for which such special meeting is requested.

c) Notice of all members' meetings, regular or special, shall be given by the President, Vice President or Secretary of the Association, or other Officer of the Association in the absence of said Officers, to each member, unless waived in writing, such notice to be written or printed and to state the time and place of the meeting and the items on the agenda of such meeting, including the general nature of any proposed amendment to the Declaration, the Articles or these Bylaws, any budget changes and any proposal to remove a Board Member. Except as otherwise specifically required by law or these Bylaws, such notice shall be given to each member not less than ten (10) days nor more than fifty (50) days prior to the date set for such meeting, which notice shall be mailed or presented personally to each member within said time. If presented personally, receipt of such notice shall be signed by the member, indicating the date on which such notice was received by him. If mailed, such notice shall be sent first class mail and shall be deemed to be properly given when deposited in the United States Mail addressed to the member at his address as it appears on the records of the Association (Register of Owners) as of the date of mailing such notice, the postage thereon prepaid. Proof of such mailing shall be given by the Affidavit of the person giving the notice. Any member may, by signed written waiver of notice, waive such notice and, when filed in the records of the Association, whether before or after the holding of the meeting, such waiver shall be deemed equivalent to the giving of notice to the member. If any members' meeting cannot be organized because a quorum has not attended, or because the greater percentage of the membership required to constitute a quorum for particular purposes has not attended (wherever the latter percentage of attendance may be required as set forth in the Articles of Incorporation, these Bylaws or the Declaration), the members who are present, either in person or by proxy, may adjourn the meeting from time to time until a quorum, or the required percentage of attendance, if greater than a quorum, is present.

d) The order of business at Annual Meetings of members of the Association and, as far as practical, at any other members' meetings, shall be:

- i) Call to order and proof of notice of meeting or waiver of notice;
- ii) Announcement of and certification of proxies;
- iii) Reading and disposal of any unapproved minutes;
- iv) Reports of Officers;
- v) Reports of Committees;
- vi) Election of Board Members;
- vii) Unfinished business;
- viii) New business; and
- ix) Adjournment.

4. EXECUTIVE BOARD

a) The first Executive Board of the Association shall consist of three (3) persons. Each succeeding Executive Board shall consist of at least three (3) and not more than nine (9) persons, as determined from time to time by the Executive Board Members, in their sole discretion. At least a majority of the Executive Board shall be Unit Owners or employees of a corporate, limited liability company or partnership member of the Association. Provided, however, that Declarant shall have the right to appoint a majority of the persons who shall serve as Members of each Executive Board of the Association until the first to occur of: (i) one hundred twenty (120) days after conveyance by Declarant of seventy-five percent (75%) of the Units in the Condominium (including Units which may be created pursuant to the Development Rights reserved in Article V of the Declaration); (ii) two (2) years after Declarant has ceased to offer Units for sale in the ordinary course of business; or (iii) two (2) years after Declarant's last exercise of its right under Article V of the Declaration to add additional units to the Condominium. Any Board Member appointed by Declarant need not be an Owner or resident in the Condominium. Notwithstanding the above, not later than sixty (60) days after conveyance of twenty-five percent (25%) of the Units (including Units which may be created pursuant to the Development Rights reserved in Article V of the Declaration) to Unit Owners other than Declarant, at least one Member of the Executive Board (but not less than 25% of the Members of the Executive Board) shall be elected by Unit Owners other than Declarant. Not later than sixty (60) days after conveyance of fifty percent (50%) of the Units (including Units which may be created pursuant to the Development Rights reserved in Article V of the Declaration) to Unit Owners other than Declarant, not less than thirty three percent (33%) of the Members of the Executive Board shall be elected by Unit Owners other than Declarant.

Each Member of the Executive Board whom Declarant shall appoint shall hold office until the first Annual Meeting following the date on which Declarant's right to appoint a majority of the Executive Board Members shall terminate. Each such Member shall serve until his successor is duly appointed, or until removed in the manner elsewhere provided or as may be provided by law.

Declarant shall have the absolute right at any time, in its sole discretion, to replace any Executive Board Member appointed by it with another person to serve on said Executive Board. Replacement of any person appointed by Declarant to serve on any Executive Board of the Association shall be made by written instrument delivered to any officer of the Association, which instrument shall specify the name of the person to be replaced and the name of the person appointed as successor to the person so removed from said Executive Board. The removal of any Board Member and appointment of his successor shall be effective immediately upon delivery of such written instrument by Declarant to any officer of the Association.

b) Election of Board Members shall be conducted in the following manner:

i) All Members of the Executive Board whom Declarant shall not be entitled to appoint under the provisions of these Bylaws shall be elected by a plurality of the

votes at the Annual Meeting of the members of the Association. Except as set out in Subparagraph (iii) of this Paragraph, the term of office of such Board Members shall be two (2) years, until their successors are duly elected and qualified, or until removed in the manner elsewhere provided or as may be provided by law.

ii) Vacancies in the Executive Board may be filled until the date of the next Annual Meeting by the remaining Board Members, except that should any vacancy in the Executive Board be created as to a Board Membership previously filled by any person appointed by Declarant, such vacancy shall be filled by Declarant appointing, in a written instrument delivered to any officer of the Association, the successor Board Member to fill the vacated Board Membership for the unexpired term thereof.

iii) At the first Annual Meeting following the expiration of Declarant's right to appoint a majority of the Members of the Executive Board, successors to the Board Members whom Declarant had been entitled to appoint and to other Board Members whose terms then expire shall be elected for staggered terms of office, such that no more than one-third (1/3) of all Board Members shall have terms expiring in any subsequent year. By way of illustration, if at the first Annual Meeting after Declarant's right to appoint a majority of the Executive Board terminates there are a total of five (5) Members of the Executive Board, three of whom were previously appointed by Declarant and two of whom were elected by the Members of the Association (both of whose terms expire at such Annual Meeting), the two (2) Board Members who receive the highest number of votes shall be elected for three (3) year terms, the two (2) Board Members who receive the next highest number of votes shall be elected for two (2) year terms and the last Board Member elected shall be elected for a one (1) year term. Thereafter, all Board Members shall be elected for two (2) year terms.

iv) In the election of Board Members, there shall be appurtenant to each Unit a total vote equal to the number of Board Members to be elected multiplied by the Unit's Allocated Interest in the Common Elements as set forth in Exhibit "A" of the Declaration, as amended from time to time; provided, however, that no member or Owner of one (1) Unit may cast a vote greater than the Unit's Allocated Interest in the Common Elements for any one person nominated as a Board Member, it being the intent hereof that voting for Board Members shall be noncumulative.

c) 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 Board Members. Notice of regular meetings shall be given to each Board Member, personally or by mail, telephone, telegram or facsimile transmission at least three (3) days prior to the day named for such meeting, unless notice is waived.

d) Special meetings of the Board Members may be called by the President, and must be called by the Secretary at the written request of one-third (1/3) of the votes of the Executive Board. Not less than three (3) days' notice of a meeting shall be given to each Board Member, personally or by mail, telephone, telegram or facsimile transmission, which notice shall state the time, place and purpose of the meeting.

e) Any Board Member may waive notice of a meeting before or after the meeting, and such waiver shall be deemed equivalent to the giving of notice.

f) A quorum at a meeting of the Board Members shall consist of the presence at the beginning of the meeting of Board Members entitled to cast a majority of the votes of the entire Executive Board. The acts of the Executive Board approved by a majority of the votes cast at a meeting at which a quorum is present shall constitute the acts of the Executive Board, except as specifically otherwise provided in the Articles of Incorporation, these Bylaws, or the Declaration of Condominium. If any Board Members' meeting cannot be organized because a quorum has not attended, or because the greater percentage of the Board Members required to constitute a quorum for particular purposes has not attended, wherever the latter percentage of attendance may be required as set forth in the Articles of Incorporation, these Bylaws or Declaration, the Board Members who are present may adjourn the meeting from time to time until a quorum, or the required percentage of attendance if greater than a quorum, is present. At any adjourned meeting, any business that might have been transacted at the meeting as originally called may be transacted without further notice. The joinder of a Board Member in the action of a meeting by signing and concurring in the minutes thereof shall constitute the presence of such Board Member for the purpose of determining a quorum.

g) The presiding officer of Board Members' meetings shall be the Chairman of the Executive Board, if such an officer has been elected; and if none, then the President of the Association shall preside. In the absence of the presiding officer, the Board Members present shall designate one of their number to preside.

h) All of the powers and duties of the Association shall be exercised by the Executive Board, including those existing under the common law and statutes, the Articles of Incorporation of the Association, these Bylaws and the Declaration. Such powers and duties shall be exercised in accordance with said Articles of Incorporation, these Bylaws and the Declaration, and shall include, without limiting the generality of the foregoing, the following:

i) To make, levy and collect assessments against members and members' Units to defray the costs of the Condominium, as provided in Article XXVII of the Declaration, which Article is herein incorporated by reference, and to use the proceeds of said assessments in the exercise of the powers and duties granted unto the Association;

ii) To maintain, repair, replace, operate and manage the Common Elements, including the Limited Common Elements, whenever the same is required to be done and accomplished

by the Association for the benefit of its members; and further to approve any expenditure made or to be made for said purposes;

iii) To reconstruct any part of the Common Elements after casualty in accordance with Article XXIV of the Declaration, and to make further improvement to the Common Elements, real and personal, and to make and to enter into any and all contracts necessary or desirable to accomplish said purposes;

iv) To make, amend and enforce regulations governing the use of the Common Elements and Units so long as such regulations or amendments thereto do not conflict with the restrictions and limitations which may be placed upon the use of such property under the terms of the Articles of Incorporation and Declaration;

v) To acquire, operate, lease, manage and otherwise trade and deal with property, real and personal, including Units in the Condominium as may be necessary or convenient in the operation and management of the Condominium, and in accomplishing the purposes set forth in the Declaration, provided that the acquisition of real property other than Units shall require the approval of the Association;

vi) To acquire now or at any time hereafter, and to enter into leases and agreements whereby the Association acquires leaseholds, memberships and other possessory or use interests in lands or facilities including, but not limited to recreational facilities, whether or not contiguous to the lands of the Condominium, to provide enjoyment, recreation or other use or benefit to the owners of Units;

vii) To contract for the professional management of the Condominium and to designate to such manager all of the powers and duties of the Association, except those which may be required by law or by the Declaration to have approval of the Executive Board or membership of the Association;

viii) To enforce by legal means or proceedings the provisions of the Articles of Incorporation and Bylaws of the Association, the Declaration and the regulations hereinafter promulgated governing use of the Common Elements in the Condominium;

ix) To pay all taxes and assessments which are or may become liens against any part of the Condominium, other than Units, and to assess the same against the Owners and their respective Units subject to such liens;

x) To purchase insurance for the protection of the members and the Association against casualty and liability in accordance with Articles XXII and XXIII of the Declaration;

xi) To pay all costs of power, water, sewer and other utility services rendered to the Condominium and not billed separately to Owners of Units;

xii) To designate and remove personnel necessary for the maintenance, repair, replacement and operation of the Condominium including the Common Elements;

xiii) To establish an adjudicatory panel to provide a hearing to determine if an Owner should be fined not to exceed One Hundred Fifty Dollars (\$150.00) for each violation of the Declaration, these Bylaws or any rules and regulations of the Association. If allowed by law, such fine may be assessed on a daily basis for a continuing violation. The adjudicatory panel shall accord to the Owner charged with the violation notice of the charge, an opportunity to be heard and to present evidence, and notice of the panel's decision. Any fine established hereunder by an adjudicatory panel shall be an assessment against the Owner charged with the violation and a lien against said Owner's Unit, subject to all the provisions and enforcement of Article XXVII of the Declaration;

xiv) To establish an adjudicatory panel to provide a hearing to determine if an Owner is responsible for damages to any Common Elements or whether the Association is responsible for damages to a Unit, in cases where the claim for such damages is Five Hundred Dollars (\$500.00) or less. The adjudicatory panel shall accord to the Owner charged or the Association notice of the claim, an opportunity to be heard and to present evidence and notice of the panel's decision. The panel may assess a per incident liability not in excess of Five Hundred Dollars (\$500.00). A liability assessed against an Owner shall be an assessment against said Owner and a lien against his Unit, subject to all provisions and enforcement of Article XXVII of the Declaration. A liability assessed against the Association may be offset by the Owner whose Unit was damaged by act of the Association to reduce the amount of any assessments owed by such Owner to the Association;

xv) To convey or subject to a security interest all or portions of the Common Elements, if such conveyance or encumbrance is approved by Owners (other than Declarant) owning at least eighty percent (80%) of the Allocated Interests in the Common Elements (including one hundred percent (100%) of the Owners of Units appurtenant to any Limited Common Elements which are proposed to be conveyed or encumbered). In connection with any encumbrancing of the Common Elements, the Association also may assign its right to future income, including the right to receive Common Expense assessments, if such assignment is approved by Owners owning at least eighty percent (80%) of the Allocated Interests in the Common Elements. The approval of Owners required above shall be evidenced in a writing executed by all such Owners, in the same manner as a deed, and recorded in the public records of Brunswick County, North Carolina. The agreement must specify a date after which it will be void unless then recorded. Any proceeds derived from the conveyance or encumbrance of Limited Common Elements shall be distributed as agreed upon between the Association and the Owners of the Units to which such Limited Common Elements are appurtenant. Any proceeds derived from the conveyance or encumbrance of Common Elements other than Limited Common Elements shall be an exclusive asset of the Association. No conveyance or encumbrance of Common Elements

or Limited Common Elements pursuant to this paragraph shall deprive any Unit of its rights of access and support;

xvi) To grant easements, leases, licenses and concessions through or over the Common Elements, and to impose and receive, on behalf of the Association, payments, fees or charges for the use or rental of the Common Elements;

xvii) To appoint an Architectural Control Committee to exercise the powers described in Article XVII of the Declaration, and such other committees as the Executive Board, in its discretion, shall determine; and

xviii) To exercise any other powers allowed by law, the Articles of Incorporation and the Declaration as may be necessary and proper for the governance and operation of the Association.

i) The initial Executive Board of the Association shall be comprised of the three (3) persons designated to act and serve as Board Members in the Articles of Incorporation. Should any initial Executive Board Member be unable to serve for any reason, a majority of the remaining members of the Executive Board shall have the right to select and designate a party to act and serve as a Board Member for the unexpired term of the Board Member who is unable to serve.

j) The undertakings and contracts authorized by the initial Executive Board shall be binding upon the Association in the same manner as though such undertakings and contracts had been authorized by any Executive Board duly elected by the membership after the property identified herein has been submitted to the plan of condominium ownership, so long as such undertakings and contracts are within the scope of the powers and duties which may be exercised by the Executive Board of the Association in accordance with law and all applicable condominium documents; and provided further that any undertaking or contract entered into by the Association at a time the Declarant has the right to appoint a majority of the Executive Board shall contain a provision reserving the right of the Association to terminate such undertaking or contract upon not more than ninety (90) days written notice to the other party(ies) thereto.

k) Any one or more of the members of the Executive Board may be removed, either with or without cause, at any time by a vote of at least sixty-seven percent (67%) of all members present and entitled to vote at any meeting of Owners at which a quorum is present; provided, however, that only Declarant shall have the right to remove a Board Member appointed by it.

5. OFFICERS

a) The executive officers of the Association shall be a President, who shall be a Board Member, a Vice President, a Treasurer, a Secretary and an Assistant Secretary, all of whom shall be elected annually by the Executive Board and who may be pre-emptorily removed by a vote of the Board Members at any meeting. Any person may hold two or more offices, except that the

President shall not also be Vice President, Secretary or an Assistant Secretary. The Executive Board shall, from time to time, elect such other officers and designate their powers and duties as the Executive Board shall find to be required to manage the affairs of the Association.

b) The President shall be the chief executive officer of the Association. He shall have all of the powers and duties which are usually vested in the office of the president of any association, including, but not limited to, the power to appoint committees from among the members from time to time, as he may, in his discretion, determine appropriate to assist in the conduct of the affairs of the Association.

c) The Vice President shall, in the absence or disability of the President, exercise the powers and perform the duties of President. He shall also generally assist the President and exercise such other powers and perform such other duties as shall be prescribed by the Board Members.

d) The Secretary shall keep the minutes of all proceedings of the Board Members and the members. He shall attend to the giving and serving of all notices to the members and Board Members, and such other notices required by law. He shall have custody of the seal of the Association and affix the same to instruments requiring a seal when duly signed. He shall be responsible for the preparation, execution, certification and recordation of any amendments to the Declaration which the Association is required or allowed to prepare and record. He shall keep the records of the Association, except those of the Treasurer, and shall perform all other duties incident to the office of secretary of an association and as may be required by the Board Members or the President. The Assistant Secretary shall perform the duties of Secretary when the Secretary is absent.

e) The Treasurer shall have custody of all of the property of the Association, including funds, securities and evidences of indebtedness. He shall keep, or supervise the keeping of, the assessment rolls and accounts of the members; he shall keep the books of the Association in accordance with good accounting practices; and he shall perform all other duties incident to the office of Treasurer.

f) The compensation of all officers and employees of the Association shall be fixed by the Board Members. This provision shall not preclude the Executive Board from employing a Board Member as an employee of the Association, nor preclude the contracting with a Board Member for the management of the Condominium.

g) All officers shall serve at the pleasure of the Executive Board and any officer may be removed from office at any time, with or without cause, by a majority vote of the Executive Board.

6. FISCAL MANAGEMENT

The provisions for fiscal management of the Association set forth in the Declaration and Articles of Incorporation shall be supplemented by the following provisions:

a) The assessment roll shall be maintained in a set of accounting books in which there shall be an account for each Unit. Such account shall designate the name and address of the Owner, the amount of each assessment against the Owner, the dates and amounts in which assessments come due, the amounts paid upon the account and the balance due upon assessments.

b) The Executive Board shall adopt a budget for each fiscal year which shall contain estimates of the cost of performing the functions of the Association, including, but not limited to the following:

i) Common Expense budget which, subject to the limitations in the Declaration, may include the estimated amounts necessary for maintenance and operation of and capital improvements to the Common Elements including landscaping, street and walkways, office expense, utility services, casualty insurance, liability insurance, fidelity coverage, administration and reserves (operating and Capital Improvement and Replacement), management fees and costs of maintaining leaseholds, memberships and other possessory or use interests in lands or facilities whether or not contiguous to the lands of the Condominium, to provide enjoyment, recreation or other use or benefit to the Owners; and

ii) Proposed assessments against each member and his Unit.

Within thirty (30) days after its adoption of a budget, the Executive Board shall provide a summary thereof to all members, and shall set a date for a meeting of the members to consider ratification of the budget, which meeting shall be held not less than fourteen (14) nor more than thirty (30) days after mailing of the summary. Unless the meeting is the annual meeting of members of the Association, there shall be no requirement that a quorum be present at the meeting. The budget shall be ratified unless at that meeting members holding a majority of the Allocated Interests in the Common Elements of the Condominium reject the budget. In the event the proposed budget is rejected, the budget last ratified shall be continued until such time as the members ratify a subsequent budget proposed by the Executive Board.

c) The depository of the Association shall be such bank or banks as shall be designated from time to time by the Board Members and in which the monies of the Association shall be deposited. Withdrawal of monies from such accounts shall be only by checks signed by such persons as are authorized by the Board Members.

d) An audit of the accounts of the Association shall be made annually by an independent accountant, and a copy of the report shall be made available (not later than one hundred twenty (120) days after the end of the Association's fiscal year for which the report is made) to each

member, his authorized agent and any holder, insurer or guarantor of a first mortgage secured by a Unit, upon such party's written request therefor.

e) Fidelity bonds shall be required by the Executive Board from all officers and employees of the Association who handle or are responsible for Association funds. The amount of such bonds shall be determined as set forth in the Declaration. The premiums on such bonds shall be paid by the Association. Any professional management agent of the Association, if it handles Association funds, shall obtain its own fidelity insurance coverage, which shall provide the same coverage required of the Association by law or by the Declaration.

7. PARLIAMENTARY RULES

Roberts Rules of Order (latest edition) shall govern the conduct of corporate proceedings when not in conflict with the Articles of Incorporation and these Bylaws or with the Statutes of the State of North Carolina.

8. AMENDMENTS TO BYLAWS

Amendments to these Bylaws shall be proposed and adopted in the following manner:

a) Amendments to these Bylaws may be proposed by the Executive Board of the Association acting upon a vote of the majority of the Board Members, or by members of the Association owning a majority of the Allocated Interests in the Common Elements of the Condominium, whether meeting as members or by instrument in writing signed by them.

b) Upon any amendment to these Bylaws being proposed by said Executive Board or members, such proposed amendment shall be transmitted to the President of the Association, or other officer of the Association in the absence of the President, who shall thereupon call a Special Joint Meeting of the members of the Executive Board and the membership for a date not sooner than twenty (20) days or later than fifty (50) days from receipt by such Officer of the proposed amendment, and it shall be the duty of the Secretary to give to each member written or printed notice of such meeting in the same form and in the same manner as notice of the call of a Special Meeting of the members is required as herein set forth.

c) In order for such amendment to become effective, the same must be approved by an affirmative vote of a majority of the entire membership of the Executive Board and by an affirmative vote of the members owning in the aggregate not less than a majority of the Allocated Interests in the Common Elements of the Condominium. Thereupon, such amendment to these Bylaws shall be transcribed and certified by the President and Secretary of the Association.

d) Upon the approval of any amendment, the same shall become binding upon all Owners.

e) At any meeting held to consider any amendment to the Bylaws, the written vote of any member of the Association shall be recognized if such member is not in attendance at such

meeting or represented thereat by proxy, provided such written vote is delivered to the Secretary of the Association at or prior to such meeting.

f) Notwithstanding the foregoing provisions of this Article 8, no amendment to these Bylaws which shall abridge, amend or alter the right of Declarant to designate and select members of each Executive Board of the Association, as provided in Article 4 hereof, may be adopted or become effective without the prior written consent of Declarant.

9. AVAILABILITY OF DOCUMENTS AND RECORDS

The Executive Board shall cause to be maintained at the office of the Association a file containing current copies of the Declaration, the Articles of Incorporation, these Bylaws, any Rules and Regulations applicable to the Condominium, and other books, records and financial statements of the Association. Such file and the documents and information contained therein shall be available for inspection, upon request, during normal business hours, by all Owners and their authorized agents, by holders, insurers and guarantors of first mortgages secured by Units, and by prospective purchasers of Units, all of whom may also, upon request and payment of a reasonable charge determined by the Executive Board, obtain copies thereof.

10. RULES AND REGULATIONS

The Executive Board shall adopt Rules and Regulations which shall apply to the Condominium, the Common Elements, the Limited Common Elements and all Units. All such Rules and Regulations may be modified or amended by the Executive Board from time to time in its discretion. Rules and Regulations adopted by the Executive Board, and any modifications or amendments thereto, shall be effective from the time of their posting or notice thereof to Unit Owners. Owners shall, at all times, obey said Rules and Regulations and shall use their best efforts to see that they are faithfully observed by their families, guests, invitees, servants, lessees and persons over whom they exercise control and supervision.

11. ENFORCEMENT

The Association, or any Owner, shall have the right to enforce by any proceeding at law or in equity the Rules and Regulations of the Association as they may exist from time to time. In addition, the Executive Board shall have the right to assess reasonable fines against an Owner for violations of the Association's published Rules and Regulations by such Owner, his family, guests, invitees and lessees. Such fines shall be deemed to be assessments as set forth in Article XXVII of the Declaration and if not paid within thirty (30) days after notice and demand therefor, the Association shall be entitled to the remedies set forth in the Declaration for the enforcement and collection of delinquent assessments. Failure by the Association or by any Owner to enforce any rule or regulation shall in no event be deemed a waiver of the right to do so thereafter. The Association shall have the right to request that law enforcement, public safety and animal control officers come on to the Common Elements to facilitate the enforcement of the laws, codes and ordinances of any governmental authority and the Rules and Regulations of the Association.

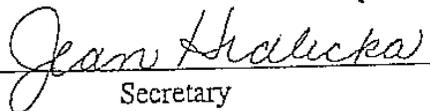
12. INDEMNIFICATION.

The Association shall indemnify any Board Member or former Board Member and any officer or former officer of the Association against all expenses and liabilities, including attorneys' fees, reasonably incurred by or imposed upon him in connection with any action, suit or proceeding to which he is made a party or threatened to be made a party by reason of his being or having been a Board Member or officer of the Association, except 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 duty. Expenses incurred by any person indemnified hereunder in defending an action may be paid by the Association in advance of the final disposition of such action if authorized by the Executive Board in the specific case, upon receipt of an undertaking by or on behalf of the indemnified person to repay such amount if it shall be ultimately determined that he is not entitled to be indemnified by the Association pursuant to this Article or otherwise. Notwithstanding any other provision of this Article or the Bylaws, in the event of a claim for reimbursement or indemnification based upon a settlement by the Board Member or officer seeking reimbursement or indemnification, the indemnification shall apply only if the Executive Board approves in advance such settlement and reimbursement as being in the best interests of the Association. This indemnification shall be in addition to any other indemnification to which Board Members and officers are entitled, by law or under these Articles. The indemnifications provided herein may not be reduced retroactively, but any reduction or limitation shall have prospective effect only.

13. COMPLIANCE

These Bylaws are set forth to comply with the requirements of the North Carolina Condominium Act, Chapter 47C of the General Statutes of the State of North Carolina. In the event that any of these Bylaws conflict with the provisions of said statute, it is hereby agreed and accepted that the provisions of the statute will apply.

The foregoing Bylaws were adopted by the Executive Board of Club Villas at St. James Plantation Owners' Association, Inc., effective October 1, 1997.


Secretary

APPROVED:

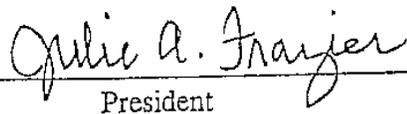

President

Exhibit "B"

CLUB VILLAS AT ST. JAMES PLANTATION OWNERS' ASSOCIATION, INC.

ANNUAL OPERATING BUDGET

This budget was prepared by the Declarant for the first phase of the Condominium, consisting of three buildings with a total of 18 units to be constructed in the first phase of the Condominium.

INCOME:

The income for the Condominium Association is based on a regular monthly assessment of \$93.00 per unit per month for a total yearly assessment of \$6,696.00 per building or \$20,088 for three buildings.

A one-time contribution to a Working Capital Fund is collected at the closing of each unit in an amount equal to two months of the regular Condominium assessment.

EXPENSES:

Landscape Maintenance \$6,000.00

This represents regular landscaping maintenance of the Common Elements. This includes all labor and materials necessary for routine and preventative maintenance of the Common Elements.

Building Maintenance \$900.00

Includes exterior maintenance of the buildings.

Pest Control \$900.00

Interior pest control services for all units as well as termite inspections and treatments as required.

Insurance \$7,988.00

Estimated property and liability insurance, including liability coverage for Directors and Officers.

Trash Removal \$1,800.00

Each building receives three residential trash carts that have weekly service.