

**THE NEIGHBORHOODS OF HOLLY
RIDGE OWNERS ASSOCIATION**

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BYLAWS FOR
THE NEIGHBORHOODS OF HOLLY RIDGE
OWNERS ASSOCIATION
(A NONPROFIT CORPORATION)

ARTICLE 1

NAME AND DEFINITIONS

Section 1.1. Name. The name of the association shall be The Neighborhoods of Holly Ridge Owners Association (the "Association").

Section 1.2. Definitions. Terms specifically defined in the Declaration of Covenants, Conditions, Restrictions and Easements for The Neighborhoods of Holly Ridge, as same may be amended from time to time, and including all attachments (hereinafter referred to as the "Declaration") shall have the same meaning in these Bylaws, unless the context shall otherwise prohibit.

ARTICLE 2

MEMBERSHIP AND VOTING

Section 2.1. Membership. A Person shall automatically become a member of the Association upon such Person's acquisition of an interest in a Lot in fee simple and may become a member in no other manner. A Person having an interest in a Lot solely by virtue of a contract of purchase or as security for an obligation shall not be a member of the Association. If more than one Person owns a Lot, then all of the Persons who own such Lot shall be members of the Association. Membership in the Association shall be appurtenant to and may not be separated from the ownership of a Lot. Until the Class B membership terminates as set forth below, the Association shall have two (2) classes of members as is set forth below:

Class A - The Class A member(s) shall be all Owners with the exception of any Owners who qualify as Class B members, and Class A members shall each be entitled to one (1) vote for each Lot owned; provided, however, when more than one Person holds an interest in any Lot, then all such Persons collectively shall be entitled to one (1) vote for each Lot collectively owned. The vote of such multiple Owners of a Lot shall be exercised as they, among themselves, shall determine (subject to the provisions of Section 2.6(b) below), but in no event shall any fractional vote be counted or more than one vote be cast with respect to any Lot.

Class B - The Class B member shall be the Declarant. The Class B member shall be entitled to three (3) votes for each Lot owned. The Class B membership shall cease and be converted to Class A membership upon the expiration of the Development Period, as defined in the Declaration.

Section 2.2. Notice of Membership. Membership in the Association is mandatory. Upon acquiring title to a Lot, each new Owner (except for the Class B member)

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

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

(d) Delinquency. No member may vote at any meeting of the Association or be elected to serve on the Executive Board or be appointed to serve on any committee if payment by such member of any financial obligation to the Association is delinquent more than sixty (60) days and the amount necessary to bring the account current has not been paid by the record date set pursuant to Section 3.7 hereof for the applicable members' meeting (in the case of a member voting or being elected to serve on the Executive Board) or has not been paid by the date of appointment, in the case of appointment to serve on any committee.

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

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

circumstances shall be given; PROVIDED, HOWEVER, THAT notice of a meeting where any of the following matters are to be voted on in all events shall be given as provided in the first paragraph of this Section: (i) director conflict of interest or indemnification, (ii) amendment to the Association's Articles of Incorporation, Bylaws, or Declaration, PROVIDED, HOWEVER, THAT the Declaration shall only be amended pursuant to the Declaration, (iii) plan of merger or dissolution, or (iv) a sale of assets other than in the regular course of the Association's activities; and PROVIDED, FURTHER HOWEVER, THAT any special notice procedure set forth in the Declaration for any of the foregoing or any other matter shall be followed in addition to the notice provisions set forth herein.

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

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

In the event business cannot be conducted at any meeting of members because a quorum is not present, that meeting may be adjourned to a later date by the affirmative vote of a majority of those present in person or by proxy. If any meeting of members is adjourned by the vote of a majority of votes cast on the motion to adjourn to a different date, time, or place, notice need not be given of the new date, time, or place if the new date, time, or place is announced at the meeting before adjournment and if a new record date is not fixed for the adjourned meeting. If a new record date for the adjourned meeting is or must be fixed pursuant to North Carolina law, notice of the adjourned meeting must be given as provided in this Section to the members of record entitled to vote at the meeting as of the new record date. As is provided in the North Carolina Planned Community Act, the quorum requirement at the next meeting of members, in the event of an adjournment because a quorum is not present, shall be one-half of the quorum requirement applicable to the meeting adjourned for lack of a quorum. This provision will continue to reduce the quorum by fifty percent (50%) from that required at the previous meeting, as previously reduced, until such time as a quorum is present and business can be conducted.

Section 3.5. Waiver of Notice of Meetings. Any member may waive notice of any meeting before or after the meeting. The waiver must be in writing, signed by the member, and delivered to the Association for inclusion in the minutes or filing with the corporate records. A member's attendance, in person or by proxy, at a meeting (a) waives objection to lack of notice or defective notice of the meeting, unless the member or the member's proxy at the beginning of the meeting objects to holding the meeting or transacting business thereat, and (b) waives

ARTICLE 4

EXECUTIVE BOARD

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

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

(b) Election of Directors by Members. As is set forth in the Declaration, at the expiration of the Development Period, the Executive Board shall be elected solely by the Class A Members (as defined in the Declaration). Once the Class A members are entitled to elect all the directors of the Association pursuant to the foregoing, (i) the number of directors of the Association shall be not less than three (3) and not more than five (5), as from time to time may be fixed or changed within said minimum and maximum by the members or the Executive Board, (ii) the entire Executive Board shall be elected, pursuant to the following sentence, by the members of the Association (including the Declarant as a member for any Lot owned) as Class A members with one (1) vote for each Lot owned (see Section 2.1 of these Bylaws), and (iii) all members of the Executive Board shall be Owners of Lots. Except as provided in subparagraph (a) of this Section and Section 4.4 hereof, the directors shall be elected at the annual meeting of members; and those persons who receive the highest number of votes by the members entitled to vote in the election at a meeting at which a quorum is present shall be deemed to have been elected.

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

Carolina Nonprofit Corporation Act, the North Carolina Planned Community Act, or the Declaration, the act of the majority of the directors present at a meeting at which a quorum is present shall be the act of the Executive Board. A director who participates in a meeting by any means of communication by which all directors may simultaneously hear each other during the meeting shall be deemed present at a meeting for all purposes.

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

(a) Any director not appointed by the Declarant may be removed from office at any time with or without cause by at least a sixty-seven percent (67%) vote of all members present and entitled to vote at any meeting of members at which a quorum is present. A director may not be removed by the members at a meeting unless the notice of the meeting states that the purpose or one of the purposes, of the meeting is the removal of the director so removed. If any directors are so removed, new directors may be elected at the same meeting. In addition, any director not in attendance at three (3) consecutive regular meetings of the Executive Board shall be removed automatically. Any director appointed by the Declarant may be removed with or without cause by the Declarant by written notice of such removal sent by the Declarant to the Secretary of the Association, which removal shall be effective when the notice of removal is received by the Secretary of the Association.

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

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

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