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THE BYLAWS

JOYCE M. SWICEGOOD

OF

REGISTER OF DEEDS

PENDER COUNTY, NC HARBOUR VILLAGE SECTION I HOA, INC.

These Bylaws of Harbour Village Section I HOA, Inc. hereinafter referred to as "Bylaws" are made this the 17th day of September, 1998 by Pender Land Holdings, Inc., hereinafter referred to as "Declarant", and any and all persons, firms or corporations hereinafter acquiring any of the property hereinafter made subject to these Bylaws.

WITNESSETH:

WHEREAS, Declarant is the owner of certain property in Pender County, North Carolina known as Harbour Village Subdivision; and

WHEREAS, Harbour Village Section I is more particularly described by map(s) thereof entitled "Final Plat of Section One HARBOUR VILLAGE" and recorded in Map Book 32 at Page 31 of the Pender County Registry, to which reference is hereby made for a more complete description; and maps for additional phases made a part of this subdivision may be recorded at a later date; and

WHEREAS, said Section I lots are so situated as to comprise a neighborhood unit, and it is the intent and purpose of the Declarant to convey the aforesaid lots to persons who will erect thereon residences to be used for family purposes, subject to the provisions hereinafter set forth; and

WHEREAS, Declarant has agreed to establish a general plan of development as herein set out to restrict the use and occupancy of the property made subject to these Bylaws of Harbour Village Section I HOA, Inc. for the benefit and protection of the property and for the mutual protection, welfare and benefit of the present and the future owners thereof and has caused by separate instrument Restrictive Covenants of Harbour Village Subdivision (hereinafter "Restrictive Covenants") to be recorded separately in the Office of the Register of Deeds for Pender County, reference to which is hereby made as if fully set forth herein; and

WHEREAS, the Restrictive Covenants provide for the creation of a Harbour Village Homeowners Association; and

WHEREAS, Declarant intends to subject to the Restrictive Covenants and these Bylaws additional portions of Harbour Village Subdivision for the purpose of extending the general scheme of development to such additional property and accordingly declares that Harbour Village Subdivision may be expanded to include additional property; and

WHEREAS, Declarant desires to provide for the preservation of the values, now existing and to be developed, of Harbour Village Subdivision as expanded hereby and hereinafter made subject to the Restrictive Covenants and these Bylaws and for the preservation and maintenance of the Common Property.

NOW, THEREFORE, in accordance with the recitals which by this reference are made a substantive part hereof, Declarant declares that all of the property described on said recorded map(s) and all of the property hereafter made subject to these Bylaws shall be held, sold and conveyed subject to the following rights and obligations which shall burden and run with said real property and be binding on all parties, and their heirs, successors and assigns, owning any right, title or interest in the properties now or hereafter subjected to the Restrictive Covenants and these Bylaws, and shall inure to the benefit of each owner thereof and their respective heirs, successors and assigns.

ARTICLE I

DEFINITIONS

As used in these Bylaws, the following terms shall mean:

1. "Association" shall mean and refer to HARBOUR VILLAGE SECTION I HOA, INC. a non-profit North Carolina corporation, its successors and assigns.
2. "Owner" shall mean and refer to any contract buyer and/or the record owner, whether one or more persons or entities, of a fee simple title to any lot which is part of any of the property made subject to these Bylaws, including multi-family (townhouse) lots which may be added at a later date, but excluding those having such interest merely as security for the performance of an obligation, provided however, the Declarant shall not be deemed an Owner.
3. "Property" generally means the lands being developed and known as Harbour Village Subdivision located in Pender County, North Carolina, and being all of the property shown on map recorded in Map Book 32 at Page 31 (Lots 2 thru 17, inclusive) of the Pender County Registry and any additional property which

Declarant may make a part of Harbour Village Subdivision, as provided for in the Restrictive Covenants. The terms "Property", "Subdivision" and Harbour Village Subdivision are interchangeable.

4. "Lot" shall mean and refer to any improved or unimproved single family building lot (presently Lots 2 thru 17, inclusive) or any single family unit located on the multi-family property shown upon any recorded subdivision map of the Subdivision.

5. "Dwelling Unit" shall mean and refer to the completed single family home located upon a lot, or townhouse unit later developed on the multi-family property.

6. "DECLARANT" shall mean Pender Land Holdings, Inc., a North Carolina corporation, and its successors and assigns if the rights and obligations of the Declarant hereunder are expressly assigned to and assumed by such successors and assigns.

7. "Common Property" shall mean all property owned by the Association for the common use and enjoyment of all or a designated class of members. Common Property includes without limitation all existing and future roads and right-of-ways and all greenways, median strips, cul-de-sac centers, planting areas, recreational areas, open space, and easements that may be developed on the Common Property (it being understood that this enumeration is by way of the description of the type of facilities that may be developed and in no way shall bind or obligate the Declarant to provide any of the described facilities and it being further understood that Declarant in its sole discretion, may include any facility of any type as Common Property) and all entry ways, directional and informational signs (and area set aside for their location) and any other property as may be purchased or provided for the common use and benefit of the Declarant, the Owners, and any member in the Association, including without limitation such Common Property as may be shown on the recorded maps of the Property. The Common Property shall not be used for public commercial purposes, but may be used for enjoyment of the Association's members for fund-raising activities to support the purposes of the Association.

8. "Committee" shall mean and refer to the Architectural Review Committee established for the purposes of administering control over architectural, landscaping and related matters, as provided herein.

ARTICLE II

RIGHT AND DUTIES OF THE ASSOCIATION
AND PROPERTY OWNERS ASSESSMENTS

SECTION 1. RIGHTS, OBLIGATIONS AND DUTIES.

The Association shall have all rights, obligations and duties imposed by the Restrictive Covenants and these Bylaws. In addition, by assignment, the Declarant, at its sole and absolute discretion may impose any right, obligation or duties on Declarant to the Association.

SECTION 2. ANNUAL ASSESSMENTS.

The Association shall have the duty to repair, replace and maintain all common property, including recreational areas and improvements located thereon, and all streets, roads, road right-of-ways, and other Common Property. The Association shall have the right, from time to time to establish a reasonable assessment, which assessment shall be paid by each Owner in such periodic installments as the Association may determine, to be used to pay: (1) the operation and administrative expenses of the Association; (2) the costs of maintenance, upkeep, replacement and repair of all recreational areas, and the improvements located thereon, and all streets, roads, right-of-ways and other Common Property; (3) other expenses necessary or useful to maintain and operate the Association and the recreational facilities (including, without limitation, the procuring, maintenance and paying the costs of insurance related to the Common Property and of surety and other bonds related to the management of the Common Property and the Association); and (4) the costs of exercising any rights or obligations that arise by reason of and agreement referred to in paragraph 18 (d) of the Restrictive Covenants. It is understood (by way of example and without limitation) that the assessment funds shall be used for such matters concerning Common Property as the following: maintenance, repair and replacement of improvements within the recreational areas, the seeding and reseeding road right-of-ways and Common Property, erosion control, repairing of road shoulders, surfacing, patching and resurfacing of parking lot and road pavement, placement of gravel, and planting and maintenance of shrubs, trees and seasonal flowers.

The annual assessment payable by each Owner shall be \$240.00 per lot per calendar year. The annual assessment shall be due and payable on January 31 of each year, commencing January 31, 1999, provided the Board of Directors may elect to permit payment in such installments at such times as it shall determine. This assessment shall be deferred as to any lot purchased by a builder

with the intent to build a house for resale to the public at large as a builder/vendor. This assessment will be payable and no exception shall apply as to any lot purchases by a builder who purchases a lot for the purpose of building a custom home under contract with the ultimate residents. This assessment will be prorated on a calendar year basis from the date title to each lot for which an assessment is payable is transferred to the Owner.

The annual assessment may be increased or decreased by the Board of Directors of the Association without a vote of the membership to an amount not more than ten percent (10%) in excess of the annual assessment for the previous year. A majority vote of each class of voting members of the Association must approve an increase or decrease in the yearly assessment if the increase or decrease exceeds the assessment for the previous year by more than ten percent (10%).

Annually the Board of Directors of the Association shall have determined and shall have given written notice to each Owner of the annual assessment affixed against each owner for the immediately succeeding calendar year.

The Declarant is not subject to any annual assessment.

SECTION 3. SPECIAL ASSESSMENTS.

In addition to the assessments specified hereinabove, the Association may level special assessments for the purpose of supplementing the annual assessments if the same are inadequate to pay the reasonable maintenance expenses and operating costs of the Association as described in Section 2 hereof, provided that any such special assessments shall have the assent of a majority of each class of the voting members of the Association at a duly called meeting.

The Declarant is not subject to any special assessments.

SECTION 4. LATE CHARGES AND INTEREST ON UNPAID ASSESSMENTS.

Any assessment not paid within thirty (30) days after the due date shall be subject to such late charges and shall bear interest at a rate per annum as shall be determined by the Board of Directors of the Association, which interest rate shall not exceed the highest rate of interest allowed by law. The initial late charge imposed for late payment of any assessment is \$25.00 and shall be charged as to any assessment that is not paid within thirty (30) days of its due date. The initial interest rate for late payment is 18% per year (1.5 % per month) which shall commence to accrue on any assessment or other account balance that is not paid within thirty

(30) days of the due date. The board of Directors may change the initial late charge, interest rate, due dates and lien assessment date by majority vote of the Directors.

SECTION 5. LIEN FOR UNPAID ASSESSMENTS.

In the event the owner of any lot fails and refuses, after demand by the Association, to pay any annual or special assessment, then the Association shall have a lien against said lot and may enforce collection of said assessment in law or in equity, including without limitation, the filing or a notice of lien and perfecting the same as by law provided to the end that such unpaid assessment together with the costs and expenses of collection, including without limitation, reasonable attorneys' fees, shall be a charge and lien against the said lot.

To secure the payment of annual and special assessments as are levied by the Association, together with the costs of collection, including attorneys' fees, all such charges shall be a continuing lien upon the lot against which the assessments are made. Such charges shall also be the personal obligation of the person(s), corporations or entities who were the owner and/or owners of such lot at the time the assessment came due.

Neither the assessments nor the costs of collection shall be a lien upon any Common Property nor shall the lien upon any lot for such charges be senior to any first lien mortgage or first lien deed of trust regardless of the fact the lien arose prior to the date and the time of recording of any such first lien mortgage or deed of trust.

SECTION 6. RULES FOR COMMON PROPERTY USE.

The Association is empowered to enact rules and regulations governing the use of all Common Property.

ARTICLE III

SECTION 1. MEMBERSHIP

Every owner of a lot which is subject to this Declaration shall be a member of the Association. Membership is appurtenant to the lot and may not be assigned. If and when Declarant develops additional property in the Subdivision, the Owners of those lots shall be members of the Association. The Declarant shall also be a member so long as it owns property within this expandable Subdivision.

SECTION 2. CLASS MEMBERSHIP VOTING.

The Association shall have Two (2) classes of membership:

CLASS A. Class A members shall be all owners with the exception of the Declarant, and shall be entitled to one vote for each lot owned. When more than one person holds an interest in a lot, all such persons shall be members but the vote for such lot shall be exercised as they, among themselves, shall determine in writing, which writing shall be filed with the Secretary of the meeting prior to voting, but in no event shall more than one vote be cast with respect to any lot.

CLASS B. Class B members shall be entitled to vote (10) votes for each lot owned. Class B membership shall consist of the Declarant, or its successors or assigns, until the happening of either of the following events, whichever occurs earlier:

1. The earlier of four months after ninety percent (90%) of all the lots in the Subdivision are sold and conveyed by the Declarant to unrelated third parties or persons; or
2. Ten (10) years from date of recordation of the Restrictive Covenants; or
3. At such time as Declarant voluntarily relinquishes majority control of the Association by a duly recorded instrument.

Upon the happening of the earlier of any of the three above described events, Class B membership shall cease and terminate and shall be converted to Class A membership.

SECTION 3. PLACE OF MEETINGS:

All meetings of members shall be held at the principal office of the Association, or such other place either within or without the State of North Carolina, as shall be designated in the notice of the meeting or agreed upon by a majority of the membership.

SECTION 4. ANNUAL MEETINGS:

The annual meeting of the members shall be held at 1:00 P. M. on the first day March of each year, if not a legal holiday, but if a legal holiday, then on the next following day not a legal holiday, for the purpose of electing directors of the Association and for the transaction of such other business as may be properly brought before the meeting.

SECTION 5. SUBSTITUTE ANNUAL MEETING:

If the annual meeting shall not be held on the day designated by these Bylaws, a substitute meeting may be called in accordance with the provisions of "Special Meetings" of the Article. A meeting so called shall be designated and treated for all purposes as an annual meeting.

SECTION 6. SPECIAL MEETINGS:

Special meetings of the members may be called at any time by the Board of Directors of the Association, or by any member pursuant to the written request of the holders of not less than one-tenth of all votes entitled to be cast on any issue to be considered at the special meeting. Only those matters that are within the purpose or purposes described in the required meeting notice may be acted upon at a special meeting of the members unless the vote is nonetheless valid, despite said lack of notice, in the manner set forth below.

SECTION 7. NOTICE OF MEETINGS:

Written notice stating the time and place of the meeting shall be sent not less than (10) days before and not more than sixty (60) days before the date thereof, if delivered personally or by first class, certified or registered mail, by or at the direction of the President, Secretary, or other person calling the meeting, to each member of the record entitled to vote at such meeting. If the notice is mailed by other than first class, certified or registered mail, then said notice must be sent not less than thirty (30) days and no more than sixty (60) days before the date thereof.

In the case of an annual or substitute annual meeting, the notice of meeting need not specifically state the business to be transacted unless it is a matter other than election of directors, on which the vote of the members is expressly required by the provisions of the North Carolina Nonprofit Corporation Act. In the case of a special meeting, the notice of meeting shall specifically state the purpose for which the meeting is called.

When the Association gives notice of any meeting of members, the Association shall give notice of a matter a member intends to raise at the meeting if:

1. Requested in writing to do so by a person entitled to call a special meeting; and
2. The request is received by the President or the Secretary

of the Association at least ten (10) days before the Association gives notice of the meeting.

When a meeting is adjourned for thirty (30) days or more, notice of the adjourned meeting shall be given as in the case of an original meeting. When a meeting is adjourned for less than thirty (30) days in any one adjournment, it is not necessary to give any notice of the adjourned meeting, other than by announcement at the meeting at which the adjournment is taken.

The transactions of any meeting of members, however called and with whatever notice, if any, are valid as though taken at a meeting duly held after regular call and notice, if:

1. All the members entitled to vote are present in person or by proxy and no objection to holding the meeting is made by any member; or

2. A quorum is present either in person or by proxy and no objection to holding the meeting is made by anyone so present and if, either before or after the meeting, each person entitled to vote who is not present, in person or by proxy, signs a written waiver of notice, a consent to the holding of the meeting or an approval of the action taken as shown by the minutes thereof. All such waivers, consents or approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

SECTION 8. VOTING LISTS:

At least five (5) days and not more than thirty (30) days before a notice is sent of a meeting of members (hereinafter referred to as "record date") the Secretary of the Association shall prepare an alphabetical list of the members entitled to vote at such meetings, with the address of and number of votes entitled to be cast by each said member, which list shall be kept on file at the registered office of the Association, or a reasonable place identified in the meeting notice, for a period of ten (10) days prior to each meeting, and shall be subject to inspection by any member at any time during the usual business hours. Persons who became members after the record date shall not be entitled to vote at a meeting. The voting list shall also be produced and kept at the time and place of the meeting and shall be subject to inspection by any member during the whole time of the meeting. Upon paying a reasonable cost of copying said list, any member may receive a copy of the list, provided that said member is acting in good faith and for a proper purpose. Under no circumstances may the list be used to solicit money or property or for any other commercial purpose or sold to or purchased by any person.

SECTION 9. QUORUM:

The holders of a majority of votes entitled to be cast, represented in person or by proxy, shall constitute a quorum at meetings of members. If there is not a quorum at the opening of the meeting of members, such meeting may be adjourned from time to time by the vote of the majority of the votes which are cast on a motion to adjourn; and, at any adjourned meeting, at which a quorum is present, any business may be transacted which might have been transacted at the original meeting.

The members at a 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.

SECTION 10. PROXIES:

Votes may be cast either in person or by one or more agents authorized by a written proxy executed by the member or by his duly authorized attorney in fact. A proxy is not valid after the expiration of eleven (11) months from the date of its execution, unless the person executing it specifies therein the length of time for which it is to continue in force, or limits its use to a particular meeting. No proxy shall be valid after ten (10) years from the date of its execution. All proxies must comply with N.C. Gen. Stat. Section 55A-7-24 and the vote by proxy and the Association's obligation to accept or reject said proxy shall be governed by said statute.

SECTION 11. ACTION WITHOUT A MEETING:

Any action required or permitted by these Bylaws and the North Carolina Nonprofit Corporation Act may be taken without a meeting if the action is taken by all members entitled to vote on the action. The action shall be evidenced by one or more written consents describing the action taken, signed before or after such action by all members entitled to vote thereon, and delivered to the Association for inclusion in the minutes or filing with the corporate records.

SECTION 12. SUSPENSION OF VOTING RIGHTS:

The Association shall have the right to:

1. Suspend the voting rights (if any) of a member for any period during which assessment of his lot remains unpaid and enforce collection of the same; and
2. Suspend the voting rights (if any) of each member who is a

contract buyer for any period of time during which payments to the Declarant pursuant to terms of said contract are delinquent, during which period of time the Declarant shall succeed to the voting rights of said contract buyer.

SECTION 13. BOARD OF DIRECTORS:

There shall be five (5) members of the Board of Directors of the Association who shall serve until such time as their successors are duly elected and agree to serve. The directors shall have annual meetings and such other meetings as may be called at the request of the president of the Association or by any three (3) directors. So long as the Declarant or its successors and assigns, is the Class B member, it shall select the Board of Directors provided it must select two (2) of the members from the lot Owners other than the Declarant. All meeting of directors shall be held at the principal office of the Association, or such other place either within or without the State of North Carolina, as shall be designated in the notice of the meeting or agreed upon by a majority of the directors. Meetings and actions of the Board of Directors shall otherwise be in accordance with the North Carolina Nonprofit Corporation Act.

SECTION 14. OFFICERS:

The Board of Directors shall appoint one director to act as President of the Association, one director to act as Vice President of the Association, one director to act as Secretary of the Association and one director to act as Treasurer of the Association. The Board is also empowered to appoint an Assistant Secretary of the Association. The same director may act as both Secretary and Treasurer of the Association. Said officers shall have only the authority to act as the Board confers upon them, subject to the provisions of the North Carolina Nonprofit Corporation Act.

SECTION 15. DUTIES OF THE PRESIDENT:

The President shall be the principal executive officer of the Association and, subject to the control of the Board of Directors, shall in general supervise and control all of the business and affairs of the Association. He or she shall preside at all meetings of the members and shall, in the absence of the Chairman of the board, preside at meetings of the Board of Directors. The President may execute, any deeds, mortgages, bonds, contracts, or other instruments which the Board of Directors has authorized to be executed, except in cases where the signing and execution thereof shall be expressly delegated by the Board of Directors or by these bylaws to some other officer or agent of the Corporation,

or shall be required by law to be otherwise signed or executed. The President shall have the authority to institute or defend legal proceedings when the directors are deadlocked and shall perform all duties incident to the office of president and such other duties as may be prescribed by the Board of Directors.

SECTION 16. DUTIES OF THE VICE PRESIDENT:

In the absence of the President or in the event of his or her death, inability or refusal to act, the Vice President (or in the event there be more than one Vice President, the Vice Presidents in the order designated at the time of their election, or in the absence of any designation, then in the order of their election) shall perform the duties of the President and when so acting, shall have all the powers of and be subject to all the restrictions upon the President. Any Vice President shall perform such other duties as from time to time may be assigned by the President or by the Board of Directors.

SECTION 17. DUTIES OF THE SECRETARY AND/OR ASSISTANT SECRETARY:

The Secretary and or Assistant Secretary shall: (a) keep the minutes of the proceedings of the members and of the Board of Directors in one or more books provided for that purpose; (b) see that all notices are duly given in accordance with the provisions of these bylaws or as required by law; (c) be custodian of the corporate records and of the seal of the Association and see that the seal of the Association is affixed to all documents the execution of which on behalf of the Association under its seal is duly authorized; (d) keep a register of the post office address of each member; (e) prepare voting lists for each meeting of members as required by law; and (f) in general perform all duties incident to the office of secretary and such other duties as from time to time may be assigned by the President or by the Board of Directors.

SECTION 18. DUTIES OF THE TREASURER:

The Treasurer shall: (a) have charge of custody of and be responsible for all funds of the Association; (b) receive and give receipts for monies due and payable to the Association from any source whatsoever, and deposit all such monies in the name of the Association in such banks, trust companies or other depositories as shall be selected in accordance with the provisions of these bylaws; and (c) in general perform all the duties incident to the office of the treasurer and such other duties as from time to time may be assigned by the President or by the Board of Directors. If required by the Board of Directors, the Treasurer shall give a bond for the faithful discharge of his

or her duties in such sum and with such surety or sureties as the Board of Directors shall determine.

SECTION 19. ADDITIONAL PHASES:

The Declarant may (but is not obligated) to develop one or more additional phases of Harbour Village Subdivision and incorporate the same within the provisions of these Bylaws.

The Declarant reserves the right to convey the rights and responsibilities, including dues and assessments to the Owners of lots in an adjacent subdivision if that subdivision is subject to the Restrictive Covenants.

ARTICLE IV

CONVEYANCE OF COMMON PROPERTY

Within ten (10) years from the date of recording of this Declaration, Declarant will convey by deed its right, title, and interest in and over the road right-of-ways and any other Common Property within the Subdivision to the Association.

ARTICLE V

ARCHITECTURAL CONTROL

SECTION 1. CREATION OF ARCHITECTURAL REVIEW COMMITTEE.

In order to control design and location of houses and other improvements to be constructed, erected, placed or installed (hereinafter "improvements") upon the lots in the Subdivision, an Architectural Review Committee (hereinafter "Committee") is hereby created for the purpose of reviewing, approving, suggesting changes to, and rejecting plans and specifications for such improvements (regardless of when such improvements are made) and the landscaping of each lot and performing all obligations and responsibilities that the Restrictive Covenants impose on the Committee. This Committee is also created for the purpose of reviewing, approving, suggesting changes to, and rejecting, swimming pools, out buildings, boat ramps, piers, driveways, and if Declarant so desires, for mailbox design. This Committee will be responsible for the control of size, color and materials, and for the control of boats, boat trailers, house trailers, motor homes, trucks, or any other such vehicles, that are kept or maintained or located upon any lot unless located within enclosed garages. The Committee will also be responsible for the control of temporary construction shelters or vehicles in this Subdivision.

SECTION 2. COMPOSITION.

The Committee shall consist of five (5) persons designated or appointed from time to time by the Board of Directors, provided, however, that Declarant, its successors or assigns, shall be entitled to approve at least one (1) Committee member appointment until all of its lots in this Subdivision have been sold.

ARTICLE VI

DISSOLUTION

SECTION 1. The Association may be dissolved by an affirmative vote of at least sixty-six percent (66%) of the membership.

SECTION 2. Upon dissolution, and after all liabilities and obligations of the Association are paid and discharged, or adequate provisions made therefor, and after assets of the Association which are held upon condition requiring return, transfer or conveyance, which condition occurs by reason of the dissolution, have been returned, transferred or conveyed in accordance with such requirements, then the members shall receive a proportionate share of the Association's assets based upon the ratio of the number of lots owned by said member to the total number of lots owned by all members of the Association.

ARTICLE VII

NORTH CAROLINA GENERAL STATUTE SECTION 55A

The Association shall be bound by and at all times comply with the provisions of the North Carolina Nonprofit Corporation Act, N.C. Gen. Stat. Sections 55A-1-01 et. seq., including maintaining and providing all members access to all required documentation and records, providing all required notices to members and maintaining a registered office and registered agent in the State of North Carolina. The initial registered agent shall be John King and the initial registered office shall be 101 Harbour Village Drive, P.O. Box 967, Hampstead, North Carolina 28443. The registered agent and office of the Association may be changed from time to time by a majority of the Directors.

ARTICLE VIII

INDEMNIFICATION

The Association shall indemnify any director, officer or agent against expenses (including attorneys' fees), judgments, fines and

amounts paid in settlement actually and reasonably incurred by him in conjunction with an action, suit or proceeding, if the Association determines that he acted in good faith and in a manner he reasonably believed to be in the best interest of the Association. Determination of any action, suit or proceeding by judgment, order, settlement or conviction, will not in itself create a presumption that the person did or did not act in good faith and in a manner in which he reasonably believed to be in the best interest of the Association and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was lawful.

ARTICLE IX

BANKING

All funds in the Association will be deposited in its name in the checking and/or savings accounts as shall be designated by the Board of Directors.

ARTICLE X

INSURANCE

During the course of the term for which this Association is formed, the Association may carry liability insurance in amounts deemed appropriate by the Board of Directors.

ARTICLE XI

CAPTIONS, ENFORCEMENT AND INVALIDATION

SECTION 1. Whenever the context and construction so require, all words used in the singular number herein shall be deemed to have been used in the plural, and vice versa, and the masculine gender shall include the feminine and neuter and the neuter shall include the masculine and feminine.

SECTION 2. The captions herein are inserted only as a matter of convenience and for reference and in no way define, limit or describe the scope of this Declaration nor the intent of any provisions hereof.

SECTION 3. Enforcement shall be by proceedings at law or in equity against any person or persons violating or attempting to violate any covenant, either to restrain violation or to recover damages. In the event it is necessary to enforce these Bylaws by appropriate legal or equitable proceedings, the party or parties violating or attempting to violate the same shall be liable for

the cost of such proceedings including reasonable attorneys' fees.

SECTION 4. Invalidation of any one or more of these covenants by judgment or court shall not adversely affect the balance of these Bylaws, which shall remain in full force and effect.

SECTION 5. The Declarant reserves the right to amend these Bylaws from time to time without joinder of any of the Owners for the following purposes:

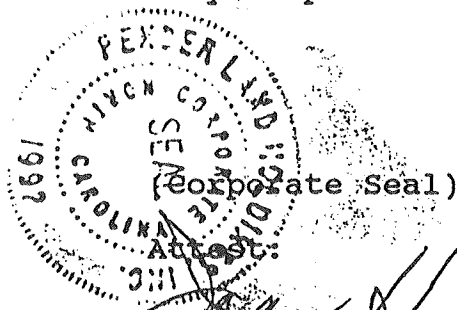
1. To clarify the meaning of or to correct clerical errors in the Declarations.
2. To correct grammar, spelling, capitalization and other matters of syntax.

SECTION 6. All other amendments to the Declaration shall require an affirmative vote of a least sixty-six percent (66%) of the membership and the affirmative vote of the Declarant, its successors and assigns.

Duly adopted this the 17th day of September, 1998.

PENDER LAND HOLDINGS, INC.

By: *T. Eugene Smith*
T. EUGENE SMITH, President

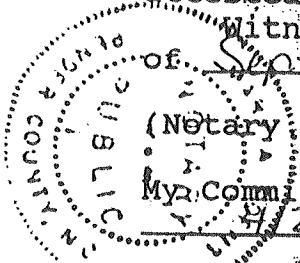


Joan H. Smith
JOAN H. SMITH, Secretary

STATE OF NORTH CAROLINA, COUNTY OF PENDER

I, a Notary Public of the County and State aforesaid, certify that JOAN H. SMITH personally appeared before me this day and acknowledged that she is Secretary of PENDER LAND HOLDINGS, INC., a North Carolina corporation, and that by authority duly given and as the act of the corporation, the foregoing instrument was signed in tis name by its President, sealed with its corporate seal and attested by herself as its Secretary.

Witness my hand and official stamp or seal, this 24th day of Sept, 1998.



(Notary Seal)

My Commission Expires:

4/20/03

Mary A. Edens
Notary Public

The foregoing certificate(s) of

Mary A. Edens

is/are certified to be correct. This instrument and this certificate are duly registered at the date and time and in the Book and Page shown on the first page hereof.

By JOYCE M. SWICEGOOD

Register of Deeds for Pender County
Deputy/Assistant - Register of Deeds

By Jalorie Yates