

COPY

BY-LAWS
OF
BAY RIDGE HOMEOWNERS ASSOCIATION, INC.

ARTICLE I: ASSOCIATION MEMBERS: MEETINGS

Section 1. Members and Voting Rights. Each owner of a numbered subdivision lot depicted on that plat of Bay Ridge, as recorded in Slide Cabinet E, Slide Page (6-10), Beaufort County Registry (the "Plat") shall be a member of the Association. The membership of the Association shall consist of all nine (9) of the owners of such numbered lots. Each owner shall be entitled to one vote for each lot (hereinafter referred to as the "Lot") owned by him, but there shall be only one vote allowed per Lot. There shall be one person with respect to each Lot who shall be entitled to vote at any meeting of the Association. Such person shall be known as the "voting member." The voting member shall be selected by agreement of the owners of the affected Lot, or by the Association if no agreement is reached among the owners of the individual Lot.

Section 2. Transfer of Membership. The Association shall not issue stock. Membership in the Association may be transferred only as an incident to the transfer of title to a Lot as and in the manner provided for by the Covenants and these By-Laws, and, upon compliance with all of the terms thereof, transfer of membership shall become effective if made in accordance with the foregoing, upon the recordation of a deed of conveyance to the said Lot, or upon the passing of legal ownership if transfer of ownership is accomplished other than by deed of conveyance.

Section 3. Annual Meeting. The first annual meeting of the Lot owners shall be held on the third Friday in the month of October of 1996, or at such other date prior to December 31, 1996, as established by Weyerhaeuser Real Estate Company ("Declarant"). An annual meeting shall be held each year thereafter, on a date established by the Board of Directors. Should no contrary date be established, and notification given, the annual meeting shall be on the third Friday of the month of October of each year. The location of the meeting shall be at a designated location within Beaufort County, North Carolina, unless the Association shall specify a different location in writing to the Lot owners. Voting by proxy shall be allowed. A quorum for any Association member meeting, regular or special, shall be twenty-five percent (25%) of the Lots whether the same shall be present in person or by proxy.

Section 4. Special Meeting. A special meeting of the Lot owners may be called at any time by the President or by a majority of the Board of Directors, and shall be held at such place as is designated by the President or a majority of the Board of Directors, and stated in a written notice. No special meeting shall be called unless the Secretary of the Association shall have mailed to or served upon all of the Lot owners written notice of

K JAN & WHITFORD, P.A.

REGISTERED ARCHITECT

MOOREHEAD CITY, NORTH CAROLINA 28557-1447

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the said meeting at least twenty (20) days prior to the date of the meeting. All notices shall be mailed to or served at the address of each Lot owner as it appears on the books of the Association.

ARTICLE II - DIRECTORS

Section 1. Directors. The initial number of Directors of the Association shall be three (3).

Section 2. Selection. The directors named in the charter of this Association shall serve until the first annual meeting of the Association.

Section 3. Removal and Vacancies. Declarant may remove at any time any director selected by Declarant; directors elected at an annual meeting may be removed at any time upon affirmative vote of a majority of the Lots entitled to vote, with or without cause. In the event of any removal, resignation or vacancy in any of the offices, the remaining members of the Board of Directors shall elect a person to serve as a successor to the removed, resigned or vacant office, who shall hold office for the balance of the unexpired term, and shall succeed to a membership in the Board of Directors for the same term, except that Declarant shall name the replacement of any director removed, which director was appointed by Declarant. The election held for the purpose of filling said vacancy may be held at any regular or special meeting of the Board of Directors, and such election shall be subject to the requirements of Section 2 above.

Section 4. Annual Meetings. The annual meeting of the Board of Directors shall be held at such place as may be agreed upon by the Board of Directors, and shall be held immediately following the adjournment of the annual meeting of the Lot owners.

The Board of Directors may establish a schedule of regular meetings to be held at such place as the Board of Directors may designate, in which event no notice shall be required to be sent to the said Board of Directors of said regular meetings once said schedule has been adopted.

Section 5. Special Meetings. Special Meetings of the Board of Directors may be called by the President, and in his absence, by the Vice-President, or by a majority of the members of the Board of Directors, by giving three (3) days notice, in writing or by telephone call, to all of the members of the Board of Directors of the time and place of said meeting, said notice to be served on each member of the Board of Directors by the Secretary of the Association. By unanimous consent of the Board of Directors, a special meeting of the Board of Directors may be held without notice at any time or place. All notices of special meetings shall state the purpose of the meeting.

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Section 6. Quorum. A quorum for the transaction of business at any regular or special meeting of the Board of Directors shall consist of a majority of the members of the Board.

A majority of those present at any annual, regular or special meeting shall have the power to adjourn the meeting to a future time, provided that written notice of the new time, date and place shall be mailed to or personally served on each member of the Board of Directors by the Secretary of the Association at least three (3) days prior to the time fixed for said meeting.

Section 7. Compensation. The officers and directors of the Association shall serve without compensation solely for holding such office.

Section 8. Expansion. Declarant has the right to subject other and additional properties to membership in the Association by recordation in the Office of the Register of Deeds of Beaufort County an amendment to the Protective Covenants for Cypress Landing Bay Ridge. If such an election is made by Declarant, the Lots described therein shall be voting members of the Association as described herein. Furthermore, at the annual meeting following such amendment, at least one director of the Association shall be elected from each new phase or section made subject to the Protective Covenants.

ARTICLE III. OFFICERS: POWERS AND DUTIES

Section 1. The President. He shall be the Chief Executive Officer of the Association; he shall preside at all meetings of the Lot owners and of the Board of Directors. He shall have executive powers and general supervision over the affairs of the Association and other officers. He shall sign all written contracts of the Association and shall perform and have the powers necessary to perform all of the duties incident to this office and that may be delegated to him from time to time by the Board of Directors.

Section 2. The Vice-President. He shall perform all of the duties of the President in his absence and such other duties as may be required of him from time to time by the Board of Directors.

Section 3. The Secretary-Treasurer.

(a) He shall issue notices of all Board of Directors meetings and all meetings of the Lot owners; he shall attend and keep the minutes of the same; he shall have charge of all of the Association's books, records and papers.

(b) He shall have the custody of the Association's funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Association.

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and he shall deposit all monies and other valuable effects in the name and to the credit of the Association in such depositories as may be designated from time to time by the Board of Directors.

(c) He shall disburse the funds of the Association as may be ordered by the Board in accordance with these By-Laws, making proper vouchers for such disbursements, and shall render to the President and Board of Directors at the regular meeting of the Board of Directors, or whenever they may require it, an account of all of his transactions as Treasurer and of the financial condition of the Association.

(d) He shall collect the assessments and shall promptly report the status of collections and of all delinquencies to the Board of Directors.

(e) He shall also give status reports to potential transferees, on which reports the transferees may rely. The liability of the Lot owners shall continue until the transfers have been approved, and all such transferees shall be deemed liable for past due assessments (other than institutional mortgagees or purchasers at institutional mortgage foreclosure sales).

Section 4. The Secretary-Treasurer. The office of the Secretary-Treasurer may be divided between two individuals, one Secretary and one Treasurer.

Section 5. Manager. If the Association elects to hire a manager, any or all of the duties set out herein may be transferred to such manager, upon proper supervision and safeguards by the officers. These duties may only be transferred with the authorization and approval of the Board of Directors. However, the Association may not delegate to the manager the authority to borrow money or to sign conveyances.

Section 6. Bond. All officers or other employees who are authorized to sign checks may be bonded in an amount equal to the total anticipated assessment for a full year, and such bond shall be a common expense of the Association.

Section 7. Selection of Officers. The officers shall be selected by the Board of Directors at the annual meeting of the directors, and may or may not be from the ranks of the directors. Each officer shall serve at the pleasure of the Board of Directors.

Section 8. Qualification of Officers. An officer need not be a Lot owner. At least two of the officers shall be Lot owners or a named representative of Declarant. No Lot owner shall be eligible for election as an officer if he is more than 15 days delinquent in the payment of any assessment. A transfer of title of his only Lot by an officer who is a Lot owner shall automatically operate as his resignation as an officer.

Section 9. Committees. The officers shall request approval of the directors to establish standing committees, and shall submit to the directors nominees for service on such committees. All committee members shall serve at the pleasure of the directors.

ARTICLE IV. POWERS OF THE ASSOCIATION

The Association, acting through the Board of Directors, shall have the following powers:

Section 1. Articles of Incorporation. All of the powers specifically set forth in the Articles of Incorporation of the Association and all of the powers incident or incidental thereto.

Section 2. Covenants. All of the powers specifically set forth in the Amendment to Protective Covenants - Bay Ridge and all of the powers incidental thereto.

Section 3. By-Laws. All of the powers specifically set forth in these By-Laws and all of the powers incidental thereto.

Section 4. Miscellaneous Powers.

(a) to use and expend the assessments collected to carry out the purposes and powers of the Association;

(b) to employ attorneys, accountants and other professionals as the need arises;

(c) to employ and terminate the employment of workmen, janitors, gardeners, managers and such other agents and employees to carry out the powers of the Association, and to purchase supplies and equipment therefor;

(d) to contract with Declarant or other associations within Cypress Landing for the joint provision of services, on any allocated cost basis deemed appropriate by the Board of Directors of the Association; and

(e) to cooperate with the Cypress Landing Homeowners Association, Inc. and its Board of Directors to collect dues for the Cypress Landing Homeowners Association, Inc. jointly with dues collections for the Association, or to allow the Cypress Landing Homeowners Association, Inc. to collect dues for the Association, with administrative or collection fees, if any, as determined by agreement between the Boards of Directors of the respective associations.

ARTICLE V. FINANCE AND ASSESSMENTS.

Section 1. Depository. The funds of the Association shall be deposited in a bank designated by the Board of Directors, in an account for the Association under resolutions approved by the Board of Directors, and shall be withdrawn only upon checks and demands for money signed by any designated officer(s) or agent(s) of the Association. All notes of the Association shall be signed by any two of the officers of the Association.

Section 2. Fiscal Year. The fiscal year for the Association shall begin on the first day of January of each year; provided, however, that the Board of Directors is expressly authorized to change to a different fiscal year in accordance with the provisions and regulations from time to time prescribed by the Internal Revenue Code of the United States of America at such time as the Board of Directors deems it advisable.

Section 3. Determination of Assessments.

(a) The Board of Directors of the Association shall fix and determine from time to time the sum or sums necessary and adequate for the common expenses of the Association. Common expenses shall include expenses for the operation, maintenance, repair, or replacement of the common areas and facilities, the cost of maintenance of private roads and easements, costs of carrying out the powers and duties of the Association, all insurance premiums and expenses relating thereto, taxes until separately assessed, and any other expenses designated as common expense from time to time by the Board of Directors of the Association, and as allowed by the Articles of Incorporation of the Association and the Protective Covenants for Cypress Landing as amended in Book 1023, Pages 143 through 154, Beaufort County Registry.

The Board of Directors is specifically empowered, on behalf of the Association, to make and collect assessments, and to lease, maintain, repair, and replace the common elements of the Association. Said assessments shall be payable monthly or quarterly or annually, in advance, as ordered by the Board of Directors.

The Board of Directors is also specifically required, on behalf of the Cypress Landing Homeowners Association, Inc., to make and collect assessments owed by the owner of each Lot to the Cypress Landing Homeowners Association, Inc., all as more fully set out in the Declaration.

(b) When the Board of Directors has determined the amount of any special assessment, the Secretary-Treasurer of the Association shall mail or present a statement of the assessment to each of the Lot owners. All assessments shall be payable to the Secretary-Treasurer of the Association and upon request, the

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Secretary-Treasurer shall give a receipt for each payment made to him.

(c) The Board of Directors, in preparing its annual budget, is expressly directed to establish a capital improvement and repair fund for utilization by the Association in the maintenance, improvement, and repair of the common properties or properties it maintains. Special assessments may be for any purposes, including capital improvements or repairs, to the extent adopted in accordance with the procedures set out in the Covenants.

(d) The Board of Directors shall provide a copy of the annual budget of the Association to each Lot owner no later than the end of the first month of each fiscal year of the Association. No owner approval of said budget shall be required.

(e) Assessments shall only be made for purposes authorized by the Articles of Incorporation of the Association, these By-Laws or the Protective Covenants referenced in Article V, Section 3, the ("Covenants").

Section 4. Delinquent Assessments. In the event an assessment is not paid within thirty (30) days of the date it is due and payable, the Association, through its Board of Directors, may proceed to enforce and collect the said assessment, plus interest at the rate of eighteen percent (18%) per annum against the Lot owner owning the same in any manner allowed by North Carolina law, or as allowed by the Covenants or these By-Laws.

Section 5. Collection and Enforcement. In connection with any assessment, the Association shall have all of the powers, rights, privileges and legal remedies provided for by the Covenants and North Carolina law concerning collection and enforcement. Further, in this connection, each Lot owner shall be liable for his assessment in the same manner provided for by the Covenants, and shall likewise be responsible for reasonable attorney's fees, interest and costs incurred by the Association incident to the collection of such assessment or enforcement of any lien held by the Association for unpaid assessments.

Section 6. Foreclosure. Where the mortgagee of a first mortgage of record or other purchaser of a Lot obtains title to a Lot as a result of foreclosure of a first mortgage (or deed in lieu of foreclosure) such purchaser, including his successors and assigns, shall not be liable for the share of the common expenses or assessments by the Association chargeable to such Lot which became due prior to the acquisition of title to such Lot by such purchaser. Such unpaid share shall be deemed to be common expenses collectible from all of the Lot owners, including such purchaser, his successors and assigns. Nothing contained herein shall relieve the previous owner of his or her personal obligation to pay such assessments, and the Association shall be entitled to pursue

collection against such previous owners, and to collect any and all expenses associated therewith from such previous owner, such expenses to include, without limitation, reasonable attorneys fees incurred in the pursuit of such collection.

ARTICLE VI. VIOLATIONS.

In the event of a violation (other than the nonpayment of an assessment) by a Lot owner of any of the provisions of the Covenants, these By-Laws or any other rules of the Association, the Association, by direction of its Board of Directors, may notify the Lot owner of such by written notice, sent registered or certified mail, return receipt requested, and if such violation shall continue for a period of ten (10) days from the date of such notice, the Association, through its Board of Directors, shall have the right to treat such violation as an intentional and inexcusable and material breach of the Covenants, the By-Laws, or the rules of the Association, as the case may be, and the Association may then, at its option, have the following elections: (i) an action at law to recover for damages on behalf of the Association or on behalf of the other Lot owners; (ii) an action in equity to enforce performance on the part of the Lot owner; or (iii) an action in equity for such equitable relief as may be necessary under the circumstances, including injunctive relief. Failure on the part of the Association to maintain such an action at law or in equity within 45 days from date of a written request, signed by a Lot owner, sent to the Board of Directors, shall authorize any Lot owner to bring an action in equity or suit at law on account of the violation, in the manner provided for by North Carolina law. Any violations which are deemed by the Board of Directors to be a hazard to public health may be corrected immediately as an emergency matter.

ARTICLE VII. NOTICE.

Except as otherwise provided herein, whenever notices are required to be sent hereunder, the same shall be sent to the Lot owners by the U.S. Mail, at their place of residence as listed with the Association. All notices to the Association shall be sent to the mailing address designated by the Board of Directors as their address for notices. All notices shall be deemed and considered sent when mailed. Any party may reserve the right to change the place of notice to him or it by written notice, in accordance with the terms and provisions of this Article. Each Lot owner shall keep on record with the Association a current mailing address and shall notify the Association of any changes therein.

ARTICLE VIII. AMENDMENTS TO BY-LAWS.

These By-Laws may be amended in the same manner as the Covenants may be amended, and with the same restrictions on amendment thereon.

ARTICLE IX. ADMINISTRATION.

Notwithstanding anything contained in these By-Laws to the contrary, Declarant as defined in the Covenants or its assigns shall be responsible for the administration of the Association until such time as the first annual meeting of the members of the Association. Declarant shall designate the date, and give notice, of the first annual meeting of the Association, if such first annual meeting is to be held at a time other than as set out in Article I, Section 3, of these By-Laws. Furthermore, notwithstanding anything to the contrary herein, these By-Laws may only be amended upon the written consent of Declarant as long as Declarant is entitled to select one or more directors.

ARTICLE X. INDEMNIFICATION.

Any person who at any time serves or has served as a director, officer, employee or agent of the Association, or in such capacity at the request of the Association for any other corporation, partnership, joint venture, trust or other enterprise, shall have a right to be indemnified by the Association to the fullest extent permitted by law against (a) reasonable expenses, including attorney fees, actually and necessarily incurred by him in connection with any threatened or pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, and whether or not brought by or on behalf of the Association, seeking to hold him liable by reason of the fact that he is or was acting in such capacity, and (b) reasonable payments made by him in satisfaction of any judgment, money decree, fine, penalty, or settlement for which he may become liable in any such action, suit or proceeding.

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

Any person who at any time after the adoption of these By-Laws serves or has served in any of the aforesaid capacities for or on behalf of the Association shall be deemed to be doing or to have done so in reliance upon, and as consideration for, the right of indemnification provided herein. Such right shall inure to the benefit of the legal representatives of any such person and shall not be exclusive of any other rights to which such person may be entitled apart from the provisions of these By-Laws.

The Association shall have authority to assess the members of the Association, in the manner of a special assessment,

to collect monies necessary to carry out its obligations in accordance with the indemnity provisions of this Article. Such assessment may be made, however, without vote of the members as is required for other special assessments, as the payment of such obligation is an obligatory, and not optional payment of the Association.

APPROVED AND DECLARED AS BY-LAWS OF
BAY RIDGE ASSOCIATION, INC.

Deborah M. Hollowell (SEAL)
Secretary



COASTAL RIVERS
REALTY

EXHIBIT B
TITLE OPINION
FOR
BAY RIDGE

All of Lots No. One (1) through No. Nine (9) as they are shown on that map prepared by Willard C. King, Registered Land Surveyor, dated September 23, 1994, and identified by the following legend: "Weyerhaeuser Real Estate Company, Cypress Landing Subdivision, Bay Ridge". This map is duly of record in the Office of the Register of Deeds of Beaufort County in Plat Cabinet E, Slide 36-10, and reference is hereby made to said map for a more complete and accurate description of this property.

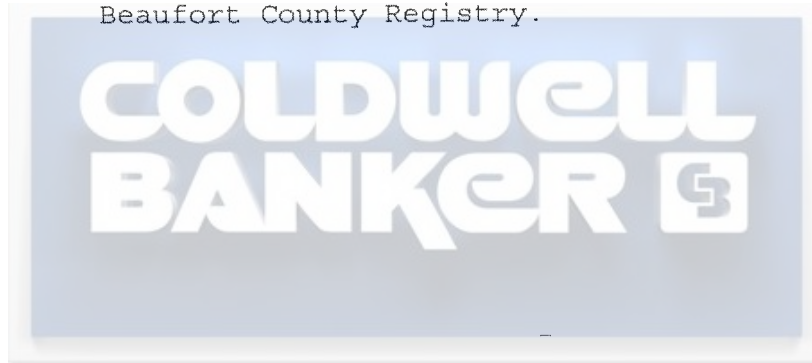
It is my opinion, based upon said examination, that Weyerhaeuser Real Estate Company has a marketable fee simple title to the above-described property subject to the following matters:

- (1) This property is subject to a mineral reservation retained by Weyerhaeuser Company and said reservation is stated in substance as follows:

"The Grantor hereby expressly saves, reserves and excepts out of the grant hereby made, unto itself, its successors and assigns, forever, all ores and minerals including but not limited to oil, gas, coal, distillates, and condensates, in and under said land. Top soil, sand, fill dirt, ground water, and other commonly occurring substances are expressly excluded. Notwithstanding the foregoing and notwithstanding any other legal or equitable right or remedy now existing or hereafter enacted or created, Grantor hereby agrees, for itself, its successors and assigns, that the rights hereby reserved and excepted shall not be exercised in a manner adversely affecting use of the surface at any time unless and until the Grantor or its successors or assigns, as the case may be, shall first make satisfactory written arrangements with the then owner of the property affected, and with the mortgagee or mortgagees of such property, as their respective interests may appear, to compensate said owner and mortgagee or mortgagees for damages incurred to the surface and any improvements thereon in exercising such rights."

- (2) This property is subject to the Beaufort County ad valorem taxes for the present year and subsequent years.

- (3) This property is subject to such defects in title as might appear from a current and accurate survey of the property.
- (4) This property is subject to the utility easements common in the area. This property is subject to an easement in favor of Carolina Power and Light Company recorded in Book 995, Page 842, Beaufort County Registry.
- (5) This title opinion is limited to those matters of record in the Office of the Clerk of the Superior Court of Beaufort County and in the Office of the Register of Deeds of Beaufort County.
- (6) I have made no investigation with regard to environmental matters.
- (7) The property is subject to those Restrictive Covenants of record in Book 983, Page 471 and Book 997, Page 228, and Book 998, Page 1, Beaufort County Registry.
- (8) This property is subject to the drainage easements, utility easements, streets, terms and provisions and conditions as the same are shown and set forth on that map which is of record in Plat Cabinet E, Slide 36-10, Beaufort County Registry.



COASTAL RIVERS
REALTY

PREPARED BY:
T. R. THOMPSON, JR.
ATTORNEY AT LAW
AURORA, NORTH CAROLINA