

BY-LAWS
OF
OCEAN LAKE SWIM AND TENNIS CLUB, INC.

A Nonprofit Corporation

ARTICLE I

NAME AND LOCATION OF CORPORATION

The name of this Corporation is Ocean Lake Swim and Tennis Club, Inc. Its principal office is located at Ocean Sands, Currituck County, North Carolina.

ARTICLE II

MEMBERSHIP

Section 1. Classes of Members. The authorized membership of the Corporation shall consist of the following classes of members.

(1) Owner Member, being any person or entity other than the Developer Member who owns one or more lots in Section O, Ocean Sands Subdivision and who has complied with the requirements of Section 2(1) of this Article. For purposes of these By-laws, "lot" shall mean a single family dwelling lot.

(2) Owner at Large, being any persons or entity other than Developer Member owning one or more lots in Ocean Sands who has made application and has been accepted for membership by the developer.

(3) Developer Member, being Coastland Corporation, the owner and developer of the Subdivision.

Section 2. Qualification for Membership.

(1) Owner Members. A person or entity may become an Owner Member of the Corporation in the following ways:

(a) A person shall automatically become an Owner Member of the Corporation by the acquisition of legal or equitable title to one lot within Section O, Ocean Sands Subdivision, after the Corporation is chartered. Provided however, that the Developer Member shall not be or become an Owner Member.

(b) An Owner Member shall hold a number of Owner Memberships equal to the total number of lots owned within Section O, Ocean Sands Subdivision for which Owner Membership is accorded pursuant to Subsection (a) of this Section 2, of Article II.

(2) Developer Member. Coastland Corporation, its successors and assigns in the development of Ocean Lake Swim and Tennis Club, Inc. shall be the Developer Member of the Corporation. The Developer Member may at any time withdraw from Developer Membership in the Corporation.

(3) Member at Large. A person or entity may become a Member at Large by making application, being accepted for membership by the Developer, and paying the Developer a \$3,000 initiation fee. The Developer reserves the right to refund the initiation fee and void the membership should another pool membership become available in Ocean Sands subdivision or if he deems the facilities too crowded.

Section 3. Application for Membership. Application for membership as an Owner Member is not required and such membership shall automatically vest in a person or entity upon their acquisition or ownership of legal or equitable title to a lot within the Subdivision. A Member at Large must make application to, and be approved by the Developer for membership. The Trustee of a Deed of Trust shall not be a Owner Member by reason of the legal title held by the Trustee pursuant to a Deed of Trust.

Section 4. Assessments and Privileges. Each Owner Member is obligated to pay to the Corporation an annual maintenance assessment of the following amounts for each such lot owned:

425 811 5-98
\$350.00, annually, per lot.

Annual dues of Owner Members and Members at Large in addition to the aforementioned annual maintenance assessments may, and shall be established and revised from time to time at the discretion of the Board of Directors.

Each Owner Member and Member at Large shall have the privilege to use the recreational facilities, parking lot, and private access roads under the control of Ocean Sands Swim and Tennis Club, Inc. Such privilege is also accorded to Owner Members, their tenants, guests, and invitees subject to any rules and regulations established by the Corporation.

Section 5. Special Assessments for Capital Improvements. In addition to the annual maintenance assessments and annual dues as authorized by the Board of Directors by the preceding section, the Corporation may levy against each Owner Member for each lot owned and against each Member at Large, in any assessment year, a special assessment, applicable to that year only, for the purposes of defraying, whole or in part, the costs of any reconstruction, unexpected repair or replacement of any property in the recreational facilities, and the surrounding open space within the club.

In the event more than one improved lot is owned by a member, then the Member shall be assessed the annual maintenance assessment, annual dues, and special assessments applicable to his category of membership for each improved lot whose guests, tenants, or occupants have the right to use the facilities and amenities of the Corporation, and the multiple improved lot owners shall be entitled to one vote for each improved lot for which the fees, assessments, and dues have been paid in full.

Section 6. Developer Member Not Liable For Assessments. The Developer Member shall not be liable for any assessment or annual dues for any lot owned by the Developer Member.

Section 7. Date of Commencement of Annual Maintenance Assessment: Due Date. The annual maintenance assessments provided for in the restrictive covenants and in these By-laws shall be payable beginning on the 1st day of January 1994, and on the 2nd day of each succeeding January thereafter. No adjustments or prorations of assessments shall be made by the Corporation. For purposes of levying, the assessments shall be considered payable in advance and shall be levied against any member property which is subject to the restrictive covenants of Section O. The due date of any annual dues or special assessments under Section 4 and 5 of this Article shall be fixed in the resolution authorizing such annual dues or special assessments.

Section 8. Effect of Nonpayment of Assessment; the Personal Obligation of the Owner; the Lien; Remedies of Association. If assessments are not paid on the date when due (being the date specified in the preceding section of this Article), then such assessments shall be considered delinquent and shall, together with interest thereon and costs of collection thereof as hereinafter provided, thereupon become a continuing lien on property which shall bind such property in the hands of the then owner, his heirs,

divisees, personal representatives and assigns. Provided, however, that any such lien is extinguished by the bona fide purchase of the lot. The personal obligation of the owner to pay such assessment, however, shall remain his personal obligation for the statutory period but shall not be an obligation on the person or entity acquiring the title to the property by bona fide purchase.

Modification in Amount of Lien
If the assessment is not paid within thirty (30) days after the due date, a penalty fee not to exceed \$25.00 shall be added hereto and from that date interest at the rate of eighteen (18%) per annum may be added to the delinquent balance and penalty and the Corporation may bring an action at law against the owner personally obligated to pay the same or to foreclose the lien against the property if the property remains subject to the lien. There shall be added to such assessment, delinquent fees and interest, the cost of preparing and filing complaint in such action and in the event that the judgment is obtained, such judgment shall include interest on the total amount as above provided, and reasonable attorneys' fees to be fixed by the Court, together with the costs of the action.

Section 9. Transfer of Membership. Except as provided herein membership shall not be transferable.

(1) Death of Member. If, upon the death of a Member or Member at Large, his lot of land at Ocean Sands Subdivision shall pass by will or intestate succession to any person or persons, such person or persons shall automatically become a member in this Corporation and subject to the terms and conditions of membership as contained in these By-laws.

Annual Meeting
(2) Lifetime Transfer. An Owner Member may transfer title to his property by deed. The grantee in such transaction shall become an Owner Member.

Section 10. Transfer of Membership on Books. The grantee of any lot shall notify the Corporation within ten (10) days after such transfer of the grantee's ownership of the property. If such notice is not given, a forty dollar (\$40.00) penalty is payable to the Corporation before the grantee shall have the right to vote in any corporate election or participate in any corporate meeting.

Section 11. Loss of Certain Membership Rights. Any Owner Member or Member at Large whose conduct is deemed by the Board of Directors to be contrary to the best interests of the Corporation, may, by action of the membership committee, confirmed by the Board of Directors, have his privileges of using social and recreational

facilities suspended for a time the membership committee deems appropriate. The suspension of any members right to use the Corporation's facilities and amenities shall automatically suspend the right to use the Corporation's facilities and amenities by any family member, guest or tenant of the suspended member.

Section 12. Modification in Amount of Annual Maintenance Assessments. The amount of the annual maintenance assessments as set out in Section 4 of this Article may be increased or decreased to reflect the actual cost to the Corporation of maintaining, improving, repairing, and administering Ocean Lake Swim & Tennis Club, Inc. and doing other acts required or permitted by the Articles of Incorporation and these By-laws.

Section 13. Waiver. No Owner Member or Member at Large may waive liability for assessments or annual dues by failure to exercise membership rights, by non-use of social or recreational facilities belonging to the Corporation, or by any other act.

ARTICLE III

MEETINGS OF MEMBERS

Section 1. Place of Meeting. Meetings of the membership shall be held at the principal office or place of business of the Corporation or such other suitable place convenient to the membership as may be designated by the Board of Directors.

Section 2. Annual Meetings. Annual meetings of the Corporation shall be held on a Saturday in May each year. At such meetings the members shall elect a Board of Directors and transact such other business of the Corporation as may properly come before the meeting.

Section 3. Special Meetings. It shall be the duty of the President to call a special meeting of the members as directed by resolution of the Board of Directors, or upon a petition signed by fifty-one percent (51%) of the Owner Members and Members at Large and submitted to the Secretary. The notice of any special meeting shall state the time and place of such meeting and the purpose thereof. No business shall be transacted at a special meeting except as stated in the notice.

Section 4. Notice of Meetings. It shall be the duty of the Secretary to mail a notice of each annual or

special meeting stating the purpose thereof as well as the time and place where it is to be held to each member of record, at his address as it appears on the membership book of the Corporation, or if no such address appears, his last known place of address, at least fifteen (15) but not more than sixty (60) days prior to such meeting. The mailing of a notice in the manner provided in this section shall be considered due service of the notice.

Section 5. Voting. In the election of the Board of Directors the several classifications of members shall elect the number of Directors stated below:

Owner Members/Members at Large	2 Directors
Developer Member	3 Directors

With the exception of Coastland Corporation, each classification of members must elect Directors who are members in their classification.

On all other matters, each lot shall be entitled to one vote on each question. A members voting privileges are automatically suspended if dues and assessments are not paid and current at the time of said voting.

Before any lot shall be entitled to vote on any matter, there shall be submitted to the Secretary of the Corporation a document signed by all the owners of the lot signifying the person(s) entitled to cast the vote or a percentage thereof of the lot. Such document shall be deemed effective as a designation of the person(s) entitled to cast that lot's vote until superseded by subsequent designation.

Section 6. Nominating Committee. The Board of Directors shall be elected from nominees presented by a nominating committee appointed by the President.

Section 7. Quorum. A quorum of the members of the Corporation shall consist of the simultaneous presence of the Developer Member and any ten (10) Owner Members or Members at Large or a majority in interest of the owners of lots in Section O.

ARTICLE IV

DIRECTORS

Section 1. Number and Qualifications. The affairs of the Corporation shall be governed by a Board of Directors composed of five (5) persons, elected as shown in Article III, Section 5.

Section 2. Election and Term of Office. The term of the Directors names in the Articles of Incorporation shall expire when their successors have been elected. At the first annual meeting after incorporation, and annually thereafter, a Board of Directors shall be elected by the members and such Directors shall serve until their successors have been elected and have qualified.

Section 3. Vacancies. Vacancies in the Board of Directors shall be filled by vote of the majority of the remaining Directors elected by the same classification of members as was the vacating Director and a person so elected shall be a Director until a successor is elected by the members at the next annual meeting.

Section 4. Compensation. No compensation shall be paid to Directors for their services as Directors, provided, however, that the Corporation shall reimburse the Directors for all amounts expended in attending meetings of the Board or expended in performing all other duties and discretions required by these Articles.

Section 5. Regular Meetings. Regular meetings of the Board of Directors may be held at such time and such place as shall be determined from time to time, by a majority of Directors, but at least two such meetings shall be held during each fiscal year. Notice of regular meetings of the Board of Directors shall be given by the Secretary to each Director personally or by mail, telephone or telegraph, at least ten (10) days prior to the date named for such meeting.

Section 6. Special Meetings. Special meetings of the Board of Directors may be called by the President on three (3) days notice to each Director, given personally or by mail, telephone or telegraph, which notice shall state the time, place and purpose of the meeting. Special meetings of the Board of Directors shall be called by the President or Secretary in like manner and on like notice on the written request of at least one half (1/2) of the Directors.

Section 7. Quorum. At all meetings of the Board of Directors, the presence of three (3) Directors shall constitute a quorum for the transaction of business, and the acts of the majority of the Directors present at a meeting at which a quorum is present shall be the acts of the Board of Directors. If, at any meeting of the Board of Directors, there be less than a quorum present, a majority of those present may adjourn the meeting from time to time. At any such adjourned meeting, any business which might have been transacted at the meeting as originally called, may be transacted without further notice.

ARTICLE V

OFFICERS

Section 1. Designation. The principal officers of the Corporation shall be a President, one or more Vice-Presidents, a Secretary and a Treasurer, all of whom shall be elected by and from the Board of Directors. The Directors may appoint an Assistant Treasurer, and an Assistant Secretary and such other officers as in their judgment may be necessary, who need not be members.

Section 2. Election of Officers. The officers of the Corporation shall be elected annually by the Board of Directors at the organization meeting of each new Board and shall hold office at the pleasure of the Board.

Section 3. Removal of Officers. Upon an affirmative vote of a majority of the Board of Directors, any officer may be removed, either with or without cause, and his successor elected at any regular meeting of the Board of Directors or any special meeting of the Board called for such purpose.

Section 4. President. The President shall be the chief executive officer of the Corporation. He shall preside at all meetings of the members and of the Board of Directors. He shall have all of the general powers and duties which are usually vested in the office of the President of a Corporation, including, but not limited to the power to appoint committees from among the members from time to time as he may, at his discretion, decide is appropriate to assist in the conduct of the affairs of the Corporation.

Section 5. Vice-President. The Vice-President shall take the place of the President and perform his duties whenever the President shall be absent or unable to act. If neither the President nor Vice-President is able to act, the Board of Directors shall appoint some other member of the Board to do so on an interim basis. The Vice-President shall also perform such other duties as shall from time to time be imposed upon him by the Board of Directors. In the event the Board of Directors shall elect more than one Vice-President, the manner of the division of the duties of the Vice-President as between the Vice-Presidents so elected shall be so determined by the Directors and set forth in the minutes of the meeting at which they are elected.

Section 6. Secretary. The Secretary shall keep the minutes of all meetings of the Board of Directors and the minutes of all meetings of the members of the Corporation; he shall have the custody of the seal of the Corporation; he

shall have charge of the membership transfer books and of such other books and papers as the Board of Directors may direct; and he shall, in general, perform all the duties incident to the office of Secretary.

Section 7. Treasurer. The Treasurer shall have the responsibility for Corporate funds and securities and shall be responsible for keeping full and accurate accounts of all receipts and disbursements in book belonging to the Corporation.

ARTICLE VI

CORPORATE SEAL

The Board of Directors shall provide a suitable Corporate seal containing the name of the Corporation, which seal shall be in the charge of the Secretary. If so directed by the Board of Directors, a duplicate of the seal may be kept and used by the Treasurer or any Assistant Secretary or Assistant Treasurer.

ARTICLE VII

FISCAL MANAGEMENT

Section 1. Fiscal Year. The fiscal year of the Corporation shall begin on the first day of January of each year. The commencement date of the fiscal year herein established shall be subject to change by the Board of Directors should corporate practice subsequently dictate.

Section 2. Books and Accounts. Books and accounts of the Corporation shall be kept under the direction of the Treasurer.

Section 3. Reports to Members. At the end of each fiscal year and at such other times as the Board of Directors may determine, the Board shall make available for inspection by members reports of the fiscal affairs of the Corporation for the preceding year. Such reports shall be available for distribution at each annual meeting.

Section 4. Execution of Corporate Documents. With the prior authorization of the Board of Directors, all instruments, and documents shall be executed on behalf of the Corporation by either the President or Vice-President. All checks shall be executed on behalf of the Corporation by either the President or the Vice President.

ARTICLE VIII

MANAGEMENT

The ultimate responsibility for the management of the affairs of the Corporation shall be in the Board of Directors. Recognizing, however, that the Directors are unlikely to be professionals in the management of a project of this scope, it is hereby provided that the Board of Directors may delegate all or part of their duties and discretions to a manager or management service to serve at the pleasure of the Board of Directors and to be paid such compensation as the Board of Directors may from time to time determine.

ARTICLE IX

DISPENSATION OF FUNDS

The amounts collected by the Corporation from its members either as assessments or as dues may be expended at any time for the purposes enumerated in the Articles and in these By-laws upon the majority vote of the Board of Directors. Provided, however, that all the purposes of such expenditure(s) must be for the benefit of at least some of the persons who are Owner Members and Members at Large of the Corporation at the time such expenditures are voted upon. Provided further, that the expenditures are not improper or unauthorized merely because they might also benefit some persons who are not Owner Members of the Corporation.

ARTICLE X

INFORMAL ACTION OF DIRECTORS

The action which may be taken at a meeting of the Board of Directors may be taken without a meeting, if the consent, in writing, setting forth the action so taken, is signed by all the Directors and filed with the Secretary of the Corporation to be kept in the corporate minute book, whether such consent is obtained before or after the action so taken.

ARTICLE XI

MEMBERSHIP CERTIFICATES

The Corporation shall not issue certificates representing membership in the Corporation but the Secretary of the Corporation shall maintain a membership list for the Corporation which shall be open for inspection by all members.

ARTICLE XII

POWERS OF DIRECTORS

The Board of Directors shall have the authority to:

- (1) Exercise for the Corporation, all powers, duties, and authority vested in or delegated to the Corporation by the Articles or these By-laws.
- (2) Purchase, lease, sell, or convey any and all real estate or rights of use therein deemed expedient by the Board.
- (3) Employ professional management services, managers, independent contractors, attorneys, accountants, bookkeepers, auditors, appraisers, janitors, and other personnel deemed necessary to administer the Corporation, and to prescribe their duties and agree on their compensation;
- (4) Establish such Owner Member and Member at Large committees as they deem expedient and prescribe the duties and method of selection of the members of each such committee;
- (5) Do any other lawful act necessary for the operation, management, and administration of the Corporation according to the Articles and these By-laws.

ARTICLE XIII

DISSOLUTION

In the event of the dissolution of the Corporation, no member shall be entitled to any distribution or division of its remaining property or its proceeds, and the balance of all money and other property received by the Corporation from any source, after the payment of all debts and obligations of the Corporation, shall be used or distributed exclusively for the purposes within the intentment of Section 501(C) of the Internal Revenue Code as the same now exists or as it may be amended from time to time.

ARTICLE XIV

AMENDMENTS

These By-laws may be mended as follows:

(1) All Sections and Articles may be amended by the affirmative vote of the majority of the Board of Directors at any regular or special meeting of the Board at which a quorum is present plus the approval of the Developer Member.