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Dewey

BYLAWS
OF
LAGUNA BAY OWNERS ASSOCIATION, INC.

BY-LAWS
OF
LAGUNA BAY OWNERS ASSOCIATION, INC.
A NON-PROFIT CORPORATION

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ARTICLE I.

PURPOSE, APPLICABILITY AND OFFICES

Section 1. Purpose. This Corporation (hereinafter referred to as the "Association") has been organized to provide for the administration, management, maintenance and care of the common area of the Laguna Bay Subdivision, lying and being in Jacksonville Township, Onslow County, North Carolina, and more particularly described on a map entitled "LAGUNA BAY SUBDIVISION" recorded in Map Book 53, Page 73, Slide L-1888, in the office of the Register of Deeds of Onslow County, North Carolina, to which reference is made and incorporated herein.

Section 2. Applicability of Bylaws. The provisions of these Bylaws are applicable to the real property known as Laguna Bay Subdivision on the records of the Register of Deeds of Onslow County, North Carolina, and to the use and occupancy thereof. All present and future Lot Owners, Mortgagees, lessees and occupants of Lots and their family members, employees, invitees, licensees and guests, and any other persons who may use or occupy the Lots or structures in the Laguna Bay Subdivision in any manner, are subject to these Bylaws and any rules and regulations made pursuant hereto and any amendment to these Bylaws upon the same being passed and duly set forth in an amendment to the Declaration of Covenants, Conditions and Restrictions recorded immediately prior to the recordation of these Bylaws in the Office of the Register of Deeds of Onslow County, North Carolina (the "Declaration"). The acceptance of a deed of conveyance or the entering into a lease or the act of occupancy of a Lot shall constitute an agreement that these Bylaws (and any rules and regulations made pursuant hereto) and the provisions of the Declaration, as it may be amended from time to time, are accepted, ratified and will be complied with.

Section 3. Principal Office. The principal office of the Corporation shall be located in Jacksonville, Onslow County, North Carolina.

Section 4. Registered Office. The registered office of the Corporation required by law to be maintained in the State of North Carolina may be, but need not be, identical with the principal office. The initial registered office of the Corporation shall be 312 Dolphin Drive, Jacksonville, North Carolina 28546.

Section 5. Definitions. All terms as defined in the Declaration shall have the same meaning herein, except when the context otherwise specifies or requires.

ARTICLE II.

LOT OWNERS

Section 1. Membership. Each Owner shall be a member of the Association and no other person or entity shall be entitled to membership.

Section 2. Place of Meetings. All meetings of the Owners shall be held at the principal office of the Corporation, or at such other place, either within or without the State of North Carolina, as shall be designated on the notice of the meeting or agreed upon by a majority of the Owners entitled to vote thereat.

Section 3. Annual Meetings. The annual meeting of the Owners shall be held at 6:00 p.m. on the 3rd Monday in April of each year 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. If the day fixed for the annual meeting shall be a legal holiday, such meeting shall be held at the same time on the next succeeding business day.

Section 4. Special Meetings. Special meetings of the Owners may be called at any time by the Board of Directors or at least Ten Percent (10%) of the Owners.

Section 5. Notice of Meetings. Written or printed notice stating the time and place of the meetings shall be delivered not less than ten (10) nor more than fifty (50) days before the date of any

Owners' meeting, either personally or by mail, by or at the direction of the President or Secretary to each Owner entitled to vote at such meeting.

In case of a special meeting, the notice of meeting shall specifically state the purpose or purposes for which the meeting is called.

Section 6. Quorum. The presence in person or by proxy at any meeting of the Owners having 51% of the total votes shall constitute a quorum. If there is no quorum at the opening of the meeting of Owners, such meeting may be adjourned from time to time by the vote of a majority of the Owners present, either in person or by proxy; 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 Owners at a meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough Owners to leave less than a quorum.

Section 7. Voting Rights. There shall be one person with respect to each Lot who shall be known and hereinafter referred to as a voting member. Such voting member may be the Owner or one of a group composed of all of the Owners to act as proxy on his or their behalf. A proxy need not be an owner. If a Lot is owned by one person, his right to vote shall be established by the record title to his Lot, or if a Lot is under lease, the person entitled to cast the vote for that Lot shall be designated by a certificate signed by all of the record Owners of the Lots or signed by the partnership, trustee or other fiduciary and filed with the Secretary of the Association. If a corporation owns a Lot, the person entitled to cast the vote for the Lot shall be designated by a certificate of appointment signed by the president, vice president or secretary of the corporation and filed with the secretary of the Association. If a limited liability company owns a Lot, the person entitled to cast the vote for the Lot shall be designated by a certificate of appointment signed by the Manager or Managers of the limited liability company and filed with the Secretary of the Association. Such certificates shall be valid until revoked or until superseded by a subsequent certificate or by a change in the ownership of the Lot concerned.

Section 8. Waiver of Notice. Any Owner may, at any time, waive notice of any meeting of the Owners in writing and such waiver shall be deemed equivalent to the giving of such notice. Attendance by an Owner at any meeting of the Owners shall constitute a waiver of notice by him of the time and

place thereof, except where a Owner attends a meeting for the express purpose of objecting to the transaction of any business because the meeting was not lawfully called. If all Owners are present at any meeting of the Owners, no notice shall be required and any business may be transacted at such meeting.

Section 9. Informal Action by Owners. Action may be taken by Owners with the requisite percentage of votes without a meeting if written consent to the action in question is signed by all Owners entitled to vote and filed with the minutes of the proceedings of the Association, whether done before or after the action is taken.

Section 10. Order of Business. The order of business at the annual meeting of Owners shall be as follows:

1. Roll Call
2. Proof of Notice of Meeting or Waiver of Notice
3. Reading of minutes of preceding annual and special meetings.
4. Reports of Officers
5. Reports of Committees
6. Election of Directors
7. Unfinished Business
8. New Business

ARTICLE III.

BOARD OF DIRECTORS

Section 1. General Powers. The business and affairs of the Association shall be managed by its Board of Directors. The directors may adopt such rules and regulations for the conduct of their meetings and management of the Association, as they may deem proper, not inconsistent with the Articles of Incorporation, these By-laws and the laws of this State.

Such powers and duties of the Board of Directors shall include, but shall not be limited to, the following:

(a) Operation, care, upkeep, repair, maintenance and replacement of the common elements and limited common elements, if any, and related facilities and payments therefor.

(b) Determination of the common expenses and limited common expenses, if any, required for the affairs of the Association, including without limitation, the operation and maintenance of the common elements and limited common elements, if any, and facilities.

(c) To make, levy and collect assessments against owners and their Lots to defray the costs and expenses for the repairs, maintenance and upkeep of the common elements and limited common elements, if any, and to use the proceeds of said assessments in the exercise of the powers and duties granted unto the Association.

(d) Employment and dismissal of the personnel necessary for the maintenance, repair and replacement of the common elements, and limited common elements, if any, and facilities.

(e) The adoption and amendment of such reasonable rules and regulations as it may deem advisable for the maintenance, conservation, and beautification of the common elements, and limited common elements, if any, and for the health, comfort, safety and general welfare of the Owners and occupants of the common elements, and limited common elements, if any. Written notice of such rules and regulations shall be given to all Owners and occupants and the entire common elements and limited common elements, if any, shall at all times be maintained subject to such rules and regulations.

(f) Opening of bank accounts on behalf of the Association and designating the signatories required therefor.

(g) Maintaining and repairing any Lot, if such maintenance or repair is required by the Declaration or is necessary in the discretion of the Board to protect the common elements, and limited common elements, if any, and facilities or any other Lot or if the Owner of such Lot has failed or refused to perform such maintenance or repair within thirty (30) days after written notice of the necessity of said repair has been delivered or mailed by the Board to said Owner, provided that the Board shall levy a special assessment against said Owner for the cost of said maintenance or repair.

(h) Signing all agreements, contracts, deeds and vouchers for payment of expenditures and other instruments in such manner as from time to time shall be determined by written resolution of the

Board. In the absence of such determination by the Board, such documents shall be signed by either the Treasurer, or the Assistant Treasurer of the Association, and countersigned by the President.

(i) Obtaining insurance for the common elements and limited common elements, if any, pursuant to the applicable provisions of the Declaration.

(j) Making of repairs, additions, and improvements to or alterations or restorations of the common elements, and limited common elements, if any, in accordance with the other provisions of these Bylaws and the Declaration, after damage or destruction by fire or other casualty, or as a result of a condemnation or eminent domain proceeding.

(k) To enforce by any legal means or proceeding the provisions of the Articles of Incorporation of the Association, these Bylaws, the Declaration or the rules and regulations hereinafter promulgated governing use of the common area by means of litigation or otherwise. (l) To pay all taxes and assessments which are or may become liens against any part of the common elements, and limited common elements, if any, other than the Lots, and to assess the same against the Owners in the manner herein provided.

(m) To adopt a seal for the Association.

(n) Hiring attorneys and other professionals.

(o) Any other powers and duties reserved to the Board of Directors in the Declaration, the Articles of Incorporation or these Bylaws.

Any action of the Association or its Board of Directors or officers, including matters involving investments of the Association, shall require the approval of a majority of the directors.

Section 2. Number, Term and Qualifications. The number of directors constituting the Board of Directors shall be three (3). The initial Board of Directors shall be the following two (3) individuals who have been appointed by the Declarant, namely: Randy M. Schilsky, Steve Krasnipol and Sheila Pierce. The initial directors shall serve until all Lots in the Laguna Bay Subdivision have been sold or January 1, 2012, whichever occurs first. Thereafter, the term of service for each director shall be one (1) year. Each director shall hold office until his death, resignation, retirement, removal, disqualification, or his successor shall have been elected and qualified.

Section 3. Election of Directors and Compensation. The directors shall be elected at the annual meeting of Owners. The Board of Directors shall receive no compensation for their services unless expressly allowed by the unanimous vote of the Owners.

Section 4. Resignation and Removal. A director may resign at any time by giving written notice to the Board, the President or the Secretary of the Association. The acceptance of the resignation shall not be necessary to make it effective. A director may be removed from office with or without cause by the affirmative vote of the Owners having 65% of the total votes entitled to vote at an election of directors. If any directors are so removed, new directors may be elected at the same meeting to serve the balance of the term of the directors removed.

Section 5. Quorum. At any meeting of the directors a majority of the directors shall be required to constitute a quorum for the transaction of business.

ARTICLE IV.

MEETING OF DIRECTORS

Section 1. Regular Meetings. A regular meeting of the Board of Directors shall be held immediately after, and at the same place as, the annual meeting of the Owners. In addition, the Board of Directors may provide, by resolutions, the time and place, either within or without the State of North Carolina, for the holding of additional regular meetings.

Section 2. Special Meetings. Special meetings of the Board of Directors may be called by or at the request of the President or any director. Such a meeting may be held either within or without the State of North Carolina as fixed by the person or persons calling the meeting.

Section 3. Waiver of Notice. Any director may, at any time, waive notice of any meeting of the Board of Directors in writing and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a director at any meeting of the Board shall constitute a waiver of notice by him of the time and place thereof, except where a director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting was not lawfully called. If all directors are present

at any meeting of the Board, no notice shall be required and any business may be transacted at such meeting.

Section 4. Manner of Acting and Quorum. Except as otherwise provided in these Bylaws, the Articles of Incorporation or the laws of the State of North Carolina, the act of a majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors. A majority of the number of directors fixed by these Bylaws shall be required for and shall constitute a quorum for the transaction of business at any meeting of the Board of Directors.

Section 5. Minutes. The Board shall keep minutes of its proceedings.

Section 6. Fidelity Bonds. In the event the Board determines it to be in the best interest of the Association to procure a fidelity bond or bonds for its officers, employees, agents or independent contractors handling or responsible for funds of the Association, the premium for such bond or bonds shall be deemed a common expense.

Section 7. Liability of the Board of Directors. The members of the Board of Directors shall not be liable to the Owners for any mistake of judgment, negligence, or otherwise, except for their own individual willful misconduct or bad faith. The Owners shall indemnify and hold harmless each of the members of the Board against all contractual liability to others arising out of contracts made by the Board on behalf of the Association, unless any such contract shall have been made in bad faith or contrary to the provisions of the Declaration or these Bylaws.

Section 8. Informal Action by Directors. Action taken by a majority of the directors without a meeting is nevertheless Board action if written consent to the action in question is signed by the required percentage of the directors necessary to take such action and filed with the minutes of the proceedings of the Board, whether done before or after the action is taken.

ARTICLE V.

OFFICERS

Section 1. Officers of the Corporation. The officers of the Corporation shall be a President, Vice-President, Secretary and Treasurer each of whom shall be elected by the director(s). An individual

may hold more than one office, provided that no individual shall hold the office of President and Secretary at the same time. Additional officers may be appointed by the Board of Directors.

Section 2. Election and Term. The officers of the Corporation shall be elected by the Board of Directors annually immediately following the annual meeting of the Members and each officer shall hold office until his death, resignation, retirement, removal, disqualification or his successor shall have been elected and qualified.

Section 3. Compensation of Officers. No officer shall receive any compensation from the Association for acting as such, unless otherwise unanimously approved by the Members.

Section 4. Removal. Any officer or agent elected or appointed by the Board of Directors may be removed by the Board whenever in its judgment the best interests of the Association will be served thereby; but such removal shall be without prejudice to the contract rights, if any, of the person so removed.

Section 5. President. The President shall be the Chairman of the Board of Directors and 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. (S)he shall, when present, preside at all meetings of the Owners. (S)he shall sign, with the Secretary, or other proper officer of the Association thereunto authorized by the Board of Directors, 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 by-laws to some other officer or agent of the Association, or shall be required by law to be otherwise signed or executed; and in general he shall perform all duties incident to the office of President and such other duties as may be prescribed by the Board of Directors from time to time.

Section 6. Vice President. In the absence of the President or in the event of his death, inability or refusal to act, the Vice President, unless otherwise determined by the Board of Directors, 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. The Vice President may sign, with the Secretary, certificates for shares

of the Corporation; and shall perform such other duties as from time to time may be assigned to him by the President or Board of Directors.

Section 7. Secretary. The Secretary shall (a) keep the minutes of the meetings of the Owners, of the Board of Directors and of all Executive Committees in one or more books provided for that purpose; (b) see that all notices are duly given in accordance with the provisions of these by-laws 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 which shall be furnished to the Secretary by each Member; (e) keep or cause to be kept in the State of North Carolina at the Association's registered office or principal place of business, a record of the Association's Owners, giving the names and addresses of all Owners; and (f) in general perform all duties as from time to time may be assigned to him by the President or by the Board of Directors.

Section 8. Treasurer. The Treasurer shall: (a) have charge and custody of and be responsible for all funds and securities of the Association; 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 depositories as shall be selected by the Board of Directors; (b) prepare, or cause to be prepared, a true statement of the Association's assets and liabilities of the close of each fiscal year, all in reasonable detail, which statement shall be made and filed at the Association's registered office or principal place of business in the State of North Carolina within four (4) months after the end of such fiscal year and thereat kept available for inspection by all Owners for a period of at least five (5) years; and (c) in general perform all of the duties incident to the office of Treasurer and such other duties as from time to time may be assigned to him by the President or by the Board of Directors, or by these by-laws.

ARTICLE VI.

OPERATION OF THE PROPERTY

Section 1. Determination of Common Expenses and Fixing of the Common Charges. The Board of Directors shall from time to time, and at least annually, prepare a budget for Laguna Bay Owners

Association, determine the amount of the common charges payable by the Owners to meet the common expenses of Association, and allocate and assess such common charges among the Owners as set forth in the Declaration. In the event of a conflict between the terms and conditions set forth in these Bylaws and the Declaration, the terms and conditions of the Declaration shall control. The common expenses shall include, among other things, the cost of all insurance premiums for all policies of insurance required to be or which have been obtained by the Board of Directors pursuant to the provisions of the Declaration. The common expenses may also include such amounts as the Board may deem proper for the operation and maintenance of the common elements, and limited common elements, if any, including without limitation, an amount for working capital of the common elements and limited common elements, if any, for a general operating reserve, for a reserve fund for replacements, and to make up any deficit in the common expenses for any prior year. The Board of Directors shall advise all Owners, promptly in writing, of the amount of common expenses payable by each of them, respectively, as determined by the Board of Directors, as aforesaid, and shall furnish copies of each budget on which such common expenses are based, to all Owners.

Section 2. Limitation on Increased Common Charges. Should the Board of Directors determine that the estimated aggregate amount of the common expenses to be assessed for any fixed year requires aggregate common charges payable by the Owners in excess of 15% of those levied in the preceding fiscal year, the proposed budget requiring such increased charges shall be submitted to the Owners for approval at the annual meeting or a Special Meeting called for such purpose. If, at such meeting, two-thirds (2/3) of the votes cast approve such budget, the charges shall be made in accordance with such proposed budget. If the proposed budget is not approved by the two-thirds (2/3) majority of the votes cast at such meeting, the Board of Directors shall make reductions in the proposed budget until either (a) the proposed budget is approved by two-thirds (2/3) of the votes cast in a meeting called for such purpose or (b) the required increased charges are not greater than 15% of that levied in the preceding year.

Section 3. Payment of Common Charges. All Owners shall be obligated to pay the common expenses assessed by the Board of Directors pursuant to the provisions of Section 1 of this Article VI at such time or times as the Board shall determine.

No Owner shall be liable for the payment of any part of the common expenses assessed against his Lot subsequent to a sale, transfer or other conveyance by him (made in accordance with the provisions of the Declaration and applicable restrictions of record) of such Lot. Except for a mortgagee or other transferee in foreclosure proceedings (or proceedings in lieu of foreclosure), a purchaser of a Lot shall be jointly and severally liable with the seller for the payment of common expenses assessed against such Lot prior to the acquisition by the purchase of such Lot without prejudice to the purchaser's right to recover from the seller the amounts paid by the purchaser therefor. Provided that a mortgage or other purchaser of a Lot at a foreclosure sale of such Lot shall not be liable for the payment of common expenses assessed prior to the foreclosure sale. Such unpaid common expenses shall be deemed to be common expenses collectible from all of the Lot Owners including such purchaser, his successors and assigns.

Section 4. Collection of Assessments. The Board of Directors shall assess common expenses against the Owners from time to time and at least yearly and shall take prompt action to collect any common expenses which remain unpaid for more than thirty (30) days from the due date for payment thereof.

The Board of Directors shall notify the holder of the first mortgage on any Lot (of which it has notice) for which any common expenses assessed pursuant to these Bylaws remain unpaid for more than thirty (30) days from the due date for payment thereof and in any other case where the Owner of such Lot is in default with respect to the performance of any other obligation hereunder for a period in excess of thirty (30) days.

Section 5. Default in Payment of Common Expenses. In the event of default by a Owner in paying to the Board of Directors the common expenses as determined by the Board, such Owner shall be obligated to pay interest on such common expenses from the due date thereof at the legal rate of interest; together with all expenses, including reasonable attorney's fees (if permitted by law), incurred

by the Board in any proceedings brought to collect such unpaid common expenses. The Board shall have the right and duty to attempt to recover such common expenses, together with interest thereon, and the expenses of the proceedings, including reasonable attorney's fees (if permitted by law), in an action to recover a money judgement for the same brought against such Owner, or by foreclosure of the lien on such Lot in like manner as a deed of trust or mortgage of real property. The Board of Directors shall also have the right to impose uniform late payment charges for delinquent common expense payments, which charges shall also be recoverable by the proceedings specified above.

Section 6. Lien and Personal Obligation. All common expenses provided for in the Article, together with the interest and expenses, including reasonable attorney's fees (if permitted by law), as provided for herein, shall be a charge and continuing lien upon the Lot against which the assessment is made, which such lien be prior to all other liens excepting only (i) tax liens on the Lot in favor of any assessing authority and (ii) all sums unpaid on a first mortgage of record. Such lien shall become effective when a notice thereof has been filed in the office of the Clerk of the Superior Court of Onslow County, North Carolina, provided such notice of lien shall not be filed until such sums assessed remain unpaid for a period of more than thirty (30) days after the same shall become due. Such notice of lien shall also secure all assessments against the Lot becoming due thereafter until the lien has been satisfied. In addition, each Owner shall be personally liable for any assessment against his Lot. No Owner may exempt himself from such liability by non-use or enjoyment of any portion of the common elements or limited common elements, if any, and facilities, or by the abandonment or sale of his Lot.

Section 7. Foreclosure of Liens for Unpaid Common Expenses. In any action brought by the Board to foreclose on a Lot because of unpaid common expenses, the Owner shall be required to pay a reasonable rental for the use of his Lot and the plaintiff in such foreclosure action shall be entitled to the appointment of a receiver to collect the same. The Board, acting on behalf of all Owners, or on behalf of any one or more individual Owners if so instructed, shall have the power to purchase such Lot at the foreclosure sale and to acquire, hold, lease, mortgage, vote the vote appurtenant to, convey or otherwise deal with the same subject, however, to applicable restrictions of record. A suit to recover a money

judgement for unpaid common expenses shall be maintainable without foreclosure or waiving the lien securing the same.

In the event the mortgagee or other purchaser (other than the Association) purchases and takes title to a lieu of foreclosure, or proceedings held in lieu of foreclosure by the mortgagee, with respect to the first mortgage on such Lot, such purchaser, his successors and assigns, shall not be liable for the share of the assessment for common expenses of the Association chargeable to such Lot which became due prior to the acquisition of title to such Lot by such purchaser. However, such unpaid share of common expenses shall be deemed common expenses collectible pro-rata, his successors and assigns.

Section 8. Statement of Common Charges. The Board of Directors shall be promptly provide any Owner or contract purchaser, so requesting the same in writing, with a written statement of all unpaid common expenses due from such Owner. A reasonable administrative fee, as determined by the Board of Directors, may be charged for providing such statement.

Section 9. Abatement and Enjoinment of Violation by Owners. The violation of any rule or regulation adopted by the Board or the breach of any Bylaws contained herein, or the breach of any provision of the Declaration, shall give the Board the right, in addition to any other rights set forth in these Bylaws: (a) to enter the Lot in which or as to which such violation or breach exists and to summarily abate and remove, at the expense of the defaulting Owner, any structure, thing or condition that may exist therein contrary to the intent and meaning of the provisions hereof, and the Board shall not thereby be deemed guilty in any manner of trespass; and/or (b) to enjoin, abate or remedy by appropriate legal proceedings, either by law or in equity, the continuance of any such breach at the expense of the defaulting Owner.

Section 10. Maintenance and Repair. (a) All maintenance, repair and replacement to any Lot, whether ordinary or extraordinary (other than maintenance of and repairs to any common elements, or limited common elements, if any, and facilities contained therein and not necessitated by the negligence, misuse or neglect of the Owner of such Lot), shall be made by the Owner of such Lot. Each Owner shall be responsible for all damages to any and all other Lots and/or to the common elements, and limited common elements, if any, and facilities caused by his failure to properly maintain, repair and

make replacements to his Lot (b) All maintenance, repairs and replacements to the common elements, and limited common elements, if any, and facilities (unless necessitated by the negligence, misuse or neglect of a Owner, in which case such expenses shall be charge to and paid by such Owner), shall be made by the board and charged to all the Owners, or Owners of the limited common elements, if any, as the case may be, as a common expense; provided, however there is excluded from the provisions contained in this section any repairs necessitated by casualty insured against by the Board of Directors to the extent the Board received insurance proceeds for such repairs.

Section 11. Additions, Alterations or Improvements by Owners. No Owner shall make any structural addition, alteration, or improvement in or to his Lot, or any change in the exterior appearance thereof, without the prior written consent of the Board of Directors. The Board shall have the obligation to answer any such written request by a Owner within thirty (30) days after such request, and failure to do so within the days after such request, and failure to do so within the stipulated time shall constitute a consent by the Board to the proposed addition, alteration, improvement or change.

Section 12. Use of Common Elements and Facilities. No Owner shall interfere with the use of the common elements and facilities by the remaining Owners and their family members, invitees, licensees and guest. Each Owner shall be responsible for the activities of his family members, invitees, licensees and guests with respect to the use of the common elements, and limited common elements, if any, and facilities.

Section 13. Right of Access. Each Owner shall grant a right of access to his Lot to the managing agent and/or any other person authorized by the Board of Directors or the managing agent, for the purpose of making inspections or for the purpose of correcting any condition originating in his Lot and threatening another Lot or the common elements, or limited common elements, if any, and facilities; or for the purpose of performing installation, alterations or repairs to the mechanical or electrical equipment or other common elements, limited common elements, if any, and facilities in or adjoining his Lot; provided, however, such requests for entry (except in the case of emergencies where no request shall be required) are made in advance and where and any such entry is at a time reasonably convenient

to the Owner. In the case of an emergency, such right of entry shall be immediate whether the Owner is present at the time or not.

Section 14. Rules of Conduct. Rules and regulations concerning the use of the Lots and the common elements and facilities may be promulgated and amended by the Board with the approval of Owners owning in the aggregate at least 66 2/3% of the Lots of Laguna Bay Subdivision. Each Owner shall be responsible for enforcing such rules and regulations as such may apply to his family members, employees, invitees, licensees, tenants and guests.

Section 15. Utilities. Any utilities (including water, sewer, electricity and natural gas) which may be provided to the Laguna Bay Subdivision through a single or common meter or facility and utilities furnished to any portion of Laguna Bay Subdivision shall be paid pro rata by each Owner as and when billed or the Owners of the limited common elements, if any, or, at the option of the Board, such may be paid by the Board as a common expense.

ARTICLE VII.

RECORDS AND AUDITS

The Board of Directors shall keep detailed records of the actions of the Board, minutes of the meetings of the Board of Directors, minutes of the meetings of the Owners, and financial records and books of account of the Association, including a chronological listing of receipts and expenditures, as well as a separate account of each Lot which, among other things, shall contain the amount of each assessment of the common expenses against each Lot, the date when due, the amounts paid thereof, and the balance remaining. The financial records and the books of account shall be available for examination by all Owners, their mortgagees and their duly authorized agents or attorneys at convenient hours. A written report summarizing all receipt and expenditures of the Association shall be rendered by the Board to all Owners, and to all mortgagees of the Lots who have requested the same, within ninety (90) days following the end of each fiscal year.

ARTICLE VIII.

INDEMNIFICATION OF DIRECTORS, OFFICERS AND OTHERS

The Association shall indemnify any director or officer of former director or officer of the Association or any person who may have served at the request of the Association as a director or officer of another corporation, whether for profit or not for profit, against expenses (including attorney's fees) or liabilities actually or reasonably incurred by him in connection with the defense of or as a consequence of any threatened, pending or completed action, suit or proceeding (whether civile or criminal) in which he is made a party or was (or is threatened to be made a party) by reason of being or having been such director (governor) or officer, except in relation to matters as to which he shall be adjudged in such action, suit or proceedings to be liable for negligence or misconduct in the performance of duty.

The indemnification provided herein shall not be deemed exclusive of any other rights to which those indemnified may be entitled under any statute, bylaw, agreement, vote of members of disinterested Directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding office, and shall continue as to a person who has ceased to be an administrator, officer, employee, or agent and shall inure to the benefit of the heirs, executors and Directors of such persons.

The Association shall purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Association, or is or was serving at the request of the Association as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him and incurred by him in such capacity, or arising out of his status as such, whether or not the Association would have the power to indemnify him against liability.

The Association's indemnity of any person who is or was a director, officer, employee or agent of the Association, or is or was serving at the request of the Association, as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall be reduced by any amounts such person may collect as indemnification (I) under any policy of insurance purchased and

maintained on his behalf by the Association or (ii) from such other corporation, partnership, joint venture, trust or other enterprise.

Nothing contained in this Article VIII, or elsewhere in these Bylaws, shall operate to indemnify any director or officer if such indemnification is for any reason contrary to any applicable state or federal law.

ARTICLE IX.

ARBITRATION

Any claim which shall be made against one or more members of the Board of Directors shall be settled by arbitration except as otherwise provided herein, in the Declaration or under any applicable law, and judgement upon the award may be entered in any court having jurisdiction thereof. Such arbitration shall be commenced upon the delivery of such claim, in writing, to one or more members of the Board; and shall be before one disinterested arbitrator if one can be agreed upon, otherwise before three disinterested arbitrators, one named by the Director(s), one by the Owner(s), and one by the two thus chosen. The arbitrator or arbitrators shall determine the controversy in accordance with the laws of North Carolina as applied to the facts found by him or them. If the Director(s) or the Owner(s) shall refuse or fail to so name an arbitrator within thirty (30) days after written notice from the other party requiring the naming of an arbitrator, then the arbitrator appointed by both parties for that purpose, and his award in writing signed by him shall be final. The rules of procedure for the arbitration hearing may be adopted by the arbitrators. All arbitration proceedings hereunder shall be conducted in the City of Jacksonville, North Carolina.

ARTICLE X.

AMENDMENT

These Bylaws may be amended by a vote of sixty-six and sixty-six one hundredth percent (66.66%) of the votes cast in person or by proxy, at a meeting duly held in accordance with the provisions of the Bylaws, together with their respective mortgagees, provided that such amendment shall be effective only upon the recordation in the Office of the Register of Deeds, Onslow County, North Carolina, of an amendment to the Declaration setting forth such amendment to these Bylaws. A

description of any proposed amendment shall accompany the notice of any regular or special meeting at which such proposed amendment is to be voted upon. All which such proposed amendment is to be voted upon. All Owners shall be bound to abide by any such amendment upon the same being passed and duly set forth in an amendment to the Declaration, duly recorded in the Office of the Register of Deeds, Onslow County, North Carolina.

ARTICLE XI.

RULES OF CONDUCT

The use and occupancy guidelines and restrictions set forth in Article VI of the Declaration are incorporated herein by this reference as though fully set forth herein. In addition, the following rules of conduct shall apply to all Owners and their family members, invitees, employees, guests, licensees and tenants:

A. No Owner, tenant, or other occupant or any Lot shall post any advertisements or posters of any kind in or on the common elements, or limited common elements, if any, and facilities except as authorized by the Association.

B. Owners, their tenants and other occupants of the Lot shall exercise extreme care in making noise and in the use of musical instruments, radios, television sets and amplifiers that may disturb other occupants.

C. No keeping of wild animals shall be permitted.

D. No garbage or trash shall be thrown or deposited outside the disposal installations provided for such purpose.

E. No Owner shall cause any improvements or alterations to be made to the exterior of a Lot, including painting or other decoration, the installation of electrical wiring, television antennae, radio antennae, any other objects, machines or air conditioning which may protrude through the walls or roof of any structure on such Lot, or in any manner alter the appearance of any portion of the exterior surface of any building without the prior written permission of the Association's Board of Directors or a duly appointed architectural control committee. No owner shall cause any object to be fixed to the Common Elements, or Limited Common Elements, if any, and Facilities, including the location or

construction of fences or the planting or growing of flowers, trees, shrubs or other vegetation, or shall change in any manner the appearance of the Common Elements and Facilities or Limited Common Elements, if any, without the prior written permission of the Association's Board of Directors or a duly appointed architectural control committee. If any architectural control committee is appointed, its standard of review for structures will be compatibility with existing structures in style, color, height and texture. For vegetation, the standard of review will be prevention of visual obstruction and hindrance to maintenance.

F. No Owner shall do any work which would jeopardize the soundness or safety of the property or impair any easement without, in every such case, the unanimous written consent of all the other Owners affected being first obtained.

The foregoing were adopted as the Bylaws of the Laguna Bay Owners Association, Inc., a non-profit corporation under the laws of the State of North Carolina at the first meeting of the Board of Directors on the 26 day of April, 2007.

LAGUNA BAY OWNERS ASSOCIATION, INC.

By: _____

Randy M. Schilsky, its President

STATE OF NORTH CAROLINA
COUNTY OF ONSLOW

The undersigned, a Notary Public in and for the aforesaid County and State, does hereby certify that Randy M. Schilsky, personally came before me this day, and having provided satisfactory proof of his/her identity, acknowledged that he is President of LAGUNA BAY OWNERS ASSOCIATION, INC., a North Carolina corporation, and that by authority duly given by its board of directors, the foregoing instrument was signed in its name by him/her as its President as the act and deed of said corporation for the purposes set forth therein.

Witness my hand and official stamp or seal, this 26th day of April, 2007.

Penny Wall
Notary Public

My Commission Expires: _____

