

**BY-LAWS of The
LOCKWOOD FOLLY PROPERTY OWNERS ASSOCIATION, INC.
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**BY-LAWS OF
LOCKWOOD FOLLY PROPERTY OWNERS ASSOCIATION, INC.**

A Non-Profit Corporation

ARTICLE 1

NAME AND LOCATION

The name of the corporation is LOCKWOOD FOLLY PROPERTY OWNERS ASSOCIATION, INC. The principal office of the corporation shall be located at Lockwood Folly near Holden Beach, North Carolina, but meeting of Members and Directors may be held at such places within the State of North Carolina as may be designated by the Board of Directors.

ARTICLE II

DEFINITIONS

1. "Architectural Standards Committee" shall mean the committee appointed by the Board for the purpose of establishing and enforcing the architectural standards of the project. The Committee shall consist of not less than three (3) or more than eight (8) persons.
2. "Articles" means the Articles of Incorporation of Lockwood Folly Property Owners Association, Inc.
3. "Assessment" shall mean the Annual Owner's share of the common expenses or charges, Special Assessments and Fines or Penalties as established by the Association
4. "Association" shall mean the Lockwood Folly Property Owners Association, Inc., a not for profit corporation whose purpose is to administer the property which is subject to the Master Declaration.
5. "Board" or "Board of Directors" means the Board of Directors of the Association.
6. "Bylaws" shall mean the Bylaws of the Association.
7. "Common Areas" shall mean all real and personal property: (a) Designated and shown in writing and or on a plat by the Declarant as Common Areas; (b) Conveyed to the Association for the use and benefit of the Association; (c) Held by Channel Side for the benefit of the Association. Such real property may include for example roads, driveways, walkways, any rights-of-way reserved to the Association, open spaces (both landscape and natural) lagoons, lakes or ponds. Nothing contained in this definition shall limit the type of personal property which may be owned by the Association and constitute Common Areas.
8. "Common Expenses" shall mean all expenditures made by the Association in carrying out its duties together with all funds assessed by the Association for the creation and maintenance of the reserve under this Master Declaration.

9. "Declarant" shall mean Channel Side Corporation, a North Carolina corporation with offices at Shallotte, North Carolina, its successors and assigns. The Declarant may assign or pledge any or all of its rights reserved under the land use documents through an assignment or in an instrument of conveyance or assignment.

10. "Master Declaration" shall include the Covenants, Conditions and Restrictions for Lockwood Folly together with all amendments which may be filed in the office of the Register of Deeds, Brunswick County, North Carolina.

11. "Development" or "Project" shall mean the property described in Deed Book 653 at Page 786, Deed Book 653 at Page 788, Deed Book 653 at Page 790 and Deed Book 672 at Page 849 together with all improvements located or constructed thereon. It shall also refer to any additional property, which may hereafter be made subject to this Master Declaration.

12. "Dwelling, Living Unit" shall mean any Dwelling quarters whether in a detached building or in an attached unit.

13. "Lot" shall mean a space on the earth's surface to be used exclusively for the single-family, detached Dwelling. A parcel of land shall be deemed a Lot rather than a Dwelling until the improvements constructed thereon are sufficiently complete to reasonable permit habitation thereof. Upon completion of the building the parcel and the improvements shall collectively be considered a Dwelling for purposes of this Master Declaration.

14. "Member" shall mean every person or entity who is an Owner of (a) a Lot, (b) a Dwelling and (c) any Recreational Amenity situated in the Development shall be a member of the Association, provided that any such person or entity who holds an interest merely as security for the performance of an obligation shall not be a member.

15. "Multi-family/Attached Dwelling Areas" shall mean those areas restricted to the erection of condominiums, town houses, patio homes, cluster homes, zero Lot line homes, or any other similar type of Residential Dwelling which are not traditional Single-family Detached Dwellings.

16. "Occupant" shall mean any person including without limitation any Owner, guest, invitee, lessee, tenant or family member of an Owner occupying or otherwise using a Dwelling within the Development.

17. "Owner" shall mean the record Owner, whether one or more persons or entities, of the fee simple title or contractual equitable title to any Lot or Dwelling unit in The Project; provided however, notwithstanding any theory of the mortgage, shall not mean or refer to

the mortgagee, unless and until such mortgagee has acquired title pursuant to foreclosure or in any proceeding in lieu of foreclosure.

18. "Person" shall mean a Natural Person, Corporation, Partnership, Association, Trust or other legal entity, or any combination thereof.

19. "Recreational Amenities" shall mean recreational facilities located within The Project operated as ongoing business entities on a fee basis such as, but not limited to, the 18-hole golf course and associated club house and the dry boat storage facility.

20. "Rules" shall mean any and all regulations of the Association promulgated by the Board pursuant to its power under this Master Declaration or any other land use document.

21. "Single Family Detached Dwelling Area" shall mean those areas restricted to the erection of a traditional single family detached Dwelling on a single lot.

22. "Supplemental Declaration" shall mean a Declaration filed by Channel Side or any other Developer of a parcel of property located in the Development establishing covenants, conditions and restrictions for that particular parcel of property. Supplemental Declarations will be filed for the single-family areas and also for the multi family area.

ARTICLE III

MEETINGS OF MEMBERS

Section 1; ANNUAL MEETINGS. The first annual meeting of Members shall be held within sixty (60) days after Turnover of the Association by the Developer. Subsequent annual meetings of Members shall be held on the same day of the month of each year thereafter at the hour often o'clock A.M. If the day for the annual meeting of Members is a legal holiday, the meeting will be held at the same hour on the next following day which is not a legal holiday.

Section 2; SPECIAL MEETINGS. After Turnover, special meetings of Members may be called at any time by the President or by two (2) Members of the Board of Directors or upon written request of Members who are entitled to vote fifty-one (51%) of all votes of the membership.

Section 3; NOTICE OF MEETINGS. Written notice of each meeting of Members shall be given by, or at the direction of, the Secretary or other person authorized to call the meeting, by mailing a copy of such notice, postage prepaid, at least fifteen (15) days, but not more that thirty (30) days, before such meeting to each Member entitled to vote thereat, addressed to the Member's address last appearing on the books of the Association, or supplied by such member to the Association for the purpose of receiving notice. Such notice shall specify the day, hour and place of the meeting and in the case of a special meeting, the purpose of the meeting.

Section 4; QUORUM. The presence at the meeting, in person or by proxy, of Members entitled to cast a majority of the votes of the membership shall constitute a quorum for authorization of any action, except as may otherwise be provided in the Declaration, the Article of Incorporation, or these By-Laws. If a quorum is not present at any meeting, the Members entitled to vote thereat shall have the power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum is present.

Section 5: PROXIES. At all meetings of Members, each Member may vote in person or by proxy. All proxies shall be in writing and filed with the Secretary. Proxies shall be revocable, and the proxy of any Owner shall automatically terminate on conveyance by him or his Lot or Living Unit.

ARTICLE IV

BOARD OF DIRECTORS; TERM OF OFFICE. REMOVAL

Section 1: NUMBER. The affairs of the Association shall be managed by not less than four (4) or more than seven (7) directors, who, after Turnover, shall be duly elected by the Members of the Association from among the Members.

Section 2; TERM OF OFFICE. Directors shall serve two (2) year terms and until their successors are duly appointed or elected, as the case may be.

Section 3; REMOVAL. After Turnover, any Director may be removed from the Board, with or without cause, by a majority vote of the Members of the Association. In the event of death, resignation, or removal of a director, his successor shall be selected by the remaining Members of the Board and shall serve for the unexpired term of his predecessor.

ARTICLE V

BOARD OF DIRECTORS; MEETINGS

Section 1; REGULAR MEETINGS. Regular meetings of the Board of Directors shall be held annually, at such place and hour as may be fixed from time to time by resolution of the Board.

Section 2: SPECIAL MEETINGS. Special meetings of the Board of Directors shall be held when called by the President of the Association, or by any two directors, after not less than three (3) days notice to each director.

Section 3; QUORUM. A majority of the directors shall constitute a quorum for the transaction of business. Every act performed or decision made by a majority of directors present at a duly held meeting in which a quorum is present shall constitute the act or decision of the Board.

ARTICLE VI

BOARD OF DIRECTORS: POWERS AND DUTIES

Section 1; POWERS. The Board of Directors shall have the power to:

- (A) Adopt the published rules and regulations governing the Development and facilities including the personal conduct of the members and their guests thereon; to establish penalties for infractions of such rules and regulations.
- (B) Suspend the voting rights and right to use of the recreational facilities of any Member during any period in which such Member is in default in the payment of any assessment levied by the Association. Such rights may also be suspended after notice and hearing, for a period not to exceed thirty (30) days for infraction of published rules and regulations.
- (C) Exercise on behalf of the Association all powers, duties and authority vested in or delegated to the Association and not specifically reserved to the membership by the Declaration, Articles of Incorporation, or by other provisions of these By-Laws.
- (D) Employ a manager, independent contractors, and such other employees as they may deem necessary, and to prescribe their duties.

Section 2; DUTIES. It shall be the duty of the Board of Directors to:

- (A) Supervise all officers, agents, and employees of the Association and see to it that their duties are properly performed.
- (B) As more fully provided in the Declaration, to:
 - (1) Fix the amount of the annual assessment against each Lot or Living Unit in advance of each annual assessment period.
 - (2) Send written notices of each assessment to every Owner subject thereto in advance of each assessment period, and
 - (3) Foreclose the lien against any Lot or Living Unit for which assessments are not paid within thirty (30) days after the due date, or to bring an action at law against the Owner personally obligated to pay the same.
- (C) Issue, or cause an appropriate officer to issue on demand by any person a certificate setting forth whether or not any assessment has been paid. A statement in a certificate to the effect that an assessment has been paid shall constitute evidence of such payment. The Board may impose a reasonable charge for the issuance of such certificates.
- (D) Procure and maintain liability and hazard insurance on all property owned by the Association.

(E) Cause all officers or employees who have fiscal responsibilities to be bonded, as it may deem appropriate.

(F) Cause all property owned by the Association to be maintained.

ARTICLE VII

OFFICERS AND THEIR DUTIES

Section 1; ENUMERATION OF OFFICES. The officers of the Association shall be President and Vice President, who shall at all times be members of the Board of Directors, and a Secretary, a Treasurer, an Assistant Secretary and an Assistant Treasurer, and such other offices as the Board may from time to time by resolution create.

Section 2; ELECTION OF OFFICES. The election of officers shall take place at the first meeting of the Board of Directors following each annual meeting of members.

Section 3; TERM. The officers of the Association shall be elected annually by the Board. Each officer shall hold office for a term of two (2) years unless he shall sooner resign or shall be removed or otherwise disqualified to serve.

Section 4; SPECIAL APPOINTMENTS. The Board may elect such other officers as the affairs of the Association may require, each of whom shall hold office for such period, have such authority, and perform such duties as the Board may, from time to time determine.

Section 5; RESIGNATION AND REMOVAL. The Board may remove any officer from office at any time with or without cause. Any officer may resign at any time by giving written notice to the Board, the President, or the Secretary. Such resignation shall take effect on the date of receipt of such notice or at any later time specified therein, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 6; VACANCIES. A vacancy in any office may be filled by appointment of the Board. The officer appointed to such vacancy shall server for the unexpired term of the officer he replaces.

Section 7; MULTIPLE OFFICES. No person shall simultaneously hold more than one of any of the offices, except in the case of special offices created pursuant to Section 4 of this Article.

Section 8; DUTIES. The duties of the offices are as follows:

(A) President: The President shall preside at all meetings of the Board of Directors; shall see that orders and resolutions of the Board are carried out; and shall sign all leases, mortgages, deeds and other instruments.

(B) Vice President: The Vice President shall act in the place of the President in the event of his absence, inability, or refusal to act, and shall exercise and discharge such other duties as may be required of him by the Board.

(C) Secretary: The Secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board and of the Members; keep the corporate seal of the Association and affix it to all papers so requiring; serve notice of meetings of the Board to Members; keep appropriate current records showing the Members of the Association together with their address.

(D) The Treasurer shall receive and deposit in appropriate bank accounts all funds of the Association and disburse such funds as directed by resolution of the Board of Directors; shall sign all checks and promissory notes of the Association; shall keep proper books of the accounts; shall cause an annual audit of the Association books to be made at the completion of each fiscal year; and shall prepare an annual budget and statement of income and expenditures, a copy of which documents shall be delivered to each Member, and a report on which shall be given at the regular annual meeting of Members.

(E) Assistant Secretary: The Assistant Secretary shall act in the place of the Secretary in the event of his absence, inability, or refusal to act, and shall exercise and discharge such other duties as may be required of him by the Board.

(F) Assistant Treasurer: The Assistant Treasurer shall act in the place of the Treasurer in the event of his absence, inability, or refusal to act, and shall exercise and discharge such other duties as may be required of him by the Board.

ARTICLE VIII

ASSESSMENTS

As more fully provided in the Declaration, each Member is obligated to pay to the Association annual and special assessments, which are, secure by a continuing lien on the property against which such assessments are made. All annual assessments shall be paid as designated by the Board of Directors. Any assessments not paid when due are considered delinquent. Interest, costs, and reasonable attorney's fees of any such action shall be added to the amount of any assessment due. No Owner may waive or otherwise escape liability for assessments by nonuse of the common properties or abandonment of his Lot or Living Unit.

ARTICLE IX

BOOKS AND RECORDS; INSPECTION

The books, records, and papers of the Association may be inspected or obtained by any Member upon fifteen- (15) day's prior written notice. The Declaration, Articles of Incorporation, and By-Laws of the Association shall be available for inspection by any Member at the principal office of the Association.

ARTICLE X

CORPORATE SEAL

The Association shall have a seal in a circular form having within its circumference the words: LOCKWOOD FOLLY PROPERTY OWNERS ASSOCIATION, INC.

ARTICLE XI

AMENDMENTS

Prior to and after Turnover, the Board of Directors may amend this By-Laws at any regular meeting or special meeting of Members, as provided in the Articles of Incorporation.

ARTICLE XII

FISCAL YEAR

The fiscal year of the Association shall begin on July 1 and run to June 30 of the following year.

ARTICLE XIII

CONFLICTS

In case of any conflict between the Articles of Incorporation and these By-Laws, the Articles shall control, in case of any conflict between the Declaration and these By-Laws, the Declaration shall control, in case of a conflict between the Article and the Declaration, the Declaration shall control.

IN WITNESS WHEREOF, this codification of the By-Laws of LFPOA together with covenants, conditions and restrictions has been signed and executed by the Lockwood Folly Property Owners Association Board of Directors. Approval is recorded in the minutes of the July 13, 2004 Board of Directors meeting.

LOCKWOOD FOLLY PROPERTYOWNERS ASSOCIATION, INC.

CORPORATE

SEAL

By: _____ Simon Schaffler ____
Simon Schaffler, President

ATTEST:

_____ Patrick Hogan _____
Patrick Hogan, Secretary

STATE OF NORTH CAROLINA COUNTY OF BRUSWICK

I, Robin McKeithan, a Notary Public of the County and State aforesaid, certify that Patrick Hogan personally came before me this day and acknowledged that he is Secretary of LOCKWOOD FOLLY PROPERTY OWNERS ASSOCIATION, INC., a North Carolina corporation, and that by authority duly given and as the act of the corporation, the foregoing By-Laws were acknowledged as the official By-Laws of the Association and were signed in its name by its President, sealed with its corporate seal and attested by him as its Secretary.

Witness my hand and official stamp or seal, this 19 day of August, 2004.

_____ Robin McKeithan ____
Notary Public

Notary Public My Commission Expires: February 6, 2005