

SEPTEMBER 1 2009

BY-LAWS OF CAROLINA COLOURS GOLF CLUB LLC

Article I Organization

1.1. NAME. The name of the company is Carolina Colours Golf Club LLC (the Club). The Club has been organized under the laws of the State of North Carolina.

1.2. PURPOSES. The Club is organized for such purposes as are stated in its Articles of Organization, as they may be amended from time to time, and as more fully set out in these By-laws.

1.3. PRINCIPAL OFFICE. The principal office of the Club shall be at such place in the State of North Carolina as the Club shall from time to time determine. The initial principal office of the Club shall be located in Craven County, North Carolina. The Club may have such other offices within and outside the State of North Carolina as the Club may designate.

Article II Definitions

2.1. DEFINITIONS. All gender terms used in these By-laws shall be construed to include both the masculine and feminine as appropriate, and all references herein to Sections and Articles shall mean, unless otherwise stated, a section or article of these By-laws. The terms defined below shall have the meanings set forth below, unless the context indicates otherwise:

"Articles of Organization" means the Articles of Organization of Carolina Colours Golf Club LLC filed with the North Carolina Secretary of State as amended from time to time.

"Associate Membership" means a non-equity membership.

"Category" means, in respect of any Membership, the dues category given that Membership under Section 3.4.

"Class" means, in respect of any Membership, the class of that Membership under Section 3.3.

"Club" or **"The Club"** means Carolina Colours Golf Club LLC, a North Carolina limited liability company.

"Club Facilities" means all land, buildings, facilities and other property, whether real or personal, now or hereafter owned and operated by the Club for the use and benefit of its Members.

"Club Fees" means the Membership Fee and all dues, assessments, charges and other amounts payable to the Club on account of a Membership.

"Club Manager" means the manager whom the Club may retain pursuant to Section 5.4 to oversee day-to-day operations of the Club.

"Club Rules" means the rules and regulations of the Club as adopted by the Club from time to time.

"Community" means the planned residential development known as Carolina Colours located in New Bern, North Carolina.

"Designation" means, in respect of any Membership, the designation given that Membership under Section 3.5.

"Designee" means the individual or couple designated pursuant to Section 3.2(a) and Section 3.7 to exercise the privileges of a Membership held by a Member which is a family trust, family limited partnership, or similar entity.

"Developer" means Carolina Creek LLC or its designee or successor.

"Developer's Interest" means the 60% equity ownership of the Club owned by Developer and which does not have appurtenant thereto Membership use rights.

"Equity Membership" means a Membership with voting rights.

"Family Members" means the unmarried children of the Members (husband and wife if a Family Membership) named in the Membership Agreement who are (i) 21 years old or younger or (ii) full-time students under the age of 24 whose primary residence is with the Member. The Club may, but shall not be obligated to, adjust the age requirements for Members' children when extenuating circumstances exist (e.g., disability).

"Golf Facilities" means the golf course and golf practice facilities which are part of the Club Facilities.

"Include," "includes" and "including" shall mean "including but not limited."

"Manager" means that Person or Persons selected to act on behalf of the Club as Manager in accordance with the Operating Agreement, these By-laws and the laws of the State of North Carolina. The term shall mean "Managers" if more than one Person is serving as Manager at any given time.

"Membership" means a membership in the Club authorized pursuant to Article III and refers to the rights and privileges granted to each Member, which varies according to the class, designation and category of Membership held. Unless otherwise specifically provided in these By-laws, when the term is used in its collective sense it shall refer to all Members of the Club in whose name a Membership is issued and outstanding at a particular time, including the holder of the Developer Interest.

"Membership Agreement" means the Application for Membership and the Membership Agreement which a prospective Member executes and submits to the Club upon applying for Membership in the Club pursuant to Section 3.6(a) and which is executed on behalf of the Club upon acceptance.

"Membership Certificate" means a certificate issued by the Club pursuant to Section 3.7 to evidence a Membership.

"Membership Fee" means the price paid by a Member for a specific Membership in the Club.

"Non-Property Owner Membership" means a Membership (other than an Associate Membership) held by a person or entity that is not a Carolina Colours Property Owner.

"Non-Refundable Membership" means a Membership that is not subject to the repurchase provisions described in Section 3.9(d) (i).

"Property" means (i) a home or buildable home site located in Carolina Colours as shown and designated on maps recorded in the offices of the Register of Deeds of Craven County, North Carolina.

"Property Owner" means a person or entity that owns title to Property in Carolina Colours.

"Property Owner Membership" means a Membership held by a Property Owner.

"Refundable Membership" means a Membership which by the terms of the applicable Membership Agreement is subject to being repurchased by the Club to the extent provided in Sections 3.9(d) (i).

"Voting Member" means a Member holding a Membership with voting rights specified in Section 3.3.

"Voting Power" means, in respect of Members entitled to vote under Section 4.8, the total votes of Members in good standing entitled to be cast on a matter requiring approval of the Membership or approval of any class or other group of Members.

ARTICLE III
Membership

3.1. GENERAL. Except to the extent any eligibility requirements, rights or privileges of Membership are set forth in these By-laws, the Manager is authorized to determine the eligibility requirements for each class, designation and category of Membership, to establish payment requirements for each class, designation and category and to offer or cease offering any class, designation or category of Membership. Except to the extent otherwise required by applicable law, the rights and privileges of each class, category and designation of Membership (a) shall be only those specified in these By-laws and the Club Rules and (b) shall be subject to all applicable terms and conditions set forth in these By-laws and the Club Rules in effect from time to time, including the payment of all Club Fees.

3.2. CERTAIN ELIGIBILITY REQUIREMENTS, DESIGNATIONS AND RESTRICTIONS ON MEMBERSHIP.

(a) Natural Persons and Family Entities. Natural persons are eligible for Membership, as are a family limited partnership, a family trust or other entity which owns Property beneficially for one family. If a family limited partnership, family trust or similar entity acquires a Property Owner Membership for that Property it must designate the trustee, general partner or other individual or married couple controlling the entity as its Designees pursuant to Section 3.7 for purposes of exercising the privileges of that Membership. Other entities, such as corporations, limited liability companies and non-family trusts and partnerships are only eligible for memberships if such are allowed from time to time by the Club, in accordance with policies adopted by the Club.

(b) Property Owners. Except as set forth in Sections 3.2(c) and 3.2(d), only Property Owners are eligible for Membership. No more than two (2) Memberships shall be issued for any one Property. Separate but contiguous Property that is owned by the same Property Owner shall be treated as one Property unless each separate contiguous Property is improved with a separate approved residential dwelling.

(c) Non-Property Owners. As determined from time to time by the Club, Non-Property Owner Memberships may be offered, but none shall be issued at any time the number of Property Owner Memberships equals or exceeds 375, or the combined number of Property Owner Memberships and Non-Property Owner Memberships equals or exceeds 375. The total number of Non-Property Owner Memberships shall not exceed 75. If a Member who is not a Property Owner becomes a Property Owner, that Member shall promptly notify the Club of that event and, whether or not notice is given, the Membership of that Member shall be redesignated as a Property Owner Membership. Notwithstanding any provisions to the contrary in these By-laws, Non-Property Owner Memberships shall only be refundable from the sale of Memberships to Property Owners by the Club, and such Memberships may not be reissued

to a subsequent owner of property outside Carolina Colours. The Membership Fee for a Non-Property Owner Member shall be at least \$500 greater than the Membership Fee for a Property Owner Membership as of the time of the issuance of said Membership, except that the Club may establish reciprocal Membership plans with other clubs at its discretion, upon any terms and at any Membership Fee deemed appropriate by the Club.

(d) Associate Memberships. Associate Membership is available only on a temporary basis, upon terms and conditions established from time to time by the Club, and shall only be made available if the total number of Equity Members with use rights totals less than 400, unless the Developer (if it still owns the majority of the equity) and the Executive Board (exclusive of any Developer votes) affirmatively determines that allowance of Associate Members is economically beneficial to the Club and does not stress facilities or access. Associate Memberships shall be Non-Refundable Memberships and shall not be Equity Memberships. Dues shall be set by the Club, but shall be more than charged to Equity Memberships of the same category.

(e) Developer Memberships. Developer may designate up to 15 individuals as Developer Members. Developer Memberships shall be issued and terminated at the sole discretion of Developer, and shall be Non-refundable Memberships. Upon termination of any Developer Membership, Developer may re-issue that Membership. The holder of a Developer Membership shall have full Membership use privileges, but shall have no obligation to pay dues or assessments. Developer Memberships shall not count against the cap on the total number of Full Memberships. Developer Memberships shall be Equity Memberships for voting purposes only, and shall be Non-refundable. Developer shall have the right to designate new or replacement Developer Members until December 31, 2015, and all Developer Memberships issued prior to that date shall terminate December 31, 2029. This provision of the By-laws may not be altered without the consent of Developer.

(f) Sales Memberships. Each sales associate engaged on behalf of Developer may be designated by Developer as a Sales Member. A Sales Membership shall be a Non-refundable Membership. Every Sales Membership shall automatically terminate upon termination of the engagement of the Sales Member as a sales associate engaged on behalf of Developer. The holder of a Sales Membership shall have full Membership privileges, but shall have no obligation to pay dues or assessments. Sales Memberships shall not count against the cap on the total number of Full Memberships. Sales Memberships shall be non-Equity Memberships. As long as Developer or its assigns is actively engaged in the sale of Carolina Colours properties, the right of Developer to appoint Sales Members shall not terminate. There shall be no more than 10 Sales Members at any time. This provision of the By-laws may not be amended without the consent of Developer.

3.3. CLASSES OF MEMBERSHIP. There shall be three Classes of Membership. Those Classes of Membership are:

- (a) Equity Membership with use rights,
- (b) Equity Membership without use rights, and
- (c) Non-equity Membership.

Each Equity Membership with use rights entitles the Member holding such Membership during the Club's normal operating hours to use of all the Club Facilities generally available for use by Members and to such other privileges as are provided from time to time in the Club Rules. All Equity Memberships with use rights shall have one vote on any matter upon which Equity Memberships are entitled to vote; the holder of the Developer Interest (Equity Membership without use rights) shall have 600 votes on any matter upon which Equity Memberships are entitled to vote. All Equity Memberships shall have use rights except for the Developer Interest Membership, which shall have no use rights independent of Membership rights associated with other categories of Membership.

3.4. CATEGORIES OF MEMBERSHIP. Each Membership shall be assigned a category. Categories of Membership are:

- (a) Property Owner Membership,
- (b) Non-property Owner Membership,
- (c) Developer Membership,
- (d) Sales Membership,
- (e) Associate Membership.

Descriptions and limitations on each category of Membership are described in paragraphs 3.2 and 3.5(c) of these By-laws.

3.5. DESIGNATIONS OF MEMBERSHIP. Each Membership shall be assigned a designation. Designations of Memberships are:

- (a) Single/Family.

(i) Single. Members or Designees who are unmarried, or who do not wish for any other family member to have privileges of Membership, shall be assigned to the Single dues category, which shall entitle only the Member or Designee to the privileges of the Membership. Use of the Club Facilities by persons other than the Member or Designee shall be subject to Section 3.5 and shall require the payment of appropriate guest fees. Dues for a Single Member shall be 75% of the dues for a Family Member.

(ii) Family. Members or Designees who are married, and/or have Family Members, and who wish their spouses and/or Family Members to have the privileges of Membership, shall be assigned to the family

dues category, which extends the privileges of such Membership to the husband and wife identified as Members or Designees in the Membership Agreement and to their Family Members, subject to the Club's right to restrict the time of access and impose age and ability qualifications for use of the Club Facilities by Family Members. The husband and wife shall be jointly and severally responsible for all obligations of and jointly entitled to all benefits of a Membership assigned to the family dues category. The voting rights of a Membership in the family dues category may be exercised by either spouse but shall be subject to the limits of Section 4.8. Either spouse shall be eligible to serve as a Manager and on committees. The action of either spouse with respect to the Membership shall be binding on the other; it shall not be necessary for the Club to notify or obtain the consent of both spouses.

(b) Resident/Nonresident. The Club shall establish resident and non-resident dues categories. A non-resident shall be a Member that neither owns nor rents for a period to exceed one month in any calendar year a residence in Craven County, and who plays 12 or less rounds of golf in any calendar year at Carolina Colours. Dues for a qualified non-resident Member shall be equal to 25% of the dues for a resident Family Member for the first three years of Membership, and 50% of the dues of a resident Family Member thereafter, regardless of whether the non-resident is a Single or Family Member. The Club may, at its discretion, allow non-resident status to an owner whose primary residence is not within Craven County, but who owns or rents a second home within Craven County, if such owner's second home is within Carolina Colours. In such an event, the 12 or fewer rounds per year limitation shall apply.

(c) Limitation on Number of Memberships. The maximum number of Memberships in each class and category shall be as follows:

(i) Full Members. 400 Equity Members with use rights (excluding Developer and Sales Members).

(ii) Non-Property Owner Members. In the category of Non-Property Owner Memberships, such number shall be determined from time to time by the Club, but shall not exceed in total number 75, and shall be subject to the additional limitations set out in Section 3.2(c) of these By-laws.

(iii) Associate Members. In the category of Associate Member, such number shall be determined from time to time by the Club, but shall not exceed in total number 75, and shall be subject to the additional limitations set out in Paragraph 3.2(d) of these By-laws.

3.5. GUESTS. All Members are entitled to limited guest privileges, subject to payment of applicable guest fees and charges and subject to the Club Rules. The Club may limit, deny, or revoke guest privileges of any Member, (or of all Members,) at any time for such good cause as shall be determined by the Club in its sole

discretion. Guests may only use the Club Facilities in accordance with the use privileges afforded to the hosting Member's class of Membership. The hosting Member shall be responsible for all unpaid guest fees and the conduct, charges attributable to and actions of the Member's guests.

3.6. APPLICATION FOR AND ACCEPTANCE OF MEMBERSHIP.

(a) Application for Membership. Any individual, or any entity eligible for Membership pursuant to Section 3.2(a), who desires to apply for Membership may do so by completing and executing a Membership Application and any related application documents in such form as the Club may specify from time to time and submitting them to the Club. In the case of an applicant which is an entity, the applicant shall designate the trustee, general partner or other individual or married couple controlling the entity to exercise the privileges of such Membership, or the person or persons seeking use privileges thereunder, and such person or persons ("Designees") shall complete and submit an application for Designee status in such form as the Club may specify from time to time. Such Designee must be approved by the Club along with payment of all applicable fees.

(b) Acceptance of Application. After receiving all required application documents, the Club Secretary or other person designated Membership processing duties will process the Membership application in accordance with review criteria that are established from time to time by the Club. The Club may consider relevant information other than the information submitted in application documents, including without limitation, personal references, credit or character reports, and prior or other club references and may grant or withhold approval in their sole discretion. The duties of the Club as set out herein, other than final approval, may be designated to a Membership Committee or to other agents or employees of the Club, and the right of final approval or rejection may be delegated by the Club to the Club Manager or to a committee of the Club. All applications shall be considered without regard to race, religion, creed, color, sex, national origin, or physical disability.

(c) Waiting List to Acquire Membership. If the Club has issued all available Memberships in a given class or category but continues to offer Memberships in that class and category, the Club shall establish a waiting list for that class and category. Each waiting list shall be maintained on a first-come, first-served basis (determined on the basis of date of receipt of the applicant's properly completed application) except that the following groups of priorities shall apply:

(i) Purchasers of the Property of a resigning Member shall be given first priority, and

(ii) The first retail purchaser of a Property shall be given second priority.

3.7. EVIDENCE OF MEMBERSHIP.

(a) Membership Certificates. The Club shall issue a Membership Certificate for each Membership, evidencing the class and category of Membership held. The Membership Certificate shall be in a form approved by the Club, shall state that the Membership is subject to the By-laws and the Club Rules and shall be subscribed by the President or a Vice-President and by the Secretary of the Club. Membership Certificates for Family Members shall name both spouses; otherwise, Memberships may not be held in joint names.

(b) Membership Cards. The Club may, in the discretion of the Club, issue membership cards to each Member and, in the case of a Family Membership or an entity Membership, identifying the Member's name, class and category of Membership, and account number, if any, as well as all individuals authorized under said Membership to utilize the Club Facilities.

(c) Non-transferability. Membership Certificates and Membership cards are not redeemable or transferable, except by Developer as specifically allowed by these By-laws. Upon termination of an Equity Membership with use rights for any reason, the Club shall cancel the Membership Certificate and all Membership cards issued on account of such Membership.

3.8. RESTRICTIONS ON TRANSFER OF MEMBERSHIPS.

(a) General Rule of Non-transferability. No Member (other than Developer) may pledge, assign, hypothecate, or encumber a Membership. No Member (other than Developer) shall transfer a Membership, by sale, gift, or otherwise, voluntarily or involuntarily, except to the Club as provided in Section 3.9. No Member (other than Developer) shall advertise a Membership for sale or offer or commit to transfer or assign a Membership in the Club. Any attempted action in contravention of this Section shall be invalid and of no effect.

(b) Death or Dissolution of a Member. Upon either the death of a Member who is a natural person or an act of dissolution or similar act that begins the winding up and liquidation of any Member that is an entity, the Membership of that Member shall automatically terminate as an involuntary resignation under Section 3.9(b) except to the extent provided in clause (i) or (ii) below.

If the deceased Member is a natural person who held a Family Membership and the deceased Member is survived by a spouse identified in the Membership Agreement, the Membership shall continue with that surviving spouse. If the deceased Member is a natural person who held a Refundable Property Owner Membership and clause (i) does not apply, the Membership shall continue in the name of the deceased Member

(subject to continued payment of such Club Fees and any limits on use of the Club that the Club may in its discretion determine) during a period (the "Application Period") of 90 days after the death of the Member (or such later day as the Club may in its discretion determine). During the Application Period, any heir or legatee of the Property or any executor or other administrator of the deceased Member's estate may deliver to the Club a written request, signed by each heir and legatee of the Property and by each administrator of the estate and in such form and with such supporting documents as the Club may require, that either:

(i) resigns the Membership; or

(ii) confirms that an heir or legatee of the Property intends to keep the Property and asks the Club to resell the deceased Member's Membership in the name of that heir or legatee designated in the request without regard to any waiting list for Memberships upon approval per Section 3.6(b) and receipt by the Club of payment in full of all outstanding Club Fees payable on the deceased Member's account. The heir will be credited with the estate's portion of the Membership Fee toward the then existing Membership Fee.

(iii) If the heirs and representatives of the estate of a deceased Member do not elect to cause the Membership to be sold to an heir intending to retain ownership of the Property, (or if the Membership is in the category of a single Membership) it shall be presumed that the estate intends to resign the Membership, and the Club shall cause the Membership to be resigned. However, if the estate wishes to have the Membership available under Section 3.9(e) and so notifies the Club in writing within 90 days following death of the deceased Member the Club shall reissue (without any resignation) the Membership to the deceased Member's estate without regard to any waiting list for Memberships for a period not to exceed one year after the date of final probate. Subject to payment in full by the estate of all outstanding Club Fees on the deceased Member's account and continued timely payment in full of all subsequent Club Fees on account of such Membership, said estate may designate during such period one heir to have use privileges thereunder.

A resignation under clause (i) above shall become effective on the first day of the calendar month immediately after receipt by the Club of the request. If a request made under clause (ii) above is approved by the Club, the Club shall reissue the Membership in the name of the designated heir or legatee upon receipt by the Club of payment in full of the amounts specified in clause (ii). If a request made under clause (iii) above is approved by the Club, the Club shall reissue the Membership in the name of such estate upon receipt by the Club of payment in full of all amounts specified in clause (iii) which are then due and, unless terminated earlier under these By-laws, such reissued Membership shall continue in effect until the earlier of a sale by the estate of the Property or the end of period approved by the Club. If the Club receives no request under this clause (ii)

during the Application Period, or if Club receives a request which the MClub does not approve, or if during the Application Period the Property is transferred to a purchaser, then the Membership shall automatically terminate as an involuntary resignation under Section 3.9(b) on the first day of the calendar month immediately after the earliest of (1) the expiration of the Application Period, (2) the date the Club decides to not approve the request or (3) the date the Property is so transferred.

(c) Involuntary Resignation. If an involuntary resignation occurs under Section 3.9(b) in respect of a deceased Member who would have been entitled to any payment under Section 3.9, the Club shall pay to the deceased Member's estate any amount that becomes due under Section 3.9(d).

(d) Divorce. In the event that the Members holding a Membership in the family dues category are legally separated or divorced from each other, the Membership shall automatically vest with the spouse who receives title to the Membership pursuant to a court order or an agreement between the parties. Until such time as the Club receives notice of such a court order or agreement, or notice from either spouse relinquishing all rights under the Membership to the other, each spouse identified in the Membership Agreement shall remain fully responsible for all Club Fees payable on account of such Membership.

(e) Sale of Property. A Member who holds a Refundable Membership may, upon the sale or other transfer of that Member's Property and written notice to the Club, resign that Membership and request that the Club reissue the Membership to the new owner of the Property within thirty (30) days after the closing (the "Closing Date") of that sale or other transfer, without regard to any waiting list to acquire Memberships. Within thirty (30) days after the reissuance of that Membership to the new owner the Club shall pay the resigning Member the amount payable to that Member under Section 3.9(d) as if the date of reissuance were the date of repurchase under Section 3.9(d)(i) without regard to any repurchase waiting list. There shall be no reissuance of that Membership and no payment hereunder unless each of the following requirements shall have been met on or before the Closing Date: (i) the selling Member shall have paid in full all Club Fees payable by that Member; (ii) the buyer of the resigning Member's Property shall have applied for that Membership pursuant to Section 3.6; (iii) that application shall have been approved by the Club and (iv) the buyer of the resigning Member's Property shall have paid the Club the required Membership Fee then being charged for Memberships of such class, designation and category.

(f) Legacies. A Member may resign his/her Membership and request it be sold to his/her son, daughter, grandson, or granddaughter subject to approval per Section 3.6 and that designee will be given priority ahead of any wait list. The new purchaser will be credited with the refundable portion of the resigned Membership.

3.9. RESIGNATIONS AND REPURCHASE OF MEMBERSHIPS.

(a) Voluntary Resignation. A Member may voluntarily resign any Membership upon not less than 90 days prior written notice to the Club Secretary accompanied by the Member's Membership Certificate endorsed to the Club or, in the case of a lost Membership Certificate, a properly executed agreement to indemnify and hold the Club harmless from any loss or damage arising out of or related to any claim by a third party in possession of such Membership Certificate. The resigning Member must be current on all Club Fees in order to effect a voluntary resignation. Dues increases or assessments levied up to and including the resignation effective date will be pro-rated to the resignation effective date and become the responsibility of the resigning Member. Unless the Club otherwise agrees, a voluntary resignation shall be effective on the earlier of (i) the date of the Club's repurchase of the resigned Membership pursuant to Section 3.9(d), if applicable, or (ii) the last day of the first calendar month which ends at least 90 days after the Club receives (A) written notice of the Member's resignation accompanied by the Member's Membership Certificate (or agreement to indemnify) and (B) full payment of all Club Fees due on the Member's account.

(b) Involuntary Resignation. An involuntary resignation of a Membership shall automatically result from the occurrence of any of the following events:

(i) The recall by the Club of the Member's Associate Membership, or the deemed resignation thereof, pursuant to Section 3.2(d);

(ii) The death of a Member to the extent such death results in termination by resignation under Section 3.8(b);

(iii) Expulsion or termination pursuant to Section 3.10; or

(iv) The occurrence of such other event(s) as may terminate the Membership pursuant to specific provisions of these By-laws.

Resignation as a result of a recall described in clause (i) above shall be effective on the date specified in the notice of recall, unless the Club and the Member otherwise agree in writing. Resignation as a result of an event described in clause (ii) above shall be effective on the date specified in Section 3.9(b). Resignation as a result of any other event specified in this subsection shall be effective on the first day of the calendar month which occurs immediately after such event, unless the Club agrees to a later effective date in writing.

(c) Privileges and Duties upon Resignation. A Member may continue to exercise all privileges of Membership until the effective date of such resignation. A Member shall remain obligated to pay all Club Fees arising on or before the effective date of resignation and all charges incurred by the Member or his or her guests before, on and after the effective date of resignation. The rights, powers, duties and privileges of a Member who has resigned, whether voluntary or involuntary, shall be determined by the provisions of these By-laws as in effect on the effective date of that resignation. Until the effective date of resignation, a Member who has voluntarily resigned may revoke his or her resignation notice by written notice to the Club Secretary and payment of a reinstatement fee in such amount as the Club may establish. In such event, the Secretary of the Club shall promptly issue the Member a duplicate Membership Certificate, and the Club shall remove such Member's name from the waiting list for repurchase pursuant to subsection (d), if applicable.

(d) Payment for Resigned Memberships. Members shall be entitled to payment for resigned or recalled Memberships only as specified in this section 3.9. The amount, if any, payable to a resigned Member upon recall or resignation of the Membership shall be reduced by the amount of any outstanding Club Fees owed to the Club on account of such Membership. As a condition precedent to receiving any payment due hereunder, the Member shall execute and deliver to the Club a release agreeing to release, to the maximum extent permitted by applicable law, the Club and Developer from any and all claims and liabilities arising out of or relating to the Member's Membership in the Club.

(i) Repurchase of Refundable Memberships. Except as otherwise provided in Section 3.8(e), upon the resignation of a Refundable Membership and receipt by the Club of payment in full of all Club Fees payable on account of that Membership, it will be placed on a waiting list for repurchase by the Club. Priority on the waiting list shall be on a first-resigned, first to be repurchased basis measured solely by the effective date of each resignation, unless a resigning Membership is given priority by a specific provision of these By-laws. The Club shall have no obligation to repurchase any Membership on its waiting list until that Membership is at the top of the waiting list, except as specifically required by these By-laws.

The resigned Member shall be entitled to receive 75% (or the refundable percentage described in the Membership Agreement under which the Member purchased that Membership) of the Membership Fee charged by the Club for such class of Refundable Membership in effect on the date on which the Club becomes obligated to make that repurchase, but no more than the amount actually paid for the resigned Membership at time of its acquisition by the resigning Member. Said payment shall be made if and only if, the resigned Membership is repurchased, and payment to the resigning Member shall be made within 90 days following said repurchase. Said repayment shall not be made until the resigning Member has transferred his Membership certificate to the Club.

The Club is authorized to negotiate the repayment amount with the holder of any Membership on the waiting list in any amount mutually agreed upon, and upon such an agreed repayment being made, all obligations of the Club to repay additional sums upon later resale of a Membership shall be null and void.

(ii) Sale of Initial Memberships. The initial issuance of 400 Equity Memberships with use rights (plus any Memberships not subject to a numerical cap on Memberships) shall be considered the issuance of Initial Memberships. All proceeds from the sale of Initial Memberships shall be the exclusive property of Developer or the Club, as Developer may designate, and may be in part the consideration for the transfer of the real estate upon which the Club Facilities are located from the Developer to the Club. The sale of Initial Memberships shall have precedence over the sale of any Membership from the waiting list, except as set out in these By-laws, but shall not have precedence over the sale of any Membership which entitles a resigning Member to designate the purchaser, without the purchaser being subject to waiting list requirements. Notwithstanding the precedence given to the sale of Initial Memberships, as long as there are Initial Memberships not yet issued, for every four Initial Memberships sold after opening of the golf course for play, there shall be one Membership reissued from the waiting list (which shall include resigned Non-property Owner Memberships), if there is a waiting list at such time.

(iii) Non-Refundable Memberships. Upon resignation of a Non-Refundable Membership, the Member is not entitled to any repayment or refund of the Membership Fee.

3.10. DISCIPLINARY ACTION. The Club may institute disciplinary action against any Member, family member, or guest for good cause, as determined by the Club. "Good cause" shall include, but shall not be limited to the following: damage to any Club property, delinquency in payment of any amounts owed to the Club; unauthorized use of the Club Facilities by the Member, family members, or guests; conduct by a Member, family member, or guest which the Club determines, in its sole discretion, to be detrimental to the interests, welfare, safety, well-being and harmony of the Club, its Members or employees; breach of the Club Rules; harassment or abuse, verbal or physical, of Club personnel or other persons using the Club Facilities; and such other reasons as the Club shall determine to constitute good cause.

The Club shall establish in its rules and regulations a procedure for disciplinary action which shall include a written notice to the Member setting forth the charges, provisions for a fair hearing by the Club or a Committee appointed by the Club, and a written notice of the Club's final determination.

The Club may impose such sanctions as it deems appropriate, including, but not limited to, monetary fines, reprimand, temporary

suspension of privileges, or termination of Memberships. Any temporary suspension of privileges shall be for such period as the Club deems appropriate. Suspension of a Membership shall operate to suspend all use rights of the Member(s), family members and guests otherwise entitled to exercise the privileges of such Membership; however, the Club may, in its discretion, suspend only the privileges of the Member or family member being sanctioned without affecting the privileges of other authorized users. A suspended Member shall remain fully liable for all Club Fees accruing during any period of suspension.

Notwithstanding the above or anything else to the contrary in these By-laws, prior to imposition of any sanction for delinquency in payment of any amounts owed to the Club, the Club shall follow the procedures described in Section, 8.5.

A Member who has been suspended or expelled shall not be entitled to use the Club Facilities, as a guest of a Member or otherwise. A Member who has been expelled shall be deemed to have resigned his or her Membership pursuant to Section 3.9 and may not request reinstatement or apply for Membership for a period of at least two years thereafter.

3.11. MEMBER LIABILITY AND ASSUMPTION OF RISK. To the maximum extent permitted under applicable law, and in consideration of Membership, each Member agrees to all risks associated with the use of the Club Facilities and agrees to release the Club, Developer and their related entities, successors, assigns, and employees, contractors, agents, members, and owners of each of the foregoing, and all persons, corporations, partnerships, limited liability companies and other entities with which they are or may in the future become affiliated, from and indemnify them against any and all claims, whether or not based on the acts or omissions of the indemnified parties, arising out of or in any way connected with the use of the Club Facilities by the Member, the Member's family members, and guests. Each Member, and the Member's family members and guests, as a condition of invitation to the Club's Facilities, assume sole responsibility for their personal property. The Club shall not be responsible for any loss of or damage to any personal property used or stored on the Club Facilities, whether in lockers or elsewhere. Each Member shall be liable for any property damage and/or personal injury caused by the Member or resulting from the misconduct of the Member's family members or guests while at the Club, or at any activity or function arranged or sponsored by the Member on the Club Facilities, or at any activity or function operated, organized, arranged, or sponsored by the Club on the Club Facilities or elsewhere. The cost of repairing any damage to the Club Facilities caused by the Member or the Member's family or guests shall be charged to the Member's Club account.

ARTICLE IV
Membership: Meetings,
Quorum, Voting, Proxies

4.1. PLACE OF MEETINGS. Meetings of the Membership shall be held at the Carolina Colours Pavilion, or such other place designated by the Club.

4.2. ANNUAL MEETINGS. The regular annual meeting shall be at such time as the Club may specify, within approximately 12 months of the prior annual meeting, or such other date designated by the Club.

4.3. SPECIAL MEETINGS. The Manager may call special meetings on his or her own initiative; or if so directed by resolution of the Club; or upon a petition calling for a special meeting signed by Members holding at least 10% of the Voting Power. Such petition shall state the purpose of the meeting and notice thereof shall be given as provided in Section 4.4.

4.4. NOTICE OF MEETINGS. Written notice stating the place, day, and hour of any meeting of the Members shall be posted conspicuously in the Club pro shop and shall be delivered, either personally or sent by mail, to the address shown in the Club's records for each Membership entitled to voting rights at such meeting, not less than 10 nor more than 60 days before the date of such meeting.

In the case of a special meeting or when otherwise required by statute or these By-laws, the purpose or purposes for which the meeting is called shall be stated in the notice. No business shall be transacted at a special meeting except as stated in the notice. If mailed, the notice of a meeting shall be deemed to be delivered on the third business day following the date of its deposit in the United States mail addressed to the Member(s) at the Membership address as it appears on the Club's records, with postage prepaid.

4.5. WAIVER OF NOTICE. Waiver of notice of a meeting of the Members shall be deemed the equivalent of proper notice. Any Member may, in writing, waive notice of any meeting of the Members, either before or after such meeting. A Member's attendance at a meeting shall be deemed a waiver by such Member of notice of the time, date, and place thereof, unless such Member specifically objects to lack of proper notice at the time the meeting is called to order. Attendance at a special meeting also shall be deemed waiver of notice of all business transacted at such meeting unless an objection on the basis of lack of proper notice is raised before the business is put to a vote. Waiver or attendance by either spouse under a Membership with

family member privileges shall constitute waiver or attendance by both.

4.6. QUORUM. Except as otherwise provided in these By-laws, a quorum shall be established by the presence of Members or their proxies representing 15% of the total Voting Power. However, unless 25% or more of the Voting Power is represented in person or by proxy, the only matters that may be voted upon at an annual or regular meeting of Members are those matters described in the meeting notice.

4.7. ADJOURNMENT OF MEETINGS. If any meeting of the Membership cannot be held because a quorum is not present, a Majority of the Members who are present at such meeting may adjourn the meeting to a time not less than 10 nor more than 30 days from the time the original meeting was called. At the reconvened meeting, if a quorum is present, any business may be transacted which might have been transacted at the meeting originally called except as otherwise provided in these By-laws. If a time and place for reconvening the meeting is not fixed by those in attendance at the original meeting or if for any reason a new date is fixed for reconvening the meeting after adjournment, notice of the time and place for reconvening the meeting shall be given as provided by Section 4.4.

The Members present at a duly held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of Members resulting in less than a quorum. However, any matter put to a vote must be approved by the same number of votes which would have been required for action to be taken on the matter if a quorum were still present.

4.8. VOTING. Except as otherwise required by applicable law, only those Members holding Equity Memberships in good standing which are specifically granted voting rights pursuant to Section 3.3 shall be entitled to vote on any matter requiring a vote of the Membership. Only one Member shall be entitled to cast the vote(s) for a Membership with family member privileges; if more than one Member seeks to cast such vote(s), the voting rights for that Membership shall be suspended. One vote shall be allowed for each unsold Initial Membership held by the Developer. Except where a greater percentage of the Voting Power is specifically required by the Articles of Incorporation or these By-laws, the votes of Members entitled to cast a Majority of the Voting Power shall be necessary to take any action. At all meetings of Members, the ballots and proxies shall be received by the chairperson of the meeting, and all questions regarding the qualification of voters, the validity of any proxies, and the acceptance or rejection of votes shall be decided by the Club Secretary. The Club Secretary may appoint one or more deputies to assist him or her.

4.9. PROXIES. Members may vote by proxy, subject to the limitations of North Carolina law relating to use of general proxies and subject to the requirements of this Section. Every proxy shall be

in writing specifying the Membership for which it is given, signed by the Member or the Member's duly authorized attorney-in-fact, dated, and filed with the Club Secretary prior to the meeting for which it is to be effective. No proxy which is dated more than 60 days before the meeting at which it is offered shall be accepted unless such proxy states on its face that it is to remain in effect for a longer period.

(a) Conflict. In the event of any conflict between two or more proxies purporting to cover the same voting rights, the later dated proxy shall prevail, or if dated as of the same date, the Club shall deem both invalid.

(b) Revocation. Every proxy shall be revocable and shall automatically cease upon the effective date of the resignation of any Membership for which it was given; upon receipt by the Secretary of written notice of revocation of the proxy or of the death or judicially declared incompetence of a Member who is a natural person.

4.10. CONDUCT OF MEETINGS. The President or appointee shall preside over all meetings of the Club, and the Secretary shall keep the minutes of the meetings and record in a minute book a summary of comments of the Membership, all resolutions adopted and all other transactions according at such meetings.

ARTICLE V

Managers

5.1. NUMBER AND SELECTION.

(a) Management. The government and oversight responsibility for the general management of the Club shall be vested in its Manager or Managers. Managers elected by the Membership must own a Lot in Carolina Colours.

(b) Number of Managers and Term. From the time of organization of the Club and for so long as Class A Member has an obligation to fund Cash Flow deficits of the Club, there shall be one Manager, who shall be appointed by Developer. Beginning January 1, 2011, and as long as Developer owns the Developer Interest, there shall be a five member advisory committee selected by the Members. The members of the Advisory Committee shall be Property Owner Members, and shall be selected for one year terms by the Membership. The advisory committee shall meet quarterly with the Manager to give non-binding recommendations and suggestions regarding operation of the Golf Club. All Managers shall be elected by the Membership following the end of the period in which Class A Member is responsible for paying the Cash Flow deficits of the Golf Club. At the end of this period, the number of Managers shall be increased to five (5).

Before each annual meeting, Managers to be elected by the Membership shall be elected to succeed the elected Managers whose terms are expiring, to serve a term of two years and until their successors are elected, except that, in the initial election of elected Managers of the Club, two shall be elected to a one year term, and three shall be elected to a two year term. The vacancy created by resignation or removal of any elected Manager for which an un-expired term remains shall be filled at the next election. No Manager other than a Manager appointed by Developer may serve more than two consecutive terms. The newly elected Managers shall assume office at the close of the annual meeting or election, if the election is by written ballot without a meeting.

(c) Selection of Nominating Committee. A Nominating Committee comprised of five members, two of whom shall be appointed by the standing Managers, and three of whom shall be elected by the Membership, shall select the candidates to stand for election by the Membership as Managers. Each shall stand for a one year term. The Nominating Committee shall in good faith, endeavor to nominate candidates for Managers that the committee determines to be balanced in living location within Carolina Colours, among men and women, and among different handicap levels. The number of candidates for each position shall not exceed two, and there is no requirement that more than one candidate per position be nominated. All candidates must consent to serve before being placed in nomination.

(d) Duties and Powers of Nominating Committee. At least 60 days prior to each election of Managers, following the termination of the Developer Interest in the Club, the Nominating Committee shall nominate a slate of candidates to replace those Managers whose terms are expiring. Nominations in addition to those made by the Nominating Committee may be made by petition signed by at least 50 Memberships, which must be filed with the Secretary of the Club at least 45 days before the election. The Committee shall be charged with the following:

(i) interview each potential candidate;

(ii) post on the Club bulletin board at least forty (40) days prior to the election the name and resume of each candidate and the closing date for balloting; and

(iii) provide to each eligible Voting Member forty (40) days prior to election a notice of election and the name, resume and candidate's statement for each candidate.

(e) Election of Managers. The election of Managers shall take place in the annual meeting. The Club shall ensure that procedures are in place to ensure a confidential secret ballot and a certified process for counting the votes.

(f) Removal of Managers and Vacancies. Any Manager other than a Manager appointed by Developer may be removed at a regular or special meeting by a Majority of the Voting Power, without cause, or by a 60% vote of the Members for cause, which shall mean if that Manager has three consecutive unexcused absences from Manager meetings or if that Manager is more than 30 days delinquent in the payment of any Club Fees.

Any Manager whose removal is sought for cause shall be given:

(i) at least fourteen (14) days notice prior to any Member meeting at which removal shall be sought,

(ii) an opportunity to defend his actions before the Members.

Sixty percent of the Member's must find that the Manager's removal is warranted.

(g) Resignation, Death and Disability. Any Manager may resign at any time by giving written notice to the Club, sent to all remaining Managers. Such resignation shall take effect on the date of the receipt, and acceptance of such resignation shall not be necessary to make it effective. Upon resignation, removal, death or permanent disability of a Manager, the remaining Managers may appoint a successor to serve until the next annual meeting of the Members if the Manager member was elected by the Members; otherwise, the Developer shall appoint a replacement.

5.2. MEETINGS.

(a) Organizational Meetings. The first meeting of the Managers following each annual meeting of the Membership shall be held within 30 days thereafter at such time as the Managers shall fix. Such meetings shall be held at the Club Facilities.

(b) Regular Meetings. Regular meetings of the Managers may be held at such time as a Majority of the Managers shall determine, but no less frequently than quarterly. Such meetings shall be held at the Club Facilities.

(c) Special Meetings. Special meetings of the Managers shall be held when called by written, electronic or telephone notice signed by the President or Vice President or by any two Managers.

(d) Notice of Meetings. Written notice of the time and place of meetings of the Managers shall be delivered personally to the Managers or sent by mail, facsimile, or electronic communication, addressed to the Manager at his or her post office address, e-mail address, or facsimile number as it appears on the records of the Club. Such notice shall be delivered, deposited in the mail, or transmitted by electronic means at least 48 hours prior to the time of the holding of

the meeting. Such mailing, delivery or electronic communication shall be adequate legal notice to each Manager. Notice of the schedule for regular meetings of the Managers shall be sufficient notice of all meetings held in accordance with such schedule.

(e) Waiver of Notice. The transactions of any meeting of the Managers shall be as valid as though taken at a meeting duly held after regular call and notice if (a) a quorum is present, and (b) before or after the meeting each of the Managers not present signs a written waiver of notice, and a consent to holding the meeting. The waiver of notice or consent must specify the purpose of the meeting. Notice of a meeting shall be deemed waived by any Manager who attends the meeting without protesting before or at its commencement about the lack of adequate notice.

(f) Telephonic Participation in Meetings. Managers or any Committee which the Managers may establish may participate in a meeting of the Managers or such Committee by means of conference telephone or similar communications equipment, provided that all persons participating in the meeting can hear each other. Participation in a meeting pursuant to this subsection shall constitute presence in person at such meeting.

(g) Quorum of Managers. At all meetings of the Managers, a Majority of the Managers shall constitute a quorum for the transaction of business. The votes of a Majority of the Managers present at a meeting at which a quorum is present shall be necessary to take any action, except as otherwise specifically provided in these By-laws. The Managers present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough Managers to leave less than a quorum. However, any matter put to a vote must be approved by the same number of votes which would have been required for action to be taken on the matter if a quorum were still present. If any meeting of the Managers cannot be held because a quorum is not present, a Majority of the Managers present at such meeting may adjourn the meeting to a time not less than 5 nor more than 30 days from the date of the original meeting. At the reconvened meeting, if a quorum is present, any business which might have been transacted at the meeting originally called may be transacted without further notice.

(h) Compensation. Managers shall not receive any compensation from the Club for acting as such. Any Manager may be reimbursed for expenses incurred on behalf of the Club upon approval of a Majority of the other Managers. Nothing in this Section shall prohibit the Club from compensating a Manager, or any entity with which a Manager is affiliated, for services or supplies furnished to the Club in a capacity other than as a Manager pursuant to a contract or agreement with the Club, provided that such Manager's interest was made known to the other Managers prior to entering into such contract and such contract was approved by a Majority of the other Managers.

(i) Conduct of Meetings. The President or Vice President shall preside over all meetings of the Managers, and the Secretary shall keep a minute book of Manager meetings, recording all Manager resolutions and all transactions and proceedings occurring at such meetings. If a meeting of the Managers is open to Members, Members who are not Managers may not participate in any deliberation or discussion unless expressly so authorized by the vote of a Majority of a quorum of the Managers. The Club Manager appointed by the Manager shall attend Manager meetings at the Manager's request, but shall not have a vote. The Manager, by vote of a Majority of a quorum, may adjourn any meeting and reconvene in executive session, excluding persons other than Managers, except as the presence of such persons is necessary or useful in carrying out the purpose of the executive session.

(j) Action Without a Formal Meeting. Any action of the Manager of Managers may be taken without a meeting if a consent in writing, setting forth the action so taken, is signed by all of the Managers, and such consent shall have the same force and effect as a unanimous vote at a meeting.

5.3. POWERS AND DUTIES. The Manager shall have all of the powers and duties necessary for the administration of the Club's affairs and for the performance of all responsibilities and the exercise of all rights of the Club as set forth in the Operating Agreement and these By-laws, and as provided by law. In all cases, the Manager may act without a vote of the Membership except as to those matters which the Operating Agreement, these By-laws, or North Carolina laws require to be approved by the Voting Members or the Membership generally. The Manager's powers shall include, without limitation, the power:

(a) To select, retain and discharge the Club Manager and agents, prescribe such powers and duties for them as are not inconsistent with law, the Operating Agreement or these By-laws, fix their compensation, and require from them security or a fidelity bond as the Manager deems appropriate;

(b) To borrow money and incur indebtedness for the purposes of the Club, and to cause to be executed and delivered therefore, in the corporate name, promissory notes, bonds, debentures, deeds of trust, mortgages, pledges, hypothecations and other evidences of debt and securities.

(c) To appoint various committees.

(d) To adopt, amend and repeal such Club Rules, as it deems appropriate, consistent with applicable laws and these By-laws, including rules of conduct and rules relating to guests, and to determine all matters affecting decorum and harmony;

(e) To determine disciplinary measures for any violation of these By-laws or the Club Rules;

(f) To enforce by legal means the provisions of these By-laws and the Club Rules and to bring any proceedings which may be instituted on behalf of the Members or against any Member concerning the Club;

(g) To issue, suspend, cancel, and transfer Memberships, and the Membership Certificates and membership cards, if any, evidencing the same;

(h) To enter into leases or to purchase equipment, supplies, and personal property for use in connection with the operation of the Club and the accommodation of its Members;

(i) To make expenditures from operating and reserve funds, as appropriate, for the maintenance, repair, operation and improvement of the Club Facilities and for such other purposes as the Manager determines to be in the interest of the Membership.

(j) To enter into contracts with any person or entity for goods or services or for other purposes; and

(k) To take any other action and perform any other act which the Manager deems necessary or appropriate to achieve the Club's purposes as stated in the Operating Agreement and these By-laws.

The duties of the Manager shall include, without limitation, the duties to:

(a) Select, retain and oversee Club Manager.

(b) Set general policies.

(c) Adopt, amend and repeal Club Rules and Regulations.

(d) Enforce by legal means the provisions of By-laws and Club Rules.

(e) Oversee financial operations of Club and ensure that detailed accounts of receipts and expenditures be maintained.

(f) Oversee management and operation of the Club Facilities.

(g) Approve capital and operating expenditures.

(h) Approve annual operating budget and all fees.

(i) Approve and resolve Membership issues including Membership approval, suspension, cancellation and transfer.

(j) Establish policies and approval processes for contracts, purchases and long-term leases and oversee their implementation.

(k) Ensure that the proper insurance is obtained and carried as appropriate.

(l) Ensure the indemnity of current and former Managers, officers and committee members.

5.4. DELEGATION OF POWERS AND DUTIES. The Manager may employ for the Club a Club Manager or Club Managers at such compensation as the Manager may establish, to perform such duties and services as Manager shall authorize. The Manager may delegate to such Club Manager or Club Managers specified duties of the Manager, but shall do so only upon proper oversight of their implementation. Duties of the Manager may also be delegated to committees appointed by the Manager, subject to proper Manager oversight.

Article VI Officers

6.1. OFFICERS. The officers of the Club shall be a President, Vice President, Secretary, and Treasurer, who shall perform the following functions:

(a) President. The President shall be the chief executive officer of the Club, and shall have all powers ordinarily exercised by the chief executive officer of a corporation. The President shall, with the Secretary, have the authority to sign and execute, in the name of the Club, all contracts and other instruments which the Manager has authorized or approved. The President shall preside at all meetings of the Membership at which he or she shall be present and shall prepare annually a full and true statement of the affairs of the Club which shall be submitted at the annual meeting to the Membership. The President shall, with approval of the Manager, appoint Chairs to the various committees authorized by the Manager.

(b) Vice-President. In the President's absence, the Vice-President shall perform all duties of the President, and when so acting, shall have the powers of the President. The Vice-President shall also have such additional powers and duties as the Manager or the President may assign to him or her from time to time.

(c) Secretary. The Secretary shall keep the minutes of the Manager's and Members' meetings in books provided for such purpose. The Secretary shall also see that all notices are duly given in accordance with the By-laws, be the custodian of the Club records, and generally perform all duties ordinarily incident to the office of a secretary of a corporation, and such other duties as the Manager or the President may assign to him or her from time to time. Prior to each meeting of the Members, the Secretary shall prepare an alphabetical list by category of Membership of all Members entitled to

vote at such meeting and shall be responsible for the production of such list at the meeting. The Secretary shall establish the record date for Members entitled to vote, which date shall not be less than 10 days prior to the mailing of the meeting notice.

(d) Treasurer. The Treasurer shall be responsible for oversight of the Club's financial management, including oversight of all funds, receipts, and disbursements of the Club. The Treasurer shall, upon the President's request, render an account of the Club's financial condition, and shall perform all duties ordinarily incident to the office of a chief financial officer of a corporation, and such other duties as the Manager or the President may assign to him or her from time to time. Annually, the Treasurer shall present a financial statement for the preceding year and current year's budget.

6.2 QUALIFICATION, ELECTION AND TERM. Immediately following the announcement of the newly elected Managers the Managers shall meet and nominate and elect by a majority vote of its members the following officers: president, vice president, secretary and treasurer to serve until the next annual meeting. The offices of secretary and treasurer may be held by one person.

(a) Removal and Vacancies. Any officer may be removed from office under Section 6.1 at a regular or special meeting. Unless action is taken to remove the officer as a Manager as well, an officer who is removed from office may continue to serve as a Manager for the remainder of his or her term. Upon removal of an officer or a Manager who is also an officer, the Manager by a majority vote may appoint a successor to fill the vacancy until the next annual meeting.

(b) Resignation, death, disability. Any officer may resign at any time by giving written notice to the Manager, the President, or the Secretary. Such resignation shall take effect on the date of the receipt and acceptance of such resignation shall not be necessary to make it effective. Upon resignation, death or permanent disability of an Officer, the Manager may declare a vacancy and appoint a successor to fill the vacancy until the next annual meeting.

(c) Compensation. Compensation of officers shall be subject to the same limitations as applies to compensation of Managers under Section 5.2(h).

Article VII Committees

7.1 GENERAL. The Club may have the following standing committees which may be altered, replaced or eliminated by the Manager based on the current needs of the Club: Finance, Golf and Greens, Tournaments, Membership/Marketing, and Rules. The President, with the Manager's approval, may appoint additional standing and ad hoc committees to perform specific tasks and to serve for prescribed periods of time as the President may designate. Committees shall each

act only in an advisory capacity and the individual members thereof shall have no power or authority to represent, act on behalf of, or bind the Club in any way. The Manager will oversee the development of Committee descriptions, structure and duties of office. The Club Manager or his or her representative shall attend Committee meetings.

7.2 ADVISORY COMMITTEE. An Advisory Committee shall be selected as set out in Section 5.1(b) of these By-laws.

ARTICLE VIII Club Finances

8.1. BUDGETING. The Club, upon recommendation of the Club Manager, if any, shall establish each year an operating and capital budget for the Club, and shall make said budget available to the Members.

8.2. MEMBERSHIP FEES. The Club shall set and may change the Membership Fee for each class and category of Membership.

8.3. CLUB DUES. The Club shall set and may change the dues for each category of Membership. Dues shall be payable in advance before the first day of each calendar quarter unless the Club provides otherwise. New Members, upon admission, shall pay pro-rated dues for the year in which they become Members. In its discretion, the Club may provide for payment of dues in equal monthly or quarterly installments.

8.4. ASSESSMENTS. The Club may assess all Equity Memberships for capital improvements and operating expense deficits, but only after termination of the Developer's Interest. Until then, assessments for any purpose shall be limited to those allowed in Membership Agreements executed by each Member. Assessments after termination of the Developer's Interest shall be subject to the following limitations:

(a) Operating Assessments. The Club shall not levy any assessment for operating deficits unless approved by at least 80% of the Managers. Any such assessments shall be levied among the Memberships in the same ratio as the annual dues payable for each Membership bears to the total annual dues payable by all classes of Members for the year in which the operating deficit was incurred.

(b) Capital Assessments. The Club shall not levy any assessment for capital expenses unless approved by at least 80% of the Managers and, if the total capital assessment in any year is to exceed \$500 per Member, upon approval of 60% of the Members voting thereon in a duly called meeting. A summary of the proposed expenditures shall be mailed to the Members entitled to vote thereon at least 20 days prior to the meeting at which the vote will be taken.

(c) Unsold Memberships. The Club shall not levy any assessments against any unsold Membership which the Club or the Developer holds in its inventory.

(d) Developer's Interest. No fees, dues or assessments shall be charged to the Developer's Interest, or to Developer Members or Sales Members.

8.5. DELINQUINCES. Unless the Club provides otherwise by resolution of the Manager, the Club shall mail to each Member, on a monthly or other periodic basis, an itemized statement of the Club Fees payable by the Member. Any Member failing to pay the full amount due within 30 days after the due date of such statement shall be considered delinquent. The Club may impose a reasonable late charge on all delinquent accounts in such amount as the Club may determine.

Members with delinquent accounts will be contacted by letter and advised that if they do not pay their account in full within 10 days, the Club may (i) post, at a conspicuous place in the Club Facilities, the name of the Member and the amount due to the Club, and (ii) suspend the Member's Club privileges, including credit privileges. If the Member does not pay such indebtedness in full within the 10-day grace period, the Club may suspend all privileges of the Membership. At the end of the 10-day grace period, the Club will also send to the Member by certified mail, return receipt requested, a Notice of Delinquency and Request to pay within 15 days of mailing. If the Member pays his or her account in full prior to the expiration of the 15-day period, his or her Membership privileges will be reinstated.

The Club shall not reinstate the privileges of any Membership for which the Member has failed to pay a delinquent account in full prior to the expiration of the 15-day period unless and until the Member has (i) paid all Club Fees, including those accruing during the period of suspension, plus late charges, any attorneys' fees which the Club incurred with respect to the deficiency, and interest on the total amount due calculated at the lesser of the 15% per annum, or the maximum rate permitted by law, from the first date first due and payable; (ii) submitted a letter of explanation or made a personal appearance before the Manager; and (iii) obtained a Majority vote of all Managers (if more than one is serving) to reinstate the Membership privileges.

8.6. TERMINATION. Any Membership which is delinquent in the payment of Club Fees of any kind in excess of 90 days will automatically be terminated from the Club. Continued billing of Club Dues, Food and Beverage and any capital or operating assessments in effect at the time of expulsion will be discontinued at the expiration of the 90 day delinquency period. If such Membership is a Refundable Membership the Membership will be placed on the seller's wait list. When a refundable Membership is terminated due to delinquency then any amounts received from the subsequent sale of that Membership will be reduced by all amounts due the Club plus interest on such outstanding

balances calculated at the lesser of the annual rate of 15%, or the maximum rate permitted by law. Members who have been terminated due to the above criteria may only be re-instated by the Club and after paying all past due amounts due to the Club, including all applicable legal or collection agency fees incurred by the Club, as well as a re-instatement fee, as periodically determined by the Club.

Article IX
Dissolution of the Club

In the event of the Club's dissolution, after satisfaction of all of its debts and obligations, or after adequate provision for payment thereof has been made, any remaining assets shall be distributed as set out in the Operating Agreement of the Club. If the Club has elected to be tax-exempt and has received all applicable rulings or determinations from governmental agencies required for establishing such tax-exempt status, any such distribution shall be made only to the extent that it does not adversely affect the tax-exempt status of the Club.

ARTICLE X
Miscellaneous

10.1. FISCAL YEAR. The fiscal year of the Club shall be the calendar year, unless the Manager on behalf of the Club establishes a different fiscal year by resolution.

10.2. PARLIAMENTARY RULES. Except as the Club may otherwise provide by resolution, Robert's Rules of Order (current edition) shall govern the conduct of Club proceedings when not in conflict with North Carolina law, the Articles, or these By-laws.

10.3. BOOKS AND RECORDS.

(a) Inspection by Members. The Club shall make the following available for inspection and copying by any Equity Member at any reasonable time and for a purpose reasonably related to such Person's interest in the Membership: Membership Agreement, including any amendments; the Club Rules; the Membership register; published financial reports; and the minutes of meetings of the Members, the Manager, and Committees. The Club shall provide for such inspection to take place at the office of the Club or at such other place within the Community as the Club shall designate.

(b) Rules for Inspection. The Club shall establish rules with respect to: (i) Notice to be given to the custodian of the records; (ii) Hours and days of the week when such an inspection may be made; and (iii) Payment of the cost of reproducing documents requested.

(c) Inspection by Managers. Every Manager shall have the absolute right at any reasonable prescheduled time to inspect all books, records, and documents of the Club and the Club Facilities. The right of inspection by a Manager includes the responsibility to determine and adhere to confidentiality requirements, with the right to make a copy of relevant documents at the Club's expense.

10.4. CLUB'S REMEDIES NON-EXCLUSIVE. The remedies which these By-laws afford to the Club with respect to Members shall be cumulative and nonexclusive. The Club may, in addition to pursuing any internal remedies, pursue any legal remedies which it has without making any election of remedies, and shall be entitled to collect all expenses incurred in pursuing such remedies, including, without limitation, attorney fees and court costs, including the costs of discovery.

10.5. SEVERABILITY. Should any court having jurisdiction hold any clause, provision or part of these By-laws to be void or voidable, the remaining provisions shall nevertheless remain in full force and effect.

10.6. NOTICES. Except as these By-laws may otherwise provide, all notices, demands, bills, statements, or other communications required hereunder shall be in writing and shall be deemed to have been duly given if delivered personally or if sent by United States mail, first class postage prepaid:

(a) If to a Member or Designee, at the address which the Member or Designee has specified in writing and filed with the Secretary or, if no such address has been designated, at the address of the residence of such Member; or

(b) If to the Club, the Manager, or the Club Manager, at the principal office of the Club or the Club Manager or at such other address as the Club shall designate by notice to the Members in accordance with this Section.

10.7. MEMBERSHIP LISTS. The Club's Membership list shall be private and confidential. No Member shall use, disclose, circulate, or publish the Club's Membership list except for official Club purposes. The Membership list contains privileged information for Members use only and may not be used for any commercial, charitable, political or similar purposes.

10.8. INDEMNIFICATION. In addition to the indemnification otherwise provided by law, the Club shall to the maximum extent permitted by applicable law indemnify and hold harmless its Managers, officers, and Committee members against liability and expenses, including reasonable attorneys' fees, with respect to any action, suit, claim, or proceeding (including, without limitation, any proceeding brought by or on behalf of the Club itself) arising out of their status as Managers, officers, or Committee members or their

activities in such capacities, except against any liability or expense a Manager or officer may incur due to his or her activities which were at the time knowingly taken or believed to be by the Manager or officer to be clearly in conflict with the best interests of the Club or if the Manager or officer received an improper personal benefit. Such indemnification shall include recovery from the Club of reasonable costs, expenses, and attorneys' fees in connection with the enforcement of rights to indemnification under this Section.

Indemnification under this Section shall be paid by the Club only after a determination that the Manager(s), officer(s), or Committee member(s) involved are entitled to indemnification in accordance with the applicable standards as set forth in the preceding paragraph, which determination shall be made in accordance with the provisions of N.C. Gen. Stat. § 55A-8-55(b) and (c) (in making such determination, such provisions shall be applied to Committee members as if they were officers or Managers).

10.9. SPECIAL RIGHTS OF DEVELOPER. The Developer has organized and funded the Club, and herein reserves rights, privileges and obligations that shall remain in full force and effect until the Developer's Interest in the Club has been terminated as more fully set out herein, or at such later date as is specified herein. Notwithstanding any other provision of these By-laws, no right or privilege of Developer, whether set out in this Paragraph 10.9 or elsewhere in these By-laws, may be altered, amended or revoked without the express written consent of Developer. In addition to the rights, privileges and obligations imposed elsewhere in these By-laws, the Developer shall have and maintain the following rights and obligations:

(a) Organization of the Club. Developer has caused Carolina Colours Golf Club LLC to be organized. Prior to opening of the golf course for Member play, the Club shall issue 1000 Equity Certificates. 400 of the Equity Certificates issued shall have appurtenant thereto Membership use rights, and 600 of the Equity Certificates issued shall have appurtenant thereto no Membership use rights (the Developer's Interest certificates). The 600 Developer Interest Certificates shall be issued to Developer. The 400 Equity Certificates with use rights shall be issued one each to the purchaser of refundable Equity Memberships. Each Equity Certificate (all 1000) shall have 1 vote for each certificate, for a total of 1000 votes. The period of time during which the Developer holds the majority of the 600 Developer Interest certificates is the Developer Interest Period. There is no limitation on the duration of the Developer Interest Period. The Club shall further, upon its organization, issue to the Developer 15 Developer Membership certificates, and 10 Sales Membership certificates. Notwithstanding any restrictions on transferability of Memberships contained in these By-laws, Developer may transfer, at its discretion and upon terms and conditions determined by Developer, any or all of the Developer Interest certificates and any or all of the Developer Memberships and the Sales Memberships, to any qualified

third party, without consent or approval of the Club, subject to the limitations imposed by these By-laws regarding such Memberships.

(b) Club Facilities. Developer shall cause to be constructed the Carolina Colours Golf Course and such Club Facilities as Developer may determine appropriate, which facilities may include a pro shop and a practice area.

(c) Membership Sales. As Equity Memberships in the Club are sold, Club will cause to be transferred to each purchaser of an Equity refundable Membership with use rights one of the 400 Membership Certificates (with use rights). Except as specifically set out in Paragraph 3.9(d)(ii), the Club may not reissue any resigned Membership until such time as all 400 initially authorized refundable Equity Memberships with use rights have been issued.

(d) Membership Sale Proceeds. The proceeds from the sale of Equity Memberships with use rights shall be the exclusive property of Developer or the Club, as Developer may designate. Developer agrees, however, to the extent that there is a deed of trust on Club Facilities, to utilize at least half of all such fees to make payments to the holder of the secured note, including principal and interest payments, as long as the Developer retains the rights to such proceeds. The remaining portion of such proceed may be used as payment of any Developer obligations to construct or up-fit the golf course, or to subsidize golf course cash flow deficits.

(e) Club Operations. During the Developer Interest Period, Developer shall have the right to enter into any management agreement with any entity it deems appropriate for management of the Club, including an entity or entities related to Developer. Developer and said management entity shall have full authority and right to make all decisions concerning the operation of the Club, including its budget, and to make all decisions regarding capital expenditures.

(f) Costs of Operations and Capital. During the Developer Interest Period, dues charged to Members shall be no more than dues charged to members of the Cypress Landing Golf Club, in Chocowinity, North Carolina, if said club is, at the time of comparison, an equity club owned by its members, or by the Cypress Landing Association. During this period, except as may be set out in Membership Agreements executed by Members, no operating or capital assessment may be made against any Membership.

(g) Sales Rights. For as long as Developer or its assignee, Land Concepts and Solutions LLC, or a successor thereto appointed by Developer (the "Agent") owns the Carolina Colours Welcome Center, located at the intersection of highway 70 and Thurman Road, or as long as such facility is used primarily to sell real estate within Carolina Colours, all Club Facilities, including the golf course, may be utilized by sales prospects and their guests if sponsored by the Agent

for purposes of assisting in the sale of property within Carolina Colours, without the payment of green, cart or user fees. This use may be limited by Club to eight players per day. No more than two complimentary rounds per prospect per year shall be allowed without payment of a prospect guest fee, which fee shall be \$25.00, to include cart and greens fees.

(h) Sale of Developer Interest. Developer may sell its Developer Interest for any consideration it deems appropriate, in whole or in part. Before selling any of its interest to a third party (other than an entity the majority of which is owned or controlled by Developer or its members), however, Developer shall first offer said interest to the holders of all Equity Memberships other than those held by Developer. Should a decision be made by Developer to sell its Developer Interest, it shall give written notice to all Members of its decision, and its sale price. The Equity Members, or an entity owned by all or a Majority of them, as they determine, shall have 150 days following the giving of such notice to elect to purchase at the price specified, or Developer may, for a period of one year thereafter, sell for an equal or greater price to any third party. Developer may assign its reserved rights to a third party purchaser of some or all of its Developer Interest, should the Equity Members not elect to purchase, but in any event, all of the Managers of the Club shall be elected by the Membership no later than the beginning of the 2020 calendar year.

10.11 AMENDMENT.

(a) These By-laws may only be amended, or repealed, or new By-laws adopted, as follows:

(i) Proposal. Any Member or Manager may propose an amendment to these By-laws.

(ii) Manager Approval or Member Petition. The proposed amendment must be approved by a Majority of the Managers in order to be presented to the Membership for a vote; provided, a proposed amendment not approved by the Managers may be presented to the Membership for a vote if it contains signatures representing a minimum of 75 Memberships.

(iii) Notice. The Manager shall give Voting Members notice of any proposed amendment at least 30 days prior to a vote on such amendment.

(iv) Membership Vote. The proposed amendment shall be presented for a vote at any annual or special meeting or by ballot. Members or their proxies representing at least 35% of the total Voting Power shall constitute a quorum for purposes of the vote on the proposed amendment. An amendment shall be deemed adopted if approved by 60 per cent of the members attending the meeting at which the vote is taken, following proper notice given to all members.

(b) Effective Date. Amendments to these By-laws shall become effective upon their adoption. Any procedural challenge to an amendment must be made within six months of its adoption or such amendment shall be presumed to have been validly adopted. In no event shall a change of conditions or circumstances operate to amend any provisions of these By-laws.

CERTIFICATION

I, the undersigned, do hereby certify:

That I am the duly elected and acting Secretary of the Carolina Colours Golf Club LLC, a North Carolina limited liability company;

That the foregoing By-laws constitute the Bylaws of Carolina Colours Golf Club LLC as duly adopted by its Manager.

IN WITNESS WHEREOF, I have hereunto subscribed my name this the 15th day of May, 2009.

Secretary

5/15/09