

BYLAWS

OF

VANCE VILLA ASSOCIATION, INC.

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ARTICLE I

DEFINITIONS

- Section 1. Capitalized Terms. The capitalized words used in these Bylaws shall have the same meaning as set forth in the Declaration of Covenants and Restrictions for Governors Club recorded in Book 538 at Page 505 of the Chatham County Registry, as the same may be amended, renewed or extended from time to time, unless the context shall prohibit.
- Section 2. Association. The term "Association" as used in these Bylaws shall mean Vance Villa Association, Inc., a North Carolina nonprofit corporation, its successors and assigns.
- Section 3. Board of Directors or Board. "Board of Directors" or "Board" shall mean the Board of Directors of the Association.
- Section 4. Covenants. The term "Covenants" as used in these Bylaws shall mean the Declaration of Covenants and Restrictions for Vance Villas, recorded in Book 615 at Page 7, of the Chatham County Registry, as the same may be amended from time to time.

ARTICLE II

OFFICES

- Section 1. Principal Office. The principal office of the Association shall be located at the Governors Club Office Building, Governors Drive, Chapel Hill, North Carolina 27615, or at such other place as the Board of Directors may adopt by resolution.
- Section 2. Registered Office. The registered office of the Association required by law to be maintained in the State of North Carolina shall be identical with the principal office of the Association, unless changed by resolution of the Board of Directors.
- Section 3. Other Offices. The Association may have offices at such other places, either within or without the State of North Carolina, as the Board of Directors may designate by resolution or as the affairs of the Association may require from time to time.

ARTICLE III

MEETINGS OF MEMBERS

- Section 1. Membership and Voting Rights. Classes of membership and voting rights of Members shall be as particularly set forth in Article III of the Covenants.
- Section 2. Place of Meetings. All meetings of Members shall be held at the principal office of the Association, or at such other place, either within or without the State of North Carolina, as may be designated in the notice of the meeting or agreed upon by a majority of the members entitled to vote thereat.
- Section 3. Annual Meetings. After turnover of control of the Association by the Declarant, as provided by the Covenants, an annual meeting of the Members shall be held annually for the purpose of electing directors of the Association and for the transaction of such other business as may be properly brought before the meeting. Such annual meeting shall be held on such date as may be fixed by the Board of Directors, or if no date is so fixed, then on the third Tuesday in April in each year, unless such day shall be a legal holiday, in which case such meeting shall be held on the next succeeding business day, at 10:00 a.m., or at such other time as may be fixed by resolution of the Board of Directors.
- Section 4. Substitute Annual Meeting. If the annual meeting shall not be held on the day designated by these Bylaws, a substitute annual meeting may be called in accordance with the provisions of Section 5 of this Article III. A meeting so called shall be designated and treated for all purposes as the annual meeting.
- Section 5. Special Meetings. After turnover of control, as provided in the Covenants, special meetings of the Members may be called at any time by the President or the Board of Directors of the Association and shall be called by the President at the written request of not less than one-twentieth of all the Members entitled to vote at such meeting. Special meetings shall be held at such times as may be fixed in the call and stated in the notice of such meeting or waiver thereof. In addition, it shall be the duty of the President to call a special meeting of the Association if so directed by a resolution of a majority of a quorum of the Board of Directors.
- Section 6. Notice of Meetings. Written notice of each meeting of Members shall be given to each Member of record entitled to vote at such meeting. Such notices shall state the place, date and hour of the meeting and shall be delivered not less than ten (10) nor more than fifty (50) days before the date of such meeting, either personally or by mail, by or at the direction of the President or the Secretary, or other person calling the meeting. If mailed, such notice shall be deemed to be

delivered when deposited in the United States mail, addressed to the Member at his address as it appears on the record of Members of the Association, with postage thereon prepaid.

In the case of a special meeting, the notice of meeting shall specifically state the purpose or purposes for which the meeting is called; but, in the case of an annual or substitute annual meeting, the notice of meeting need not specifically state the business to be transacted thereat unless such a statement is required by the provisions of the North Carolina Nonprofit Corporation Act.

Section 7. Adjournment of Meetings. If a meeting is adjourned for thirty (30) days or more, notice of the adjourned meeting shall be given in the same manner as the original meeting. When a meeting is adjourned for less than thirty (30) days in any one adjournment, it shall not be necessary to give any notice of the adjourned meeting, if the time and place to which the meeting is adjourned are announced at the meeting at which the adjournment is taken. At the adjourned meeting, any business may be transacted that might have been transacted on the original date of the meeting.

Section 8. Voting Lists. At least ten (10) days before each meeting of the Members, the Secretary of the Association shall prepare an alphabetical list of the Members entitled to vote at such meeting or any adjournment thereof, and the address of each such Member, which list shall be kept on file at the registered office of the Association for a period of ten (10) days prior to such meeting, and shall be subject to inspection by any Member at any time during the usual business hours. This list shall also be produced and kept open at the time and place of the meeting and shall be subject to inspection by any Member during the entire time of the meeting.

Section 9. Quorum. At all meetings of the Members, the presence, in person, at the commencement of such meetings, of one-tenth of all Members entitled to vote thereat shall constitute a quorum for the transaction of any business, except that at a substitute annual meeting of Members the number of Members there represented in person, even though less than one-tenth of all Members entitled to vote thereat, shall constitute a quorum for the purpose of such meeting. The Members present at a duly organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal of enough Members to leave less than a quorum.

In the absence of a quorum at the opening of any meeting of Members, such meeting may be adjourned from time to time, by a vote of the majority of the Members voting on the motion to adjourn; and at any adjourned meeting at which a quorum is present, any business may be transacted which might have been transacted at the original meeting.

Section 10. Control by Declarant. Notwithstanding anything contained herein to the contrary, the Declarant shall have the right to retain control of the Association until eighty (80%) percent of all Villa Lots are sold and occupied, or at any time prior thereto as determined by the Declarant in the Declarant's sole discretion. At the time of turnover of control of the Association, the Association shall record a Notice of Turnover in the public records of Chatham County, North Carolina. For so long as the Declarant retains control of the Association, the Declarant shall have the right to appoint all of the members of the Board of Directors of the Association and to approve the appointment of all officers of the Association, and no action of the membership of the Association shall be effective unless and until approved by the Declarant.

Section 11. Informal Action By Members. Any action which may be taken at a meeting of the Members may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the Members who would be entitled to vote upon such action at a meeting, whether done before or after the action is so taken, and filed with the Secretary of the Association to be kept in the Association's Minute Book.

Section 12. Proxy. Members may not vote by proxy but only in person.

ARTICLE IV

BOARD OF DIRECTORS

Section 1. General Powers. The business and affairs of the Association shall be managed by its Board of Directors, and each director shall be entitled to one vote on each matter requiring Board action.

Section 2. Number, Term and Qualifications. The number of directors constituting the Board of Directors shall be five. Each director shall hold office until his successor shall have been elected and qualified or until his earlier resignation or removal. Except with respect to directors appointed by the Declarant, the directors shall be Members or spouses of such Members; provided, however, no person and his or her spouse may serve on the Board at the same time. In the case of a Member that is a corporation or partnership, the person designated in writing to the Secretary of the Association as the representative of such entity shall be eligible to serve as a director. Directors need not be residents of the State of North Carolina.

Section 3. Election of Directors. The Declarant shall elect all directors until the turnover of control by the Declarant, as provided in the Covenants. Thereafter, at the first annual meeting of the membership and at each annual meeting of the membership

thereafter, four directors shall be elected by the Members at a duly convened meeting, at which a quorum is present. Directors shall be elected by plurality vote of Members at a duly convened meeting, at which a quorum is present; those persons who receive the highest number of votes shall be deemed to have been elected. There shall be no cumulative voting. Directors shall be elected by written ballot. One Director shall be elected by the Declarant for so long as the Declarant owns any property within Governors Club.

Section 4. Chairman of Board. There may be a Chairman of the Board of Directors elected by the directors from their number at any meeting of the Board. The Chairman shall preside at all meetings of the Board of Directors and perform such other duties as may be directed by the Board.

Section 5. Removal. Directors elected by the Members may be removed with or without cause by the majority of the Members at a duly convened special meeting called for such purpose. If any director elected by the members is removed, a new director may be elected at the same meeting. Directors elected by the Declarant may be removed with or without cause by the Declarant at any time. If any Director elected by the Declarant is removed, a new director may be elected immediately by the Declarant.

Section 6. Vacancies. Any vacancy occurring in the Board of Directors shall be filled by the class of Members who elected the vacating director or the Declarant as the case may be. A director elected to fill a vacancy shall be elected for the unexpired term of his predecessor in office.

Section 7. Nomination Committee. After turnover of control, nominations for election to the Board of Directors shall be made by a Nomination Committee. The Nomination Committee shall consist of a chairman, who shall be a member of the Board of Directors, and three (3) or more Members of the Association. The Nomination Committee shall be appointed by the Board of Directors not less than thirty (30) days prior to each annual meeting of the shareholders. The Nomination Committee shall make as many nominations for election to the Board of Directors as it shall in its discretion determine, but in no event less than the number of positions to be filled. Nominations shall also be permitted from the floor.

ARTICLE V

MEETINGS OF DIRECTORS

Section 1. Regular Meetings. A regular meeting of the Board of Directors shall be held immediately after, and at the same place as, the annual meeting of Members. In

addition, the Board of Directors may provide, by resolution, the time and place, either within or without the State of North Carolina, for the holding of additional regular meetings.

- Section 2. Special Meetings. Special meetings of the Board of Directors may be called by or at the request of the President, by the Chairman of the Board or by any two directors. Such meetings may be held within or without the State of North Carolina, as fixed by the person or persons calling the meeting.
- Section 3. Notice of Meetings. Regular meetings of the Board of Directors may be held without notice. The person or persons calling a special meeting of the Board of Directors shall, at least two days before the meeting, give notice thereof by telephone or any other means of communication. Such notice need not specify the purpose for which the meeting is called.
- Section 4. Waiver of Notice. Any director may waive notice of any meeting. The attendance by a director at a meeting shall constitute a waiver of notice of such meeting, except where a director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened.
- Section 5. Quorum. The presence of a majority of the directors fixed by these Bylaws shall constitute a quorum for the transaction of business at any meeting of the Board of Directors.
- Section 6. Manner of Acting. Except as otherwise provided in these Bylaws, the act of the majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.
- Section 7. Presumption of Assent. A director of the Association who is present at a meeting of the Board of Directors at which action on any corporate matter is taken shall be presumed to have assented to the action taken unless his contrary vote is recorded or his dissent is otherwise entered in the minutes of the meeting or unless he shall file his written dissent to such action with the person acting as the secretary of the meeting before the adjournment thereof or shall forward such dissent by registered mail to the Secretary of the Association immediately after the adjournment of the meeting. Such right to dissent shall not apply to a director who voted in favor of such action.
- Section 8. Informal Action by Directors. Action taken by a majority of the directors without a meeting is nevertheless Board action if written consent to the action in question is signed by all the directors and filed with the minutes of the proceedings of the Board, whether done before or after the action so taken.

ARTICLE VI

OFFICERS

- Section 1. Officers of the Association. The officers of the Association shall consist of a President, a Vice President, a Secretary and a Treasurer, and such other officers as the Board of Directors may from time to time elect. Any two or more offices may be held by the same person, except the offices of President and Secretary, but no officer may act in more than one capacity where the action of two or more officers is required.
- Section 2. Election and Term. The officers of the Association shall be elected by the Board of Directors and each officer shall hold office until his successor shall have been elected and qualified, or earlier upon his death, resignation, removal or disqualification.
- Section 3. Removal. Any officer or agent elected or appointed by the Board of Directors may be removed by the Board whenever in its judgment the best interests of the Association will be served thereby; but such removal shall be without prejudice to the contract rights, if any, of the person so removed.
- Section 4. President. The President shall be the principal executive officer of the Association, subject to the control of the Board of Directors, and shall in general supervise and control all of the business and affairs of the Association. The President, when present, shall preside at all meetings of the Members. He shall sign, with the Secretary, or any other proper officer of the Association thereunto authorized by the Board of Directors, any deeds, mortgages, bonds, contracts, or other instruments which the Board of Directors has authorized to be executed, except in cases where the signing and execution thereof shall be expressly delegated by the Board of Directors or by these Bylaws to some other officer or agent of the Association, or shall be required by law to be otherwise signed or executed. The President shall perform all duties incident to his office and such other duties as may be prescribed by the Board of Directors from time to time.
- Section 5. Vice President. In the absence of the President or in the event of his death, inability or refusal to act, the Vice President, or as the case may be, Vice Presidents, in the order of their election unless otherwise determined by the Board of Directors, shall perform the duties of the President, and when so acting shall have all the powers of and be subject to all the restrictions upon the President. The Vice President may sign, with the Secretary or an Assistant Secretary, certificates of membership of the Association; and shall perform such other duties as from time to time may be assigned to him by the President or Board of Directors.

Section 6. Secretary. The Secretary shall: (a) keep the minutes of the meetings of the Members and of the Board of Directors in one or more books provided for that purpose; (b) see that all notices are duly given in accordance with the provisions of these Bylaws or as required by law; (c) be custodian of the corporate records and of the seal of the Association and see that the seal of the Association is affixed to all documents the execution of which on behalf of the Association under its seal is duly authorized; (d) keep a register of the address of each Member which shall be furnished to the Secretary by such Member; (e) sign with the President, certificates for membership in the Association, the issuance of which shall have been authorized by resolution of the Board of Directors; (f) have general charge of the membership transfer books of the Association; (g) keep or cause to be kept in the State of North Carolina at the Association's registered office or principal place of business a record of the Association's Members, giving the names and addresses of all Members and the number of votes and class of membership held by each, and prepare or cause to be prepared voting lists prior to each meeting of Members as required by law; and (h) in general perform all duties incident to the office of Secretary and such other duties as from time to time may be assigned to him by the Board of Directors.

Section 7. Treasurer. The Treasurer shall: (a) have charge and custody of and be responsible for all funds and securities of the Association; receive and give receipts for moneys due and payable to the Association from any source whatsoever, and deposit all such moneys in the name of the Association in such depositories as shall be selected in accordance with the provisions of Section 4 of Article VII of these Bylaws; (b) prepare, or cause to be prepared, a true statement of the Association's assets and liabilities as of the close of each fiscal year, all in reasonable detail, which statement shall be made and filed at the Association's registered office or principal place of business in the State of North Carolina within four months after the end of such fiscal year and thereat kept available for a period of at least ten years; and (c) in general perform all of the duties incident to the office of Treasurer and such other duties as from time to time may be assigned to him by the President or by the Board of Directors, or by these Bylaws.

ARTICLE VII

CONTRACTS, LOANS, CHECKS AND DEPOSITS

Section 1. Contracts. The Board of Directors may authorize any officer or officers, agent or agents, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Association, and such authority may be general or confined to specific instances.

- Section 2. Loans. No loans shall be contracted on behalf of the Association and no evidences of indebtedness shall be issued in its name unless authorized by a resolution of the Board of Directors. Such authority may be general or confined to specific instances.
- Section 3. Checks and Drafts. All checks, drafts or other orders for the payment of money, issued in the name of the Association, shall be signed by such officer of officers, agent or agents of the Association and in such manner as shall from time to time be determined by resolution of the Board of Directors.
- Section 4. Deposits. All funds of the Association not otherwise employed shall be deposited from time to time to the credit of the Association in such depositories as the Board of Directors may select.

ARTICLE VIII

GENERAL PROVISIONS

- Section 1. Seal. The corporate seal of the Association shall be in a form adopted by resolution of the Board.
- Section 2. Waiver of Notice. Whenever any notice is required to be given to any Member or director by law, by the Articles of Incorporation or by these Bylaws, a waiver thereof in writing signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be equivalent to the giving of such notice.
- Section 3. Indemnification and Limited Liability. Any person who at any time serves or has served as a director or officer of the Association shall have a right to be indemnified by the Association to the fullest extent permitted by N.C. Gen Stat. Sections 55A-17.1, 55A-17.2, and 55A-17.3 and shall be afforded limited civil liability in accordance with N.C. Gen. Stat. Section 55A-28.1A.

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

Any person who at any time after the adoption of this Bylaw serves or has served as a director or officer of the Association shall be deemed to be doing or to have done so in reliance upon, and as consideration for, the right of indemnification

provided herein. Such right shall inure to the benefit of the legal representatives of any such person and shall not be exclusive of any other rights to which such person may be entitled apart from the provision of this Bylaw.

Section 5. Fiscal Year. The fiscal year of the Association shall be fixed by resolution of the Board of Directors.

Section 6. Amendments. The power to alter, amend or repeal the Bylaws or to adopt new Bylaws shall be vested in the Board of Directors, with however, the requirement that any amendments to these Bylaws must include the express written joinder and consent of the Declarant for so long as the Declarant owns any property within Governors Club.

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