

BY-LAWS OF
THE BREAKERS OF KILL DEVIL HILLS HOMEOWNERS
ASSOCIATION, INC.

ARTICLE I

PLAN OF UNIT OWNERSHIP

Section 1. Unit Ownership. The Breakers Condominiums hereinafter referred to as Condominiums, located in the Town of Kill Devil Hills, Atlantic Township, Dare County, North Carolina is submitted to the provisions of Chapter 47A of the General Statutes of North Carolina, "Unit Ownership Act". The administration thereof shall be by the Board of Directors herein described, subject to the powers of the owners as herein specified.

Section 2. By-Laws Applicability. The provisions of these By-Laws are applicable to the Condominiums. The term "Condominium" as used herein shall mean The Condominium Buildings and shall include the land directly beneath as well as the improvements thereon. In construing these By-Laws, and the government of the Condominium thereto, the provisions of Chapter 55A of the General Statutes of North Carolina pertaining to the government of nonprofit business corporations, shall be considered as governing to the extent not inconsistent with the provisions of Chapter 47A of the General Statutes of North Carolina, the Declaration of Unit Ownership, and these By-Laws; the condominium being considered the corporation and the owners being considered the members.

Section 3. Personal Application. All present and future owners, tenants and future tenants, and their employees, and any other persons that may at any time use the facilities of the Condominium in any manner are subject to the regulations set forth in these By-Laws and to the declarations set forth in the Declaration of Unit Ownership ("Declaration") to which these By-Laws are attached.

The mere acquisition or rental of any of the Condominium Units ("Units), or the mere act of occupancy of any of said units will signify that these By-Laws as they may be amended from time to time, are accepted, ratified and will be complied with.

ARTICLE II

THE OWNERS

Section 1. Owners. The Condominiums are owned by the owners of the units, each of whom shall be entitled to one vote for each unit owned by him. No lessee, lienholder, mortgagee, pledge or contract purchaser shall have any voting rights with respect to the affairs of the Condominium.

Section 2. Annual Meetings. The Condominium shall hold each year, commencing with the year 1981, an annual meeting

of the owners for the election of directors and the transaction of any business within the powers of the Condominium, at 3:00 p.m. on the first Friday in September, if not a legal holiday, and if a legal holiday, then on the first day following which is not a Sunday or holiday. Any business of the Condominium may be transacted at an annual meeting without being specifically required by statute, by the Declaration or these By-Laws to be stated in the notice. Failure to hold an annual meeting at the designated time shall not, however, invalidate the Condominium's existence or affect its otherwise valid acts.

Section 3. Special Meetings. At any time in the interval between annual meetings, special meetings of the Condominium may be called by the president or by a majority of the Board of Directors by vote at a meeting or in writing with or without a meeting, or by one-third (1/3) of the record owners of Condominium Units.

Section 4. Place of Meeting. All meetings of owners shall be held at the office of the Association in Kill Devil Hills, North Carolina, except in cases in which the notice thereof designates some other place, but all such meetings shall be held within the State of North Carolina.

Section 5. Notice of Meetings. Not less than ten days nor more than ninety days before the date of every owners' meeting, the secretary shall give to each owner entitled to vote at such meeting, written or printed notice stating the time and place of the meeting and in the case of a special meeting, the purpose or purposes for which the meeting is called, either by mail or by presenting it to him personally or by leaving it at his residence or usual place of business. If mailed, such notice shall be deemed to be given when deposited in the United States mail addressed to the owner at his post office address as it appears on the records of the Association, with postage thereon prepaid. Notwithstanding the foregoing provision, a waiver of notice in writing signed by the person or persons entitled to such notice and filed with the records of the meeting, whether before or after the holding thereof, or actual attendance at the meeting in person or by proxy, shall be deemed equivalent to the giving of such notice to such persons. Any meeting of owners, annual or special, may adjourn from time to time to reconvene at the same or some other permitted place, and no notice need to be given of any such adjourned meeting other than by announcement.

Section 6. Quorum. At any meeting of owners, the presence in person or by proxy of owners entitled to cast a majority of the votes shall constitute a quorum; but this section shall not affect any requirement under statute or under the Declaration of the Condominium for the vote necessary for the adoption of any measure. In the absence of a quorum, the owners present in person or by proxy, by majority vote and without notice other than by announcement, may adjourn the meeting from time to time until a quorum shall attend. At any such adjourned meeting at which a quorum shall be present, any business may be transacted which might have been transacted at the meeting as originally scheduled.

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Section 7. Votes Required. A majority of the votes cast at a meeting of owners, duly called and at which a quorum is present, shall be sufficient to take or authorize action upon any matter which may properly come before the meeting, unless more than a majority of votes cast is required by statute or by the Declaration.

Section 8. Proxies. An owner may vote either in person or by proxy executed in writing by the owner or by his duly authorized attorney-in-fact. No proxy shall be valid after eleven months from its date, unless otherwise provided in the proxy. Every proxy shall be in writing, subscribed by the owner or his duly authorized attorney, and dated, but need not be sealed, witnessed or acknowledged.

Section 9. List of Owners. At each meeting of owners, a full, true and complete list in alphabetical order of all owners entitled to vote at such meeting shall be furnished by the Secretary.

Section 10. Voting. In all elections for directors every owner shall have the right to vote, in person or by proxy, for as many persons as there are directors to be elected. At all meetings of owners, the proxies and ballots shall be received, and all questions touching the qualification of voters and the validity of proxies and the acceptance or rejection of votes shall be decided by the Chairman of the meeting. Unless demanded or ordered by a majority of owners present, no vote need be by ballot, and voting need not be conducted by inspectors.

Section 11. Informal Action by Owners. Any action required or permitted may be taken without a meeting, if a consent in writing, setting forth such action, is signed by all of the owners entitled to vote on the subject matter thereof, provided said consent is filed with the records of the Association.

ARTICLE III

BOARD OF DIRECTORS

Section. Powers. The business and affairs of the Association shall be managed by its Board of Directors. The Board of Directors may exercise all powers of the Condominium Association except such as are by statute or the Declaration or the By-Laws conferred upon or reserved to the owners. In particular, but not by way of limitation, the Board of Directors shall be responsible for, and have all necessary powers in connection with, the care, upkeep, and surveillance of the building and other facilities of the Condominium, including its general and limited common elements, services, and Association-owned property, designation, hiring, and dismissal of the personnel necessary for the good working order of the buildings and to provide services for the buildings. The Board of Directors may delegate any or all of such responsibilities and the expenses therefore shall be a common expense. The Board of Directors or any officer or officers to whom such power may be delegated, shall have power to take any action necessary or appropriate to enforce payment of all sums, including assessments against others, due the Association, including the power to enforce any lien for the same.

Section 2. Number of Directors. The numbers of directors of the Condominium shall be at least three.

Section 3. Election of Directors. Until the first annual meeting of owners or until successors are duly elected and qualified, the Board shall consist of Douglas E. Kahle, Alan C. Jensen, and George A. Kahle, Sr. At the first annual meeting of owners after control of the Association is delivered to the Unit Owners, the owners shall elect three directors, one to serve for one year, one to serve for two years, and one to serve for three years. Thereafter, directors shall be elected for three-year terms or until their successors are elected and qualify (or for a shorter term to fill a vacancy arising for an uncompleted term), one director being elected at each annual meeting to succeed the director whose term is expiring. At any meeting of owners, duly called and at which a quorum is present, the owners may, by the affirmative vote of the holders of a majority of the votes entitled to be cast thereon, remove any director or directors from office and may elect a successor or successors to fill any resulting vacancies for the unexpired terms of removed directors.

Section 4. Vacancies. Any vacancy occurring in the Board of Directors for any cause may be filled by a unanimous vote of the remaining members of the Board of Directors. A director elected by the Board of Directors to fill a vacancy shall be elected to hold office until the next annual meeting of owners and until his successor is elected and qualifies.

Section 5. Regular Meeting. After each meeting of owners at which a Board of Directors shall have been elected, the Board of Directors so elected shall meet as soon as practicable for the purpose of organization and the transaction of other business, at such time as may be designated by the owners at such meeting; and in the event that no other time is designated by the owners, the Board of Directors shall meet at 4:00 p.m. on the day of such meeting of the owners, if not a legal holiday, and if a legal holiday, then on the first day following which is not a Sunday or legal holiday. Such first meeting shall be held at such place within or without the State of North Carolina as may be designated by the owners, or in default of such designation, at the office of the Association in Kill Devil Hills, North Carolina. No notice of such first meeting shall be necessary if held as hereinabove provided. Other regular meetings of the Board of Directors shall be held on such dates and at such places within or without the State of North Carolina as may be designated from time to time by the Board of Directors.

Section 6. Special Meeting. Special meetings of the Board of Directors may be called at any time by the president or by the Board of Directors by a vote at a meeting, or by a majority of the directors in writing with or without a meeting. Such special meetings shall be held at such place or places within or without the State of North Carolina as may be designated from time to time by the Board of Directors. In the absence of such designation, such meetings shall be held at such places as may be designated in the call.

Section 7. Notice of Meeting. Except as provided in Section 5 of this Article, notice of the place, day and hour of every regular and special meeting shall be given to each director two days (or more) before the meeting, by delivering the same to him personally, or by sending the same to him by telegraph, or by leaving the same at his residence or usual place of business, or in the alternative, by mailing such notice five days (or more) before the meeting, postage prepaid, and addressed to him at his last known post office address, according to the records of the Association. Unless required by these By-Laws or by resolution of the Board of Directors, no notice of any meeting of the Board of Directors need state the business to be transacted. No notice of any meeting of the Board of Directors need be given to any director who attends, or to any director who, in writing, executed and filed with the records of the meeting either before or after the holding thereof, waives such notice. Any meeting of the Board of Directors, regular or special, may adjourn from time to time to reconvene at the same or some other place, and no notice need be given of any such adjourned meeting other than by announcement.

Section 8. Quorum. At all meetings of the Board of Directors, two directors shall constitute a quorum for the transaction of business. Except in cases in which it is by statute, by the Declaration, or by the By-Laws otherwise provided, the vote of a majority of such quorum at a duly constituted meeting shall be sufficient to direct and pass any measure. At any adjourned meeting at which a quorum shall be present, any business may be transacted at the meeting as originally notified.

Section 9. Compensation. By resolution of the Board of Directors, expenses of attendance, if any, may be allowed to directors for attendance at each regular or special meeting of the Board of Directors or of committees thereof, but directors as such shall not receive any compensation for their services except such as may be authorized or permitted by vote of the owners. A director who serves the Condominium in any other capacity, however, may receive compensation therefor without such vote of the owners.

Section 10. Informal Action by Directors. Any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting, if a written consent to such action is signed by all members of the Board or such committee, as the case may be, and such written consent is filed with the minutes of proceedings of the Board of Directors or Committee.

Section 11. Committees. The Board of Directors may by resolution provide for such standing or special committees as it deems desirable, and discontinue the same at its pleasure. Each such committee shall have such powers and perform such duties, not inconsistent with law, as may be assigned to it by the Board of Directors.

Section 12. Indemnification. Every Director and every officer of the Association shall be indemnified by the Association against all expenses and liabilities, including counsel fees, reasonably incurred by or imposed upon him in

connection with a Court proceeding to which he may become involved, by reason of his being or having been a director or officer of the Association, whether or not he is a Director or officer at the time such expenses are incurred, except in such cases wherein the Director or officer is adjudged guilty of malfeasance or negligence in the performance of his duties; provided, that in the event of a settlement, the indemnification herein shall apply only when the Board of Directors approves such settlement and reimbursement as being in the best interest of the Association. The foregoing right of indemnification shall be in addition to and not exclusive of all rights of indemnification to which such Director or officer may be entitled.

Section 13. Budget.

A. The Board of Directors shall adopt a budget for each calendar year which shall contain estimates of the costs of performing the functions of the Association including, but not limited to:

1. COMMON EXPENSES OF THE CONDOMINIUM.

(a) maintenance and upkeep of common areas and elements;

(b) maintenance and upkeep of association-owned real property and personal property;

(c) staff payroll, supplies and office expenses;

(d) managers salary or fees;

(e) insurance;

(f) common utilities, waste water treatment and disposal system maintenance and upkeep, which shall receive first priority of common expense funds;

(g) service contracts;

(h) fees and permits.

2. CAPITAL IMPROVEMENTS RESERVE

3. ANTICIPATED SPECIAL ASSESSMENTS

B. Copies of the proposed budget shall be transmitted to each member or unit owner on or before January 1 of the calendar year for which the budget is made. If the budget is subsequently amended, then a copy of the amended budget shall be furnished immediately to each unit owner.

C. Accounting shall be on a cash basis and conform to generally accepted accounting principals.

ARTICLE IV

OFFICERS

Section 1. Executive Officers. The Board of Directors shall choose a President and Vice President from among the

directors, and a secretary and a treasurer who need not be directors. Any two of the above-mentioned officers, except that of president and vice-president, may be held by the same person, but no officer shall execute, acknowledge or verify any instrument in more than one capacity if such instrument be required by statute, by the By-Laws or by resolution of the Board of Directors to be executed, acknowledged, or verified by any two or more officers. Each such officer shall hold office until the first meeting of the Board of Directors after the annual meeting of owners next succeeding his election, and until his successor shall have been duly chosen and qualified, or until he shall have resigned or shall have been removed. Any vacancy in any of the above offices may be filled for the unexpired portion of the term by the Board of Directors at any regular or special meeting.

Section 2. President. The president shall preside at all meetings of the owners and of the Board of Directors at which he shall be present; he shall have general charge and supervision of the business of the Association; he may sign and execute, in the name of the Association, all authorized deeds, mortgages, bonds, contracts or other instruments, except in cases in which the signing and execution thereof shall have been expressly delegated to some other officer or agent of the Association; and, in general, he shall perform all duties incident to the office of president, and such other duties as from time to time, may be assigned to him by the Board of Directors.

Section 3. Vice-President. The vice-president, at the request of the president, or in his absence, or during his inability to act, shall perform the duties and exercise the functions of the president, and when so acting, shall have the powers and perform such other duties as may be assigned to him by the Board of Directors or the president.

Section 4. Secretary. The secretary shall keep the minutes of the meetings of the owners and of the Board of Directors in books provided for the purpose; he shall see that all notices are duly given in accordance with the provisions of the By-Laws or as required by law; he shall be custodian of the records of the Association; and in general, he shall 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 or the president.

Section 5. Treasurer. The Treasurer shall have charge and be responsible for all funds, securities, receipts and disbursements of the Association, and shall deposit, or cause to be deposited, in the name of the Association, all monies or other valuable effects in such banks, trust companies or other depositories as shall from time to time, be selected by the Board of Directors; he shall render to the President and to the Board of Directors, whenever requested, an account of the financial condition of the Association, and in general, he shall perform all duties as may be assigned to him by the Board of Directors or the president.

Section 6. Compensation. The Board of Directors shall have the power to fix the compensation of all officers of the Condominium Association.

Section 7. Removal. Any officer or agent of the Association may be removed by the Board of Directors whenever, in its judgment, the best interest of the Association will be served thereby, but such removal shall be without prejudice to the contractual rights, if any, of the person so removed,

Section 8. Loans to Officers and Directors. No loans shall be made by the Association to any of its Directors or Officers.

ARTICLE V

OBLIGATIONS OF THE OWNERS

Section 1. Assessments. Each owner is obligated to pay the assessments imposed upon him by the Association to meet general common element expenses, which shall include a liability insurance policy premium and shall include a fire and other hazard premium, including flood insurance. The assessments shall be made pro rata according to the percentage interest owned as stipulated in the Declaration. Such assessments levied upon the owner of a unit shall become a lien on said unit at the time assessed and until paid in full. Each regular assessment levied shall be due and payable quarterly, within (30) days after the dates of assessment, which said dates of assessment shall be the first day of January, April, July and October. Any special assessment, designated as such by the Board of Directors shall be due and payable when assessed. There will be no declaration in trust for enforcement of said lien.

Each initial owner shall pay to the Association a fixed amount of \$100.00 at closing. This shall establish the initial fund of the Association, to which future assessments shall be added.

Section 2. Maintenance and Repair.

(a) Every owner must perform all maintenance and repair work within his own unit which, if omitted, would affect the general or limited common elements, or any other unit, such owner being expressly responsible for the damages and liabilities his failure to do so may engender.

(b) All the repairs of internal installations of the unit such as water, light, power, telephones, cable television, doors, windows, lamps and all other accessories belonging to the unit area shall be at the owner's expense.

(c) An owner shall reimburse the Association for any expenditures incurred in repairing or replacing any general or limited common element damaged through his fault, other than damage arising from an insured casualty.

(d) During the period November 1 through April 1 of each year, all owners must maintain heat within their respective units at a minimum of 50 (fifty) degrees of fahrenheit.

Section 3. Destruction of Buildings

(a) In the event of the destruction of any part of

the buildings of the Condominium, such destroyed part or parts shall be rebuilt unless such destruction amounts to more than two-thirds in value of the total value of both buildings. In such rebuilding, the proceeds of any casualty insurance shall be used to the extent available. As permitted and provided by the provisions of Section 2 of Article VI of these By-Laws, any excess funds shall be allocated to the Units, general common elements, and limited common elements, damaged or destroyed, in proportion to the cost of restoring each such improvement of the facility. Costs in excess of such proceeds shall be paid (i) as to each Unit, by the owner thereof and (ii) and as to the general common elements and limited common elements, by assessment as for repairs to such elements.

(b) In the event of the destruction of any part or all of the buildings of the Condominium amounting to more than two-thirds in value of the total value of both buildings, if three-fourths (3/4) of the owners of the units shall duly resolve not to rebuild or restore the buildings at any owner's meeting called to consider the question of such restoration, the buildings shall not be restored, then and in that event:

(1) the property shall be deemed to be owned as a tenancy in common by the unit owners;

(2) the undivided interest in the property owned by the unit owners as tenants in common which shall appertain to each unit owner shall be the percentage of undivided interest previously owned by such owner in the common areas and facilities;

(3) any liens affecting any of the units shall be deemed to be transferred in accordance with the existing priorities to the percentage of the undivided interest of the unit owner in the property as provided herein;

(4) the property shall be subject to an action for sale for partition at the suit of any unit owner, in which event the net proceeds of sale, together with the net proceeds of insurance policies, if any, shall be considered as one fund and shall be divided among all the unit owners in proportion to their respective undivided ownership of the common areas and facilities, after first paying, out of the respective shares of unit owners, to the extent sufficient for that purpose, all liens on the unit of each unit owner; and

(5) all real property owned by the Association itself shall be transferred by recordable instrument to the individual unit owners in the same proportions as their ownership in common area appears.

(c) In the event of partial or complete destruction of any waste water treatment facility or any appurtenance thereto, the same shall be immediately reconstructed to original specifications meeting with the approval of the Dare County Health Department and other appropriate governmental agencies, with the first proceeds of the insurance thereon, or in the event insurance proceeds are delayed, the

same shall be reconstructed with capital improvement reserve funds and with common expense funds as may be necessary for said reconstruction. Provided, however, this provision shall not apply in the event the said condominium building itself is destroyed and the owners of units therein shall duly resolve not to rebuild or restore said buildings as provided in Section 3, Paragraph (b) above.

Section 4. Use of Condominium Units-Internal Changes. An owner shall not make structural modifications or alterations in his unit or installations located therein unless he has previously notified the Condominium in writing through the president or the Board of Directors and receives no objection thereto. The Association shall have the obligation to answer within thirty (30) days, and failure to do so within that time shall mean that there is no objection to the proposed modification or alteration.

Section 5. Use of General Common Elements. The rules pertaining to the use of common elements also pertain to those properties conveyed to or owned by the Association which for the purposes of these By-Laws and for the determination of common expenses are treated as common elements. An owner shall not place or cause to be placed in the general common elements any furniture, packages, or objects of any kind. The general common elements shall be used for no other purpose than for normal transit through them, for access to the pool area or for such other restricted uses as may be designated by the Board of Directors.

Section 6. Right of Entry. Owners, by act of ownership, grant right of entry to any person authorized by the Board of Directors of the Association in case of any emergency originating in or threatening his Unit, whether the owner is present at the time or not.

Section 7. Rules of Conduct.

(a) No resident of the Condominium shall post any advertisements or posters of any kind on the exterior of the Condominium or on common elements.

(b) Residents shall exercise care about making noises or in the use of musical instruments, radios, televisions, and amplifiers that may disturb other residents.

(c) Clothing, towels, and other items of personal property shall not be hung on exterior railings or on any other exterior part of the building.

ARTICLE VI

INSURANCE

Section 1. Protective Policies. The Board of Directors shall procure and/or maintain the unit owner's maintenance of insurance coverage as follows:

(a) a policy or policies insuring the building against loss, damage or destruction by fire or other casualty, including lightning, windstorm, hail, explosion,

riot, civil commotion, aircraft, vehicle, falling object, smoke, malicious mischief, vandalism, collapse through weight of snow, ice or sleet, water, flood, and other similar casualties, in an aggregate amount equal to the full insurable replacement value of the building, without regard to depreciation. The policy or policies, unless otherwise insuring the Condominium Units against loss, damage, or destruction, shall have a contingent or conditional endorsement, with limits equal to the replacement value of the Condominium Units, providing for payment by the insurer of a sum sufficient for restoration of each unit to a tenable condition, in the event that the owner thereof shall fail or refuse to restore his unit within a reasonable time after loss, damage or destruction of such unit, by fire or other casualty insured against. In lieu of the foregoing insurance, the Board of Directors may procure and maintain such other insurance against loss, damage or destruction of the general common elements and the Condominium Units, as shall give substantially equal or greater protection to the co-owners, as their interests may appear.

(b) such insurance as will protect the owners, and each of them, from claims under workmen's compensation acts and other employee benefit acts.

(c) such insurance as will protect the Manager, the Board of Directors, the owners and each of them, from claims for damage to the property, any or all of which may arise out of or result from ownership of any interest in the Condominium project or the management or operation of said project, or because of any injury or damage sustained on or attributable to the property, including the ownership, maintenance and use of the parking areas outside of the building. It is intended that the insurance described in this Subparagraph c be a comprehensive general liability policy endorsed to protect each co-owner against all liability arising out of or otherwise attributable to the property, including operation of the premises, products liability, liability attributable to work or other act of an independent contractor, or let or sub-let work, landlord-tenant liability, and contractual liability. Further, the insurance shall cover the liability of one or more co-owners, though also parties insured. Such public liability insurances shall be in the limits of at least \$100,000.00 for injuries or damages sustained by any one person, \$300,000.00 for injuries or damages sustained by two or more persons in any one accident, and \$10,000.00 for property damage. The public liability insurance policy shall be so endorsed as to protect the insured against liability imposed or assumed by any contract.

(d) In all events, each policy of insurance procured under this Section 1 of Article VI shall contain a waiver of the insurer's subrogation rights against each co-owner, and a waiver of any defense maintainable by the insurer by reason of any co-insurance provision of any policy or by reason of any act or neglect of any co-owner, whether before or after the loss, damage, or destruction may occur. Further, each policy of insurance shall provide that any co-owner in his own right may procure other insurance, fire casualty, liability or otherwise, and that such other insurance shall in no way serve to reduce, abate or

diminish, or cause any proration in payment of the total loss by the insurer. Each policy of insurance procured under Paragraphs (a) or (b) of this Section shall state that the exclusive right and authority to adjust losses under the policy shall be vested in the Board of Directors.

Nothing provided in this Article VI shall prejudice the right of any co-owner to insure his Condominium Unit on his account and for his own benefit, or to insure himself against liability to others. If the co-owners, however, shall procure fire or casualty insurance covering his Condominium Unit or his interest in the Condominium Project, he shall file with the Board of Directors a duplicate of the insurance policy.

Section 2. Repairs and Replacement. Unless more than two-thirds (2/3rds) of the Condominium project is destroyed, the proceeds of any insurance policy procured under the provisions of Paragraph (a) of Section 1 of this Article VI shall be applied to repair, restore and reconstruct the common elements destroyed by the casualty insured against and thereafter, if there be any surplus, to repair or restore the condominium units damaged by said casualty. If the proceeds of insurance are insufficient to cover the cost of any necessary repair, replacement or restoration of the common elements, such excess cost shall be paid by the co-owners as a common expense, upon special assessment therefor and levy thereof by the Board of Directors against each co-owner in accordance with his percentage interest factor.

Section 3. Disbursement of Insurance Proceeds. If more than two-thirds of the buildings are destroyed, then the disbursement of the proceeds of all insurance policies shall be paid in accordance with and governed by the provisions of Section 3 of Article V.

Section 4. Application for Insurance. Each owner shall furnish such information and sign such application forms or other documents, if any, as may be required to obtain insurance as provided in this Article VI.

ARTICLE VII

FINANCE

Section 1. Checks, Drafts, etc. All checks, drafts and orders for the payment of money, notes and other evidences of indebtedness, issued in the name of the Association, shall be signed by officers, agents or manager of the Association, as determined by the Board of Directors.

Section 2. Annual Reports. There shall be prepared annually a full and correct statement of the affairs of the Association, including a balance sheet and a financial statement of operations for the preceding fiscal year, which shall be prepared by an independent certified public accountant and distributed to the owners and filed at the principal office of the Association.

Section 3. Fiscal Year. The fiscal year of the Association shall be the calendar year, unless otherwise provided by the Board of Directors.

ARTICLE VIII

AMENDMENTS

Section 1. By-Laws. These By-Laws may be amended by the Condominium Association at any duly constituted meeting, provided, the notice thereof shall specify the amendment to be voted on, and provided the same is approved by at least two-thirds (2/3) of the owners; subject, however, to the restrictions set forth in Article II, Section 1, of the By-Laws. All Unit Owners shall be bound by any amendment upon the same being duly passed and set forth in an Amended Declaration duly recorded in the Dare County Registry.

ARTICLE IX

MORTGAGES

Section 1. Notice to Association. An owner who mortgages his unit shall notify the president of the Board of Directors of the name and address of his mortgagee; and the Association shall maintain such information in a book entitled "Mortgagees of Units". Each Condominium Unit is subject to alienation, mortgage or transfer as is any other real property located within the State of North Carolina; however, no Condominium Unit owner may mortgage or convey by deed of trust his apartment or Condominium Unit or convey the same as collateral, to any person, firm or corporation except as said conveyance, mortgage or deed of trust shall be a first lien deed of trust or first mortgage or a purchase money mortgage or deed of trust on the Condominium Unit, unless prior approval is obtained from the Association.