

NORTH CAROLINA

DARE COUNTY

DECLARATION OF CONDOMINIUM

THIS DECLARATION OF CONDOMINIUM, executed this 2nd day of January, 1974, by OCEAN DUNES, INC., a North Carolina corporation having its principal office and place of business at Hatteras, Dare County, North Carolina, hereinafter called the "Owner";

WITNESSETH:

WHEREAS, said Owner owns certain real property which is described as follows:

All that certain parcel of land lying and being in the Village of Hatteras, Hatteras Township, Dare County, North Carolina, adjoining the lands of Cape Hatteras National Seashore, lands of A. S. Austin, Jr., North Carolina State Highway known as the Hatteras Highway, being N. C. State No. 12, and more particularly described as follows:

Beginning at an iron pipe situated in and on the Southern right of way of the North Carolina State Highway No. 12 leading from Buxton to Hatteras, said point of beginning being in the Northeast corner as the same adjoins the highway of the lands of the General Mitchell Motel; running thence from said beginning point South 13 deg. 16 min. East 200.22 feet to an iron pipe located in the North line of the lands of United States of America designated as "U. S. Park Service"; and running thence North 72 deg. 21 min. East along said Park Service North line a distance of 233.86 feet to an iron pipe situated in the West line of the Durant Motor Court property; and running thence along the West line of the Durant Motor Court property North 25 deg. 13 min. West a distance of 324.21 feet to an iron pipe situated in and on the South margin of the aforesaid highway right of way; and running thence South 84 deg. West along the South margin of the aforesaid highway right of way a distance of 167.36 feet to the iron pipe at the point or place of beginning; said lands being shown on a plat by J. W. Hassell, Registered Surveyor, dated March 15, 1974, and duly recorded in Map Book 7, page 25, Public Registry of Dare County, North Carolina. See also Unit Ownership File 1, Pages 14 through 21.

Being the same property conveyed to Ocean Dunes, Inc. by deed of Edward L. Nelson et als dated January 2, 1974, and duly filed for record in the Public Registry of Dare County, North Carolina.

There is also conveyed all the buildings and improvements situated upon said premises, formerly known as "Hatteras Inn"; said improvements being shown and delineated on a plat of the property of H. Lee Kauter, David Furin, Edward L. Nelson, and the Estate of Gerald L. Lavenstein, prepared by J. W. Hassell, Registered Surveyor, dated March 15, 1974, and recorded in Map Book 7, page 25, Public Registry of Dare County, North Carolina.

The lands hereinabove described are owned subject to the easement of right of way of the State Highway Commission of the State of North Carolina and the public over and along the right of way of said highway known as Hatteras Highway. Said property is also owned subject to easement of right of way to the United States Coast Guard telephone lines across the premises, and all public utilities of record are located upon said lands.

AND WHEREAS, there is situated upon said property 40 family-unit structures which are built principally of wood and aluminum panels, and are one story in height and do not have a basement, all of which are more particularly described and shown on copies of drawings which are hereto attached and marked as "Exhibit A", prepared by Aranyi, Murrell and Associates, Registered North Carolina architects, and filed in the office of the Register of Deeds of Dare County, North Carolina, in the Unit Ownership file in said office.

AND WHEREAS, the Owner hereby establishes by this Declaration a plan for the individual ownership of the real property estates consisting of the area and spaces contained in each of the apartment units in said structure, and the co-ownership by the individual and separate owners thereof, as tenants in common, of the remaining real property described above which is hereinafter defined and referred to as "the common areas and facilities".

NOW, THEREFORE, said Owner, being the fee simple owner of the real estate situated in Hatteras Township, Dare County, North Carolina, which is described hereinabove does hereby make the following Declaration as to the divisions, covenants, restrictions, limitations, conditions, and uses to which the above-described real property and the improvements thereon, consisting of 40 family-unit structures, may be put, hereby specifying that said Declaration shall constitute covenants to run with the land and shall be binding upon the said Owner, its successors and assigns, and on all subsequent owners of all or any part of said real property and the improvements situated thereupon, together with their grantees, successors, heirs, executors, administrators, devisees, or assigns:

A. Said Owner, in order to establish a plan of condominium ownership for the above-described property and improvements, hereby covenants and agrees that it divides said real property into the following separate freehold estates:

1. Forty (40) separately designated and legally described freehold estates, consisting of the spaces or areas contained in the perimeter walls of each of the 40 apartment units located upon said property, and said spaces being defined and referred to herein as "apartment spaces".
2. Forty (40) freehold estates, consisting of "limited common areas and facilities", which includes that area of land situated under each of the 40 apartment spaces which is shown and delineated on the plat prepared by J. W. Hassell, Registered North Carolina Land Surveyor, copy of which is attached hereto and marked "Exhibit B"; and a description of each of those limited common areas and facilities numbered 1 through 40, description of which is attached to the aforesaid plat prepared by J. W. Hassell, Registered Surveyor. It is agreed by all unit owners that the "limited common area and facility" as described in the foregoing documents and which is situated under each of

the apartment spaces is reserved for the use of the owner of such apartment space to the exclusion of other owners of other apartment spaces; subject, however, to a reasonable right of ingress and egress by the Owner herein, or the Association hereinafter identified, or its Agent for the purpose of maintaining "common areas and facilities" hereinafter described.

3. One freehold estate consisting of the remaining portion of the real property hereinbefore described, which definition includes all other lands situated upon said plat hereinbefore referred to and specifically includes, but is not limited to, the land, parking areas, roadways, buildings, storage spaces, pipes, wires, conduits, telephone lines and lines for the transmission of electricity, septic tanks, drain fields, and water lines.

B. For the purposes of this Declaration, the ownership of each "apartment space" shall include:

1. The ownership of the unit designated and identified on the map or plat hereinabove referred to.

2. The ownership of the individual non-exclusive easement in the "limited common areas and facilities" which such space is situated under such unit and is identified and described in the plats and exhibits hereinabove referred to.

3. Together with an undivided interest in the "common areas and facilities" which shall be for the use of all of the "apartment spaces"; subject, however, to such restrictions and regulations as may be hereinafter set out in the By-Laws of the Association, or in the rules and regulations adopted pursuant thereto.

C. The individual "apartment spaces" hereby established which shall be individually conveyed are shown in detail on the plans prepared by Aranyi, Murrell and Associates, Registered Architects, in accordance with G. S. 47A-15 which are incorporated herein by reference as a part of this paragraph, said plans fully and accurately depicting not only the location of the apartment upon the lands, said location being designated in the plat prepared by J. W. Hassell, Registered Surveyor, but also the location, layout, dimensions of the units as they are actually constructed upon said lands; the area and location of the common areas and facilities affording access to each of the said individual units numbered 1 through 40 being shown and delineated in particular detail on the plat of J. W. Hassell, Registered Surveyor, hereinabove referred to.

D. The individual apartment spaces are numbered consecutively from 1 through 40 as shown on both the plans and plats hereinabove referred to and such number refers to and incorporates both the apartment unit and the "limited common area" situated beneath such apartment unit and also includes the undivided interest of such unit in the ratio which is hereinafter set out and all the residue and remainder of said lands and premises situated within the perimeter of the plat prepared by J. W. Hassell, Registered Surveyor, hereinabove referred to.

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E. The undivided interest in the "common areas and facilities" hereby established and which shall be conveyed with each of the respective "apartment spaces" is as follows:

<u>APARTMENT NO.</u>	<u>PERCENTAGE OF UNDIVIDED INTEREST</u>
1	2.5%
2	2.5%
3	2.5%
4	2.5%
5	2.5%
6	2.5%
7	2.5%
8	2.5%
9	2.5%
10	2.5%
11	2.5%
12	2.5%
13	2.5%
14	2.5%
15	2.5%
16	2.5%
17	2.5%
18	2.5%
19	2.5%
20	2.5%
21	2.5%
22	2.5%
23	2.5%
24	2.5%
25	2.5%
26	2.5%
27	2.5%
28	2.5%
29	2.5%
30	2.5%
31	2.5%
32	2.5%
33	2.5%
34	2.5%
35	2.5%
36	2.5%
37	2.5%
38	2.5%
39	2.5%
40	2.5%
<u>TOTAL</u>	<u>100.0%</u>

The above respective undivided interest established and to be conveyed with the respective "apartment spaces" as indicated above cannot be changed, and said Owner, its successors and assigns, and its Grantees, covenant and agree that the undivided interests in the "common areas and facilities" and the fee title to the respective "apartment spaces" conveyed therewith shall not be separated or separately conveyed, and each said undivided interest shall be deemed to be conveyed or encumbered with its respective "apartment space" even though the description in the instrument of conveyance or encumbrance may refer only to the fee title to the "apartment space".

The foregoing percentages of the undivided interest in the "common areas and facilities" have been arrived at pursuant to Section 47A-6 of the General Statutes of the State of North Carolina.

F. The proportionate shares of the separate owners of the respective "family units" in the profits and common expenses in the "common areas and facilities", as well as their proportionate representation for voting purposes in the Association of Owners, shall be the same percentage that the "apartment space" included in such "family unit" owns in the "common areas and facilities".

G. Said Owner, its successors and assigns, by this Declaration, and all future owners of the "family units" by their acceptance of their deeds for an apartment space, do hereby covenant and agree as follows:

1. That the "apartment space" shall be occupied and used by the respective owners only as a private dwelling for the owner, his family, tenants, and social guests and for no other purpose. This covenant shall not prohibit the owner of any such apartment space from renting the same to another individual, firm or corporation.
2. That the "limited common element", which includes the exclusive easement in and to that area of land situated underneath such apartment space and which is shown and delineated by the same number, to wit: 1 through 40, of each individual unit, shall be exclusive as to the owner of such unit; subject, only to the right of the Owner, the Association, or its agent, to enter in and upon said premises in connection with the maintenance and operation of the "common areas and facilities".
3. That the "common areas and facilities" shall remain undivided and that no owner shall bring any action for partition, it being agreed that this restriction is necessary in order to preserve the rights of the owners with respect to the operation and management of the condominium.
4. The owner of the respective "apartment spaces" shall not be deemed to own the roadways, access areas, office, storage area, septic tanks, drain fields, signs, walkways, parking lights, utility lines, both water, electric, television and telephone lines which run through, to, or connect with the respective apartment spaces and which are utilized for and serve more than one "apartment space" except as tenants in common with other "family unit" owners as heretofore provided in Paragraph A-3 and G-3. Said owner, however, shall be deemed to own the individual unit described and delineated upon the plans and specifications and maps hereinabove referred to.
5. The owners of the respective "apartment spaces" agree that, if any portion of the "limited common areas" or "common areas and facilities" encroaches upon the "apartment space", a valid easement for the encroachment and the maintenance of the same, so long as it stands, shall and does exist. In the event any of the "apartment spaces" are partially or totally destroyed, and then rebuilt, the owners of the "apartment spaces" agree that minor encroachments upon parts of the "common areas and facilities" due to construction shall be permitted, and that valid easement for said encroachment and the maintenance thereof shall exist. It is further agreed by the owners of the "apartment spaces" that in the event of the destruction or failure to operate of any of the "limited common facilities" or "common areas and facilities" then and in that event the owner of such "apartment space" consents to the reconstruction or repair of such facilities and that in either event a valid easement exists for the reconstruction and repair of such facilities even though such may encroach upon the area of such "apartment space".

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6. That the owner of a "family unit" shall automatically, upon becoming an owner of a "family unit or units", be a member of the Ocean Dunes Association, Inc., hereinafter referred to as the "Association", and shall remain a member of said Association until such time as his ownership ceases for any reason at which time his membership in the Association shall automatically terminate.

7. That the owners of the "family units" covenant and agree that the administration of the condominium shall be in accordance with the provisions of this Declaration, the By-Laws of the Association which are made a part hereof and attached as Exhibit D, and such rules and regulations as may be hereinafter enacted pursuant to said By-Laws.

8. That each owner, tenant or occupant of a "family unit" shall comply with the provisions of this Declaration, the By-Laws, decisions and resolutions of the Association, as lawfully amended from time to time, and failure to comply with any of such provisions, decisions, or resolutions shall be grounds for an action to recover sums due, for damages, or for injunctive relief.

9. That this Declaration shall not be revoked or any of the provisions herein amended unless all of the owners and the mortgagees of all of the mortgages covering the "family units" unanimously agree to such revocation or amendment by duly recorded instruments.

10. That no owner of a "family unit" may exempt himself from liability for his contribution towards the common expenses by waiver of the use or enjoyment of any of the common areas and facilities, or by the abandonment of his "family unit", and such liability and the enforcement thereof shall be in accordance with G. S. 47A-22.

H. The owners of the "family units" shall have the absolute right to rent, lease, sell, mortgage, or otherwise convey the said units subject to the covenants and restrictions contained in this Declaration and subject to the By-Laws attached hereto and the rules and regulations adopted pursuant to said By-Laws.

I. Definitions of the terms of this Declaration shall be in accord with the Unit Ownership Act, Chapter 47A of the General Statutes of North Carolina, except wherein such definitions may have been added to and are not in conflict therewith. Section 47A-22 ("liens for unpaid common expenses; recordation; priorities; foreclosure"), Section 47A-23 ("liability of grantor and grantee of unit for unpaid common expenses"), Section 47A-24 ("insurance on property; repair or restoration; partition sale on resolution not to restore") of the General Statutes of North Carolina are hereby incorporated by reference and made a part of this Declaration.

The use of the term "family unit" in this Declaration and the documents relating to the Ocean Dunes, Inc. condominium shall be deemed to include the definition of "apartment space" as set forth in Section B hereinabove.

J. Registered Agent, Edward Goldberg, of Colony Realty Corporation who resides at Avon, North Carolina, in Kinnakeet Township, Dare County, North Carolina,

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is hereby designated as "initial agent" for the service of process pursuant to Section 47A-26 of the General Statutes of North Carolina. His appointment may be revoked and another agent appointed in the manner provided by the By-Laws.

K. The responsibilities of the "family unit" owner pursuant to maintenance and alteration of the "family unit" shall be as follows:

1. To maintain, repair and replace at his expense all portions of his "family unit", except the portions of his "family unit" which are to be maintained, repaired and replaced by the Association.

2. The owner of a "family unit" may not paint or otherwise decorate or change the appearance of the exterior of any of the "family units" except in accord with the rules and regulations of the Association. It is specifically provided, however, by this Declaration that the owner shall have the right to utilize by non-exclusive enclosure the area immediately under owner's "family unit" and shall specifically have the right to utilize decking or stairways upon such unit, provided that such structure does not extend outside the boundaries of the non-exclusive easement for each unit designated by number on the plat prepared by J. W. Hassell, Registered Surveyor, hereinabove referred to.

3. To repair any frozen pipe, repair any stopped sewer or sink line, repair any heating or air-conditioning equipment located within his "family unit".

4. To maintain neatly and free of debris that portion of the "limited common areas" designated and delineated beneath his "family unit".

5. To report promptly to the Association any defect or need for repair, the responsibility for which is that of the Association, except as otherwise reserved to the Grantor herein. Neither the owner of a "family unit" nor the Association may make any alterations to the portions of a "family unit" or any addition thereto without first obtaining approval in writing of the majority of the owners in the Association.

L. The maintenance and operation of the "common elements" and the "limited common elements" as hereinabove defined shall be the responsibility and expense of the Association.

M. Assessments:

1. Assessments against "family unit" owners for common expenses shall be made pursuant to North Carolina General Statutes, Section 47A-12, and the By-Laws of the Association, and shall be allocated as set forth in Section E of this Declaration.

2. Any sum assessed by the Association for the share of the common expense chargeable to any "family unit" and remaining unpaid for a period of thirty (30) days or longer shall constitute a lien on such "family unit" when filed for record in the Office of the Clerk of Superior Court, Dare County, North Carolina, by the Association under the provisions of Article 8, Chapter 44, of the North Carolina General Statutes and any amendments supplemental thereto. The lien created herein shall be prior to all other liens, except (a) the lien for real estate taxes due and unpaid, (b) all sums unpaid on deeds of trust and other encumbrances recorded against the "family unit" prior to the docketing of this lien, and (c) material's and mechanic's liens.

A lien created pursuant to the paragraph above may be foreclosed by suit by the Board of Directors of the Association acting on behalf of the "family Unit" owners in like manner as a foreclosure of a deed of trust or mortgage of real property. The Board of Directors of the Association, acting on behalf of the "family unit" owner, shall have power to bid in the unit at the foreclosure sale, and to acquire and hold, lease, mortgage and convey the same. In the alternative, the Board of Directors of the Association, acting on behalf of the "family unit" owner, may maintain a suit to recover a money judgment for unpaid common expenses without foreclosure or waiving the lien securing said unpaid common expenses. The "family unit" owner shall be responsible for all Court costs, interest and reasonable attorney's fees incurred in collection, by foreclosure or otherwise of said lien for common expenses.

3. Any sum assessed by the Association for the share of the common expenses due prior to the acquisition of title to the "family unit" pursuant to foreclosure proceeding of a first mortgage shall not be assessed against the mortgagee of a first mortgage of record who forecloses said mortgage or other purchaser of the "family unit" as result of the foreclosure of a first mortgage. Any sums assessed against the "family unit" which is the subject of a foreclosure of a first mortgage shall be collectable from all "family unit" owners, including the purchaser at the foreclosure sale, in the proportions which their shares in the common elements bear to each other.

4. No "family unit" owner may exempt himself from contributing toward the common expenses by waiver of the use or enjoyment of the "common elements and facilities" or by abandonment of the "family unit" belonging to him.

N. The Association:

The operation of the Ocean Dunes Condominium shall be by the Ocean Dunes Association, Inc., hereinafter and hereinbefore called the Association, a non-profit corporation under the laws of the State of North Carolina which shall be organized and shall fulfill its functions pursuant to the following provisions:

1. The members of the Association shall be the owners of the "family units", totalling 40 in number.
2. The Association shall be incorporated under the Articles of Incorporation in the form as attached hereto marked Exhibit C, but the Articles of Incorporation may be amended as permitted by law without amending this Declaration.
3. The initial By-Laws of the Association shall be in the form attached hereto as Exhibit D, but may be amended as therein provided or as permitted by law without amending this Declaration.
4. The share of a member in the funds and assets of the Association can not be assigned, hypothecated, or transferred in any manner, except as an appurtenant to each such member's "family unit".
5. Whenever the decision of a "family unit" owner is required upon any matter, whether or not the subject of an Association meeting, such decision shall be expressed by the same person who would cast the vote of such "family unit" owner, if in an Association meeting. Where any "family unit" is owned as tenants in common or as tenants by the entirety, said tenants may determine between or among themselves how the vote they are entitled to shall be cast; but, the chairman of a meeting of the Association shall not accept any division of a vote that said "family unit" owners would otherwise be entitled to cast if said tenants do not unanimously agree between or among themselves as to how their vote shall be cast.

O. Insurance:

Insurance policies upon the condominium property covering all of the family units and common properties shall be purchased by the Association for the benefit of the Association, and the "family unit" owners and their mortgagees, as their interest may appear. Such policies and endorsements shall be issued in the name of and deposited with the Board of Directors of the Association as Trustees for each of the "family unit" owners in the percentage of interest of

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each "family unit", to wit: 2.5% for a total of forty (40) family units constituting 100%.

Insurance shall cover the following:

1. All buildings and improvements upon the land and personal property including the "common elements" in an amount equal to the maximum insurable replacement value without deduction for depreciation, as determined at least annually, by the Board of Directors of the Association. Such coverage shall afford protection against loss or damage by fire and other hazards covered by a standard extended coverage endorsement, and such other risks as are customarily covered with respect to buildings similar to the buildings on the subject land; such as, vandalism and malicious mischief.

2. Public liability insurance in such amounts and with such coverage as shall be required by the Board of Directors of the Association and with a cross liability endorsement to cover liabilities of the apartment of the "family unit" owners as a group to a "family unit" owner.

3. Such workman's compensation insurance as may be required by law.

4. Such other insurance as the Board of Directors of the Association shall determine from time to time to be desirable and for the benefit of the "family unit" owners.

5. Premiums upon the insurance policies purchased by the Association shall be paid by the Association as a common expense.

6. The Board of Directors of the Association, acting on behalf of the "family unit" owners, is hereby irrevocably appointed agent for each "family unit" owner to adjust all claims arising out of or under the insurance policies purchased by the Association and to execute and deliver releases upon the payment of claims. All "family unit" owners and mortgagees of "family unit" owners shall be furnished copies of each insurance policy purchased by the Association showing the name of the insurance trustee, the name of the insurance company, the policy number, the effective date, and the expiration date of the policy, the total amount of the policy and the name and address of the insurance agent issuing the policy and in particular the policy covering such "family unit" as may be owned by the owner. The copy shall also provide that the "family unit" owner and the mortgagee of each "family unit" owner shall be furnished notice of any change in or cancellation of the policy with thirty (30) days prior written notice before the effective date of such change or cancellation.

7. Each "family unit" owner shall have the right to insure his own "family unit" for his own benefit in addition to the insurance provided by the Association, though this provision shall not alter or vary the requirement that the Association purchase insurance on all "family units" and improvements in the condominium. Any "family unit" owner that has made or does make with approval of the Association improvements within his "family unit" that may have become or will become affixed to the realty, and who desires additional specific contingent insurance on such improvement may request the Association's insurance Trustee to include this coverage as a separate item in the Association's policies' standard improvement and betterment clause, and the premiums for additional coverage shall be paid in advance by the "family unit" owner at his expense, and

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said premium shall not be a portion of the common expenses of the Association. The Association's insurance Trustee may not unreasonably deny such request, but it shall not be liable for failure to see that such additional insurance is properly issued.

8. The Association will not purchase or obtain insurance to cover the personal property of each "family unit" owner, nor will the Association purchase or obtain insurance to cover the individual liability of a "family unit" owner for injuries or damages suffered by anyone or anything within the "family unit", if such injuries or damages are not a liability of the Association.

P. Repairs and Replacement of Destroyed Property

1. Damage to or destruction of any one or all of the buildings and improvements on said lands shall be promptly repaired and restored by the Board of Directors of the Association using the proceeds of the insurance for that purpose. If there is a deficiency in the proceeds of the insurance policies, the "family unit" owners shall be assessed, as a common expense, the difference between the amount of the insurance proceeds and the amount necessary to replace, repair or rebuild the damaged building or improvement to its original condition.

2. All repairs or reconstructions shall be made substantially and in accordance with the plans and specifications for the original structures existing upon said premises which are attached hereto and marked Exhibit A of this Declaration. In the event of the destruction by fire or otherwise of one of the forty (40) "family units" included in and which are a part of this Declaration, the Association may, upon full and final release of the record owners and any mortgagees or lien holders of such "family unit" owner, declare the "limited common areas" and "common areas" to be increased by the space formerly occupied by such "family unit" owner. In the alternative the Association is authorized to acquire such "family unit" from the then record owner and all mortgagees or lien holders, at a price mutually acceptable to such parties and the Association, such "family unit", including the area of land situated thereunder; and thereafter, upon a majority vote of the Association, to replace such "family unit" and to first offer to each "family unit" owner the option to purchase such reconstructed "family unit" at the fair market value thereof; and in the event after 15 days notice to each of the "family unit" owners said premises shall not have been elected to be purchased by any of such "family unit" owners, then and in that event to offer for sale such reconstructed "family unit". In the event that such election is made and such sale is made, then the proceeds therefrom shall be first used to pay all expenses incurred in connection with such reconstruction and any remaining shall inure to the benefit of the "family unit" owners and shall apply first to their current dues and assessments which may be due and payable for the year in which such event occurs and shall be applicable next to such succeeding assessments as may be levied.

3. Only in the event of a destruction of two-thirds of all the "family units" situated on said lands subjected to the Unit Ownership Act, shall the provisions of North Carolina General Statutes Section 47A-25 become operative. This provision shall in no way derogate from North Carolina General Statutes Section 47A-16 providing for termination of unit ownership.

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4. Any proceeds remaining from any insurance policy after damages for which proceeds may have been paid for repair or restoration and such repairs or restorations have been completed shall be paid to the Association to apply to the common expenses into the next succeeding installment thereof which may be due.

Q. Reasonable regulations, as to the use of the Ocean Dunes Condominium property and the "family units" situated thereon, may be made and amended from time to time by the Association in the manner provided for in its By-Laws. Copies of such regulations and amendments shall be furnished by the Association to all "family unit" owners within thirty (30) days after their adoption.

R. It is understood and agreed by the Grantor and each "family unit" owner that, when and if a municipal waste disposal system is available to the Ocean Dunes Condominium property, then and in that event and within sixty (60) days after such availability each "family unit" owner shall at his expense cause his "family unit" to be connected to such system; and no further use shall be made nor be permitted to be made with respect to the utilization of any septic tanks or drain fields which are now or may be hereafter installed upon the Ocean Dunes Condominium property.

S. When and if cable television service is made available at the site of the Ocean Dunes Condominium property, then it shall be expressly the duty of the Association to provide for such service, the base rate therefor being a common expense and the individual connection rate being an assessment as to each "family unit" owner. This same provision shall be applicable to any other type service which may become available and which shall be desired by at least a majority of the "family unit" owners.

T. In the event of a violation, a breach of any of the covenants herein contained within this Declaration, the Charter and By-Laws of the Association, or the use restrictions duly adopted thereby, then and in that event the owner of any "family unit" shall have the right individually to proceed at law, or in equity, to compel a compliance with the terms thereof or to prevent a violation or breach thereof.

U. Compliance and Default

1. Each "family unit" owner shall be governed by and shall comply with the terms of this Declaration, the By-Laws of the Association, and the regulations adopted pursuant thereto, and by such documents and regulations as they may be amended from time to time. A default shall entitle the Association or other "family unit" owner to the relief which is described herein in addition to such remedy as may be provided by the Unit Ownership Act.

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2. A "family unit" owner shall be liable for the expense of any maintenance, repair or replacement rendered necessary by his act, neglect or carelessness or by that of any member of his family, or his or their guests, tenants, employees, agents or leasees. This provision shall apply, even though the maintenance, repair or replacement would otherwise be a common expense to be paid by the Association. Such liability shall include any increase in fire insurance rates, or any other insurance coverage occasioned by the use, misuse, occupancy or abandonment of a "family unit" or its appurtenances.

3. The failure of the Association, or any "family unit" owner, to enforce any covenant, restriction or other provision of this Declaration or the Charter of the Association or the By-Laws of the Association or the regulations adopted pursuant thereto, shall not constitute a waiver of the right to do so thereafter.

V. Amendments

This Declaration may be amended by the Grantor herein or by the Association in the following manner:

1. Notice of the subject matter of the proposed amendment shall be included in any notice of meeting of the members of the Association at which a proposed amendment is to be considered.

2. A resolution adopting a proposed amendment may be proposed either by the Board of Directors of the Association or by a member of the Association. Directors and members not present in person or by proxy at any meeting considering an amendment may express their approval in writing, providing such approval is delivered to the secretary at or prior to said meeting. Except as otherwise provided such approval must be by either not less than two-thirds of the entire membership of the Board of Directors and by not less than two-thirds of the votes of the entire membership or the Association.

3. No amendment shall discriminate against any "family unit" owner or against any "family unit" owner as a class or group of "family units" unless the "family unit" owners so affected shall consent. No amendment shall change any "family unit", nor the share in the common elements appurtenant to it, nor increase the "family unit" owner share of the common expense, unless the record owner of the "family unit" and all record owners of the liens thereon shall join in the execution of such amendment.

4. A copy of such amendment shall be certified by the President and Secretary of the Association as having been duly adopted and shall be effective when recorded in the Office of the Register of Deeds of Dare County, North Carolina.

W. Termination

1. The Ocean Dunes Condominium may be terminated by all of the "family unit" owners executing an instrument for that purpose to be recorded in the Dare County Public Registry. Such instrument must also include the consent of all holders of liens on such "family units" or must include the consent of all holders of liens on the "family units" that his or its liens may be transferred to the percentage of the undivided interest of the "family unit" owner subsequent to the termination.

2. When a termination has been effected as herein provided, all of the property previously subject to the Unit Ownership Act shall be deemed to be owned by all of the "family unit" owners as tenants in common, including those parcels of land over which a "family unit" is situated. Each tenant's undivided interest shall be that percentage of the undivided interest previously owned by such "family unit" owner in the common elements and facilities, which is, to wit: 2.5% for forty (40) "family units" constituting a 100% full ownership.

X. Severability

1. The invalidity in whole or in part of any covenant or restriction, section, subdivision, paragraph, sentence, clause, phrase or word or other provisions of this Declaration, the Charter of the Association, the By-Laws and regulations of the Association, shall not affect the validity of the remaining portions thereof.

IN WITNESS WHEREOF, W. H. McCown, Trustee, and Virginia National Bank join in this Declaration for the sole purpose of consenting to the submission of all of that property herein described to the Unit Ownership Act, which said lands and property are described in a deed of trust from Hatteras Inn, Inc., to W. H. McCown, Trustee for Virginia National Bank, dated September 25, 1967, and duly recorded in Book 143, page 681, Public Registry of Dare County, North Carolina; and such parties agreed that the lands conveyed in the aforementioned deed of trust, together with the improvements placed thereon, shall be subject to the provisions of this Declaration, for the purposes of creating a condominium form of ownership of said lands; but in no way shall this joinder affect the validity of the lien of the aforementioned deed of trust, it being expressly retained on all of the property therein described. The Holder, to wit: The Virginia National Bank, has authorized and empowered and directed its Trustee, W. H. McCown, to join in the execution of this Declaration for the purposes herein expressed.

IN WITNESS WHEREOF, Ocean Dunes, Inc. and Virginia National Bank have caused this instrument to be executed by their duly authorized corporate officers and their respective corporate seals affixed hereto, and W. H. McCown has hereunto set his hand and seal this day and year first above written.

CORPORATE SEAL
ATTEST:

H. C. Korte
Secretary

OCEAN DUNES, INC.
By *[Signature]*
President

CORPORATE SEAL
ATTEST:
[Signature]
ASSISTANT CASHIER

VIRGINIA NATIONAL BANK
By *[Signature]*
VICE PRESIDENT

[Signature] (SEAL)
W. H. McCown, Trustee

STATE OF VIRGINIA

212 684

COUNTY/CITY OF Virginia Beach

This 22nd day of May, 1974, George Goldberg personally came before me, Nancy M. Cox, a Notary Public of the aforesaid city and state, who being by me duly sworn, says that he is the President of Ocean Dunes, Inc., and that the seal affixed to the foregoing instrument in writing is the corporate seal of said corporation, and that said writing was signed and sealed by him in behalf of the said corporation by its authority duly given. And the said George Goldberg acknowledged the said writing to be the act and deed of said corporation.

NOTARIAL SEAL

Nancy M. Cox
Notary Public

My commission expires: Feb. 26, 1975

STATE OF VIRGINIA

CITY OF NORFOLK

I, Sharon M. Dufrenoy, a Notary Public of the aforesaid city and state, do hereby certify that Charles M. Byward, Assistant Cashier, personally came before me this day and acknowledged that he is Assistant Cashier of the Virginia National Bank, a banking corporation, and that by authority duly given and as the act and deed of said corporation, the foregoing instrument was signed in its name by its Vice President, sealed with its corporate seal and attested by himself as H. H. Knickerbocker. Witness my hand and notarial seal this 21st day of May, 1974.

NOTARIAL SEAL

Sharon M. Dufrenoy
Notary Public

My commission expires: July 27, 1976

NORTH CAROLINA

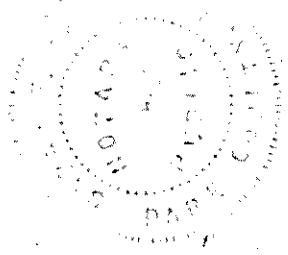
CASE COUNTY

I, the undersigned, a Notary Public of the aforesaid county and state do hereby certify that W. H. McCown personally appeared before me this day and acknowledged the due execution of the foregoing instrument. Witness my hand and notarial seal this 28th day of May, 1974.

NOTARIAL SEAL

David J. Cole
Notary Public

My commission expires: 7-7-75



212 885

Cedar Bynes, Inc., Landonville ("Exhibit A", Architect's Drawing and Certificate recorded in the said Landship file, Office of the Register in Dare, North Carolina, and in this office.)

WADEN, CAROLINA

The foregoing certificates of Nancy M. Cox, a Notary Public of Virginia Beach, Virginia; Sharon M. DeBernard, a Notary Public of Norfolk, Virginia; and Sarah E. Cole, a Notary Public of Dare County, North Carolina are certified to be correct.

Presented for registration this the 21st day of June, 1974 at 10:27 o'clock A.M. and recorded in this office in Book _____ Page _____.

Ethel J. Gray
Ethel J. Gray, Register of Deeds

By *Melva D. Garrison*
Assistant Register of Deeds

712 .696

"Exhibit B", plat of J. W. Bassell, Registered Surveyor, dated
March 15, 1974, and recorded in "Deed Book 7", Page 25, Public Registry
of Dare County, North Carolina.

212 687

State of North Carolina



Department
of the
Secretary of State

To all to whom these presents shall come, Greeting:

I, Thad Eure, Secretary of State of the State of North Carolina, do hereby certify the following and hereto attached (4 sheets) to be a true copy of

ARTICLES OF INCORPORATION

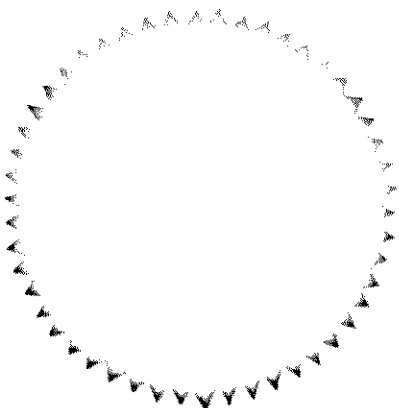
OF

OCEAN DUNES ASSOCIATION, INC.

and the probates thereon, the original of which was filed in this office on the 19th day of April, 1974, after having been found to conform to law.

In Witness Whereof, I have hereunto set my hand and affixed my official seal.

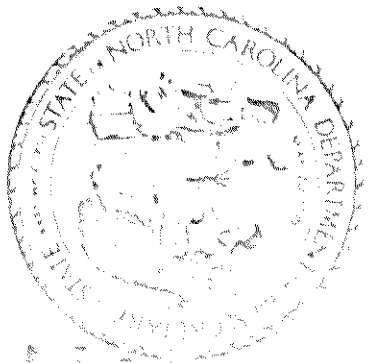
Done in Office, at Raleigh, this 19th day of April in the year of our Lord 1974.



Secretary of State

By
Deputy Secretary of State

outlet
7-23-14
10:48 am



State
of
North Carolina

and for Record
10721 M and date recorded is
10/23/14
19
DATE OF RECORDING
ASSISTANT REGISTER OF DEEDS

WILKINSON

Contract Copy
from
The Department of the
Secretary of State
to be recorded
with the
Register of Deeds
Register of Deeds

FILED 212-1000

FILED

ARTICLES OF INCORPORATION

OF

OCEAN DUNES ASSOCIATION, INC.

We, the undersigned, natural persons of the age of eighteen years or more, do hereby associate ourselves into a non-profit corporation under the laws of the State of North Carolina, as contained in Chapter 55 of the General Statutes of North Carolina, entitled "Non-Profit Corporation Act", and the several amendments, and to that end do hereby set forth:

1. The name of the Non-Profit Corporation is Ocean Dunes Association, Inc.

2. The Non-Profit Corporation shall continue to exist until the termination of the Ocean Dunes Condominium, pursuant to the Unit Ownership Act, or until terminated as provided in the Declaration creating the Ocean Dunes Condominium.

3. The purpose or purposes for which the Non-Profit Corporation is organized are:

(a) To manage and operate the Ocean Dunes Condominium, a condominium established or to be established by the filing of a Declaration therefor in the office of the Register of Deeds of Dare County, North Carolina, and to that end:

1. To make and collect assessments against members, to defray the cost and expenses and losses of the condominium.

2. To use the proceeds of assessments in the exercise of its powers and duties.

3. To maintain, repair, replace and operate the Condominium property.

4. To purchase insurance upon the Condominium property as insurance for the protection of the Association and its members.

5. To reconstruct improvements after casualty and to further improve the property.

6. To make and amend reasonable regulations respecting the use of the property in the Condominium.

7. To enforce by legal means the provisions of the Unit Ownership Act, the Declaration, these Articles, the By-Laws of the Association, and the regulations for the use of the Condominium property.

RUCK 10-11-74 212-11-000

5. The owners of a "family unit" shall have a vote in the affairs of the Non-Profit Corporation in proportion which their share in the common element bears to the total elements; i.e., if a "family unit" owner owns a 2.5% undivided interest in the common elements, his vote in the affairs of the Non-Profit Corporation shall consist as 2.5% of the total vote possible on any matter to be considered by the Non-Profit Corporation, the total vote being 40 "family units" at 2.5% each or 100%, on any matter to be considered by the Non-Profit Corporation.

6. The number of directors and the method of election of the directors shall be fixed by the By-Laws, but the number of directors shall not be less than three (3). The number of directors constituting the initial Board of Directors shall be three (3), and the names and addresses of the persons who are to serve as directors until the first meeting of the members or until their successors are elected and duly qualified are:

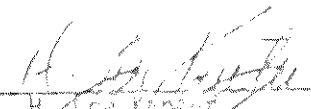
NAMES	ADDRESSES
H. Lee Kanter	Suite 1106, Plaza One Norfolk, Virginia 23510
George Goldberg	138 Rosemont Road, Suite 201 Virginia Beach, Virginia 23452
Edward Goldberg	138 Rosemont Road, Suite 201 Virginia Beach, Virginia 23452

7. The address of the initial registered office of the corporation shall be the Colony Realty Corporation at Avon, Dare County, North Carolina, and the name of such initial registered agent at such address is Edward Goldberg.


8. The names and addresses of all the incorporators are:

NAMES	ADDRESSES
H. Lee Kanter	Suite 1106, Plaza One Norfolk, Virginia 23510
George Goldberg	138 Rosemont Road, Suite 201 Virginia Beach, Virginia 23452
Edward Goldberg	138 Rosemont Road, Suite 201 Virginia Beach, Virginia 23452

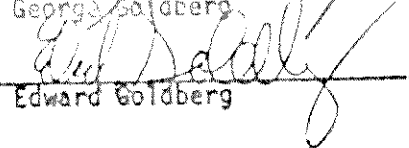
IN TESTIMONY WHEREOF, we have hereunto set our hands and seals this 2nd day of January, 1974.

 (SEAL)

 H. Lee Kanter

 (SEAL)

 George Goldberg

 (SEAL)

 Edward Goldberg

8. To contract for the management of the Condominium and to delegate to such manager, consisting of an individual, firm or corporation, all powers and duties of the Association, except such as are specifically required by the Declaration, to have the approval of the Board of Directors or the members of the Association.

9. To contract for the management or operation of portions of the common elements susceptible to separate management or operation and to lease such portions.

10. To employ personnel to perform the services required for the proper operation of the Condominium.

(b) To perform and do any and all other acts permitted by the Non-Profit Corporation Act of the North Carolina General Statutes, Chapter 55(a), necessary or desirable for the conduct and continuation of the management, operation and development of the Condominium pursuant to the Unit Ownership Act of the North Carolina General Statutes, Chapter 47(a).

(c) To allocate the funds and proceeds of its assessments by credit after the end of its accounting period or by refund to its members and to conduct, operate and allocate its operating procedures in such fashion as is or may be required by the Internal Revenue Service of the United States of America or the Department of Revenue of the State of North Carolina in order that its members may have the minimum amount of tax, if any, as may be determined to be due in the operation of this Association.

4. The members of the Non-Profit Corporation shall consist of all of the record owners of the "family units" in the Condominium. A person, firm or corporation or any entity capable of holding title to real estate in North Carolina automatically becomes a member of the Corporation upon a deed of conveyance conveying one of the "family units" in the Ocean Dunes Condominium to such person, firm, or corporation or entity in the Register of Deeds Office of Dare County, North Carolina; or upon the probate of a will of a decedent owner, the devisee named therein becomes a member; or upon the death of an owner intestate, his heirs at law automatically become members. The membership of a record owner is immediately terminated upon the recordation of a deed of conveyance to his or their "family unit", or is automatically terminated upon his death or upon the record title to his "family unit" being transferred out of him in any manner, whether by voluntary conveyance, a foreclosure for taxes due any governmental authority, a foreclosure of a mortgage or deed of trust, or by the execution against the real property to satisfy any lien or judgment.

212-682

212-682

STATE OF VIRGINIA

CITY/COUNTY OF VIRGINIA BEACH

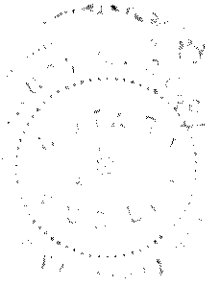
This is to certify that on the 1ST day of April, 1974, before me, Nancy M. Cox, a Notary Public of the aforesaid city and state, personally appeared H. Lee Kanter, George Goldberg and Edward Goldberg, who I am satisfied are the persons named in and who executed the foregoing Articles of Incorporation, and I first made known to them the contents thereof, they did each acknowledge that they signed and delivered the same as their voluntary act and deed for the uses and purposes therein expressed.

IN TESTIMONY WHEREOF, I have hereunto set my hand and notarial seal this 1st day of April, 1974.

NOTARIAL SEAL

Nancy M. Cox
Notary Public

My commission expires:
Feb. 28, 1975



BY-LAWS
OF
THE OCEAN DUNES ASSOCIATION, INC.

P R E A M B L E

Section 1. The Ocean Dunes Association, Inc. is a non-profit corporation organized under the laws of the State of North Carolina, as contained in Chapter 55A of the General Statutes of North Carolina, entitled "Non-Profit Corporation Act".

Section 2. The purpose or purposes for which the non-profit corporation is organized are:

(a) To manage and operate The Ocean Dunes Condominium, a condominium established, or to be established, by filing the Declaration therefor in the Office of the Register of Deeds of Dare County, North Carolina, and to that end:

(i) To make and collect assessments against members to defray the costs, expenses, and losses of the Condominium.

(ii) To use the proceeds of assessments in the exercise of its powers and duties.

(iii) To maintain, repair, replace and operate the Condominium property.

(iv) To purchase insurance upon the Condominium property and insurance for the protection of the Association and its members.

(v) To reconstruct improvements after casualty and to further improve the property.

(vi) To make and amend reasonable regulations respecting the use of the property in the Condominium.

(vii) To enforce by legal means the provisions of the Unit Ownership Act, the Declaration, the Articles, these By-Laws of the Association, and the regulations for the use of the Condominium property.

(viii) To contract for the management of the Condominium and to delegate to such manager all powers and duties of the Association except such as are specifically required by the Declaration to have approval of the Board of Directors or the membership of the Association.

(ix) To contract for the management or operation of portions of the common elements susceptible to separate management or operation, and to lease such portions.

(x) To employ personnel to perform the services required for proper operation of the Condominium.

(b) To perform and do any and all other acts permitted by the Non-Profit Corporation Act of the North Carolina General Statutes, Chapter 55A, necessary or desirable for the conduct and continuation of the management, operation and development of a condominium pursuant to the Unit Ownership Act of the North Carolina General Statutes, Chapter 47A.

ARTICLE I

Offices

- Section 1. Principal Office. The principal office of the Corporation shall be located at The Ocean Dunes Condominium, N. C. State Highway No. 12, Hatteras, Dare County, North Carolina.
- Section 2. Registered Office. The registered office of the Corporation, which by law is required to be maintained in the State of North Carolina, shall be located at The Ocean Dunes Condominium, N. C. State Highway No. 12, Hatteras, Dare County, North Carolina, or at such other place within the State of North Carolina as may, from time to time, be fixed and determined by the Board of Directors.
- Section 3. Other Offices. The Corporation may have other offices at such places, either within or outside the State of North Carolina, as the Board of Directors may from time to time determine, or as the affairs of the Corporation may require.

ARTICLE II

Meeting of Members

- Section 1. Place of Meetings. All meetings of members shall be held at the place designated in the notice of such meeting, within or outside the State of North Carolina, or if no place is designated in said notice, the meeting shall be held at the principal office of the Corporation.
- Section 2. Annual Meetings. The annual meeting of the members for the election of directors and for the transaction of such other business as may properly come before the meeting shall be held at two o'clock P. M. on the first Saturday in May in each year, if not a legal holiday, and if a legal holiday, then on the next secular day following.
- Section 3. Substitute Annual Meeting. If the annual meeting shall not be held on the day designated by these By-Laws, a substitute annual meeting may be called in the manner provided for the call of a special meeting in accordance with the provisions of Section 4 of this Article II, and a substitute annual meeting so called shall be designated as and shall be treated, for all purposes, as the annual meeting.
- Section 4. Special Meetings. Special meetings of the members may be called at any time by the President, or any member of the Board of Directors, or by any member pursuant to the written request of the members who own not less than ten percent (10%) of the undivided interest in the common elements of the Condominium so defined in the Declaration.
- Section 5. Notice of Meetings. Written or printed notice stating the time and place of a meeting of members shall be delivered, personally or by mail, by or at the direction of the President, the Secretary or other person authorized to call such meeting, to each member entitled to vote at such meeting, not less than ten (10) nor more than fifty (50) days prior to the date of such meeting. If mailed, such notice shall be directed to each member at the address of such member as set forth on the records of the Corporation, except that if any member shall have filed with the Secretary a written request that notices intended for such member be mailed to some other address, then all notices to such member shall be mailed to the address designated in such request.

A statement of the business to be transacted at an annual or substitute annual meeting of members need not be set forth in the notice of such meeting, except that if any matter is to be considered or acted upon, other than the election of directors, on which the vote of members is required under the provisions of the North Carolina Non-Profit Corporation Act, then a specific statement thereof shall be set forth in such notice.

In the case of a special meeting, the notice shall set forth the nature of the business to be transacted.

If a meeting shall be adjourned for more than thirty (30) days, notice of such adjourned meeting shall be given as in the case of an original meeting, and if the adjournment shall be for less than thirty (30) days, no notice thereof need be given, except that such adjournment shall be announced at the meeting at which the adjournment is taken.

Notice of a meeting need not be given if each member entitled to notice thereof shall, in person, or by attorney thereunto duly authorized, waiver notice thereof in writing, either before or after such meeting.

Section 6. Quorum. Except as otherwise provided by statute, or by the Charter of the Corporation, or by these By-Laws, the presence in person or by proxy of sufficient members who own not less than fifty (50) percent of the undivided interest in the common elements of the Condominium as defined in the Declaration shall be necessary to constitute a quorum for the transaction of business.

Section 7. Voting. At each meeting of members, every member shall have a vote in the affairs of the Corporation in the proportion to which the member's percentage in the common elements of the Condominium bear to the total common elements of the Condominium, i.e., if an apartment unit owner owns a .25% undivided interest in the common elements, his vote in the affairs of the Corporation shall count as .25% of the total vote possible on any matter to be considered by the Corporation, and all questions, except as otherwise provided by statute, or by the Charter of the Corporation, or by these By-Laws, shall be determined by the votes so cast by a majority of the percentages of the members' undivided interest in the common elements.

Where any unit is owned as tenants in common or as tenants by the entirety, said tenants may determine between or among themselves how the vote they are entitled to shall be cast, but the Chairman of a meeting of the Association shall not accept any division of a vote that said owners would otherwise be entitled to cast if said tenants do not unanimously agree between or among themselves on how their vote should be cast.

Any member entitled to vote may vote by proxy, provided that the instrument authorizing such proxy to act shall have been executed in writing by the member or his duly authorized attorney. No proxy shall be valid after the expiration of eleven (11) months from the date of its execution, unless the person executing it shall have specified therein the length of time it is to continue in force or limits its use to a particular meeting, and in any event, no proxy shall be valid after ten (10) years from the date of its execution. Each instrument designating a proxy shall be exhibited to the Secretary of the meeting and shall be filed with the records of the Corporation.

Section 8. Informal Action by Shareholders. Any action which may be taken by the members at a meeting thereof may be taken without a meeting if consent in writing, setting forth the action taken, shall be signed by all of the persons who would be entitled to vote upon such action at a meeting and filed with the Secretary of the Corporation. Any consent so filed with the Secretary of the Corporation shall be filed in the corporate minute book in like manner as minutes of a meeting. Any such consent shall have the same force and effect as a unanimous vote of the members.

ARTICLE III

Board of Directors

Section 1. General Powers. The property, affairs and business of the Corporation shall be managed by the Board of Directors.

Section 2. Number, Term of Office and Qualifications. The number of directors shall be determined by the members, but in no event shall there be fewer than three (3) nor more than seven (7). Each director shall continue in office until the annual meeting of members held next after his period of office expires and until his successor shall have been elected and qualified, or until his death, or until he shall resign or shall become disqualified, or shall have been removed in the manner hereinafter provided. At least two (2) of the directors shall serve for a term of two (2) years and the remaining number of directors a term of one (1) year for the purpose of providing continuity to the activities of the Board of Directors.

Directors need not be residents of the State of North Carolina or members of the Corporation.

The initial Board of Directors designated by the Owner-Developer, as owner of all of the "family units", shall be as follows:

George Goldberg
Edward Goldberg

H. Lee Kanter
Edward L. Nelson

Section 3. Election of Directors. Except as provided in Section 6 of this Article III, the directors shall be elected at the annual meeting of members and the persons who shall receive a plurality of votes cast on a single ballot that includes the names of all the nominees for directors shall be the elected directors. If prior to voting for the election of directors, demand therefor shall be made by or on behalf of any members entitled to vote at such meeting, the election of directors shall be by ballot.

Section 4. Cumulative Voting. Every member entitled to vote at an election of directors shall have the right to vote his percentage of the total vote for as many persons as there are directors to be elected for whose election such member has a right to vote, or to cumulate such vote by giving one candidate as many votes as shall be equal to the number of such directors, multiplied by his percentage of the total vote, or by distributing such percentage on the same principle among any number of such candidates.

This right of cumulative voting shall not be exercised unless some member or proxy holder announces in open meeting, before the voting for the directors starts, such member's intention to so vote cumulatively, and if such announcement is made, the chair shall declare that all shares entitled to vote have the right to vote cumulatively and shall thereupon grant a recess of not less than one (1) nor more than four (4) hours, as he shall determine, or of such other period of time as is unanimously then agreed upon.

Section 5. Removal of Directors. The Board of Directors or any individual director may be removed from office with or without cause by a vote of members owning a majority of the percentages of the members' undivided interest in the common elements entitled to vote at an election of directors; provided, however, that, except in the event the entire board shall be removed, a particular director may not be removed if the number of shares voting against the removal would be sufficient to elect a director if such shares were voted cumulatively at an annual election. If any or all directors are so removed, new directors may be elected at the same meeting.

If the authorized number of directors shall be decreased as permitted by these By-Laws, no incumbent director shall have his term then in effect shortened.

Section 6. Vacancies. A vacancy on the Board of Directors created by an increase in the authorized number of directors shall be filled only by election at an annual meeting of members or at a special meeting of members called for that purpose. Any vacancy in the Board of Directors created other than by an increase in the number of directors may be filled by a majority

of the remaining directors, though less than a quorum, or by the sole remaining director. The members may elect a director at any time to fill any vacancy not filled by the directors. In the event of the resignation of a director to take effect at a future date, either the Board of Directors or the members at any time after tender of such resignation, may elect a successor to such director to take office as of the effective date of such resignation.

Section 7. Compensation of Directors. The Board of Directors may not cause the Corporation to compensate directors for their services as directors, but it may provide for the payment by the Corporation of all expenses incurred by directors in attending regular and special meetings of the Board.

Section 8. Committees. The Board of Directors by the vote of a majority of the directors in office, may designate one or more committees, each of which shall consist of two or more directors, which committees, to the extent provided in such resolution, shall have and may exercise all of the authority of the Board of Directors in the management of the Corporation, but the designation of such committees and the delegation thereto of authority shall not operate to relieve the Board of Directors or any individual director of any responsibility or liability imposed upon it or him by law.

A committee appointed pursuant to this Section 8 shall have no authority as to: the dissolution, merger or consolidation of the Corporation, the amendment of the Charter of the Corporation, the sale, lease or exchange of all or substantially all of the property of the Corporation, the designation of any such committee, the filling of vacancies on the Board of Directors or on any such committee, the amendment or repeal of the By-Laws, the adoption of new By-Laws or the amendment or repeal of any resolution of the Board of Directors which by its terms shall not be so amendable or repealable.

ARTICLE IV

Meetings of Directors

Section 1. Regular Meetings. A regular annual 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 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, Vice-President or any director.

Section 3. Place of Meetings. All meetings of the Board of Directors shall be held at the principal office of the Corporation, except that such meetings may be held at such other place, within or outside the State of North Carolina, as may be designated in a duly executed waiver of notice of such meeting, or as may be otherwise agreed upon in advance of the meeting by a majority of the directors.

Section 4. Notice of Meetings. Regular meetings of the Board of Directors may be held without notice.

Special meetings shall be called on not less than two (2) days prior notice. Notice of a special meeting need not state the purpose thereof and such notice shall be directed to each director at his residence or usual place of business by mail, cable, telegram or may be delivered personally. The presence of a director at a meeting shall constitute a waiver of notice of that meeting except only when such director attends the meeting solely for the purpose of objecting to the transaction of any business thereat, on the ground that the meeting has not been lawfully called, and does not otherwise participate in such meeting.

Section 5. Quorum and Manner of Acting. A majority of the number of directors then in office shall constitute a quorum for the transaction of any business at any meeting of the Board of Directors.

Except as otherwise expressly provided in this Section, the act of a majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.

The vote of a majority of the number of directors holding office shall be required to adopt a resolution appointing a committee pursuant to Section 8 of Article III of these By-Laws, and the vote of a majority of the directors then holding office shall be required to adopt, amend or repeal a By-Law.

Section 6. Informal Action of Directors. Action taken by a majority of the Directors without a meeting shall constitute 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.

Section 7. Resignations. Any director may resign at any time by giving written notice to the President or the Secretary of the Corporation. Such resignation shall take effect at the time specified therein, or if no time is specified therein, at the time such resignation is received by the President or Secretary of the Corporation unless it shall be necessary to accept such resignation before it becomes effective, in which event, the resignation shall take effect upon its acceptance by the Board of Directors. Unless otherwise specified therein, the acceptance of any such resignation shall not be necessary to make it effective.

ARTICLE V

Officers

Section 1. Number of Officers. The officers of the Corporation shall be a President, one or more Vice-Presidents, a Secretary and a Treasurer, and such other officers as may be appointed in accordance with the provisions of Section 3 of this Article V. Any two offices, or more, may be held by one person, except the offices of President and Secretary, but no officer shall sign or execute any document in more than one capacity.

Section 2. Election, Term of Office and Qualifications. Each officer, except such officers as may be appointed in accordance with the provisions of Section 3 of this Article V, shall be chosen by the Board of Directors and shall hold office until the annual meeting of the Board of Directors held next after his election, or until his successor shall have been duly chosen and qualified, or until his death, or until he shall resign, or shall have been disqualified, or shall have been removed from office.

Section 3. Subordinate Officers and Agents. The Board of Directors from time to time may appoint other officers or agents, each of whom shall hold office for such period, have such authority, and perform such duties as the Board of Directors from time to time may determine. The Board of Directors may delegate to any officer or agent the power to appoint any subordinate officer or agent and to prescribe his respective authority and duties.

Section 4. Removal. Any officer elected or appointed may be removed by the persons authorized to elect or appoint such officer whenever in their judgment the best interest of the Corporation will be served thereby. The removal of any person from office shall be without prejudice to the contract rights, if any, of the person so removed. Election or appointment of an officer or agent shall not of itself create contract rights.

Section 5. Resignations. Any officer may resign at any time by giving written notice to the Board of Directors or to the President or the Secretary of the Corporation, or if he was appointed by an officer or agent in accordance with Section 3 of this Article V, by giving written notice to the officer or agent who appointed him. Any such resignation shall take effect upon its being accepted by the Board of Directors or by the officer or agent appointing the person so resigning.

- Section 6. Vacancies. A vacancy in any office because of death, resignation, removal, or disqualification, or any other cause, shall be filled for the unexpired portion of the term in the manner prescribed by these By-Laws for regular appointments or elections to such offices.
- Section 7. President. The President shall be the chief executive officer of the Corporation, and, subject to the instructions of the Board of Directors, shall have general charge of the business, affairs and property of the Corporation and control over its other officers, agents and employees. He shall preside at all meetings of the members and of the Board of Directors at which he may be present. He shall sign, with the Secretary, any deeds, mortgages, executed on behalf of the Corporation except where required or permitted by law to be otherwise signed and executed and except where the signing and execution thereof shall be delegated by the Board of Directors to some other officer or agent. The President shall do and perform such other duties as from time to time may be assigned to him by the Board of Directors.
- Section 8. Vice-President. At the request of the President, or in his absence or disability, the Vice-President, and if there be more than one Vice-President, the Vice-President designated by the Board of Directors, or in the absence of such designation, the Vice-President designated by the President, shall perform all 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-Presidents shall perform such other duties and have such authority as from time to time may be assigned to them by the Board of Directors.
- Section 9. Secretary. The Secretary shall keep the minutes of the meetings of members and of the Board of Directors, and shall see that all notices are duly given in accordance with the provisions of these By-Laws or as required by law. He shall be custodian of the records, books, reports, statements and other documents of the Corporation and of the seal of the Corporation, and see that the seal is affixed to all documents requiring such seal. He shall keep at the Corporation's registered office or its principal office in the State of North Carolina a record of the names and addresses of all the members entitled to vote. In general, he shall perform all duties and possess all authority incident to the office of Secretary and he shall perform such duties and have such other authority as from time to time may be assigned to him by the Board of Directors.
- Section 10. Treasurer. The Treasurer shall have supervision over the funds, securities, receipts and disbursements of the Corporation. He shall keep full and accurate accounts of the finances of the Corporation in books especially provided for that purpose, and he shall cause a true statement of its assets and liabilities, as of the close of each fiscal year, and of the results of its operations for such fiscal year, all in reasonable detail, to be made and filed at the registered or principal office of the Corporation within four (4) months after the end of such fiscal year. The statement so filed shall be kept available for inspection by any member for a period of ten (10) years and the Treasurer shall mail or otherwise deliver a copy of the latest of such statement to any member upon his written request for the same. He shall in general perform all duties and shall have all authority incident to the office of Treasurer and shall perform such other duties and have such other authority as from time to time may be assigned or granted to him by the Board of Directors. He shall be required to give a bond for the faithful performance of his duties in such form and amount as the Board of Directors may determine.
- Section 11. Duties of Officers may be Delegated. In case of the absence of any officer of the Corporation, or for any other reason that the Board may deem sufficient, the Board may delegate the powers or duties of such officer to any other officer or to any director for the time being, provided a majority of the entire Board of Directors concurs therein.
- Section 12. Salaries of Officers. No officer of the Corporation shall be prevented from receiving a salary as such officer or from voting thereon by reason of the fact that he is also a director of the Corporation. The salaries

of the officers of the Corporation, including such officers as may be directors of the Corporation, shall be fixed from time to time by the Board of Directors, except that the Board of Directors may delegate to any officer who has been given power to appoint subordinate officers or agents, as provided in Section 3 of this Article V, the authority to fix the salaries or other compensation of any such officers or agents appointed by him.

ARTICLE VI

Contracts, Loans, Deposits, Checks, Drafts, Etc.

- Section 1. Contracts. Except as otherwise provided in these By-Laws, the Board of Directors may authorize any officer or officers, agent or agents to enter into any contract or to execute or deliver any instrument on behalf of the Corporation, and such authority may be general or confined to specific instances.
- Section 2. Loans. No loans shall be contracted on behalf of the Corporation and no evidence of indebtedness shall be issued in its name, unless and except as authorized by the Board of Directors. Any officer or agent of the Corporation thereunto so authorized may effect loans or advances for the Corporation and for such loans and advances may make, execute and deliver promissory notes, bonds, or other evidences of indebtedness of the Corporation. Any such officer or agent, when thereunto so authorized, may mortgage, pledge, hypothecate or transfer as security for the payment of any and all loans, evidences, indebtedness and liabilities of the Corporation any real property and all stocks, bonds, other securities and other personal property at any time held by the Corporation, and to that end may endorse, assign and deliver the same, and do every act and thing necessary or proper in connection therewith. Such authority may be general or confined to specific instances.
- Section 3. Deposits. All funds of the Corporation shall be deposited from time to time to the credit of the Corporation in such banks or trust companies or with such bankers or other depositories as the Board of Directors may select, or as may be selected by any officer or officers, agent or agents of the Corporation to whom such power may from time to time be given by the Board of Directors.
- Section 4. Checks, Drafts, Etc. All notes, drafts, acceptances, checks and endorsements or other evidences of indebtedness shall be signed by the President or a Vice-President and by the Secretary or the Treasurer, or in such other manner as the Board of Directors from time to time may determine. Endorsements for deposit to the credit of the Corporation in any of its duly authorized depositories will be made by the President or Treasurer or by any officer or agent who may be designated by resolution of the Board of Directors in such manner as such resolution may provide.
- Section 5. Loans to Directors and Officers. No loan shall be made by the Corporation to any of its directors or officers. The directors who vote or assent to the making of such loan, shall be jointly and severally liable to the Corporation for the amount of such loan until the repayment thereof.

ARTICLE VII

Membership in the Corporation

- Section 1. Membership. The members of the Corporation shall consist of all the record owners of "family units" in the Condominium known as The Ocean Dunes Condominium located in Hatteras, Dare County, North Carolina, a Declaration of which has been recorded in the Dare County Public Registry. A person, firm, corporation or any entity capable of holding title to real estate in North Carolina, automatically becomes a member of the

Corporation upon a deed of conveyance conveying one of the "family units" in the Ocean Dunes Condominium to such person, firm, corporation or entity being recorded in the Register of Deeds Office of Dare County, or upon the probate of the will of a deceased owner, the devisee named therein becomes a member, or upon the death of an owner intestate, his heirs at law automatically become members.

Section 2. Terminating Membership. A member's membership in the Corporation is automatically terminated upon his death or upon the record title to his apartment unit being transferred out of him in any manner, whether by a voluntary conveyance, a foreclosure for taxes due any governmental authority or foreclosure of a mortgage or deed of trust, or by execution against the real property to satisfy any lien or judgment. If the property of The Ocean Dunes Condominium is removed from the Unit Ownership Act, North Carolina General Statutes, Chapter 47A, the Corporation shall automatically be dissolved and all memberships shall be terminated. Any assets of the Corporation remaining after the satisfaction of all liabilities of the Corporation shall be pro-rated among those members of the Corporation on the date the Condominium was removed from the Unit Ownership Act in the same percentages as the percentage of each member's undivided interest in the common elements of the Condominium bears to the total common elements.

Section 3. Transfer of Membership. Each membership in the Corporation shall be appurtenant to the ownership of an apartment unit in The Ocean Dunes Condominium and no membership shall be transferred or assigned except upon the transfer of the record title to the apartment unit itself. Upon the transfer by a member, of a "family unit", the member shall give notice of such transfer giving full names of new owners and proper address for receiving notices, assessments, etc. as required under the terms of the Declaration, Charter, and By-Laws of Ocean Dunes, Inc., and the Association. Such request for transfer shall be on the form prescribed by the Secretary entitled "Application for Transfer of Membership of Family Unit No. _____, Ocean Dunes, Inc."

Section 4. Suspension of Membership. The Board of Directors shall have the authority to suspend a member's membership, which in effect shall deny that member the right to vote on any matter requiring a membership vote and further shall deny that member the right to the use of any of the recreational facilities of the common elements, if that member is in default in the payment of any assessment for common expenses levied by the Corporation, and said suspension shall remain in effect until such assessment has been paid. The Board of Directors further shall have the authority to suspend a member's membership, after due notice and hearing, for any violation of any rule or regulation established by the Declaration of The Ocean Dunes Condominium, these By-Laws or by the Board of Directors governing the use of the common elements and facilities, and said suspension shall remain in effect until said violation has been corrected, terminated or satisfied.

ARTICLE VIII

Administration of the Condominium

Section 1. Management. The management of the Condominium shall be the responsibility of the Board of Directors pursuant to the general powers vested in said Board in Section 1 of Article III above. The Board of Directors shall be responsible for contracting with various individuals, firms and corporations, whether one or more, for the maintenance and operation of all the common elements of the Condominium, said contracts not to exceed a term of five (5) years after the termination of the initial five-year guarantee. The Board of Directors shall have authority to revise, alter or terminate all contracts and agreements, or dismiss any personnel, wherein the service to be performed is unsatisfactory or undesirable, or is not of the caliber of that contracted for. The Board of Directors shall direct the Treasurer to pay all routine maintenance costs anticipated and set out in the annual operating budget and also to pay for all services contracted for by the Board of Directors pursuant to the terms of any and all such contracts. All other expenditures shall be

made only after the written consent has been obtained from a majority of the Board of Directors then in office. The Treasurer shall file such written consents with the books of the Corporation.

Section 2. Common Assessments. All unit owners shall pay their share of the common expenses according to the Declaration as determined by the budget which shall be adopted at each annual meeting of the members, or subsequently amended by any special meeting of the members, in monthly, quarterly, semi-annual or annual payments, said payments to be made in advance of the first day of the period for which said payment is made. The Board of Directors shall, prior to the annual meeting of the members, prepare and adopt a budget for the ensuing year showing anticipated receipts and disbursements for said year to be recommended to the membership for its adoption at its annual meeting. A copy of the proposed budget indicating each unit owner's proposed assessment shall be sent to each unit owner with the notice of the annual meeting.

The budget shall contain provision for a reserve fund sufficient to meet the anticipated replacement of personal property, fixtures and equipment that are common elements that will be replaced due to ordinary wear and tear. There shall be adopted a schedule of depreciation for such property in accordance with good and acceptable accounting practices, and the reserve fund shall be maintained in an amount equal to the accumulated depreciation in accordance with this schedule.

The Board of Directors may authorize a unit owner to pay his common assessment to a mortgagee of a first lien deed of trust upon the condition that said mortgagee agrees to transfer over to the Association's Treasurer all such assessments so collected by it by the 20th day of each month. Any payments made pursuant to such authorization shall in no way affect the Association's right to a lien for unpaid common assessments as provided in Paragraph 2 of Section M of the Declaration for any sums not aptly furnished the Association's Treasurer.

Section 3. Administrative Regulations. The Board of Directors shall have the power and authority to adopt and amend administrative rules and regulations governing the details of the operation and use of the common areas and facilities and governing the personal conduct of the members and their guests or lessors thereon, and such rules and regulations shall remain in force and effect until rescinded or amended by the Board of Directors, or until repealed or altered by the members as hereinafter provided.

Section 4. Receipts and Expenditures. The Board of Directors shall keep detailed, accurate records in chronological order of the receipts and expenditures affecting the common areas and facilities, specifying and identifying the maintenance and repair expenses of the common areas and facilities and any other expenses incurred. Both said book and the vouchers accrediting the entries thereupon shall be available for examination by all the unit owners, their duly authorized agents or attorneys, at convenient hours on working days that shall be set and announced for general knowledge. All books and records shall be kept in accordance with good and accepted accounting practices and an outside audit shall be made at least once annually.

Section 5. Assessment Statements. The Board of Directors, upon request of a grantee of an apartment unit, shall furnish said grantee a statement of the unpaid assessments against said grantee's grantor, and such grantee shall not be liable for, nor shall the unit conveyed to said grantee be subject to a lien for, any unpaid assessments in excess of the amount therein set forth.

Section 6. Contingency Fund. Every budget adopted must provide for the creation or continuation of a contingency fund to be used in the event of any casualty loss to any common element or facility. To establish or continue the contingency fund, the periodic payments which each member would otherwise be required to pay, as determined by the budget without

reference to the contingency fund, shall be increased by at least 5%, and in addition the first payment required in connection with any apartment unit shall be increased by an amount sufficient to make that unit's pro-rata contribution to the sum then held in the contingency fund equal to the pro-rata contribution to that sum of the unit which has made contributions to the contingency fund for the longest period of time. The payments as herein provided for the contingency fund shall be effective at all times unless the contingency fund shall have on hand or deposit the sum of Thirty-Five Thousand Dollars (\$35,000.00), and at other times as may be approved by the members in the adoption of the budget.

The contingency fund so collected shall be maintained in a separate account and may be used only to replace or repair common elements or facilities which are lost or destroyed by fire, storm, theft, or other casualty not adequately covered by insurance. The term "other casualty" shall be deemed to include any event due to some sudden, unexpected or unusual cause, but in no event shall the contingency fund be used for the payment of that portion of any loss or damage due to ordinary wear and tear.

ARTICLE IX

General Provisions

- Section 1. Corporate Seal. The corporate seal shall be in such form as shall be approved from time to time by the Board of Directors.
- Section 2. Fiscal Year. The fiscal year of the Corporation shall be established by resolution of the Board of Directors.
- Section 3. Dividends. No dividend shall be paid and no part of the income of the Corporation shall be distributed to the members, directors or officers.
- Section 4. Stock. The Corporation shall not have nor shall issue shares of stock.
- Section 5. Waiver of Notice. Whenever any notice is required to be given to any member or director under the provisions of the North Carolina Non-Profit Corporation Act, or under the provisions of the Charter or By-Laws of this Corporation, 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 6. Inspection of Books and Records. Any member, his agent or attorney, has the right to inspect all the books and records of the Corporation for any proper purpose at any reasonable time.
- Section 7. Amendments. Except as otherwise herein provided, these By-Laws may be amended or repealed and new By-Laws may be adopted by the affirmative vote of those persons representing not less than 75% of the undivided interest in the common elements present in person or proxy at a regular or special meeting of the members; and by not less than two-thirds of the members of the Board of Directors then in office. All members of the Corporation shall be bound by any amendment enacted as herein specified when the same is duly passed and set forth in an attested declaration, but said amendment shall not become operative until duly recorded in the Office of the Dare County Register of Deeds.
- Section 8. Definitions. The definitions of terms used in the North Carolina Unit Ownership Act and the Declaration of Unit Ownership of The Ocean Dunes Condominium shall be applicable where such terms are used in these By-Law.