



Exhibit "B"

**BYLAWS
OF
THE VILLAS OF HATTERAS LANDING OWNERS
ASSOCIATION, INC.**

ATTACHMENTS INCORPORATED HEREIN BY REFERENCE:

EXHIBIT "B-1" -- Articles of Incorporation



TABLE OF CONTENTS

Article Number	Section Number	Page Number
I	General Provisions	
	1.1. Applicability.....	1
	1.2. Office	1
	1.3. Definitions	1
	1.4. Interpretation.....	2
II	Unit Owners Association	
	2.1. Composition.....	2
	2.2. Annual Meeting	3
	2.3. Place of Meetings.....	3
	2.4. Special Meetings.....	3
	2.5. Notice of Meetings.....	3
	2.6. Quorum and Adjournment of Meetings.....	3
	2.7. Order of Business.....	4
	2.8. Conduct of Meetings.....	4
	2.9. Voting	4
	2.10. Proxies	4
III	Executive Board	
	3.1. Powers and Duties.....	5
	3.2. Managing Agent	7
	3.3. Number and Term of Office	9
	3.4. Election of Directors	9
	3.5. Removal or Registration of Directors.....	10
	3.6. Vacancies	10
	3.7. Organization Meeting	10
	3.8. Regular Meetings	10
	3.9. Special Meetings.....	11
	3.10. Waiver of Notice.....	11
	3.11. Quorum of Executive Board	11
	3.12. Compensation	11
	3.13. Conduct of Meetings.....	11
	3.14. Action Without Meeting	11
	3.15. Executive Board as Attorney-in-Fact.....	11

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3.16. Liability of the Executive Board, Officers,
Unit Owners and Association12

3.17. Common or Interested Directors13

3.18. Executive Board as Covenants Committee13

IV Officers

4.1. Designation14

4.2. Election of Officers14

4.3. Removal of Officers14

4.4. President14

4.5. Vice President14

4.6. Secretary14

4.7. Treasurer15

4.8. Execution of Documents15

4.9. Compensation of Officers15

V Operation of the Property

5.1. Determination of Common Expenses and
Assessments Against Unit Owners15

5.2. Payment of Common Expenses15

5.3. Collection of Assessments16

5.4. Statement of Common Expenses16

5.5. Maintenance, Repair, Replacement and other
Common Expenses16

5.6. Restrictions on Use of Units and Common
Elements, Rules and Regulations16

VI Insurance

6.1. Authority to Purchase; Notice17

6.2. Liability Insurance17

6.3. Other Insurance18

6.4. Separate Insurance18

6.5. Insurance Trustee19

VII Repair and Reconstruction After Fire or Other Casualty

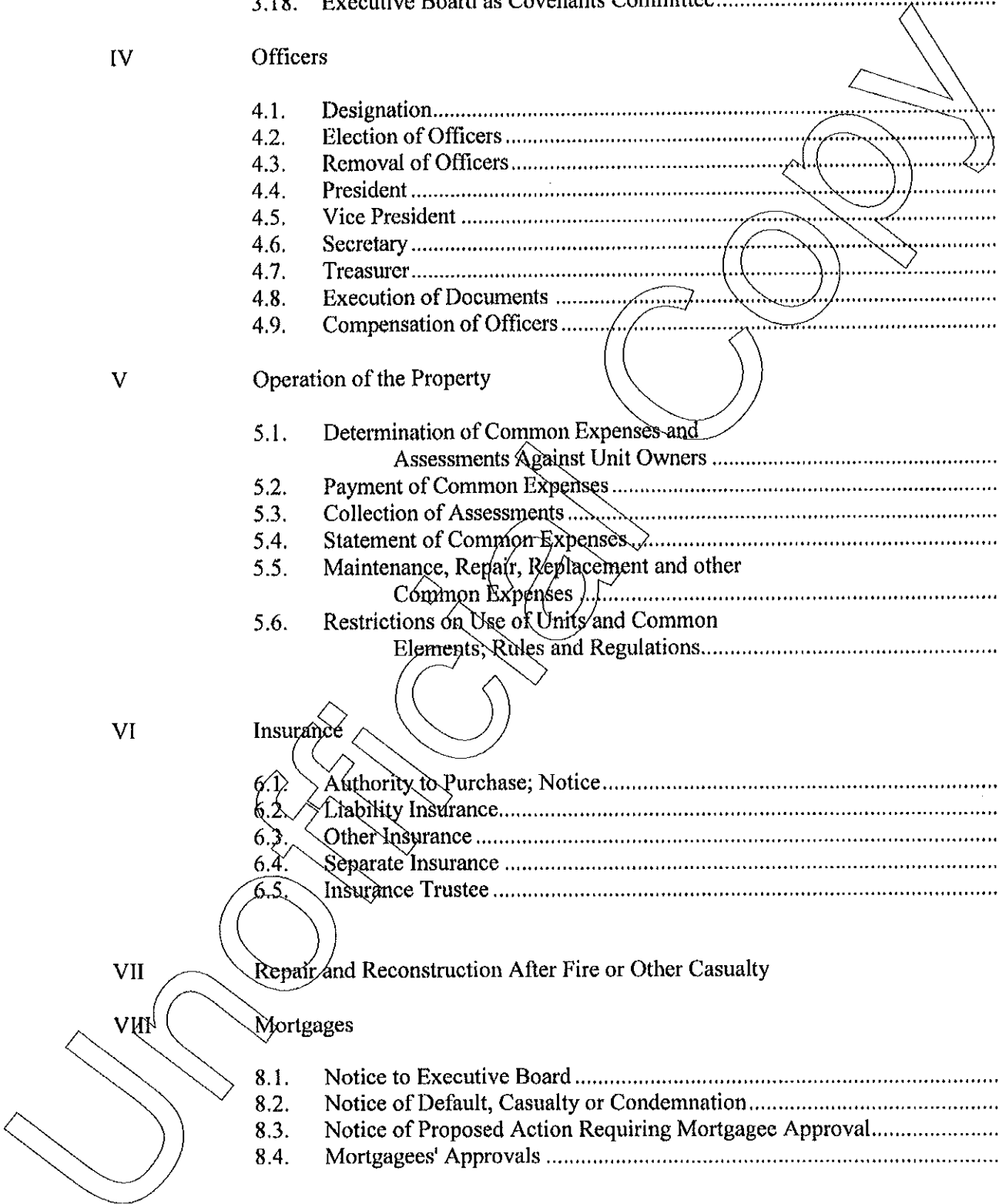
VIII Mortgages

8.1. Notice to Executive Board19

8.2. Notice of Default, Casualty or Condemnation19

8.3. Notice of Proposed Action Requiring Mortgagee Approval19

8.4. Mortgagees' Approvals19





IX	Compliance and Default	
	9.1. Relief.....	20
	9.2. Lien for Assessments	21
X	Amendments to Bylaws	
	10.1. Amendments	21
	10.2. Approval of Mortgagees	22
XI	Miscellaneous	
	11.1. Notices	22
	11.2. Captions	22
	11.3. Gender.....	22
	11.4. Construction.....	22

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BYLAWS

ARTICLE I General Provisions

1.1 Applicability. The name of the Association is The Villas of Hatteras Landing Owners' Association, Inc. In conjunction with the other Condominium Instruments, these Bylaws provide for the governing of the Condominium and the Association pursuant to the requirements of Article 3 of the Condominium Act. The property, located in Hatteras, North Carolina, and more particularly described in the Declaration, has been submitted to the provisions of the Condominium Act by recordation simultaneously herewith of the Declaration among the land records of Dare County, North Carolina.

1.2. Office. The Office of the Condominium, the Association, and the Executive Board shall be located at the Property or at such other place as may be designated from time to time by the Executive Board.

1.3. Definitions. Capitalized or other terms used herein without definition shall have the meanings specified for such terms in the Declaration to which these Bylaws are attached as Exhibit "B", or if not defined therein, the meanings specified for such terms in Section 47C-1-103 of the Condominium Act. The following terms have the following meanings in the Condominium Instruments:

a. "Executive Board" or "Board" means the executive body established pursuant to Article III of these Bylaws.

b. "Common Element Interest" means the undivided fractional interest in the common elements appurtenant to each unit, as described in Articles II and III of the Declaration.

c. "Covenants Committee" shall mean the committee described in Section 3.18 of these Bylaws.

d. "First Transition Election" means an election held no later than sixty (60) days after the conveyance of twenty-five percent (25%) of the Units to the Unit Owners other than the Declarant by which one or more members of the Executive Board shall be elected by the Unit Owners other than the Declarant so that the Unit Owners other than the Declarant will have elected 25% of the members of the Board.

e. "Limited Common Expenses" means expenses separately assessed against less than all the Condominium Units in accordance with the use of services, as permitted by Section 47C-3-115(c) of the Condominium Act.

f. "Majority Vote" means a vote in person or by proxy at a meeting at which a quorum is present by those Unit Owners who together own fifty-one percent (51%) or more of the Condominium Units. Each unit is entitled to one vote.



g. "Mortgagee" is defined in the Declaration. For purposes of Article VIII of these Bylaws only, when any right is to be given to a Mortgagee, the Executive Board shall also give such right to the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Veterans Administration, the Federal Housing Administration, and any other public or private secondary mortgage market entity participating in purchasing or guaranteeing Mortgages if the Board has notice of such participation.

h. "Officer" means any person holding office pursuant to Article IV of these Bylaws, but shall not mean members of the Executive Board unless directors are also Officers pursuant to Article IV.

i. "Reserved Common Element" means a Common Element in which the Executive Board has granted a revocable license for exclusive use by less than all of the Unit Owners.

j. "Second Transition Election" means an election held no later than sixty (60) days after the conveyance of fifty percent (50%) of the Units to the Unit Owners other than the Declarant by which one or more members of the Executive Board shall be elected by the Unit Owners other than the Declarant so that the Unit Owners other than the Declarant will have elected 33% of the members of the Board.

k. "Unit Owners Association" or "Association" means the Villas of Hatteras Landing Owners' Association, Inc., a North Carolina non-stock, nonprofit corporation, the membership of which shall be comprised of all the Unit Owners owning Condominium Units in the Condominium.

1.4 Interpretation. In all cases, the provisions set forth or provided for in these Bylaws shall be construed together and given that interpretation or construction which, in the opinion of Declarant or the Executive Board, will best effect the intent of the general plan of the Condominium. The provisions hereof shall be liberally interpreted, and if necessary, they shall be so extended or enlarged by implication as to make them fully effective. In the event of any conflicts or inconsistencies between the Act, these Bylaws or the Declaration, the terms and provisions of the Act, the Declaration and these Bylaws, in that order, shall prevail.

ARTICLE II Unit Owners Association

2.1. Composition. The Association shall consist of all of the Unit Owners, and for all purposes, shall act merely as agent for the Unit Owners as a group. The Association shall have the responsibility of administering the Condominium, establishing the means and methods of collecting assessments and charges, arranging for the management of the Condominium, and performing all of the other acts that may be required or permitted by the Condominium Act and the Declaration. Except as to those matters that the Condominium Act specifically requires to be performed by vote of the Association, the foregoing responsibilities shall be performed by the Executive Board or Managing Agent as more particularly set forth in Article III of these Bylaws.



2.2. Annual Meeting. The annual meetings of the Association shall be held at least seventy-five (75) days before the beginning of each fiscal year on a date other than a Sunday or legal holiday. At such annual meetings the Executive Board shall be elected by ballot of the Unit Owners in accordance with Article III, Section 3.4 of these Bylaws. During the Declarant Control Period, the Declarant shall be entitled to designate members of the Executive Board pursuant to Article III, Section 3.3(a) of these Bylaws. The Association shall come into existence upon the conveyance of a unit to anyone other than the Declarant. The meetings of the Association shall be held at least annually thereafter.

2.3. Place of Meetings. Meetings of the Association shall be held at a suitable place convenient to the Unit Owners and designated by the Executive Board.

2.4. Special Meetings. (a) The President, a majority of the Executive Board, or Unit Owners having twenty percent (20%) of the votes in the Association may call a special meeting of the Association. The notice of any special meeting shall state the time, place and purpose thereof. No business shall be transacted at a special meeting except as stated in the notice.

(b) There shall be a First Transition Election held as described in Article I, Section 1.3(d) and pursuant to Section 47C-3-103(e).

(c) There shall be a Second Transition Election held as described in Article 1, Section 1.3(j) and pursuant to Section 47C-3-103(e).

(d) Not later than the termination of the Declarant Control Period, the Unit Owners shall elect an Executive Board of at least five (5) members, all of whom must be Unit Owners except those appointed by the Declarant or elected by the initial board of directors. A director elected at such election shall not take office until the earlier of the termination of the Declarant control period or resignation of a director appointed by the Declarant without appointment of a replacement within ten (10) days. The elected directors shall assume office in the order of the highest number of votes received. Any remaining directors designated by the Declarant shall continue to serve until their terms expire; provided, however, that no more than one such director may serve until the first annual meeting following the termination of Declarant control.

2.5. Notice of Meetings. The Secretary shall mail to each Unit Owner a notice of any scheduled meeting of the Association at least ten (10) but not more than fifty (50) days prior to such meeting, stating the time, place and the items on the agenda, including the general nature of any proposed amendment to the declaration or bylaws, any budget changes, and any proposal to remove a director or officer. The mailing of a notice of meeting in the manner provided in this section and Article XI, Section 11.1 of the Bylaws shall be considered service of notice, provided that if a notice is delivered personally, the Secretary shall certify in writing that the notice was delivered in person to the Unit Owner.

2.6. Quorum and Adjournment of Meetings. The presence in person or by proxy of twenty-five percent (25%) or more of the Unit Owners at the beginning of the meeting shall constitute a quorum throughout the meeting of the Association.



2.7. Order of Business. The order of business at all meetings of the Association shall be as follows: (a) roll call (proof of quorum); (b) proof of notice of meeting; (c) reading of minutes of preceding meeting; (d) reports of officers; (e) report of Executive Board; (f) reports of committees; (g) election or appointment of inspectors of election (when so required); (h) election of members of the Executive Board (when so required); (i) unfinished business; and (j) new business.

2.8. Conduct of Meetings. The President, unless unavailable, shall preside over all meetings of the Association and the Secretary shall keep the minutes of the meeting and record in a minute book all resolutions adopted at the meeting as well as a record of all transactions occurring thereat. The President may appoint a person to serve as parliamentarian at any meeting of the Association. The then current edition of Robert's Rules of Order shall govern the conduct of all meetings of the Association when not in conflict with the Condominium Act or the Condominium Instruments. All votes shall be tallied by tellers appointed by the President or other Officer presiding over the meetings.

2.9. Voting. (a) Each Unit Owner shall be entitled to one (1) vote per unit owned by said Owner. Where the ownership of a unit is in more than one person (an entity can be a "person"), the person who shall be entitled to cast the vote of such Unit shall be the person named in a certificate executed by all of the owners of such Unit and filed with the Secretary or, in the absence of such a named person from the meeting, the person who shall be entitled to cast the vote of such Unit shall be the person owning such Unit who is present. If more than one person owning such Unit is present, then such vote shall be cast only in accordance with their unanimous agreement. Unanimous agreement shall be conclusively presumed if the designated voting owner or any one of the multiple owners casts the votes allocated to that Unit without protest being made promptly to the person presiding over the meeting by any of the other owners of the Unit. Such certificate shall be valid until revoked by a subsequent certificate similarly executed. Wherever the approval or disapproval of a Unit Owner is required by the Condominium Act or the Condominium Instruments, such approval or disapproval shall be made only by the person who would be entitled to cast the vote of such Unit at any meeting of the Association.

(b) Except where a greater number is required by the Condominium Act or the Condominium Instruments, a Majority Vote is required to adopt decisions at any meeting of the Association. If the Declarant owns or holds title to one or more Units, the Declarant shall have the right at any meeting of the Association to cast one vote for each Unit owned.

(c) No Unit Owner may vote at any meeting of the Association or be elected to or serve on the Executive Board if payment of any installment of the assessment for Common Expenses on the Unit is delinquent more than thirty days and the amount necessary to bring his account current has not been paid at the time of such meeting or election. There shall be no cumulative voting.

2.10. Proxies. A vote may be cast in person or by proxy. Such proxy may be instructed or non-instructed and may be granted by any Unit Owner only in favor of another Unit Owner, his Mortgagee, or an Officer of the Association, or additionally in the case of a nonresident Unit Owner, the lessee of such Unit Owner's Unit; provided, however, that an Officer of the Association shall hold only instructed proxies. Proxies shall be duly executed in writing, shall be



witnessed by a person who shall sign his full name and address, shall be valid only for the particular meeting designated therein and must be filed with the Secretary before the appointed time of the meeting. Such proxy shall be deemed revoked only upon actual receipt by the person presiding over the meeting of notice of revocation from any of the persons owning such Unit. Except with respect to proxies in favor of a Mortgagee, no proxy shall in any event be valid for a period in excess of one hundred and eighty (180) days after the execution thereof. Any proxy shall be void if not dated. The proxy of any person shall be void if not signed by a person having authority.

ARTICLE III
Executive Board

3.1. Powers and Duties. The Executive Board shall have all of the powers and duties necessary for the administration of the affairs of the Association and may do all such acts and things as are not by the Condominium Act or the Condominium Instruments required to be exercised and done by the Association. The Executive Board shall have the power from time to time to adopt any Rules and Regulations deemed necessary for the benefit and enjoyment of the Condominium; provided, however, that such Rules and Regulations shall not conflict with the Condominium Act or the Condominium Instruments. The Executive Board shall delegate to one of its members or to a person employed for such purpose the authority to act on behalf of the Executive Board on such matters relating to the duties of the Managing Agent (as defined in Article III, Section 3.2 hereof), if any, which may arise between meetings of the Board as the Board deems appropriate. In addition to the duties imposed by these Bylaws or by a resolution of the Association that may hereafter be adopted, the Board shall on behalf of the Association:

- (a) Prepare and adopt an annual budget, in which there shall be expressed the assessments of each Unit Owner for the Common Expenses.
- (b) Make assessments against Unit Owners to defray the costs and expenses of the Condominium, establish the methods of collecting such assessments for the Unit Owners and establish the period of the installment payment of the annual assessment for Common Expenses.
- (c) Provide for the operation, care, upkeep and maintenance of all of the Property and services of the Condominium.
- (d) Designate, hire and dismiss the personnel necessary for the maintenance, operation, repair and replacement of the Common Elements and provide services for the Property and, where appropriate, provide for the compensation of such personnel and for the purchase of equipment, supplies and material to be used by such personnel in the performance of their duties, which supplies and equipment shall be deemed part of the Property.
- (e) Collect the assessments against the Unit Owners, deposit the proceeds thereof in bank depositories designated by the Executive Board and use the proceeds to carry out the administration of the Property.
- (f) Make and amend the Rules and Regulations as set out hereinbefore.



(g) Open bank accounts on behalf of the Association and designate the signatories thereon.

(h) Make or contract for the making of, repairs, additions and improvements to or alterations of the Property, and repairs to and restoration of the Property, in accordance with these Bylaws and/or the Declaration, after damage or destruction by fire or other casualty, or as a result of condemnation or eminent domain proceedings.

(i) Enforce by legal means provisions of the Declaration, these Bylaws and the Rules and Regulations, act on behalf of the Unit Owners with respect to all matters arising out of any eminent domain proceeding, and notify the Unit Owners of any litigation against the Association involving a claim in excess of ten percent (10%) of the amount of the annual budget.

(j) Obtain and carry insurance against casualties and liabilities, as provided in Article VI of these Bylaws, pay the premiums therefor and adjust and settle any claims thereunder.

(k) Pay the cost of all authorized services rendered to the Association and not billed to Unit Owners of individual Units or otherwise provided for in Article V, Sections 5.1 and 5.2 of these Bylaws.

(l) Keep books with detailed accounts in chronological order of the receipts and expenditures affecting the Property, and the administration of the Condominium, specifying the expenses of maintenance and repair of the Common Elements and any other expenses incurred. Such books and vouchers shall be available for examination by the Unit Owners, their attorneys, accountants, Mortgagees and authorized agents during general business hours on business days at the times and in the manner set and announced by the Executive Board for the general knowledge of the Unit Owners. All books and records shall be kept in accordance with generally accepted accounting principles, and the same shall be audited at least once each year by an independent auditor retained by the Executive Board who shall not be a resident of the Condominium nor a Unit Owner. The cost of such audit shall be a Common Expense.

(m) Notify a Mortgagee of which it has received notice per Article VIII, Section 8.1 of these Bylaws of any default hereunder by the Unit Owner of the Unit subject to such Mortgage, if such default continues for a period exceeding sixty (60) days.

(n) Borrow money on behalf of the Association required in connection with any one instance relating to the operation, care, upkeep and maintenance of the Common Elements; provided, however, that the consent of at least two-thirds of all Unit Owners, so long as the number is equal to or greater than two-thirds of the interests in Common Elements obtained either in writing or at a meeting duly called and held for such purpose in accordance with the provisions of these Bylaws, shall be required to borrow any sum in excess of ten percent (10%) of that fiscal year's annual budget. If any sum borrowed by the Executive Board on behalf of the Condominium pursuant to the authority contained in this subsection is not repaid by the Association, a Unit Owner who pays to the creditor a percentage of the total amount due equal to his Common Element Interest, shall be entitled to obtain from the creditor a release of any judgment or other lien which such creditor shall have filed or shall have the right to file against such Unit Owner's Condominium



Unit, and the Association shall not be entitled to assess his Unit for payment of the remaining amount due such creditor.

(o) Notwithstanding the borrowing limitations set forth in Article III, Section 3.1(n) of these Bylaws, the Executive Board may acquire, hold and dispose of Condominium Units in the name of the Association and mortgage the same without limitations as to amount if such expenditures and hypothecation are included in the budget adopted by the Executive Board.

(p) In its sole discretion, from time to time, designate certain Common Elements as Reserved Common Elements and impose such restrictions and conditions on the use thereof as the Executive Board deems appropriate. However, the Executive Board shall make no such designation of Reserved Common Elements as would interfere with the Unit Owner's use of Common Elements for ingress and egress or any other function of a Common Element which is necessary to the proper functioning and maintenance of the Condominium and the Units.

(q) Furnish the resale certificate required by Section 47C-4-109 of the Condominium Act, within ten (10) days after the receipt of a written request therefor from any Unit Owner. Such certificate shall set forth the monthly common expense assessment and any other fees payable by Unit Owners.

(r) Do such other things and acts not inconsistent with the Condominium Act or the Condominium Instruments which the Executive Board may be authorized to do by a resolution of the Association.

3.2. Managing Agent. The Executive Board may, but is not required to, employ for the Condominium a "Managing Agent" at a compensation to be established by the Board. If a managing agent is not employed then the Executive Board shall fulfill all managing agent duties.

(a) Requirements. If employed, the Managing Agent shall be a bona fide business enterprise, which manages common interest residential communities or has experience in this type of management. Such firm or person shall have experience in real estate community management and shall employ persons possessing a high level of competence in the technical skills necessary to proper management of the Condominium. The Managing Agent must be able to advise the Executive Board regarding the administrative operation of the Condominium and shall, as approved by the Executive Board, employ personnel knowledgeable in the areas of condominium insurance, accounting, contract negotiation, labor relations and condominium regulations.

(b) Duties. The Managing Agent shall perform such duties and services as the Executive Board shall direct. The Executive Board may delegate to the Managing Agent all of the powers granted to the Executive Board by these Bylaws other than the powers set forth in Article III, Section 3.1(a) (as pertains to adoption of budget), (f), (g), (n), (o) and (p) of these Bylaws. The Managing Agent shall perform the obligations, duties and services relating to the management of the Property, the rights of Mortgagees and the maintenance of reserve funds in compliance with the provisions of these Bylaws.



(c) **Standards.** The Executive Board shall impose appropriate standards of performance upon the Managing Agent. Unless the Managing Agent is instructed otherwise by the Executive Board:

(1) the accrual method of accounting shall be employed and expenses required by these Bylaws to be charged to more than one but less than all Unit Owners shall be accounted for separately;

(2) cash accounts of the Association shall not be commingled with any other accounts;

(3) no remuneration shall be accepted by the Managing Agent from vendors, independent contractors or others providing goods or services to the Association whether in the form of commissions, finders fees, service fees or otherwise; any discounts received shall benefit the Association;

(4) any financial or other interest which the Managing Agent may have in any firm providing goods or services to the Association shall be first disclosed to and approved by the Executive Board; and,

(5) a monthly financial report shall be prepared for the Association containing:

(A) an "income statement" reflecting all income and expense activity for the preceding month on an accrual basis;

(B) an "account activity statement" reflecting all receipt and disbursement activity for the preceding month on a cash basis;

(C) an "account status report" reflecting the status of all accounts in an "actual" versus "projected" (budget) format;

(D) a "balance sheet" reflecting the financial condition of the Association on an unaudited basis;

(E) a "budget report" reflecting any actual or pending obligations which are in excess of budgeted amounts by an amount exceeding the operating reserves or ten percent (10%) of a major budget category (as distinct from a specific line item in an expanded chart of accounts); and

(F) a "delinquent report" listing all Unit Owners who are delinquent in paying condominium assessments and describing the status of any actions to collect such assessments.

(d) **Other Managing Agents.** The Executive Board may, but is not required to, employ for the Condominium a "Managing Agent" at a compensation to be established by the Board for the sole purpose of implementing and overseeing the Transient Pool Leasing Program as



defined in the Declaration. The Executive Board may, but need not, place upon such Managing Agent any accounting and reporting requirements as may be outlined above.

3.3. Number and Term of Office.

(a) Designated Members. The initial Executive Board shall consist of five (5) persons, all of whom shall be designated by the Incorporator at the direction of the Declarant. The terms of each designee shall be fixed by the Declarant. On or before the special meeting required by Article II, Section 2.4(b) of these Bylaws, a number of the directors designated by the Declarant shall resign if necessary so that a majority of the directors shall have been elected in accordance with Article II, Section 2.4(b) of these Bylaws. The persons elected shall serve for the remainder of the terms of office of the resigning directors who such persons replace, or if no resignation was required, for the terms of office necessary so that the term of office of one-fifth of the directors shall expire at each of the first three (3) annual meetings after their election. The directors receiving the greatest vote shall be elected for the longest available terms. At the expiration of the term of office of all directors designated by the Declarant or elected at the special meeting held pursuant to Article II, Section 2.4(b) of these Bylaws, all successor directors shall be elected to serve for a term of three (3) years. For a period of one year following the termination of service by the directors designated by the Declarant, the Declarant may appoint and replace from time to time a representative who shall be entitled to notice of all meetings of the Executive Board and to attend and speak, but not vote, at all Board meetings, in all respects as if such delegate were a member of the Board.

(b) Elected Members. No later than the first annual meeting of the Association, the Executive Board shall consist of five (5) persons, all of whom shall be Unit Owners, or designees of the Declarant. Except for resignation or removal, the directors shall hold office until their respective successors shall have been elected by the Association.

Anything to the contrary in this Section 3.3 notwithstanding, pursuant to Section 47C-3-103 of the Condominium Act, the Unit Owners other than the Declarant shall be represented on the Executive Board as follows: Not later than sixty (60) days after conveyance of twenty-five percent (25%) of the units to Unit Owners other than a Declarant, at least one (1) member and not less than twenty-five percent (25%) of the members of the Executive Board shall be elected by unit owners other than the Declarant. Not later than sixty (60) days after conveyance of fifty percent (50%) of the units to Unit Owners other than a Declarant, not less than thirty-three percent (33%) of the members of the Executive Board shall be elected by Unit Owners other than the Declarant. [The "First Transitional Election" and "Second Transitional Election" respectively.] The First and Second Transitional Elections shall be held at a special meeting of the Association pursuant to notice given in accordance with Article II, Section 2.5 of these Bylaws.

3.4. Election of Directors.

(a) Elections Committee. At least ninety (90) days prior to the special meeting required by Article II, Section 2.4(b) of these Bylaws and each annual meeting of the Association, and at least thirty (30) days prior to the special meetings required by Article III, Section 3.3 of these Bylaws, the Executive Board shall appoint an Elections Committee consisting of one member of the Board whose term is not then expiring and at least two other Unit Owners other than the Declarant. The Elections Committee shall develop election procedures and administer such



procedures as are approved by the Board.

(b) **Nominations.** Persons qualified to be directors may be nominated for election only by a nominating petition submitted to the chairman of the Elections Committee at least thirty-five (35) days before the meeting at which the election is to be held signed by Unit Owners representing at least three (3) Units and either signed by the nominee or accompanied by a document signed by the nominee indicating his willingness to serve as a director; provided, however, that additional nominations may be made from the floor at the meeting at which the election is held for each vacancy on the Executive Board. The nominee must either be present and consent to the nomination or have indicated in writing his willingness to serve. This subsection (b) does not apply to persons appointed to the Board by the Declarant.

(c) **Qualifications.** No person shall be eligible for election as a member of the Executive Board unless such person is (alone or together with one or more other persons) a Unit Owner (including a person who is the official representative of a partnership or a corporate Unit Owner). No person shall be elected as a director or continue to serve as a director if such person is, at such time, more than thirty days delinquent in meeting his financial obligations to the Association.

3.5. **Removal or Resignation of Directors.** Except with respect to directors designated by the Declarant, at any regular or special meeting duly called and a quorum being present, any one or more of the directors may be removed with or without cause by a vote of sixty-seven percent (67%) of those present at such meeting in person or by proxy and a successor may then be elected to fill the vacancy thus created. Any director whose removal has been proposed by the Unit Owners shall be given at least seven (7) days notice of the time, place and purpose of the meeting and shall be given an opportunity to be heard at the meeting. A director may resign at any time. Except for a director designated by the Declarant, a director shall be deemed to have resigned upon disposition of his Unit or if not in attendance at three (3) consecutive regular meetings of the Board, unless the minutes reflect consent by the Board to such absence.

3.6. **Vacancies.** Vacancies in the Executive Board caused by any reason other than the removal of a director by a vote of the Association shall be filled by a vote of the majority of the remaining directors at the same or a special meeting of the Board held for such purpose promptly after the occurrence of any such vacancy, even though the directors present at such meeting may constitute less than a quorum. Each person so elected shall be a director until a successor shall be elected at the next annual meeting of the Association. During the Declarant Control Period, the Declarant shall designate the successor to any director previously designated by the Declarant who resigns or is removed.

3.7. **Organization Meeting.** The first meeting of the Executive Board following the annual meeting to the Association shall be held within thirty (30) days thereafter at such time and place as shall be fixed by the Association at the meeting at which such Executive Board shall have been elected, and no notice shall be necessary to the newly-elected directors in order legally to constitute such meeting, provided, a majority of the entire Executive Board is present at the meeting.



3.8. Regular Meetings. Regular meetings of the Executive Board may be held at such time and place as shall be determined from time to time by a majority of the directors, but such meetings shall be held at least once every six (6) months during each fiscal year. Notice of regular meetings of the Executive Board shall be given to each director personally or by mail, telegraph or telephone, at least three (3) business days prior to the day named for such meeting.

3.9. Special Meeting. Special meetings of the Executive Board may be called by the President on three (3) business days notice to each director, given personally or by mail, telegraph or telephone, which notice shall state the time, place and purpose of the meeting. Special meetings of the Executive Board shall also be called by the President or Secretary in like manner and on like notice on the written request of at least three (3) directors.

3.10. Waiver of Notice. Any director may at any time, in writing, waive notice of any meeting of the Executive Board and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a director, in person or by telephone communication, at any meeting of the Executive Board shall constitute a waiver of notice by him of the time, place and purpose of such meeting. If all directors are present at any meeting of the Executive Board, no notice shall be required and any business may be transacted at such meeting.

3.11. Quorum of Executive Board. At all meetings of the Executive Board, if a majority of the directors shall be present at the beginning of the meeting then there shall be a quorum throughout the meeting for the transaction of business and the votes of a majority of the directors then present at a meeting at which a quorum is present shall constitute the decision of the Executive Board. A director who participates in a meeting by means of telephone communication shall be deemed present at the meeting for all purposes.

3.12. Compensation. No director shall receive any compensation from the Condominium for acting as such.

3.13. Conduct of Meetings. The President shall preside over all meetings of the Executive Board and the Secretary shall keep a minute book of all resolutions adopted by the Board and of all transactions and proceedings occurring at such meetings. The then current edition of Robert's Rules of Order shall govern the conduct of the meetings of the Executive Board when not in conflict with the Condominium Act or the Condominium Instruments.

3.14. Action Without Meeting. Any action by the Executive Board required or permitted to be taken at any meeting may be taken without a meeting if all of the Directors shall individually or collectively consent in writing to such action. Any such written consent shall be filed with the minutes of the proceedings of the Executive Board.

3.15. Executive Board as Attorney-in-Fact. The Executive Board is hereby irrevocably appointed as agent and attorney-in-fact for the Unit Owners of all of the Units and for each of them, to manage, control and deal with the interests of such Unit Owners in the Common Elements of the Condominium in order to permit the Board of Directors to fulfill all of its powers, rights, functions and duties. The Executive Board is hereby irrevocably appointed as agent and attorney-in-fact for each Unit Owner, each Mortgagee, other named insureds and their beneficiaries and any other



holder of a lien or other interest in the Condominium or the Property to: (i) adjust and settle all claims arising under insurance policies purchased by the Executive Board; (ii) execute and deliver releases upon the payment of claims and (iii) act on their behalf in any condemnation proceeding or action of eminent domain; provided, however, that the consent of a Mortgagee shall be required if such Mortgagee notifies the Board of Directors pursuant to Article XI, Section 11.1 of the Bylaws within thirty days after receipt of notice of the damage pursuant to Article VI, Section 6.2(c) of the Bylaws or notice of the taking in condemnation or by eminent domain. The powers stated herein are in addition to, and not in derogation of, the powers granted to the Association by Section 47C-3-102 of the Condominium Act. The Executive Board may grant easements and licenses pursuant to Section 47C-3-102(9) of the Condominium Act.

3.16. Liability of the Executive Board, Officers, Unit Owners and Association. (a) The Officers, directors and members of the Covenants Committee shall not be liable to the Association or to any Unit Owner for any mistake of judgment, negligence or otherwise, except for their own individual willful misconduct or bad faith. The Association shall indemnify and hold harmless each of the Officers and directors from and against all contractual liability to others arising out of contracts made by the Officers or the Executive Board on behalf of the Association unless any such contract shall have been made in bad faith or contrary to the provisions of the Condominium Act or the Condominium Instruments except to the extent that such liability is satisfied by directors and officers liability insurance. Officers and directors shall have no personal liability with respect to any contract made by them on behalf of the Association. The liability of any Unit Owner arising out of any contract made by any Officer or the Executive Board, or out of the indemnification of the Officers or directors, or for damages as a result of injuries arising in connection with the Common Elements solely by virtue of his ownership of a Common Element Interest therein or for liabilities incurred by the Association, shall be limited to the total liability multiplied by his Common Element Interest percentage. Every agreement made by the Officers, the Executive Board or the Managing Agent on behalf of the Association shall, if obtainable, provide that the Officers, the directors or the Managing Agent, as the case may be, are acting only as agents for the Association and shall have no personal liability thereunder (except as Unit Owners), and that each Unit Owner's liability thereunder shall be limited to the total liability thereunder multiplied by his Common Element Interest percentage. The Association shall indemnify and hold harmless each of the members of the Covenants Committee from and against all liability to others arising out of the due exercise of their responsibilities unless their action shall have been taken in bad faith or contrary to the provision of the Condominium Act or the Condominium Instruments. The Association shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding by reason of the fact that he is or was an Officer or director to the Association or member of the Covenants Committee against expenses (including attorney's fees), judgment, fines and amounts paid in settlement incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in, or not opposed to, the best interests of the Condominium.

(b) Except to the extent prohibited by law, the Association shall not be liable for any failure of water supply or other services, including, but not limited to electricity, wastewater treatment and telephone, to be obtained by the Association or paid for as a Common Expense, for injury or damage to person or property caused by the elements or by the Unit Owner of any Condominium Unit, or any other person. The Association shall not be liable to any Unit Owner for



loss or damage, by theft or otherwise, of articles which may be stored upon any of the Common Elements. No diminution or abatement of any assessments, as herein elsewhere provided, shall be claimed or allowed for inconvenience or discomfort arising from the making of repairs or improvements to the Common Elements or from any action taken by the Association to comply with any law, ordinance or with the order or directive of any governmental authority.

3.17. Common or Interested Directors. Each director shall exercise his powers and duties in good faith and with a view to the interests of the Condominium. Contracts and other transactions between the Association and any of its directors, or between the Association any corporation, firm or association (including the Declarant) in which any of the directors of the Association are directors or officers or are otherwise interested, are not void or voidable because any such director is present at the meeting of the Executive Board or any committee thereof which authorized or approves the contract or transaction, or because his or her vote is counted for such purpose, if any of the conditions specified in any of the following subsections exists:

(a) The fact of the common directorate or interest is disclosed or known to the Executive Board or a majority thereof or noted in the minutes, and the Board authorized, approved or ratified such contract or transaction in good faith by a vote sufficient for the purpose; or

(b) The fact of a common directorate or interest is disclosed or known to at least a majority of the Unit Owners, and the Unit Owners approve or ratify the contract or transaction in good faith by a vote sufficient for the purpose; or

(c) The contract or transaction is commercially reasonable to the Association at the time it is authorized, ratified, approved or executed.

Any common or interested directors may be counted in determining the presence of a quorum of any meeting of the Executive Board or committee thereof which authorizes, approves or ratifies any contract or transaction, and may vote at the meeting to authorize any contract or transaction with like force and effect as if such director of the Association were not an officer or director of such other corporation, firm or association or not so interested.

3.18. Executive Board as Covenants Committee.

(a) Purpose. The Executive Board shall fulfill the additional duties and execute the powers of a Covenants Committee, the purpose of which is to assure that the Condominium shall always be maintained in a manner: (1) providing for visual harmony and soundness of repair; (2) avoiding activities deleterious to the aesthetic or property values of the Condominium; (3) furthering the comfort of the Unit Owners, their guests and tenants; and (4) promoting the general welfare and safety of the Condominium Community.

(b) Powers. The Executive Board shall regulate the external design, appearance, use and maintenance of the Common Elements. The Executive Board shall have the power to impose reasonable application fees as well as the costs of reports, analyses, or consultations required in connection with improvements or changes proposed by a Unit Owner. Upon petition of any Unit Owner or upon its own motion, the Executive Board shall have the



power to impose reasonable fines (pursuant to Section 47C-3-107A of the Condominium Act and Article IX, Section 9.1(g) of these Bylaws) upon, and issue a cease and desist request to a Unit Owner, his guests, invitees, or lessees whose actions are inconsistent with the provisions of the Condominium Act, the Condominium Instruments, the Rules and Regulations or resolutions of the Executive Board. The Executive Board shall from time to time, as required, provide interpretations of the Condominium Instruments, Rules and Regulations and resolutions pursuant to the intent, provisions and qualifications thereof when requested to do so by a Unit Owner.

ARTICLE IV
Officers

4.1. Designation. The principal Officers of the Association shall be the President, the Vice President, the Secretary and the Treasurer, all of whom shall be elected by the Executive Board. The Executive Board may appoint an assistant treasurer, an assistant secretary and such other Officers as may be necessary. The President and Vice President shall be Unit Owners and members of the Executive Board. Any other Officers may, but need not, be Unit Owners or members of the Executive Board.

4.2. Election of Officers. The Officers of the Unit Owners Association shall be elected annually by the Executive Board at the organizational meeting of each new Board and shall hold office at the pleasure of the Board.

4.3. Removal of Officers. Upon the affirmative vote of a majority of all members of the Executive Board any officer may be removed, either with or without cause, and a successor may be elected at any regular meeting of the Board or at any special meeting of the Board called for such purpose.

4.4. President. The President shall be the chief executive officer of the Unit Owners Association, preside at all meetings of the Association and of the Executive Board, have general and active management of the business of the Association subject to the control of the Board, see that all orders and resolutions of the Board are carried into effect, and appoint committees from among the Unit Owners from time to time as the President may in his discretion decide is appropriate to assist in the conduct of the affairs of the Association.

4.5. Vice President. The Vice President shall take the place of the President and perform the duties of the President whenever the President shall be absent or unable to act. If neither the President nor the Vice President is able to act, the Executive Board shall appoint some other director to act in the place of the President, on an interim basis. The Vice President shall also perform such other duties as shall from time to time be imposed by the Executive Board or by the President.

4.6. Secretary. The Secretary shall keep the minutes of all meetings of the Unit Owners Association and of the Executive Board, have charge of such books and papers as the Board may direct, give or cause to be given all notices required to be given by the Association, maintain a register setting forth the place to which all notices to Unit Owners and Mortgagees hereunder shall be delivered, and, in general, perform all the duties incident to the office of



secretary.

4.7. Treasurer. The Treasurer shall (together with the Managing Agent) be responsible for Unit Owners Association funds and securities, keep full and accurate financial records and books of account showing all receipts and disbursements, prepare all required financial data, deposit all monies and other valuable effects in the name of the Executive Board, the Association or the Managing Agent, in such depositories as may from time to time be designated by the Board, and, in general, perform all the duties incident to the office of treasurer.

4.8. Execution of Documents. All agreements, contracts, deeds, leases, checks and other instruments of the Unit Owners Association for expenditures or obligations in excess of two thousand dollars (\$2,000.00), and all checks drawn upon reserve accounts, shall be executed by two (2) persons designated by the Executive Board. All such instruments for expenditures or obligations of two thousand dollars (\$2,000.00) or less, except from reserve accounts, may be executed by any one person designated by the Executive Board.

4.9. Compensation of Officers. No Officer shall receive compensation from the Association for acting as such Officer.

ARTICLE V
Operation of the Property

5.1. Determination of Common Expenses and Assessments Against Unit Owners.

(a) Fiscal Year. The fiscal year of the Association shall be the calendar year January 1 through December 31 unless otherwise determined by the Executive Board.

(b) Preparation and Approval of Budget. See the Declaration.

(c) Effect of Failure to Prepare or Adopt Budget. The failure or delay of the Executive Board to prepare or adopt a budget for any fiscal year shall not constitute a waiver or release in any manner of a Unit Owner's obligation to pay his allocable share of the Common Expenses as herein provided whenever same shall be determined and, in the absence of any annual budget or adjusted budget, each Unit Owner shall only be obligated to continue to pay each monthly installment at the monthly rate established for the previous fiscal year until notified of the monthly payment which is due more than ten (10) days after such new annual or adjusted budget is adopted.

(d) Accounts. All sums collected by the Executive Board with respect to assessments against the Unit Owners or from any other source may be commingled into a single fund or held for each Unit Owner in accordance with his Common Element Interest.

(e) First Year Budget. A projected Budget for the first year of operation of the Condominium has been prepared by Declarant and is attached as Exhibit "3" to the Public Offering Statement. NCGS 47C-4-101.

5.2. Payment of Common Expenses. Each Unit Owner shall pay the Common Expenses,



including Limited Common Expenses, assessed by the Executive Board pursuant to the provisions of Article V, Section 5.1 of these Bylaws and the Declaration. No Unit Owner may be exempt from liability for the assessment for Common Expenses by reason of waiver of the use or enjoyment of any of the Common Elements or by abandonment of the Unit. No Unit Owner shall be liable for the payment of any part of the Common Expenses assessed against the Unit subsequent to the date of recordation of a conveyance by such Unit Owner in fee of such Unit. Prior to or at the time of any such conveyance, all liens, unpaid charges and assessments shall be paid in full and discharged.

The purchaser of a Unit shall be jointly and severally liable with the selling Unit Owner for all unpaid assessments against the latter for the proportionate share of the Common Expenses up to the time of such recordation, without prejudice to the purchaser's right to recover from the selling Unit Owner amounts paid by the purchaser thereof; provided, however, that any such purchaser shall be entitled to a statement setting forth the amount of the unpaid assessments against the selling Unit Owner within five business days following a written request therefor to the Executive Board or Managing Agent and such purchaser shall not be liable for, nor shall the Unit conveyed be subject to a lien for any unpaid assessments in excess of the amount therein set forth, and provided further, that each Mortgagee who comes into possession of a Condominium Unit by virtue of foreclosure or by deed or assignment in lieu of foreclosure, or any purchaser at a foreclosure sale, shall take the Condominium Unit free of any claims for unpaid assessments or charges against such Unit which accrue prior to the time such Mortgagee or foreclosure purchaser comes into possession thereof, except for claims for a prorata share of such assessments or charges resulting from a prorata reallocation of such assessments or charges to all Condominium Units including the mortgaged Condominium Unit.

5.3. Collection of Assessments. The Executive Board, or the Managing Agent at the request of the Board, shall take prompt action to collect any assessment for Common Expenses due from any Unit Owner which remains unpaid for more than thirty (30) days from the due date for payments thereof. Any assessment, or installment thereof, not paid within thirty (30) days after due shall accrue a late charge set forth in the Declaration or such other amount as may be established from time to time by the Executive Board.

5.4. Statement of Common Expenses. The Executive Board shall promptly provide any Unit Owner, contract purchaser or Mortgagee so requesting the same in writing with a written statement of all unpaid assessments for Common Expenses due from such Unit Owner. The Executive Board may impose a reasonable charge for the preparation of such statement to cover the cost of preparation.

5.5. Maintenance, Repair, Replacement and Other Common Expenses. See the Declaration.

5.6. Restrictions on Use of Units and Common Elements; Rules and Regulations. See the Declaration.



ARTICLE VI
Insurance

6.1. Authority to Purchase; Notice. See the Declaration.

(a) In addition to the requirements outlined in the Declaration, each such policy shall provide that:

(1) The insurer waives any right to claim by way of subrogation against the Association, the Executive Board, the Managing Agent or the Unit Owner, and their respective agents, employees, guests and, in the case of the Unit Owners, the members of their households:

(2) Such policy shall not be cancelled, invalidated or suspended due to the conduct of any Unit Owner (including his invitees, agents, employees and members of his household) or of any member, officer or employee of the Executive Board or the Managing Agent without a prior demand in writing that the Board or the Managing Agent cure the defect and neither shall have so cured such defect within sixty (60) days after such demand;

(3) Such policy may not be cancelled or substantially modified (including cancellation for nonpayment of premium) without at least forty-five (45) days prior written notice to the Executive Board, the Managing Agent and each Unit Owner, Mortgagee or beneficiary under a deed of trust to whom certificates or memoranda of insurance have been issued at their respective last known addresses.

(b) The Declarant, so long as Declarant shall own any Unit, shall be protected by all such policies as a Unit Owner. The coverage provided to the Declarant under the insurance policies obtained in compliance with this Article VI shall not be deemed to protect or be for the benefit of any general contractor engaged by the Declarant nor shall such coverage be deemed to protect the Declarant against liability for (or waive any rights with respect to) warranty claims.

(c) All policies of insurance shall be written by companies licensed to do business in the State of North Carolina and having a Bests rating of "A" or better. Physical damage policies shall be in form and substance and with carriers acceptable to Mortgagees holding a majority of the Mortgages (based upon one vote for each Mortgage owned)

(d) The deductible, if any, on any insurance policy purchased by the Executive Board shall be a Common Expense; provided, however, that the Association may assess any deductible amount necessitated by the negligence, misuse or neglect of a Unit Owner against such Unit Owner.

6.2. Liability Insurance. In addition to the requirements outlined in Article 8 of the Declaration, the Executive Board shall obtain and maintain general liability (including without limitation coverage for libel, slander, false arrest and invasion of privacy) and property damage liability insurance in such limits as the Board may from time to time determine, insuring each director, each Officer, the Managing Agent and each Unit Owner against any liability to the public or to the Unit Owners (and their invitees, agents and employees) arising out of, or incident to the ownership or use of the Common Elements. Such insurance shall be issued on a "comprehensive liability basis" and shall contain: (i) a cross liability endorsement under which the rights of a named



insured under the policy shall not be prejudiced with respect to his action against another named insured; (ii) hired and non-owned vehicle coverage; (iii) host liquor liability coverage with respect to events sponsored by the Association; (iv) products liability coverage with respect to events sponsored by the Association; and (v) a "severability of interest" endorsement which shall preclude the insurer from denying liability coverage to a Unit Owner because of negligent acts of the Association or of another Unit Owner. The Executive Board shall review such limits once a year but in no event shall such insurance be less than one million dollars (\$1,000,000.00) covering all claims for bodily injury or property damage and personal injury arising out of one occurrence. Reasonable amounts of "umbrella" liability insurance in excess of the primary limits shall also be obtained in an amount not less than three million dollars (\$3,000,000.00).

6.3. Other Insurance. In addition to the requirements of Article 8 of the Declaration, the Executive Board shall obtain and maintain:

(a) adequate fidelity coverage to protect against dishonest acts on the part of the Officers, Directors, Trustees and Employees of the Association and all others who handle, or are responsible for handling, funds of the Association, including the Managing Agent. Such fidelity bonds shall: (i) name the Association as an obligee; (ii) be written in an amount not less than one-half the total annual condominium assessments for the year or the amount required by the Mortgagees, the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation, whichever is greater; and (iii) contain waivers of any defense based upon the exclusion of persons who serve without compensation from any definition of "employee" or similar expression;

(b) if required by any governmental or quasi-governmental agent, including without limitation the Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, Veterans Administration, or Federal Housing Administration, flood insurance in accordance with the then applicable regulations of such agency;

(c) workmen's compensation insurance if and to the extent necessary to meet the requirements of law (including an "all states" endorsement);

(d) broad form machinery and pressure vessel explosion insurance (if applicable) in an amount not less than five hundred thousand dollars (\$500,000.00) per accident per location;

(e) directors and officers liability insurance in an amount not less than one million dollars (\$1,000,000.00); and

(f) such other insurance as the Executive Board may determine or as may be requested from time to time by a majority vote of the Association.

6.4. Separate Insurance. Each Unit Owner shall obtain insurance for such Unit Owner's benefit, at such Unit Owner's expense, covering the Unit and such Unit Owner's personal property and personal liability, as well as any improvements made to the Unit by such Unit Owner (under coverage normally called "improvements and betterments coverage"); provided however,



that no Unit Owner shall be entitled to acquire or maintain such insurance coverage so as to decrease the amount which the Executive Board, on behalf of all Unit Owners, may realize under any insurance policy maintained by the Board or to cause any insurance coverage maintained by the Board to be brought into contribution with insurance coverage obtained by a Unit Owner. No Unit Owner shall obtain separate insurance policies on the Condominium except as provided in this Section or as mandated in the Declaration.

6.5. Insurance Trustee. (a) All physical damage insurance policies purchased by the Executive Board shall be for the benefit of the Association, the Unit Owners, their Mortgagees and the Declarant, as their interests may appear, and shall provide that all proceeds of such policies shall be paid in trust to the Board as "insurance trustee" to be applied pursuant to the terms of Article VII of these Bylaws and Article 9 of the Declaration.

(b) The sole duty of the insurance trustee shall be to receive such proceeds as are paid to it, hold the same in trust and disburse the same for the purposes elsewhere stated in these Bylaws and/or the Declaration, for the benefit of the insureds and their beneficiaries thereunder.

ARTICLE VII

Repair and Reconstruction After Fire or Other Casualty

See the Declaration.

ARTICLE VIII

Mortgages

8.1. Notice to Executive Board. A Unit Owner who mortgages his Unit shall notify the Executive Board of the name and address of the Mortgagee and shall file a conformed copy of the note and deed of trust with the Board.

8.2. Notice of Default, Casualty or Condemnation. The Executive Board when giving notice to any Unit Owner of any default in the performance by the Unit Owner of any obligation under the Condominium Instruments, including any default in paying assessments for Common Expenses which default remains uncured for sixty (60) days, shall simultaneously send a copy of such notice to the Mortgagee of such Unit. Each Mortgagee shall also be notified promptly of any casualty when required by Article VI of these Bylaws, all actions taken under Article VII of these Bylaws, and any taking in condemnation or by eminent domain pursuant to Section 47C-1-107 of the Condominium Act and actions of the Association with respect thereto.

8.3. Notice of Proposed Action Requiring Mortgagee Approval. The Executive Board shall give notice to all Mortgagees seven (7) days prior to the date on which the Association proposes to take any action of which the Mortgagee is entitled to notice as outlined herein or in the Declaration or requiring Mortgagee approval pursuant to these Bylaws.

8.4. Mortgagees' Approvals.

(a) When Mortgagee approval is required, approval is deemed by a majority vote of the Mortgagees exercising their right to vote, if any, unless some greater percentage is required by the Declaration or North Carolina law.



(b) Non-Material Amendments; Presumptive Approval. Any addition or amendment to the Condominium Instruments shall not be considered material and in need of Mortgagee approval if it is for the purpose of correcting technical errors or for clarification only. As to any voting issue wherein Mortgagees are entitled to vote and so notified, a Mortgagee shall be deemed to have approved such issue if the Mortgagee does not deliver or mail to the Executive Board a negative response within thirty (30) days of such notice.

ARTICLE IX
Compliance and Default

9.1. Relief. Each Unit Owner shall be governed by and shall comply with the Condominium Instruments and the Condominium Act as the same may be amended. In addition to the remedies provided in Section 47C-3-107A of the Condominium Act, a default by a Unit Owner shall entitle the Association, acting through its Executive Board or through the Managing Agent, to the following relief:

(a) Additional Liability. Each Unit Owner shall be liable for the expense of all maintenance, repair or replacement rendered necessary by such Unit Owner's act, or the neglect or carelessness of any member of such Unit Owner's family or such Unit Owner's employees, agents or licensees, but only to the extent that such expense is not covered by the proceeds of insurance carried by the Executive Board. Such liability shall include any increase in casualty insurance rates occasioned by use, misuse, occupancy or abandonment of any Unit or its appurtenances. Nothing contained herein, however, shall be construed as modifying any waiver by any insurance company of its rights of subrogation.

(b) Costs and Attorney's Fees. In any proceedings arising out of any alleged default by a Unit Owner, the prevailing party shall be entitled to recover the costs of such proceeding and reasonable attorney's fees.

(c) No Waiver of Rights. The failure of the Association, the Executive Board or of a Unit Owner to enforce any right, provision, covenant or condition which may be granted by the Condominium Instruments or the Condominium Act shall not constitute a waiver of the right of the Association, the Board or the Unit Owner to enforce such right, provision, covenant or condition in the future. All rights, remedies and privileges granted to the Association, the Executive Board or any Unit Owner pursuant to any term, provision, covenant or condition of the Condominium Instruments or the Condominium Act shall be deemed to be cumulative and the exercise of any one or more thereof shall not be deemed to constitute an election of remedies, nor shall it preclude the party exercising the same from exercising such other privileges as may be granted to such party by the Condominium Instruments or the Condominium Act, or at law or in equity.

(d) Interest. If any Unit Owner shall default in paying any sum assessed against the Condominium Unit which continues for a period in excess of thirty (30) days, interest at a rate not to exceed the lower of the maximum legally permissible interest rate or eighteen percent (18%) per annum may be imposed in the discretion of the Executive Board on the principal amount



unpaid from the date due until paid.

(c) Abating and Enjoining Violation by Unit Owners. The violation of any of the Rules and Regulations adopted by the Executive Board or any provision of the Condominium Instruments or the Condominium Act shall give the Executive Board the right, in addition to any other rights set forth in these Bylaws: (i) to enter the Unit in which, or as to which, such violation or breach exists and summarily abate and remove, at the expense of the defaulting Unit Owner, any structure, thing or condition that may exist therein contrary to the intent and meaning of the provisions hereof, and the Executive Board shall not thereby be deemed guilty in any manner of trespass; or (ii) to enjoin, abate or remedy by appropriate legal proceedings, either at law or in equity, the continuance of any such violation.

(f) Legal Proceedings. Failure to comply with any of the Condominium Instruments and the Rules and Regulations shall be grounds for relief, including without limitation, an action to recover any sums due for money damages, injunctive relief, foreclosure of the lien for payment of all assessments, any other relief provided for in these Bylaws or any combination thereof and any other relief afforded by a court of competent jurisdiction, all of which relief may be sought by the Association, the Executive Board, the Managing Agent, or, if appropriate, by any aggrieved Unit Owner and shall not constitute an election of remedies. The Association shall have standing to maintain any legal proceeding in which it is an interested party.

(g) Fines. Pursuant to Section 47C-3-107A of the Condominium Act, the Executive Board and the Covenants Committee may levy reasonable fines not to exceed one hundred fifty dollars (\$150.00) against Unit Owners for violation of the Rules and Regulations, the Condominium Instruments or the Condominium Act. Only one fine may be levied for one violation; but each day a violation continues, after notice is given to the Unit Owner, is a separate violation. If a Unit Owner requests in writing a hearing before the fine is imposed, the imposition of the fine shall be suspended until the hearing is held. Fines are special assessments and shall be collectible as such Said hearing shall be held before an adjudicatory panel of three Unit Owners appointed by the Executive Board, within thirty (30) days after the written request.

9.2. Lien for Assessments.

(a) Lien. See the Declaration.

(b) Acceleration. If an assessment against a Unit Owner is payable in installments, upon a default by such Unit Owner in the timely payments of any two (2) consecutive installments, the maturity of the remaining total of the unpaid installments of such assessments may be accelerated, at the option of the Executive Board, and the entire balance of such assessment may be declared due and payable in full by notice to the defaulting Unit Owner and his Mortgagee by the Executive Board or the Managing Agent.

(c) Enforcement. The lien for assessments may be enforced and foreclosed in any manner permitted by the laws of the State of North Carolina, by power of sale pursuant to the Declaration or by an action in the name of the Executive Board or the Managing Agent acting on behalf of the Association. During the pendency of such suit the Unit Owner shall be required to pay



a reasonable rental for the Unit for any period prior to the sale pursuant to any judgment or order of any court having jurisdiction over such sale. The plaintiff in such proceeding shall have the right to the appointment of a receiver if available under the laws of the State of North Carolina.

ARTICLE X
Amendments to Bylaws

10.1. Amendments. These Bylaws may not be modified or amended except by a vote of two-thirds of the Unit Owners present, in person or by proxy, at a meeting of the Unit Owners at which a quorum is present; provided however, that until the expiration of the Declarant Control Period these Bylaws may not be amended without the prior written consent of the Declarant. All amendments to the Bylaws shall be prepared and recorded by the Secretary.

10.2. Approval of Mortgagees. These Bylaws contain provisions concerning various rights, priorities, remedies, and interests of Mortgagees. Such provisions in these Bylaws are to be construed as covenants for the protection of such Mortgagees on which they may rely in making loans secured by Mortgages. Accordingly, no amendment or modification of these Bylaws impairing or affecting such rights, priorities, remedies or interest of a Mortgagee shall be adopted without the prior written consent required as prescribed in these Bylaws of such Mortgagees.

ARTICLE XI
Miscellaneous

11.1. Notices. All notices, demands, bills, statements or other communications under these Bylaws shall be in writing and shall be deemed to have been duly given if delivered personally or sent by United States mail, postage prepaid, unless another method is mandated in the Declaration: (i) if to a Unit Owner, at the address which the Unit Owner shall designate in writing and file with the Secretary, and at the address of the Unit of such Unit Owner; or (ii) if to the Association, the Executive Board or to the Managing Agent, at the principal office of the Managing Agent or at the principal address as shall be designated by notice in writing to the Unit Owners pursuant to this Section. If a Unit is owned by more than one person, each such person who so designates an address in writing to the Secretary shall be entitled to receive all notices hereunder.

11.2. Captions. The captions herein are inserted only as a matter of convenience and for reference and in no way define, limit or describe the scope of these Bylaws or the intent of any provisions hereof.

11.3. Gender. The use of the masculine gender in these Bylaws shall be deemed to include the feminine and neuter genders and the use of the singular shall be deemed to include the plural, and vice versa whenever the context so requires.

11.4. Construction. The Condominium Instruments are intended to comply with all of the applicable provisions of the Condominium Act and shall be so interpreted and applied.



Exhibit "B-1"



NORTH CAROLINA

Department of The Secretary of State

To all whom these presents shall come, Greetings:

I, **ELAINE F. MARSHALL**, Secretary of State of the State of North Carolina, do hereby certify the following and hereto attached to be a true copy of

ARTICLES OF INCORPORATION

OF

VILLAS OF HATTERAS LANDING OWNERS ASSOCIATION, INC.

the original of which was filed in this office on the 26th day of April, 2004.



IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal at the City of Raleigh, this 26th day of April, 2004

Elaine F. Marshall

Secretary of State



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Date Filed: 4/26/2004 8:37:00 AM
Elaine F. Marshall
North Carolina Secretary of State
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NORTH CAROLINA
DARE COUNTY

ARTICLES OF INCORPORATION
NONPROFIT CORPORATION
(Chapter 55A)

The undersigned incorporator does make and acknowledge these Articles of Incorporation for the purpose of forming a nonprofit corporation under and by virtue of the laws of the State of North Carolina.

1. The name of the corporation is:

VILLAS OF HATTERAS LANDING OWNERS ASSOCIATION, INC.

2. The period of duration is perpetual.

3. The purpose for which the corporation is organized is to engage in any lawful act or activity for which corporations may be organized under Chapter 55A of the General Statutes of North Carolina.

4. The corporation shall have members. Membership shall be further explained in the bylaws.

5. The method of election of directors shall be provided in the bylaws of the corporation.

6. The following provisions shall apply:
 - (a) The corporation has not been formed for pecuniary profit or financial gain, and no part of the assets, income or profit of the corporation shall inure to or be distributed to the benefit of any donor, director, officer of the corporation, employee or private individual. No substantial part of the activities of the corporation shall consist of carrying on propaganda or otherwise attempting to influence legislation, and the corporation shall not participate in, or intervene in (including the publication or distribution of statements) any political campaign on behalf of any candidate for public office. Notwithstanding any other provisions of these Articles, the corporation shall not carry on any activities not permitted to be carried on:



- (1) by a corporation exempt from Federal Income Tax under section 501(c) of the Internal Revenue Code of 1954, or
 - (2) by a corporation, contributions to which are deductible under Section 170(c)(2) of the Internal Revenue Code of 1954.
- (b) The corporation shall not have authority to issue capital stock of any kind.

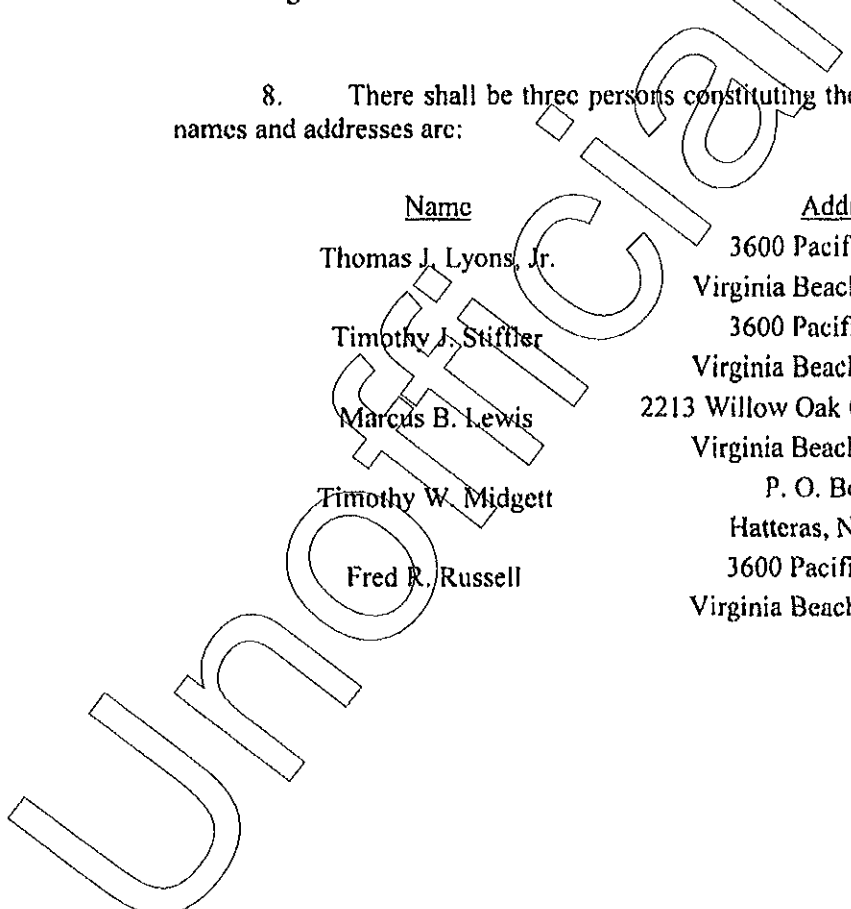
7a. The principal office is located at 58822 NC 12 Highway, Hatteras, Dare County, North Carolina, 27943. The mailing address is 58822 NC 12 Highway, Hatteras, Dare County, North Carolina, 27943.

7b. The name and address of the registered agent and initial registered office of the corporation are:

<u>Name</u>	<u>Mailing Address</u>	<u>Street Address</u>	<u>Town & Zip Code</u>	<u>County</u>
Timothy W. Midgett	P. O. Box 250	58822 NC 12 Highway	Hatteras, NC 27943	Dare

8. There shall be three persons constituting the initial board of directors and their names and addresses are:

<u>Name</u>	<u>Address</u>
Thomas J. Lyons, Jr.	3600 Pacific Avenue Virginia Beach, VA 23451
Timothy J. Stiffler	3600 Pacific Avenue Virginia Beach, VA 23451
Marcus B. Lewis	2213 Willow Oak Circle, Apt. # 308 Virginia Beach, VA 23451
Timothy W. Midgett	P. O. Box 250 Hatteras, NC 29743
Fred R. Russell	3600 Pacific Avenue Virginia Beach, VA 23451





9. The name and address of the incorporator are:

<u>Name</u>	<u>Street Address</u>	<u>Town & Zip Code</u>	<u>County</u>
W. Jay Wheless	101 S. Va. Dare Rd. P. O. Box 500	Manteo, NC 27954	Dare

10. Upon the dissolution of the corporation, the Board of Directors shall, after paying or making provision for the payment of all liabilities of the corporation, dispose of all of the assets of the corporation exclusively for the purpose of the corporation in such manner, or to such organization organized and operated exclusively for the maintenance and continuation of Villas of Hatteras Landing, a condominium, or for such purposes as shall at the time qualify as an en exempt organization or organizations under section 501(c) (3) of the Code, or the corresponding section of any future Federal tax Code. Any such assets not disposed of shall be disposed of by the Superior Court of the county in which the principal office of the corporation is then located, exclusively for such purposes or to such organizations, such as court shall determine, which are organized and operated exclusively for such purposes, or to such governments for such purpose.

11. These articles are effective upon filing.

IN WITNESS WHEREOF the Incorporator, a natural person of the age of eighteen years of more does sign and acknowledge these articles of incorporation.


 _____ (SEAL)
 W. Jay Wheless
 Incorporator

Unofficial



Exhibit "C"

Chapter 47C of the North Carolina General Statutes

The North Carolina Condominium Act

- Note 1: This Chapter was printed from www.lexis.com, March, 2004.
Note 2: Due to this document's length, it was not recorded. Please find a copy of this document in the offices of the Declarant and/or the Association.



Exhibit "D"

SCHEDULE OF UNIT INFORMATION

Unit Number	Unit's Total Square Footage	Number of Votes	Percentage (%) Interest in the Common Elements & Percentage (%) Share of Liability for Common Expenses *
101	565	1	3.125
102	589	1	3.125
103	589	1	3.125
104	589	1	3.125
105	589	1	3.125
106	589	1	3.125
107	589	1	3.125
108	580	1	3.125
119	575	1	3.125
120	548	1	3.125
121	548	1	3.125
122	548	1	3.125
123	548	1	3.125
124	548	1	3.125
125	548	1	3.125
126	575	1	3.125
201	565	1	3.125
202	589	1	3.125
203	589	1	3.125
204	589	1	3.125
205	589	1	3.125
206	589	1	3.125
207	589	1	3.125



208	580	1	3.125
219	575	1	3.125
220	548	1	3.125
221	548	1	3.125
222	548	1	3.125
223	548	1	3.125
224	548	1	3.125
225	548	1	3.125
226	575	1	3.125
TOTALS	Not relative to voting, ownership of common element interest or liability for common expenses	32	100.00%

*The allocation of undivided interests in the Common Elements and of the Common Expenses is according to 100% divided by the number of units (32). The votes in the Association are equally allocated to all Units.

Unofficial



Exhibit "E-1"

CONSENT TO
"DECLARATION OF THE VILLAS OF HATTERAS LANDING CONDOMINIUM"

CONSENTER: THE PALEY-MIDGETT COMPANY, LLC

CONSENTER'S LANDS or INTERESTS:

Security interest in the declared lands Exhibit "A" of the Declaration of Covenants as established by a Development Agreement recorded in Book 1024, Page 142, Dare County Registry.

DECLARATION: The Declaration of Condominium to which this Consent is attached

WHEREAS Consenter's Lands or Interests were of record prior to the recordation of the Declaration; and

WHEREAS Consenter has reviewed the plats described the Declaration as well as the specific conditions of the Declaration and finds them to be acceptable;

NOW THEREFORE for and in consideration of the recited agreements and covenants which are found to be and are adequate consideration for this Consent, the Consenter does hereby consent to the imposition of the Declaration of Condominium to Consenter's Lands or Interests.

IN WITNESS WHEREOF each Consenter has caused this Consent to be executed as the official act of the Consenter. This the 26th day of April, 2004.

THE PALEY-MIDGETT COMPANY, LLC

By: Timothy W. Midgett (SEAL)
_____, Manager

NORTH CAROLINA
DARE COUNTY

On the date set forth below, Timothy W. Midgett came before me, Betsy Albare, Notary Public for said County and State, and being duly sworn by me swears that he is Manager of THE PALEY-MIDGETT COMPANY, LLC, a limited liability company, and that said writing was signed by him as authorized by the company as its official act.

Witness my hand and official seal, this the 6 day of May, 2004.

My Commission Expires:

12/21/08

Betsy Albare
Notary Public

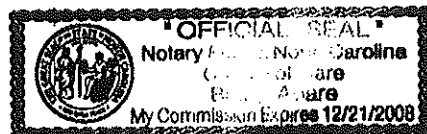




Exhibit "E-2"

CONSENT TO
"DECLARATION OF THE VILLAS OF HATTERAS LANDING CONDOMINIUM"

CONSENTER: SUNTRUST

CONSENTER'S LANDS or INTERESTS:

Security interest in the declared lands Exhibit "A" of the Declaration of Covenants as established by deeds of trust recorded in Book 1364, Pages 411 & 412, Dare County Registry, and such UCC Financing Statements as may be of record and applicable to the said lands.

DECLARATION: The Declaration of Condominium to which this Consent is attached

WHEREAS Consenter's Lands or Interests were of record prior to the recordation of the Declaration; and

WHEREAS Consenter has reviewed the plats described the Declaration as well as the specific conditions of the Declaration and finds them to be acceptable;

NOW THEREFORE for and in consideration of the recited agreements and covenants which are found to be and are adequate consideration for this Consent, the Consenter does hereby consent to the imposition of the Declaration of Condominium to Consenter's Lands or Interests.

IN WITNESS WHEREOF each Consenter has caused this Consent to be executed as the official act of the Consenter. This the 19th day of May, 2004.

SUNTRUST

By: H. Mac Weaver, II (SEAL)
Senior Vice-President

~~NORTH CAROLINA~~ VIRGINIA
~~DARE COUNTY~~ CITY OF VIRGINIA BEACH

On the date set forth below, H. Mac Weaver, II came before me, Debra K. Smith, Notary Public for said County and State, and being duly sworn by me swears that he is Vice-President of SUNTRUST, a corporation, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation, and that said writing was signed and sealed by him and was the authorized act of said corporation by its authority duly given.

Witness my hand and official seal, this the 19th day of May, 2004.

Debra K. Smith
Notary Public

My Commission Expires:
January 31, 2006