

CONDOMINIUM DECLARATION

THIS DECLARATION, made this 26 day of May, 1987 by PACER PARTNERSHIP, a North Carolina General Partnership ("Developer"), pursuant to the North Carolina Condominium Act, Chapter 47C, North Carolina General Statutes.

## W I T N E S S E T H:

WHEREAS, Developer is the owner in fee simple of certain real estate situated in the Town of Manteo, County of Dare, and State of North Carolina, legally described on Exhibit A, together with all buildings and improvements now or hereafter constructed or located thereon, and all rights, privileges, easements and appurtenances belonging to or in any way pertaining to said real estate; and

WHEREAS, the Developer desires to submit all of said property to the Act.

NOW, THEREFORE, Developer, as the owner of said property, hereby declares as follows:

## ARTICLE I

DEFINITIONS

Definitions. As used herein, the following words and terms shall have the following meanings:

1.1 Act. The North Carolina Condominium Act, Chapter 47C, North Carolina General Statutes.

1.2 Additional Real Estate. The real estate described in Exhibit A together with all buildings and improvements now or hereafter constructed or located thereon comprises the real estate submitted to the Act.

1.3 Association. Croatan Property Owners Association, Inc., a nonprofit corporation organized under Chapter 55A, North Carolina General Statutes. The Articles of Incorporation are attached hereto as Exhibit E.

1.4 Board. The Board of Directors of the Association.

1.5 Bylaws. The Bylaws of the Association which are hereby incorporated herein and made a part hereof by this reference. Said Bylaws are attached hereto as Exhibit F.

1.6 Common Elements. All portions of the Condominium except the Units. Any Limited Common Elements are Common Elements.

1.7 Common Expenses. Expenditures made or liabilities incurred by or on behalf of the Association, together with any allocations to reserves.

1.8 Condominium. The condominium created by this Declaration.

1.9 Declarant. Developer and (i) any other person who has executed this Declaration, or who hereafter executes an amendment to this Declaration to add Additional Real Estate, except Security Holders and except persons whose interests in the Property will not be conveyed to Unit Owners, and (ii) any person who succeeds to any Special Declarant Rights pursuant to Section 47C-3-104 of the Act.

1.10 Declarant Control Period. The period commencing on the date hereof and continuing until the earlier of (i) the date five (5) years after the date of the first conveyance of a Unit to a Unit Owner other than a Declarant, or (ii) the date upon which Declarant surrenders control of the Condominium, or (iii) the date sixty (60) days after the Declarant has conveyed seventy-five percent (75%) of the Units to Unit Owners other than a Declarant.

1.11 First Mortgage and First Mortgagee. A First Mortgage is a mortgage or deed of trust which has been recorded so as to give constructive notice thereof, and which is a first lien on the Units described therein. A First Mortgage is the holder, from time to time, of a First Mortgage as shown by the records of the office in which the First Mortgage is recorded, including a purchaser at foreclosure sale upon foreclosure of a First Mortgage until expiration of the mortgagor's period of redemption. If there be more than one holder of a First Mortgage, they shall be considered as, and act as, one First Mortgagee for all purposes under this Declaration and the Bylaws.

1.12 Floor Plans. The floor plans of the Condominium recorded with, and by the Act made a part of, this Declaration, as the same may hereafter be amended.

1.13 Limited Common Elements. Those portions of the Common Elements, if any, allocated by operation of Section 47C-2-102(2) or (4) of the Act for the exclusive use of one but fewer than all of the Units and also any Limited Common Elements specifically allocated to Units on Exhibit B.

1.14 Occupant. Any person or persons in possession of a Unit, including Unit Owners, the family members, lessees, guests and invitees of such person or persons, and family members, guests and invitees of such lessees.

1.15 Person. A natural person, corporation, partnership, trust or other entity, or any combination thereof.

1.16 Property. The real estate described on Exhibit A, together with all buildings and improvements now or hereafter constructed or located thereon, and all rights, privileges, easements and appurtenances belonging to or in any way pertaining to said real estate.

1.17 Security for an Obligation. The vendors' interest in a contract for deed, mortgagee's interest in a mortgage, trustee's interest in a deed of trust, purchaser's interest under a sheriff's certificate of sale during the period of redemption, or the holder's interest in a lien.

1.18 Security Holder. Any person owning a Security for an Obligation in a Unit.

1.19 Special Declarant Rights. The rights reserved herein and in the Bylaws for the benefit of a Declarant, as follows: to maintain sales offices, management offices, models and signs advertising the Condominium; to use easements through the Common Elements; to elect, appoint or remove members of the Board during the Declarant Control Period. Declarant shall have no right to subdivide or convert Units owned by Declarant.

1.20 Unit. A portion of the Condominium, whether or not contained solely or partially within a building, together with its percentage of undivided interest in the Common Elements as set forth on Exhibit C. Each Unit is designed and delineated on the Floor Plans.

1.21 Unit Boundaries. The boundaries of each Unit, both as to vertical and horizontal planes, as shown on the Floor Plans, are the undecorated surfaces of the perimeter walls, exterior doors and exterior windows facing the interior of the Unit, and the topmost surfaces of the subflooring, and include the decoration on all such interior panelling, tiles, wallpaper, paint, finished flooring and any other materials constituting any part of the decorated surfaces thereof, and also includes all spaces, interior partitions and other fixtures and improvements within each boundaries.

1.22 Unit Owner. The person or persons, including the Declarant, owning a Unit in fee simple, including the contract-for-deed purchasers of a Unit, but excluding contract-for-deed purchasers of a Unit who are Security Holders, and also excluding all other Security Holders.

ARTICLE II

Submission of Property to the Act

2.1 Submission. Developer hereby submits the Property to the Act.

2.2 Name. The Property shall hereafter be known as Croatan.

2.3 Division of Property into Separately Owned Units. Developer, pursuant to the Act, and to establish a plan of condominium ownership for the Condominium, does hereby divide the Property into 36 Units and does hereby designate all such Units for separate ownership, subject, however, to the provisions of Section 2.4 hereof.

2.4 Alterations of Units. Subject to the provisions of the Bylaws, a Unit may be altered pursuant to the provisions of Sections 47C-2-113(a) and (b) of the Act.

2.5 Limited Common Elements. The Limited Common Elements, if any, serving or designed to serve each Unit are hereby allocated solely and exclusively 1.13, Limited Common Elements include those set forth on Exhibit B and are hereby allocated to Units as shown on Exhibit B, if any.

2.6 Unit Allocations. The allocations to each Unit of a percentage of undivided interest in the Common Elements, of votes in the Association, and of a percentage of the Common Expenses, are as stated on Exhibit C. The allocation of undivided interests in the Common Elements and of the Common Expenses is according to the area of each unit to the area of all Units. The votes in the Association are equally allocated to all Units.

2.7 Encumbrances. The liens, defects and encumbrances on the Property to which the rights of Unit Owners and Occupants are hereby made subject are set out on Exhibit D.

2.8 Condominium Ordinances. The Condominium is not subject to any code, real estate use law, ordinance, charter provision, or regulation (i) prohibiting the condominium form of ownership, or (ii) imposing conditions or requirements upon developments under a different form of ownership. This statement is made pursuant to Section 47C-1-106 of the Act for the purpose of providing marketable title to the Units in the Condominium.

2.9 Reservation of Special Declarant Rights. Declarant hereby reserves all Special Declarant Rights.

ARTICLE III

Easements

3.1 Encroachments. In the event that, by reason of the construction, reconstruction, rehabilitation, alternation or improvement of the buildings or improvements comprising a part of the Property, any part of the Common Elements now or hereafter encroaches upon any part of any Unit, or any part of any Unit now or hereafter encroaches upon any part of the Common Elements, or upon any part of another Unit, an easement for the continued existence and maintenance of each encroachment is hereby declared and granted and shall continue for so long as each such encroachment exists; provided that in no event shall an easement for such encroachment be created if such encroachment is detrimental to or interferes with the reasonable use and enjoyment of the Common Elements or Units so encroached upon.

3.2 Easements Through Walls. Easements are hereby declared and granted to the Association and to such persons as are authorized by the Association, to install, lay, maintain, repair and replace any chutes, flues, ducts, vents, pipes, wires, conduits and other utility installations, and structural components running through the walls of the Units, whether or not such walls lie in whole or in part within the boundaries of any Unit.

3.3 Easements to Repair, Maintain, Restore and Reconstruct. Whenever in, and whenever by, this Declaration, the Bylaws or the Act, a Unit Owner, the Association, the Board, or any other person, is authorized to enter upon a Unit or the Common Elements to repair, maintain, restore or reconstruct all or any part of a Unit of the Common Elements, such easements are necessary for such entry and such repair, maintenance, restoration or reconstruction are hereby declared and granted.

3.4 Declarant's Easement. Declarant hereby reserves such easements through the Common Elements as may be reasonably necessary for the purposes of discharging its obligations, exercising Special Declarant Rights, and completing the development and construction of the Condominium, which easements shall exist as long as reasonably necessary for such purposes.

3.5 Easements to Run With Land. All easements and rights described in this Article III are appurtenant easements running with the land, except as otherwise expressly provided in this Article III shall be perpetually in full force and effect, and shall inure to the benefit of and be binding upon Declarant, the Association, Unit Owners, Occupants, Security Holders and any other person having any interest in the Condominium or any part of any thereof. The Condominium and every part thereof shall be conveyed and encumbered subject to and together with all easements and rights described in this Article III, whether or not specifically mentioned in any such conveyance or encumbrance.

3.6 Cable Television Easement. Declarant is presently negotiating or may attempt to negotiate a cable television wiring agreement with Outer Banks Cablevision which would provide such company with an easement for installing and maintaining a line connecting the cable television wire located in the building to cable system. Any such agreement would be entered into by the Declarant, the cable television company and the Association.

ARTICLE IV

Restrictions, Conditions and Covenants

4.1 Compliance with Declaration, Bylaws and Rules and Regulations. Each Unit Owner and Occupant shall comply with all applicable provisions of the Act, this Declaration, the Bylaws, the Articles of Incorporation of the Association, and rules and

regulations promulgated by the Board or the Association, as amended. Failure to comply shall be grounds for an action by the Association, and aggrieved Unit Owner, or any person adversely affected, for recovery of damages, injunction or other relief.

4.2 Administration of Condominium. The Condominium shall be administered in accordance with the provisions of the Act, this Declaration and the Bylaws.

4.3 Use Restricted; Use by Declarant.

(a) The Units shall be occupied and used by Unit Owners and Occupants for residential purposes only.

(b) No "For Sale" or "For Rent" signs or other window displays or advertising shall be maintained or permitted by any Unit Owner or Occupant on any part of the Condominium without the prior written consent of the Board.

(c) The foregoing provisions of this Section or any other provision of this Declaration or the Bylaws notwithstanding, Declarant may maintain sales offices for sales of Units in the Condominium and models at Declarant's discretion.

Declarant shall have the right to relocate, from time to time, and to discontinue and reestablish, from time to time, within the Condominium, until all of the Units have been conveyed to a Unit Owner other than a Declarant, any one or more of such offices or models. Declarant also shall have the right to change the use or combination of uses of such offices or models, provided that such offices or models shall be used only for sales offices or models. The total number of such offices or models maintained at any time by a Declarant shall not exceed the number set out above, and the size of any such relocated or reestablished office or model shall not exceed the size of the largest Unit in the Condominium.

(d) Declarant also may maintain signs on the Common Elements advertising the Condominium until all of the Units have been conveyed to Unit Owners other than a Declarant. Declarant shall remove all such signs not later than thirty (30) days after all of the Units have been conveyed to Unit Owners other than Declarant and shall repair or pay for the repair of all damage done by removal of such signs.

(e) The foregoing provisions of this Section or any other provision of this Declaration or the Bylaws notwithstanding, the Association may maintain an office in the Condominium for management of the Condominium.

4.4 Hazardous Use and Waste. Nothing shall be done to or kept in any Unit or the Common Elements that will increase any rate of insurance maintained with respect to the Condominium without the prior written consent of the Board. No Unit Owner or Occupant shall permit anything to be done to or kept in his Unit or the Common Elements that will result in the cancellation of insurance maintained with respect to the Condominium, or that would be in violation of any law, or that will result in the commitment of waste (damage, abuse or destruction) to or in his Unit or the Common Elements.

4.5 Alterations of Common Elements. No Unit Owner or Occupant, except Declarant during the Declarant Control Period, shall alter, construct anything upon, or remove anything from the Common Elements or paint, decorate, landscape or adorn any portion of the Common Elements, without the prior written consent of the Board.

4.6 Renting of Units. Any Unit Owner who enters into a lease of his Unit for a lease term longer than 30 days shall

promptly notify the Association of the name and address of each lessee, the Unit rented, and the term of the lease. Other than the foregoing restrictions, each Unit Owner shall have the full right to lease his Unit.

4.7 Pets. No pet shall be allowed in the Condominium, except as may be provided by the rules and regulations promulgated from time to time by the Board or the Association or in the Bylaws.

4.8 Rules and Regulations. In addition to the foregoing restrictions, conditions and covenants concerning the use of the Condominium, reasonable rules and regulations not in conflict therewith and supplementary thereto may be promulgated and amended from time to time by the Board or the Association, as more fully provided in the Bylaws.

4.9 Restrictions, Conditions and Covenants To Run With Land. Each Unit Owner and Occupant shall be subject to all restrictions, conditions and covenants of this Declaration, and all such restrictions, conditions and covenants shall be deemed to be covenants running with the land, and shall bind every person having any interest in the Property, and shall inure to the benefit of every Unit Owner.

ARTICLE V

Assessments

5.1 Assessment Liens. The Board has the power to levy assessments against the Units for Common Expenses. Such assessments shall be a lien on the Units against which they are assessed, and if any payment thereof becomes delinquent, the lien may be foreclosed and the Unit sold, or a money judgment obtained against the persons liable therefor, all as set forth in the Bylaws. The Bylaws shall set the method of assessment, the procedure for collection and any other matters necessary to identify the nature of the assessment rights set forth herein. This specifically includes, but not by way of limitation, the method for collection of liens and assessments in the manner set forth in N.C.G.S. Chapter 44A, et. Seq.

5.2 Personal Liability of Transferees; Statement; Liability of First Mortgagee.

(a) The personal obligation for assessments which are delinquent at the time of transfer of a Unit shall not pass to the transferee of said Unit unless said delinquent assessments are expressly assumed by said transferee.

(b) Any transferee referred to (a) above shall be entitled to a statement from the Board, pursuant to Section 8.11 of the Bylaws, and such transferee's Unit shall not be subject to a lien for any unpaid assessments against such Unit in excess of the amount therein set forth.

(c) Where a mortgagee or the beneficiary of a deed of trust, or other person claiming through such deed of trust, pursuant to the remedies provided in a deed of trust or debt instrument, or by foreclosure or by deed, or assignment, in lieu of foreclosure, obtains title to a Unit, the liability of such mortgagee or such other person defined herein for assessments shall be only for the assessments, or installments thereof, that would become delinquent, if not paid, after acquisition of title. For purposes hereof, title to a Unit shall be deemed acquired by foreclosure upon expiration of the applicable period of redemption.

(d) Without releasing the transferor from any liability therefor, any unpaid portion of assessments which is not a lien under (b) above or, resulting as provided in (c) above, from the

exercise of remedies in a deed of trust, or by foreclosure thereof or by deed or by assignment, in lieu of such foreclosure, shall be a Common Expense collectible from all Unit Owners, including the transferee under (b) above and the purchaser at foreclosure or such other person under (c) above who acquires ownership by foreclosure or by deed, or assignment, in lieu of foreclosure.

5.3 Prohibition of Exemption from Liability for Contribution Toward Common Expenses. No Unit Owner may exempt himself from liability for his share of the Common Expenses assessed by the Association by waiver of the use or enjoyment of any of the Common Elements or by abandonment of his Unit or otherwise.

#### ARTICLE VI

##### Management, Maintenance, Repairs, Replacements, Alterations and Improvements

###### 6.1 Common Elements.

(a) By the Association. The management, replacement, maintenance, repair, alteration and improvement of the Common Elements shall be the responsibility of the Association, and, subject to the provisions of Section 7.2 hereof, the cost thereof shall be a Common Expense to the extent not paid by Unit Owners pursuant to Section 7.1(b) hereof. All damage caused to a Unit by any work on or to the Common Elements done by or for the Association shall be repaired by the Association, and the cost thereof shall be a Common Expense.

(b) By Unit Owners. Each Unit Owner and Occupant shall allow other Unit Owners and Occupants, and their representative, to enter his Unit, or Limited Common Elements allocated to his Unit, when reasonably necessary for the purpose of altering, maintaining, repairing or replacing the Unit of, or performing the duties and obligations under the Act, this Declaration or the Bylaws of the Unit Owner or Occupant making such entry, provided that requests for entry are made in advance and that such entry is at a time convenient to the Unit Owner or Occupant whose Unit or Limited Common Element is to be entered. In case of an emergency or dangerous condition or situation, such right of entry shall be immediate. Notwithstanding Section 7.4, the person making such entry shall be responsible for repair of any damage caused by such person to the entered Unit or Limited Common Element.

#### ARTICLE VII

##### Insurance

7.1 Casualty Insurance. The Association shall maintain casualty insurance upon the Property in the name of, and the proceeds thereof shall be payable to the Association, as Trustee for all Unit Owners and Security Holders as their interests may appear, and be disbursed pursuant to the Act. Such insurance shall be in an amount equal to not less than the full insurable value of the Property on a replacement cost basis and shall insure against such risks and contain such provisions as the Board from time to time shall determine, but at a minimum shall conform in all respects to the requirements of the Act, and shall provide that, notwithstanding any provision thereof that gives the insurer an election to restore damage in lieu of making a cash settlement, such option shall not be exercisable if such restoration is prohibited pursuant to Section 47C-3-112(g) of the Act.

7.2 Public Liability Insurance. The Association shall maintain public liability insurance for the benefit of the Unit Owners, Occupants and holders of a vendor's interest in a contract for deed on a Unit, the Association, the Board, the manager, if any, the Declarant, and their respective officers, directors, agents and employees, in such amounts and with such coverage as shall be determined by the Board; provided that the public liability insurance shall be for at least One Million Dollars (\$1,000,000) per occurrence for death, bodily injury and property damage. Said insurance shall contain a severability-of-interest endorsement precluding the insurer from denying liability because of negligent acts of any insured; insure all of such benefited parties against such liability arising out of or in connection with the use, ownership or maintenance of the Common Elements, and the streets, sidewalks and public spaces adjoining the Condominium; and insure the Association, the Board, the manager, if any, and their respective officers, directors, agents and employees against such liability arising out of or in connection with the use or maintenance of the Units. In the event that the market for insurance does not have available at a price or cost justifiable by reasonable decision of the Board of Directors of the Association the insurance specified herein, the Board may make such judgments as to insurance as necessary consistent with the intention of this paragraph for the best interest of the Association.

7.3 Fidelity Coverage. Fidelity coverage shall be maintained by the Association in commercial blanket form covering each director and officer of the Association, any employee or agent of the Association and any other person handling or responsible for handling funds of the Association in the face amount of at least the greater of (i) one and one-half (1-1/2) times the estimated annual operating expenses and reserves of the Association, or (ii) the sum of three months' aggregate assessments on all units plus the Association's reserve funds. Such bonds shall contain an appropriate endorsement to cover persons who serve without compensation. The premium on such bonds shall be a Common Expense.

7.4 Other Insurance. The Association may procure such other insurance, including worker's compensation insurance, as it may from time to time deem appropriate to protect the Association or the Unit Owners. If at least one Unit is subject to FNMA/FHLMC financing, the Association shall obtain and keep in force such insurance as the standards for FNMA/FHLMC approved loans shall require from time to time.

7.5 Insurance Trustee. The Board may engage, and pay as a Common Expense, any appropriate person to act as an insurance trustee to receive and disburse insurance proceeds upon such terms as the Board shall determine, consistent with the provisions of the Act and this Declaration.

7.6 Individual Policy for Unit Owners. Each Unit Owner may obtain insurance, at his own expense, affording personal property, additional living expense, condominium assessment, personal liability, and any other coverage obtainable, to the extent and in the amounts such Unit Owner deems necessary to protect his own interests; provided that any such insurance shall contain waivers pursuant to Section 7.3 and shall provide that it is without contribution as against the insurance purchased by the Association. If a casualty loss is sustained and there is reduction in the amount of the proceeds that would otherwise be payable on the insurance purchased by the Association due to the proration of insurance purchased by a Unit Owner under this Section, such Unit Owner shall be liable to the Association to the extent of such reduction and shall pay the amount of such reduction to the Association upon demand, and assigns the proceeds of his insurance, to the extent of such reduction, to the Association.



## ARTICLE VIII

Casualty Damage

If all or any part of the Property shall be damaged or destroyed, the same shall be repaired or replaced, and proceeds of insurance shall be used and applied in accordance with the provisions of Section 47C-3-113(d) and (g) of the Act.

## ARTICLE IX

Condemnation

In the event of a taking by eminent domain, or by a conveyance in lieu thereof, of all or any part of the property, the same shall be repaired or restored, and the awards paid on account thereof shall be used and applied in accordance with Section 47C-1-107 of the Act.

## ARTICLE X

Termination

The Condominium may be terminated only in strict compliance with Section 47C-2-118 of the Act.

## ARTICLE XI

Amendment

This Declaration may be amended only in strict compliance with the Act, including, without limitation, Sections 47C-2-108 and 47C-2-117 of the Act, except that no amendment altering or impairing Special Declarant Rights may be made without the written consent of Declarant.

## ARTICLE XII

Rights of First Mortgagees:  
VA, FNMA and FHLMC Provisions

The following provisions shall take precedence over all other provisions of this Declaration and the Bylaws;

12.1 Amendments during Declarant Control Period. Any amendments to this Declaration or to the Bylaws during the Declarant Control Period shall be subject to the prior approval of the elected representative of a majority of the holders of first mortgage position FNMA/FHLMC secured loans provided, however, that, if said representative or such lender(s) fails to respond to a written request for approval within thirty (30) days of said request, approval shall be deemed to have been given.

12.2 Availability of Condominium Documents, Books, Records and Financial Statements. The Association shall, upon request and during normal business hours, make available for inspection by Unit Owners and the First Mortgagees and the insurers and guarantors of a First Mortgage on any Unit, current copies of the Declaration, the Bylaws, other rules and regulations governing the Condominium and the books, records and financial statements of the Association. The Association shall provide an audited financial statement for the preceding fiscal year if requested in writing by a First Mortgagee or insurer or guarantor of a First Mortgage. The Association shall, upon request and during normal business hours, make available for inspection by prospective purchasers of Units, current copies of the Declaration, Bylaws,

other rules and regulations governing the Condominium, and the most recent annual audited financial statement (if one is prepared).

12.3 Successors' Personal Obligation for Delinquent Assessments. The personal obligation for assessments which are delinquent at the time of transfer of a Unit shall not pass to the successors in title or interest to said Unit unless said delinquent assessments are expressly assumed by them.

12.4 Rights of Action. The Association and any aggrieved Unit Owner shall have a right of action against Unit Owners and any aggrieved Unit Owner shall have a right of action against the Association for failure to comply with the regulations, and decisions of the Association made pursuant to authority granted to the Association in this Declaration and the Bylaws.

12.5 Management and Other Agreements. Any management agreement between the Declarant or the Association and a professional manager or any other agreement providing for services of the developer, sponsor, builder or Declarant shall be terminable by either party thereto without payment of a termination fee upon not more than thirty (30) days' prior written notice and shall not exceed a term of three (3) years, subject to renewal by the consent of both parties.

12.6. Right of First Refusal. The right of a Unit Owner to sell, transfer, mortgage or otherwise convey his interest in his Unit shall not be subject to any right of first refusal.

12.7 Consent of First Mortgagees. This Section 13.7 shall be effective only if, at the time this Section would apply, at least one Unit is subject to financing. Any decision to terminate the Condominium for reasons other than substantial destruction or condemnation of the property shall require the prior written consent of Eligible Mortgage Holders, as defined in Section 13.9 hereof, representing at least 67% of the votes allocated to Units subject to First Mortgages held by Eligible Mortgage Holders, or such greater requirements specified by the Act. Except for any amendment to the Declaration made for the purposes of adding any of the Additional Real Estate to the Condominium in accordance with the provision hereof, any amendment to the Declaration or Bylaws which changes any of the following shall require the prior written consent of Unit Owners holding at least 67% of the total votes in the Association and of Eligible Mortgage Holders representing at least 51% of the votes allocated to Units subject to First Mortgages held by Eligible Mortgage Holders, or such greater requirements specified by the Act or hereunder:

- (a) voting rights;
- (b) assessments, assessment liens or subordination of such liens;
- (c) reserves for maintenance, repair and replacement of Common Elements;
- (d) responsibility for maintenance and repairs;
- (e) reallocation of interests in the Common Elements or Common Elements or Limited Common Elements or rights to their use;
- (f) boundaries of any Unit;
- (g) convertibility of Units into Common Elements or Common Elements into Units;

(h) expansion or contraction of the Condominium or the addition, annexation or withdrawal of property to or from the Condominium;

(i) insurance or fidelity bonds;

(j) leasing of Units;

(k) imposition of any restrictions on a Unit Owner's right to sell, transfer or otherwise convey his Unit;

(l) a decision by the Association to establish self-management when professional management had been required previously by any Eligible Mortgage Holder;

(m) restoration or repair of the Condominium (after damage or destruction or partial condemnation) in a manner other than that specified in this Declaration or the Bylaws;

(n) any action to terminate the legal status of the Condominium after substantial damage or destruction or condemnation; or

(o) any provisions that expressly benefit First Mortgagees or insurance or guarantors of First Mortgages.

12.8 Consent of First Mortgagees or Unit Owners. This Section 12.8 shall be effective only if, at the time this Section would apply, at least one Unit is subject to FNMA/FHLMC financing. Unless First Mortgagees holding at least 66 2/3% of the votes allocated to First Mortgagees (except First Mortgagees having one vote per Unit financed), or such higher percentage as is required by law, of the First Mortgagees (based upon one vote for each First Mortgage owned) and Unit Owners (other than a Declarant) holding at least 66 2/3% of the total votes in the Association have given their prior written approval, or such greater requirements specified in the Act or hereunder have been satisfied, the Association shall not be entitled to:

(a) by act or omission, seek to abandon or terminate the Condominium;

(b) except in the case of any addition of the addition of the Additional Real Estate pursuant to the provisions hereof, change the pro rata interest or obligations of any Unit for the purpose of:

(i) levying assessments or charges or allocating distributions of hazard insurance proceeds or or condemnation awards, or

(ii) determining the pro rata share of ownership of each Unit in the Common Elements;

(c) partition or subdivide any Unit;

(d) except in the case of any addition of the Additional Real Estate pursuant to the provisions hereof, by act or omission, seek to abandon, partition, subdivide, encumber, sell or transfer the Common Elements. (The granting of easements for public utilities or for other public purposes consistent with the intended use of the Common Elements shall not be deemed a transfer within the meaning of this clause);

(e) use hazard insurance proceeds for losses to any part of the Common Elements) for other than repair, replacement or reconstruction thereof.

12.9 Notice. Each First Mortgagee and each insurer or guarantor of a First Mortgage, upon written request stating its name and address and describing the Unit encumbered by the First Mortgage, held, insured or guaranteed, shall be entitled to timely written notification by the Association of (i) any proposed action which requires consent of a specified percentage of First Mortgagees; (ii) any condemnation or casualty loss that affects either a material portion of the Condominium or the Unit securing its First Mortgage; (iii) any 60-day delinquency in the payment of assessments or charges owed by the Unit Owner of the Unit on which the First Mortgage held its First Mortgage or in the performance of any obligation under this Declaration or the Bylaws by said Unit Owner; or (iv) any lapse, cancellation or material modification of any insurance policy or fidelity bond maintained by the Association. Each First Mortgagee who has requested the Association to notify it of any proposed action that requires the consent of a specified percentage of Eligible Mortgage Holders shall be considered an "Eligible Mortgage Holder." With respect only to non-material amendments (which excludes items (a) to (o) of Section 13.7), such as for the correction of technical errors or for clarification, any First Mortgagee who receives a written request by the Association, or any Unit Owner, to approve an addition or amendment to the Declaration or Bylaws who does not deliver or post to the requesting party a negative response within 30 days shall be deemed to have approved such request.

12.10 Assessments. Assessments shall be due and payable in monthly installments. As provided in Article VIII of the Bylaws and as legally required by Section 47C-3-115 of the Act, Declarant shall pay all accrued expenses of the Condominium until assessments are levied against the Units. An assessment shall be deemed levied against a Unit upon the giving of a notice by the Board to a member of the Association who is a Unit Owner of that Unit. Unit Owners shall have no obligation to pay monthly assessments unit an assessment is levied. Assessments will begin at such time as the Board elects.

12.11 Rights of First Mortgagee; Insurance Proceeds or Condemnation Awards. With respect to First Mortgages held by or for the benefit of FNMA/FHMLC, no provision of this Declaration or the Bylaws shall be deemed to give a Unit Owner, or any other party, priority over any rights of a First Mortgagee pursuant to its First Mortgage on said Unit Owner's Unit, in the case of a distribution to said Unit Owner of insurance proceeds or condemnation awards for losses to or taking of Units and/or Common Elements.

ARTICLE XIII

General Provisions

13.1 Conflict with the Act; Severability. Should any of the terms, conditions, provisions, paragraphs, or clauses of this Declaration conflict with any provisions of the Act, the provisions of the Act shall control unless the Act permits the Declaration to override the Act, in which event the Declaration shall control. The invalidity of any covenant, restriction, condition, limitation, provision, paragraph or clause of this Declaration, or any part of the same, or the application thereof to any person or circumstance, shall not impair or affect in any manner the validity, enforceability or effect of the rest of this Declaration, or the application of any such covenant, restriction, condition, limitation, provision, paragraph or clause to any other person or circumstances.

13.2 Interpretation of Declaration. Whenever appropriate, singular may be read as plural, plural may be read as singular, and the masculine gender may be read as the feminine or neuter gender. Compound words beginning with the prefix "here" shall refer to this entire Declaration and not merely to the part in which they appear.

13.3 Captions. The captions herein are only for convenience and reference and do not define, limit or describe the scope of this Declaration, or the intent of any provision.

13.4 Exhibits. The exhibits referenced in this Declaration or incorporated herein by reference, whether or not they are attached hereto and recorded herewith.

IN WITNESS WHEREOF, the Declarant has executed this Declaration as of the day and year first above-written.

PACER PARTNERSHIP

BY: John W. Dixon (SEAL)  
John W. Dixon, General Partner

TRE-SUZ-ANN DEVELOPMENT CO.

BY: Robert D. Foster  
Robert D. Foster, President

(Corporate Seal)

ATTEST:

Frances A. Foster  
Frances A. Foster - Secretary



North Carolina, Dare County.

I, a Notary Public of the County and State aforesaid, certify that John W. Dixon, General Partner of Pacer Partnership, personally appeared before me on this day and acknowledged the execution of the foregoing instrument. Witness my hand and official stamp or seal, this 26th day of May, 1989.

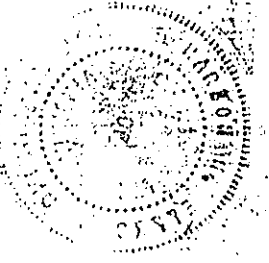
My commission expires: April 1, 1989 Dorothy M. Fry Notary Public

VIRGINIA  
CITY/COUNTY OF Charlotte



I, a Notary Public of the County and State aforesaid, certify that Frances A. Foster, personally came before me this day and acknowledged that she is Secretary of Tre-Suz-Ann Development Co. a Virginia corporation, and that by authority duly given and as the act of the corporation, the foregoing instrument was signed in its name by its President, sealed with its corporate seal and attested by her as its Secretary.

Witness my hand and official seal, this 26th day of May, 1989.  
My commission expires: 26 May 1989, Frances A. Foster Notary Public



NORTH CAROLINA DARE COUNTY

The foregoing certificate(s) of Dorothy M. Fry and Frances A. Foster are hereby certified to be correct. This instrument and this certificate are duly registered at the date and time and in the Book and Page shown on the first page hereof.

Notaries Public are certified to be correct. This instrument and this certificate are duly registered at the date and time and in the Book and Page shown on the first page hereof.

DORRIS A. FRY, Register of Deeds

By: Dorothy M. Fry Deputy/Ass't. Register of Deeds Recorded MAY 17 1989

## Exhibit A

All that certain lot or parcel of land located and being on Roanoke Island, in the Town of Manteo, Dare County, North Carolina and bounded as follows: Beginning at an iron pipe or other marker located and being on the Southeast margin of the right of way of North Carolina Secondary Road 1129, said road having a right of way width of 50 feet at the point of beginning, the said beginning point being located on a course of South 17° 13' 35" East 1697.14 feet from North Carolina grid survey station "Agona" coordinates N-801,063.703; E-2,984,671.876, the said beginning point being located at the intersection of the Southwest boundary of the land formerly owned by Albert Jerry Daniels with said right of way; thence from said beginning point located at the to an iron pipe; thence turning and running South 33° 29' 24" East 90.48 feet pipe; thence turning and running South 53° 43' 07" East 250.16 feet to an iron thence turning and running South 53° 06' 48" West 189.77 feet to an iron pipe; and running South 32° 53' 12" West 133.35 feet to an iron pipe; thence turning North 62° 19' 48" West 301.68 feet to an iron pipe; thence turning and running thence turning and running South 33° 29' 24" East 90.48 feet; thence turning and running East 373.18 feet to the point of beginning.

Reference is hereby made to that certain map or plat entitled "Survey for Pacer Partnership" by W.M. Meekins, Jr. and Associates, dated February 4, 1986. This being the same property acquired by Grantors herein by Deeds recorded in Deed Book 433, page 54 and Deed Book 433, page 57, Dare County Public Registry, NC.

EXHIBIT B

That a plat showing the location of the respective units and the common elements and limited elements, if any, is recorded in Plat Cabinet C, Slide 25B, Dare County Public Registry, NC.

That the building plans and specifications and certificate of completion thereof are shown in Unit Ownership File 3, pages 227, Dare County Public Registry, NC.

BOOK 519 / 208

EXHIBIT "C"

That the owner of each respective condominium unit in Croatan will also own a 1/36th undivided interest in and to the common elements and in and to surplus funds, if any, and each unit owner's obligation to pay assessments to the Croatan Property Owners Association, Inc., shall be in the same proportion.



EXHIBIT "D"

That all known liens, defects and encumbrances that affect or may affect the property described in Exhibit A attached to the Condominium Declaration are as follows:

1. That certain Condominium Declaration to which this Exhibit is attached.
2. All general service and utility easements affecting the property described in Exhibit A attached to the Condominium Declaration, including that certain Easement to VEPCO recorded in Book 412, page 815, Dare County Registry, NC.

ARTICLES OF INCORPORATION  
OF  
CROATAN PROPERTY OWNERS ASSOCIATION, INC.

I, the undersigned person of the age of eighteen years or more, do hereby make and acknowledge these Articles of Incorporation for the purpose of forming a Non-Profit Corporation under and by virtue of 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", and the several amendments thereto, and to that end hereby set forth:

ARTICLE I

NAME

The name of the corporation is Croatan Property Owners Association, Inc.

ARTICLE II

DURATION

The period of duration of the corporation shall be perpetual.

ARTICLE III

PURPOSES AND POWERS

The purposes for which this corporation is organized are:

A. The operation and management of condominium apartment buildings known as Croatan Condominiums which may be established in accordance with Chapter 47C of the General Statutes of North Carolina Condominium Act and to that end shall have power and authority

(i) to undertake the performance of, and carry out the acts and duties incident to the administration of the operation and management of Croatan Condominiums in accordance with the terms, provisions, conditions and authorization contained in these Articles and in the Declaration which shall be recorded in the public records of Dare County, North Carolina, at such time as portions of real property and the improvements thereon are submitted to a plan of unit ownership;

(ii) to make, establish and enforce reasonable rules and regulations governing the use of condominium units, common elements, limited common elements, condominium property and real and personal property which may be owned by the Association itself;

(iii) to make, levy and collect assessments against condominium unit owners; to provide funds to pay for common expenses of the condominium as provided in the condominium documents and the Condominium Act, and to use and expend the proceeds of assessments in the exercise of the powers and duties of the Association;

(iv) to maintain, repair, replace, and operate the condominium property, specifically including all portions of the condominium property to which the Association has the right and power to maintain, repair, replace and operate in accordance with the condominium documents and the Unit Ownership Act;

(v) to reconstruct improvements within the condominium property in the event of casualty or other loss;

(vi) to enforce by any legal means, the provisions of the condominium documents, including the Declaration, these Articles, the By-Laws of the Association, and the rules and regulations for the use of the condominium property;

(vii) to contract for the management of the condominium and to delegate to such manager or managers all powers and duties of the Association except those powers and duties which are specifically required by the Declaration to have approval of the Board of Directors or the membership of the Association.

B. The Association shall have all the common law and statutory powers of a non-profit corporation which are not in conflict with the terms of the Condominium Declaration and the Condominium Act, and in addition shall have all of the powers of the Condominium Association under and pursuant to the Condominium Act, including all of the powers reasonably necessary to implement the purposes of the Association.

#### ARTICLE IV MEMBERSHIP

A. The membership of Croatan Property Owners Association, Inc. shall consist of all of the owners of the condominium units in Croatan. Membership shall be established by acquisition of fee title to a condominium unit in Croatan, whether by conveyance, devise, or judicial decree. A new owner designated in such deed or other instrument shall thereupon become a member of the Association, and the membership of the prior owner as to the condominium unit designated shall be terminated. Each new owner shall deliver to the Association a true copy of such deed or instrument or acquisition of title.

B. The share of a member in the funds and assets of the corporation and membership in the corporation cannot be assigned, hypothecated or transferred in any manner except as an appurtenance to a condominium unit.

C. There shall be one class of membership in Croatan Property Owners Association, Inc. which shall consist of members owning the condominium units in Croatan.

#### ARTICLE V DIRECTORS

A. The number of Directors and the method of election of the Directors shall be fixed by the By-Laws; however, the number of Directors shall not be less than two (2).

B. The number of Directors constituting the initial Board of Directors shall be two (2) and the names and addresses of the persons who are to serve as the first Board of Directors are as follows:

NAME	ADDRESS
John W. Dixon	Post Office Box 1316 Nags Head, North Carolina 27959
Robert D. Foster	Post Office Box 66 North, Virginia 23128

C. The first election by the members of the corporation for Directors shall not be held until after the developer has relinquished control of the Association as described in Paragraph D of this Article V. Thereafter, the election of Directors shall take place at the annual meeting of the membership as provided in the By-Laws. After the developer has relinquished control, there shall be a special meeting of the membership for the purpose of electing a Board of Directors to serve until the next annual meeting and until new Directors are elected and qualified.

D. Upon the initial creation of the Croatan Property Owners Association, Inc., the owner shall have control of and shall appoint the Board of Directors, therefore, the Declarant Control period commences on the date hereof and continues until the earlier of (i) the date five (5) years after the date of the first conveyance of a Unit to a Unit Owner other than a Declarant, or (ii) the date upon which Declarant surrenders

control of the Condominium, or (iii) the date sixty (60) days after the Declarant has conveyed seventy-five percent (75%) of the Units to Unit Owners other than a Declarant.

ARTICLE VI

REGISTERED OFFICE AND REGISTERED AGENT

The address of the initial registered office of the corporation is Bowsertown Road, Manteo, Dare County, North Carolina 27954, and the name of the initial registered agent at such address is John W. Dixon.

ARTICLE VII

TAX STATUS

The corporation shall have all the powers granted non-profit corporations under the laws of the State of North Carolina. Notwithstanding any other provisions of these Articles, this corporation shall not carry on any activities not permitted to be carried on by a corporation exempt from federal income tax under Section 528 of the Internal Revenue Code. It is further provided that no distributions of income of the corporation are to be made to members, directors or officers of the corporation provided, however, that members of the corporation may receive a rebate of any excess dues and assessments.

ARTICLE VIII

INCORPORATOR

The name and address of the incorporator is John W. Dixon, Post Office Box 1316, Nags Head, Dare County, North Carolina 27959.

IN TESTIMONY WHEREOF, I have hereunto set my hand and seal this the \_\_\_\_\_ day of \_\_\_\_\_, 1987.

John W. Dixon, Incorporator \_\_\_\_\_ (SEAL)

NORTH CAROLINA  
DARE COUNTY

I, \_\_\_\_\_, a Notary Public in and for the aforesaid State and County, do hereby certify that John W. Dixon personally appeared before me this day and acknowledged the due execution of the foregoing Articles of Incorporation.

Witness my hand and seal this \_\_\_\_\_ day of \_\_\_\_\_, 1987.

\_\_\_\_\_  
Notary Public

My Commission Expires: \_\_\_\_\_

## BYLAWS OF

## CROATAN PROPERTY OWNERS ASSOCIATION, INC.

a North Carolina Nonprofit Corporation  
under the Laws of the State of North Carolina

## ARTICLE I

Identity

These are the Bylaws of Croatan Property Owners Association, Inc., a North Carolina nonprofit corporation, (the "Association"); the Articles of Incorporation, (the "Articles") of which have been filed in the Office of the North Carolina Secretary of State.

For purposes of these Bylaws, terms specifically defined in the Uniform Condominium Act, Chapter 47C, North Carolina General Statutes (the "Uniform Condominium Act"), shall have the same meaning herein.

## ARTICLE II

Qualifications and Responsibilities

2.1 Members. Each Unit Owner shall be a member of the Association, and shall remain a member until he ceases to be a Unit Owner.

2.2 More Than One Owner. When there is more than one Unit Owner of a Unit, all such persons shall be members of the Association.

2.3 Registration. It shall be the duty of each Unit Owner to register his name and the number of his Unit with the Secretary of the Association. If a Unit Owner does not so register, the Association shall be under no obligation to recognize his membership.

2.4 Prohibition of Assignment. The interest of a member in the Association assets cannot be transferred or encumbered except as an appurtenance to his Unit.

## ARTICLE III

Members' Meetings and Voting

3.1 Place. Meetings of the members shall be held at the registered office of the Association, or such other place within Dare County, North Carolina, as may be designated from time to time by the Board.

3.2 Annual Meeting. The members shall meet at least once each year as specified in the notice of such meeting given pursuant to Section 3.4. At each annual meeting the members shall elect members of the Board ("Directors") and may transact any other business properly coming before them.

3.3 Special Meetings. Special meetings of the members may be called at any time by the President or by the Board, and shall be called and held within thirty (30) days after written request therefor signed by members of the Association entitled to cast at least fifty-one percent (51%) of the total votes in the Association is delivered to any officer or Director of the Association. No business shall be transacted at a special meeting except that which is stated in the notice thereof.

3.4 Notices. Notice of all meetings of the members, stating the time and place, and accompanied by a complete agenda thereof, shall be given by the President or Secretary to each member. Such notice shall be in writing, and shall be hand delivered or sent by United States mail to the members at the addresses of their respective Units and to other addresses as any member may have designated to the President or Secretary, at least twenty-one (21) days in advance of any annual or regularly scheduled meeting and at least seven (7) days in advance of any other meeting.

3.5 Quorum; Adjournment if no Quorum. A quorum shall consist of members present, in person or by proxy, entitled to vote at least sixty-six and two-thirds percent (66 2/3%) of the total votes in the Association. If a quorum is not present, the meeting shall be adjourned from time to time until a quorum is present.

3.6 Votes; Association Shall Not Vote. The total votes in the Association are allocated to Units by the Declaration. The votes allocated to a Unit may be cast by the Unit Owner of that Unit. When there is more than one Unit Owner of a Unit, the votes for the Unit shall be cast as they shall determine. The votes allocated to a Unit shall not be split but shall be voted as a single whole. When there is more than one Unit Owner of a Unit and said Unit Owners cannot agree on how the vote for that Unit shall be cast, the dispute shall be resolved by arbitration. The Association shall not be entitled to cast the votes allocated to any Unit owned by it.

3.7 Manner of Casting Votes. Votes may be cast in person or by proxy. A proxy must be in writing, be signed by all Unit Owners of the Unit the votes of which are subject to the proxy, be given only to another member or to a Security Holder in that Unit, and be filed with the Secretary before the meeting. Proxy shall be valid until revoked in writing by all Unit Owners of such Unit.

3.8 Required Votes. All questions shall be decided by a majority of the votes cast on the question, unless the provisions of applicable law, the Declaration or these Bylaws require a greater vote.

3.9 Action by Members Without Meeting. Any action that may be taken at a meeting of the members, may be taken without a meeting if such action is authorized in a writing setting forth the action taken and is signed by all members, or if such action is taken in any other manner permitted by law.

3.10 Prohibition of Cumulative Voting. There shall be no cumulative voting.

#### ARTICLE IV

##### Directors

4.1 First Board. The first Board shall consist of the two (2) persons elected by the members, whose names are set forth in the Articles, and successors to any thereof elected by the members.

4.2 Number and Qualifications of Directors. The Board shall consist of two (2), five (5) or seven (7) natural persons, as determined at any annual meeting by the members. Each Director shall be a Unit Owner of the individual nominee of a Unit Owner which is other than an individual.

4.3 Election of Directors. At the first annual meeting of the members, and at each subsequent annual meeting, the

members shall elect the Directors by a majority of the votes cast in the election.

4.4 Term. The terms of the Directors shall be staggered so that at least one (1) but not more than three (3) Directors are elected at any one meeting and so that no Director's term is less than one (1) year nor more than three (3) years. The Directors shall establish rules to implement the provisions of this section. Once elected, a Director shall hold office until his successor has been duly elected and has qualified.

4.5 Removal. Any Director may be removed, with or without cause, by a vote of the members entitled to cast at least sixty percent (60%) of the total votes in the Association, at a special meeting called for such purpose, and a successor may then be elected by the members to serve for the balance of the removed Director's term.

4.6 Vacancies. Any vacancy in the Board arising by death or resignation of a Director shall be filled by act of the remaining Directors, whether or not constituting a quorum, and a Director so elected shall serve for the unexpired term of his predecessor in office.

4.7 Regular Meetings. Regular meetings of the Board may be held at such time and place as shall be determined by a majority of the Directors. Notice of regular meetings shall be given to each Director, personally or by mail, telephone, or telegraph, at least seventy-two (72) hours prior to the meeting,

4.8 Special Meetings. Special meetings of the Board may be called by the President and shall be called by the President or the Secretary and held within ten (10) days after written request therefor signed by two (2) Directors is delivered to any other Director or the President or the Secretary. Not less than seventy-two (72) hours notice of such special meeting shall be given personally or by mail, telephone, or telegraph to each Director; provided that in case the President or any Director determines that an emergency exists, a special meeting may be called by giving such notice as is possible under the circumstances. All notices of a special meeting shall state the time, place and purpose thereof. No business shall be transacted at a special meeting except that which is stated in the notice thereof.

4.9 Quorum; Adjournment if No Quorum. A majority of the Board shall constitute a quorum for the transaction of business at any meeting of the Board. If a quorum is not present, the meeting shall be adjourned from time to time until a quorum is present. The signing by a Director of the minutes of a meeting shall constitute the presence of such Director at that meeting for the purpose of determining a quorum.

4.10 Manner of Acting. Each Director shall be entitled to one (1) vote. The act of a majority of the Directors present at a meeting shall constitute the act of the Board unless the act of a greater number is required by the provisions of applicable law, the Declaration or these Bylaws.

4.11 Board Action Without Meeting. Any action that may be taken at a meeting of the Board may be taken without a meeting if such action is authorized in writing, setting forth the action taken and signed by all Directors.

4.12 Compensation of Directors Restricted. Directors shall receive no compensation for their services, but may be paid for out-of-pocket expenses incurred in the performance of their duties as Directors.

4.13 Powers and Duties of Board. All of the powers and duties of the Association shall be exercised by the Board, including those existing under the common law, applicable statutes, the Act, the Declaration, the Articles, and these Bylaws, as any thereof may from time to time be amended. Such powers and duties shall be exercised in accordance with the provisions of applicable law, the Declaration, the Articles, and these Bylaws, and shall include, but not be limited to, the following:

(a) To prepare and provide to members annually a report containing at least the following:

i. A statement of any capital expenditures in excess of two percent (2%) of the current budget or Five Thousand Dollars (\$5,000.00), whichever is greater, anticipated by the Association during the current year or succeeding two (2) fiscal years.

ii. A statement of the status and amount of any reserve or replacement fund and any portion of the fund designated for any specified project by the Board.

iii. A statement of the financial condition of the Association for the last fiscal year.

iv. A statement of the status of any pending suits or judgments in which the Association is a party.

v. A statement of the insurance coverage provided by the Association.

vi. A statement of any unpaid assessments payable to the Association, identifying the Unit and the amount of the unpaid assessment.

(b) To adopt and amend budgets and to determine, and collect assessments to pay the Common Expenses.

(c) To regulate the use of, and to maintain, repair, replace, modify and improve the Common Elements.

(d) To adopt and amend rules and regulations and to establish reasonable penalties for infraction thereof.

(e) To enforce the provisions of the Declaration, the Articles, these Bylaws, the Act, and the rules and regulations by all legal means, including injunction and recovery of monetary penalties.

(f) To hire and terminate managing agents and to delegate to such agents such powers and duties as the Board shall determine, except such as are specifically required by the Declaration, the Articles, these Bylaws, or the Act, to be done by the Board or the members. Notwithstanding the foregoing, the Property, including each Unit, shall at all times be managed by a single managing agent. The single managing agent shall not have authority to lease any part of a Unit without the approval of the Unit Owner.

(g) To hire and terminate agents and independent contractors.

(h) To institute, defend, intervene in, or settle any litigation or administrative proceedings in its own name on behalf of itself or two (2) or more Unit Owners on matters affecting the Condominium, the Common Elements, or more than one Unit.



(i) To establish and dissolve and liquidate, from time to time, reserve accounts for any purpose.

(j) To borrow money for the maintenance, repair, replacement, modification or improvement of Common Elements and to pledge and pay assessments, and any and all other revert and income, for such purpose.

(k) To buy Units, in foreclosure of an assessment lien, or at any other time or for any other reason, and to sell, lease, mortgage, and otherwise deal in Units from time to time owned by the Association.

(l) To impose and receive payments, fees and charges for the use, rental or operation of the Common Elements other than the Limited Common Elements, except for elevators, stairways, hallways and other portions of the Common Elements which provide access to the Units.

(m) To grant leases, licenses, concessions and easements through and over the Common Elements.

(n) To impose and collect reasonable charges, including reasonable costs and attorneys' fees, for the evaluation, preparation and recodation of amendments to the Declaration, resale certificates required by Chapter 47C-4-107 of the Act, or certificates of unpaid assessments.

(o) To provide for indemnification of the Association's officers and Directors and maintain officers' and Directors' liability insurance.

(p) To impose charges for late payment of assessments and, after notice and an opportunity to be heard, levy reasonable fines for violations of the Declaration, these Bylaws, or the rules and regulations.

#### ARTICLE V

##### Officers

5.1 Designation of Officers. The officers of this Association shall be a President, two Vice Presidents, a Secretary, and a Treasurer. Each officer shall be a Unit Owner or the individual nominee of a Unit Owner which is other than an individual. A person may hold one or more of such offices at one time, except that the President shall not at the same time hold another office in the Association. The Board may elect an assistant treasurer, an assistant secretary and such other officers as in its judgment may be necessary.

5.2 Election of Officers. Officers of the Association shall be elected by the Board. Election shall be held annually at the first meeting of the Board held after the annual meeting of the members, except that the first Board shall elect officers as soon as practicable after filing of the Declaration.

5.3 Term. Each officer shall serve until his successor has been duly elected and has qualified.

5.4 Removal. Any officer may be removed, with or without cause, and without notice, by the Board.

5.5 Vacancy. Any vacancy in any office shall be filled by the Board, and an officer elected to fill a vacancy shall serve for the unexpired term of his predecessor in office.

5.6 Powers and Duties of Officers.

(a) President. The President shall be the chief executive officer of the Association; shall have all of the powers and duties incident to the office of a president of a corporation, including, but not limited to, the duty to preside at all meetings of the Board and of the members, and the general supervision of officers in the management of the business and affairs of the Association; and shall see that all actions and resolutions of the Board are carried into effect.

(b) Vice President. The Vice President shall perform such duties of the President as shall be assigned to them by the President, and in the absence of the President shall perform the duties and functions of the President.

(c) Secretary. The Secretary shall keep the minutes of all meetings and actions of the Board and of the members; shall give all required notices to the Directors and members; shall keep the records of the Association, except those kept by the Treasurer; shall perform all other duties incident to the office of a secretary of a corporation; and shall perform such other duties required by the Board or the President.

(d) Treasurer. The Treasurer shall have custody of all intangible property of the Association, including funds, securities, and evidences of indebtedness; shall keep the books of the Association in accordance with good accounting practices and principals, and, upon request, shall submit them, together with all vouchers, receipts, records, and other papers to the Board for examination and approval; shall deposit all moneys and other valuable effects in depositories designated by the Board; shall disburse funds of the Association as directed by the Board; and shall perform all other duties incident to the office of a treasurer of a corporation.

5.7 Execution of Agreements, etc. All agreements, deeds, mortgages, or other instruments shall be executed by any two (2) officers, or by such other person or persons as may be designated by the Board.

5.8 Compensation of Officers Restricted. No officer shall be compensated for his services in such capacity, but may be reimbursed for out-of-pocket expenses incurred in performing his duties.

ARTICLE VI

Indemnification of Directors and Officers

The Association shall indemnify such persons for such expenses and liabilities, in such manner, under such circumstances, and to such extent, as permitted by the appropriate sections of the North Carolina General Statutes, as now enacted or hereafter amended.

ARTICLE VII

Fiscal Management

7.1 Depository. The Board shall designate a depository for the funds of the Association, and may change such depository. Withdrawal of funds from such depository shall be only by checks signed by any two (2) officers of the Association, or any other persons authorized by the Board.

7.2 Fidelity Bonds. Fidelity bonds shall be maintained by the Association, in an amount determined by the Board, covering each Director and officer of the Association, any employee or agent of the Association and any other person, handling or responsible for handling funds of the Association.

7.3 Payment Vouchers. Payment vouchers shall be approved by the Board, provided that the Board may delegate such authority to any officer or managing agent of the Association.

7.4 Annual Audit. An audit of the accounts of the Association shall be made annually by a certified public accountant, and a copy of the report shall be furnished to each member not later than April 1 of the year following the year for which the report is made.

7.5 Fiscal Year. The fiscal year of the Association shall be the calendar year provided that the Board, from time to time, by resolution, may change the fiscal year to some other designated period.

#### ARTICLE VIII

##### Assessments

8.1 Obligation of Members to Pay Assessments; Amount of Levy. The Association shall levy a Common Expense assessment, effective January 1, 1989. Until that time, Declarant shall pay all accrued expenses of the Condominium. Thereafter, each Unit Owner shall be personally and severally liable for the Common Expenses that are levied against his Unit while a Unit Owner. Each Unit shall be assessed in accordance with that Unit's percentage of Common Expenses as allocated by the Declaration, as amended.

8.2 Allocation of Common Surplus. Any common surplus, including funds in reserve accounts, may be allocated to each Unit in accordance with its percentage of Common Expenses, and, if allocated, shall be owned by the Unit Owner of that Unit, and, if allocated, may be paid to the Unit Owner or credited against that Unit's share of Common Expenses subsequently assessed.

8.3 Preparation of Budget and Levying of Assessment. For each fiscal year, beginning with the fiscal year beginning January 1, 1989, the Board shall prepare and adopt a budget, including therein estimates of the amount necessary to pay the Common Expenses, together with amounts considered necessary by the Board for reserves. After preparation and adoption of each such budget, the Board shall provide each member with a copy, and shall give each member notice of the assessment made against that member's Unit based upon such budget and may also state the interest to be charged on delinquent payments thereof. The assessment shall be deemed levied upon the giving of such notices. Provided, however, that the first budget after creation of the Condominium shall be prepared and adopted by the Board only for the balance of the then fiscal year of the Association, commencing on the date of substantial completion of all structural components and mechanical systems serving more than one Unit of the initial building to be constructed, shall be prepared and adopted as soon as practicable after said date of substantial completion, and notice of the amount of the assessment against each Unit for such balance of the fiscal year shall be given by the Board to each member as soon as practicable after adoption. Such assessment shall be deemed levied upon notice thereof given by the Board.

8.4 Assessment a Lien. Every assessment shall constitute a lien upon each Unit assessed from the date the assessment is levied, prior to all other liens except only (i) real estate taxes and other governmental assessments or charges against that Unit and (ii) liens and encumbrances recorded before the recordation of the Declaration.

8.5 Payment of Assessments. Assessments shall be payable when notice thereof is given, but shall not be delinquent if paid at the times and in the amounts specified by the Board in the

notice of the assessment. Except for special assessments, 1/12th of the assessment shall be paid on or before the first day of each month of the fiscal year of the Association. Payments shall be made to the Association, or as the Board may from time to time otherwise direct. The Directors may, in their discretion, require payment quarterly.

8.6 Lien as Against First Mortgages. The lien of assessments shall be superior to the lien of a First Mortgage.

8.7 Funds and Reserves. All sums collected by the Association from assessments shall be accounted for as follows:

(a) Reserve Fund for Repairs and Replacements. To this fund shall be credited all sums collected for the purpose of effecting repairs and replacements of structural elements and mechanical equipment, and other Common Elements, of the Condominium.

(b) General Operating Reserve Fund. To this fund shall be credited all sums collected to provide a reserve for purposes of providing a measure of financial stability during period of special stress, and may be used to meet deficiencies from time to time as a result of delinquent payments of assessments and other contingencies.

(c) Maintenance Fund. To this fund shall be credited collections of assessments for all Common Expenses for the current year as well as common profits and surplus from the previous year, and not to be credited to either of the above reserve funds.

(d) Working Capital Fund. All funds, if any, received by the Association for the initial working capital fund of the Association, to defray unforeseen expenses and/or the cost of additional equipment or services deemed necessary or desirable by the Board, shall be maintained in and segregated in this fund for the use and benefit of the Association.

The reserve fund for repairs and replacements shall be established by the Board beginning with the fiscal year beginning January 1, 1989, or the year two years after the year in which the first assessment was levied and shall be funded thereafter by regular installments rather than by extraordinary special assessments. The reserve funds described above shall be maintained only in such amounts as deemed necessary or desirable by the Board, subject, however, to the preceding sentence. To the extent maintained, funds therein shall be held in such accounts, and with such depositories as the Board, in its discretion, selects.

8.8 Special Assessments. In addition to the assessments levied pursuant to Section 8.2, the Board, in its discretion, may levy special assessments at such other and additional times as in its judgment are required for:

(a) Maintenance, repair, restoration and reconstruction of the Common Elements, and operation of the Condominium.

(b) Alterations, improvements, and additions to the Common Elements; provided, however, that any such special assessment involving an expenditure in excess of Fifteen Thousand and 00/100 Dollars (\$15,000.00) shall be first approved by the members entitled to cast at least fifty-one percent (51%) of the total votes in the Association at a regular or special meeting of the Association.

(c) Payment of costs and expenses incurred in curing defaults pursuant to Sections 10.1 and 10.3 hereof.

Special assessments made pursuant to this Section shall be a Common Expense, shall be deemed levied upon notice thereof being given to the members subject to such special assessment, and shall be payable as determined by the Board and as set out in such notice.

8.9 Common Expenses Associated with Limited Common Elements or Benefiting Less Than All Units.

(a) Any Common Expense associated with the maintenance, repair or replacement of a Limited Common Element shall be assessed against the Unit, or in equal shares to the Units, to which such Limited Common Element was allocated at the time the expense was incurred.

(b) In addition, the Association may assess any item of Common Expenses benefiting less than all of the Units against the Units benefited in proportion to their Common Expense Liability.

8.10 Failure to Prepare Budget and Levy Annual Assessment; Deficiencies in Procedure. The failure of the Board or delay of the Board in preparing any budget, and to levy or in levying assessments, shall not constitute a waiver or release of the members' obligation to pay assessments whenever the same shall be determined and levied by the Board. Until a new assessment is levied by the Board pursuant to Section 83, each member shall continue to pay the assessment then previously levied pursuant to Section 8.3 in the same amount and at the same periodic times as levied, or as the Board may otherwise advise in writing. Also, any deficiencies or inadequacies in the procedure followed by the Board in levying an assessment shall not in any way affect its validity or the obligation of members to pay such assessment.

8.11 Assessment Roll; Certificate. All assessments shall be set forth upon a roll of the Units, which shall be available in the office of the Association for inspection at all reasonable times by members and Security Holders, and their duly authorized representatives. Such roll shall include, for each Unit, the name and address of the member or members, all assessments levied, and the amount of all assessments unpaid. The Association, upon written request, shall furnish to a Unit Owner, or his authorized agent, a recordable certificate setting forth the amount of unpaid assessments currently levied against his Unit. The certificate shall be furnished within seven (7) business days after receipt of the request and shall be binding upon the Association and all Unit Owners. For such certificate a reasonable fee may be charged by the Board.

8.12 Default and Enforcement. If any assessment, or installment thereof, remains delinquent for ten (10) days, then that assessment, and all other assessments then a lien against that Unit, may be declared by the Board to be immediately due and payable in full, with interest, without further notice, and may be foreclosed by the Association in the manner provided by Chapter 47C-3-115 of the Act. All fees, late charges, attorneys' fees, fines or interest levied or collected by the Association in connection with any unpaid assessments shall have the same priority as the assessment to which they relate.

If any action is taken by the Association to foreclose a lien on a Unit because of unpaid assessments, the Unit Owner shall be required to pay a reasonable rent for the use of the Unit during the period of redemption from such foreclosure, and the Association shall be entitled to the appointment of a receiver to collect the same.

In addition to the foregoing, and without waiving its lien, the Association may sue to obtain a money judgment for the amount of any delinquent assessment, or installment thereof, together with interest, and all members so sued and liable for such

assessment shall pay all costs of collection, including reasonable attorneys' fees, with interest thereon at the same rate as charged on the assessments being collected from the date incurred until paid.

8.13 Interest on Delinquent Assessments. Assessments, of installments thereof, paid before then become delinquent, shall not bear interest, but all delinquent sums shall bear interest at the rate set forth in the notice by levying the assessment, not exceeding the rate of interest allowed by the Act, from the date delinquent until paid. If no interest rate is set forth in such notice, such interest rate shall be the maximum allowed by the Act. All payments upon account shall be applied first to interest and then to the assessment, or installment thereof, longest delinquent. All such interest shall have the same priority as the assessment on which such interest accrues.

8.14 Common Expenses. Common Expenses shall mean and include all sums declared Common Expenses by the Act, or by any specific provision of these Bylaws of the Declaration, and shall include, without limitation, the following: real estate taxes, and other governmental assessments or charges against the property until the Units are separately assessed; premiums for any and all insurance maintained by the Association, including any deductible or coinsurance amount not covered by insurance; utility charges not charged directly to Unit Owners; legal and accounting fees; costs and expenses incurred pursuant to Section 4.13(h) hereof; deficits remaining from any interest, incurred in connection with any borrowing done by the Association; the cost of all fidelity bonds; costs imposed upon the Association or any part of the Common Elements or the Property by, or incurred by the Association as a result of the Property, or enforcement or amendment of, any agreement or easement to which the Association is a party or to which the Common Elements or Property, or any part of either thereof, is or may be subject; amounts determined necessary for reserve funds; and indemnity payments made by the Association pursuant to Article VI hereof.

#### ARTICLE IX

##### Relocation and Alteration of Units

9.1 Procedure. If any Unit Owner desires to (i) relocate the boundaries of his Unit pursuant to Chapter 47C-2-114 of the Act, (ii) remove partitions or create appurtenances pursuant to Chapter 47C-2-113 of the Act, or (iii) make any improvements or alterations to his Unit which impair the structural integrity or mechanical systems of, or lessen the support of any portion of, the Condominium, the procedure set out in this Article shall be followed.

9.2 Notice To and Consent of Board. Prior to doing any work of the kind set out in Section 9.1, the Unit Owner shall give notice to the Board of his intent to do such work and request and receive the written consent thereto of the Board or, on appeal, the Association. With such notice shall be given (i) a statement of the work to be done, (ii) a copy of the plans and specifications for the work, and (iii) such additional information relative to the proposed work as the Board may reasonably request. Upon receiving all such information and any fees and charges requested by the Board, the Board shall set a date for a meeting on the proposed work, which shall be within fifteen (15) days after such information and fees and charges are received. Notice of such meeting shall be given to all members of the Association in the same manner as a notice of a special Board Meeting. At the meeting, the Board shall receive such testimony and evidence as it deems appropriate. The meeting may be continued from time to time by the Board. At the meeting or at such later time but, in any event, not later than sixty (60)

days after such meeting, the Board shall decide whether to consent to or not consent to such work. Written notice of such decision shall be given to said Unit Owner and all members.

9.3 Appeal to Association. The Unit Owner proposing to do the work, or members representing ten percent (10%) or more of the total votes in the Association, may appeal the decision of the Board to the Association by filing a signed written request for an Association meeting on the work proposed. The written request must be filed with the Secretary within ten (10) days of the date of the notice of the Board's decision.

9.4 Meeting and Decision of Association. Upon filing of an appeal, a special meeting of the members of the Association shall be called. The notice of meeting shall be sent out within ten (10) days after such filing, and the meeting shall be held within thirty (30) days after such filing. The meeting may be continued from time to time by the chairman. The provisions of Article III hereof shall apply to such meeting. At such meeting the members shall decide to consent or not consent to such work. The decision of the Association shall be final.

9.5 Fees. The Board may require the Unit Owner proposing to do the work to pay reasonable fees and charges to cover the costs to be incurred by the Association in giving notice of and holding meetings pursuant to this Article.

9.6 Conditions. The Board or, on appeal, the Association, may impose conditions on any consent to such work to protect the Common Elements, Units and the Condominium, and to insure that the provisions of the Act, Declaration and these Bylaws are complied with, including, without limitation, the furnishing to the Association of payment and performance bonds, or other security acceptable to the Board, to ensure that the proposed work is timely completed pursuant to the plans and specifications therefor and all costs thereof paid.

9.7 Controlling Procedure. The procedure set out in this Article shall control over any contrary provisions in the Act.

#### ARTICLE X

##### Compliance, Enforcement, Fines and Penalties

10.1 Default and Remedies. A default in or failure to comply with any of the terms, conditions, obligations, and provisions of the Act, the Declaration, these Bylaws, the Articles, or the rules and regulations, as the same may be amended from time to time, by any Unit Owner or Occupant, shall be grounds for relief that may include, without intending to limit the same or to constitute an election of remedies, an action to recover fines and penalties as determined by the Board, sums due for damages, an injunction, or any combination thereof, and which relief may be sought by the Association, an aggrieved Unit Owner, or by any person or class of persons adversely affected. Also, if any member fails to perform any obligation under the Act, the Declaration, these Bylaws, the Articles or such rules and regulations, then the Association may, but is not obligated to, perform the same for the member's account, and for such purpose may enter upon his Unit, may make necessary repairs, advance expenses or other sums necessary to cure the default, and for such expenses and costs may levy a special assessment against the Unit owned by such defaulting member. The Association also shall be entitled to suspend the right of a defaulting Unit Owner to vote as a member of the Association until the default is cured.

10.2 Notice of Default and Failure to Cure. In the event of any such default or failure, the Board shall serve upon or mail to the defaulting member, and to each First Mortgagee of that member's Unit if required under the Declaration, a written notice

specifying the nature of the default, the cure thereof, and the time within which the cure shall be effected. Within the time limit specified in the notice, the defaulting member may cure the default specified, or serve upon or mail a written notice to the Board requesting a hearing before the Board. If a hearing is so requested, the Board shall thereafter serve upon or mail to the defaulting member, and to each such First Mortgagee which was entitled to notice of the default as above provided, a notice specifying the time and place for such hearing. At the hearing, the Board shall take such evidence and hear such testimony as it deems necessary or desirable. The Board shall not exercise any remedies to obtain relief from the default until the hearing is over and the Board has made its determination and served upon or mailed the same to the defaulting member and each such First Mortgagee. The hearing may be continued from time to time as determined by the Board. Upon taking such evidence and hearing such testimony, the Board, at the hearing or at such later time, shall determine, in writing, and at its sole option, to waive the default in whole or in part, to extend the time within which the default may be cured, or to proceed immediately to levy a fine or penalty, or to exercise any one or more of the remedies available to the Board due to such default. The Board shall serve upon or mail to the defaulting member, and to each such First Mortgagee which was entitled to notice of the default as above provided, a copy of its determination. If the defaulting member (i) does not cure the default or request a hearing within the time limit specified in the original notice of default given pursuant to this Section, or (ii) so requests a hearing, but fails to cure the default (to the extent not waived by the Board) within the extended time, if any, granted by the Board after hearing, then the Board shall serve upon or mail to the defaulting member, and to each such First Mortgagee which was entitled to notice of the default as above provided, a written notice of such member's failure to effect a cure, and the Board may then proceed to take such action as it deems necessary to obtain relief.

10.3 Remedy of Abatement in Addition to Other Remedies. In the event a member fails to effect the cure specified by the Board within the time period set out in (i) or (ii) of Section 10.2 hereof, whichever is applicable, where the default is a structure, thing, or condition existing in or on the premises of the member's Unit, the Board, or its duly authorized representative, shall have the right to enter upon the premises of the member's Unit in which, on which, or as to which, such default exists, and summarily to abate and remove, at the defaulting member's expense (and levy an assessment therefor as provided in Section 10.1 hereof), the structure, thing, or condition constituting the default, and the Board, the Association, and their agents, employees, and representatives shall not thereby be deemed guilty of any manner of trespass.

10.4 Injunction. Any person or class of persons entitled to seek relief for any such default or failure may obtain temporary restraining order, injunction or similar relief, without first using the procedure established by Section 10.2 hereof, if such default or failure creates an emergency or a situation dangerous to persons or property.

10.5 Recovery of Attorneys' Fees and Costs. In any proceeding arising because of an alleged default by a member, the prevailing party shall be entitled to recover the costs of such proceeding and such reasonable attorneys' fees as may be allowed by the court, with interest thereon at the lower of (i) four percent (4%) over the prime rate announced by the Wachovia Bank and Trust Company at the time the costs are incurred and (ii) the highest rate allowed by law at the time the costs are incurred, from the dates such costs are incurred until paid.

10.6 Nonwaiver of Covenants. The failure of the Association or of any member thereof to enforce any term, provision, right, covenant, or condition that may be granted by



the Declaration, these Bylaws, the Articles, the rules and regulations or the Act, as the same may from time to time be amended, shall not constitute a waiver or abrogation of the right of the Association or a member to enforce such term, provision, right, covenant, or condition in the future, irrespective of the number of violations or breaches thereof that may have occurred.

10.7 Assessment Liens. Assessment liens shall be enforced pursuant to Article VIII hereof and not pursuant to this Article X.

ARTICLE XI

Amendment

An amendment to these Bylaws shall be made and approved in the manner, and shall be subject to the same restrictions relative to requiring prior written consent of First Mortgagees, as set forth in Article XII of the Declaration, and once made, shall become effective when recorded in the same manner and place as an amendment to the Declaration.

ARTICLE XII

General Provisions

12.1 Rules and Regulations.

(a) By the Board. The Board, including the first Board, may promulgate from time to time such rules and regulations as it deems reasonable and necessary in governing the administration, management, operation, and use of the Common Elements so as to promote the common use and enjoyment thereof by Unit Owners and Occupants and for the protection and preservation thereof. In addition, the Board may adopt such rules and regulations as it deems reasonable and necessary with respect to Units to provide for the common good and enjoyment of all Unit Owners and Occupants, including, without limitation, the right to adopt such rules and regulations with reference to tenants and leases. In no event shall any rules or regulations be inconsistent or materially more restrictive than the provisions contained in the Declaration and these Bylaws with respect to leases of tenants.

(b) By the Association. Any such rules or regulations adopted by the Board may be amended, modified, or reboked, and new and additional rules and regulations may be adopted, by members at an annual or special meeting of the members. Any such act of the members shall control over any contrary rule or regulation then or thereafter adopted by the Board.

(c) Uniform Application. All rules and regulations shall be equally and uniformly applicable to all Unit Owners, Occupants and Units, but need not be equally and uniformly applicable if it is determined that such unequal or nonuniform application is in the best interest of the Association or if equal an uniform application is not practicable.

(d) Copies Furnished. Copies of all such rules and regulations and any amendments thereto shall be furnished to all members, and a copy shall be posted or otherwise made available to members at the office of the Association. However, failure to furnish, or post, or make available such rules or regulations shall not affect in any way their validity or enforceability.

(e) Rules Hereby Established. The house rules and regulations attached to the public offering statement are referenced and adopted as if fully set forth herein.

12.2 Parliamentary Authority. Robert's Rules or Order, Newly Revised, shall govern the conduct of the Association proceedings when not in conflict with the Declaration, these Bylaws, the Articles, the Act, or any statutes of the State of North Carolina applicable thereto. The chairman of the meeting shall have the authority to appoint a parliamentarian.

12.3 Compliance with the Act; Conflict; Severability. These Bylaws are established in compliance with the Act, as amended. Should any of the terms, conditions, provisions, paragraphs, or clauses of these Bylaws conflict with any of the provisions of said Act, the provisions of said Act shall control unless the Act permits these Bylaws to override the Act, in which event these Bylaws shall control. In the case of any conflict between the provisions of these Bylaws and the Declaration, the Declaration shall control. If any term, provision, limitation, paragraph, or clause of these Bylaws, or the application thereof to any person or circumstance, is judicially held to be invalid, such determination shall not affect the enforceability, validity, or effect of the remainder of these Bylaws, or the application thereof to any other person or circumstance.

AMENDMENT OF CONDOMINIUM DECLARATION

This Amendment of Condominium Declaration made on this the 20th day of July, 1987, by John W. Dixon, President of the Croatan Property Owners Association, Inc. and pursuant to Chapter 47C, North Carolina General Statutes.

W I T N E S S E T H :

WHEREAS, it has been determined that Pacer Partnership is the fee simple owner of all the units located within the Croatan Condominiums and the condominium declaration recorded in Book 519, page 253, Dare County Public Registry, NC should be amended by unanimous vote of the said Pacer Partnership as hereinafter set forth prior to the conveyance of any units within said condominium project.

AND, WHEREAS, by unanimous vote of all voting members in said association, the President of the Association, same being the undersigned herein is authorized and empowered pursuant to NCCS 47C-2-117 to amend the condominium declaration as set forth in Book 519, page 253, Dare County Public Registry and does hereby amend said declaration and more specifically the By-Laws attached to said declaration as follows:

1. That Paragraph 8.6 of the By-Laws of the association is hereby deleted in its entirety and replaced with the following:

8.6 Lien as Against First Mortgagees. The lien of assessments shall not be superior to the lien of a first mortgage unless duly recorded among the Public Records of the County of Dare prior to the recordation of said first mortgage.

Witness the hand and seal of the President of the Association by authority duly given on this the day and year first above written.

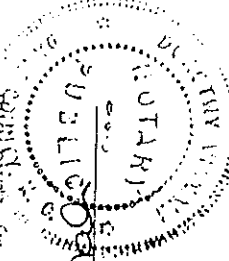
CROATAN PROPERTY OWNERS ASSOCIATION, INC.

BY: John W. Dixon  
JOHN W. DIXON, President

NORTH CAROLINA  
DARE COUNTY

I, a Notary Public of the State and County aforesaid, certify that John W. Dixon, President of Croatan Property Owners Association, Inc., personally appeared before me this day and acknowledged that he is President of Croatan Property Owners Association, Inc. and that by authority duly given and as the act of the corporation, the foregoing instrument was signed in its name by its President. Witness my hand and official stamp or seal, this the 21th day of July, 1987.

My commission expires:  
4/1/88



NORTH CAROLINA  
DARE COUNTY

The foregoing certificate of Dorothy Vignali, Notary Public of Dare County, NC is hereby certified to be correct. This instrument and this certificate are duly registered at the date and time and in the Book and Page shown on the first page hereof.

BY: Dorothy Vignali  
REGISTER OF DEEDS OF DARE COUNTY, NC  
Deputy/Assistant Register of Deeds

the Declaration, these Bylaws, the Articles, the rules and regulations or the Act, as the same may from time to time be amended, shall not constitute a waiver or abrogation of the right of the Association or a member to enforce such term, provision, right, covenant, or condition in the future, irrespective of the number of violations or breaches thereof that may have occurred.

10.7 Assessment Liens. Assessment liens shall be enforced pursuant to Article VIII hereof and not pursuant to this Article X.

ARTICLE XI

Amendment

An amendment to these Bylaws shall be made and approved in the manner, and shall be subject to the same restrictions relative to requiring prior written consent of First Mortgagees, as set forth in Article XII of the Declaration, and once made, shall become effective when recorded in the same manner and place as an amendment to the Declaration.

ARTICLE XII

General Provisions

12.1 Rules and Regulations.

(a) By the Board. The Board, including the first Board, may promulgate from time to time such rules and regulations as it deems reasonable and necessary in governing the administration, management, operation, and use of the Common Elements so as to promote the common use and enjoyment thereof by Unit Owners and Occupants and for the protection and preservation thereof. In addition, the Board may adopt such rules and regulations as it deems reasonable and necessary with respect to Units to provide for the common good and enjoyment of all Unit Owners and Occupants, including, without limitation, the right to adopt such rules and regulations with reference to tenants and leases. In no event shall any rules or regulations be inconsistent or materially more restrictive than the provisions contained in the Declaration and these Bylaws with respect to leases of tenants.

(b) By the Association. Any such rules or regulations adopted by the Board may be amended, modified, or reboked, and new and additional rules and regulations may be adopted, by members at an annual or special meeting of the members. Any such act of the members shall control over any contrary rule or regulation then or thereafter adopted by the Board.

(c) Uniform Application. All rules and regulations shall be equally and uniformly applicable to all Unit Owners, Occupants and Units, but need not be equally and uniformly applicable if it is determined that such unequal or nonuniform application is in the best interest of the Association or if equal an uniform application is not practicable.

(d) Copies Furnished. Copies of all such rules and regulations and any amendments thereto shall be furnished to all members, and a copy shall be posted or otherwise made available to members at the office of the Association. However, failure to furnish, or post, or make available such rules or regulations shall not affect in any way their validity or enforceability.

(e) Rules Hereby Established. The house rules and regulations attached to the public offering statement are referenced and adopted as if fully set forth herein.

12.2 Parliamentary Authority. Robert's Rules or Order, Newly Revised, shall govern the conduct of the Association proceedings when not in conflict with the Declaration, these Bylaws, the Articles, the Act, or any statutes of the State of North Carolina applicable thereto. The chairman of the meeting shall have the authority to appoint a parliamentarian.

12.3 Compliance with the Act; Conflict; Severability. These Bylaws are established in compliance with the Act, as amended. Should any of the terms, conditions, provisions, paragraphs, or clauses of these Bylaws conflict with any of the provisions of said Act, the provisions of said Act shall control unless the Act permits these Bylaws to override the Act, in which event these Bylaws shall control. In the case of any conflict between the provisions of these Bylaws and the Declaration, the Declaration shall control. If any term, provision, limitation, paragraph, or clause of these Bylaws, or the application thereof to any person or circumstance, is judicially held to be invalid, such determination shall not affect the enforceability, validity, or effect of the remainder of these Bylaws, or the application thereof to any other person or circumstance.

AMENDMENT OF CONDOMINIUM DECLARATION

This Amendment of Condominium Declaration made on this the 20th day of July, 1987, by John W. Dixon, President of the Croatan Property Owners Association, Inc. and pursuant to Chapter 47C, North Carolina General Statutes.

WITNESSETH:

WHEREAS, it has been determined that Pacer Partnership is the fee simple owner of all the units located within the Croatan Condominiums and the condominium declaration recorded in Book 519, page 253, Dare County Public Registry, NC should be amended by unanimous vote of the said Pacer Partnership as hereinafter set forth prior to the conveyance of any units within said condominium project.

AND, WHEREAS, by unanimous vote of all voting members in said association, the President of the Association, same being the undersigned herein is authorized and empowered pursuant to NCGS 47C-2-117 to amend the condominium declaration as set forth in Book 519, page 253, Dare County Public Registry and does hereby amend said declaration and more specifically the By-Laws attached to said declaration as follows:

1. That Paragraph 8.6 of the By-Laws of the association is hereby deleted in its entirety and replaced with the following:

8.6 Lien as Against First Mortgagees. The lien of assessments shall not be superior to the lien of a first mortgage unless duly recorded among the Public Records of the County of Dare prior to the recordation of said first mortgage.

Witness the hand and seal of the President of the Association by authority duly given on this the day and year first above written.

CROATAN PROPERTY OWNERS ASSOCIATION, INC.

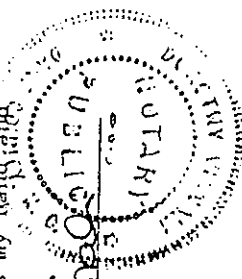
BY: John W. Dixon  
JOHN W. DIXON, President

NORTH CAROLINA  
DARE COUNTY

I, a Notary Public of the State and County aforesaid, certify that John W. Dixon, President of Croatan Property Owners Association, Inc., personally appeared before me this day and acknowledged that he is President of Croatan Property Owners Association, Inc. and that by authority duly given and as the act of the corporation, the foregoing instrument was signed in its name by its President. Witness my hand and official stamp or seal, this the 27th day of July, 1987.

My commission expires:

4/1/89



NORTH CAROLINA  
DARE COUNTY

The foregoing certificate of Dorothy Vignali, Notary Public of Dare County, NC is hereby certified to be correct. This instrument and this certificate are duly registered at the date and time and in the Book and Page shown on the first page hereof.

BY: Dorothy Vignali REGISTER OF DEEDS OF DARE COUNTY, NC  
Dorothy Vignali Deputy/Assistant Register of Deeds