

BYLAWS
FOR
CAMBRIDGE COVE OWNERS ASSOCIATION

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ADOPTED AS OF _____

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BYLAWS
FOR
CAMBRIDGE COVE OWNERS ASSOCIATION

ARTICLE 1

NAME AND DEFINITIONS

Section 1.1. Name. The name of the association shall be Cambridge Cove Owners Association (the "Association").

Section 1.2. Definitions. Terms specifically defined in the Declaration of Cambridge Cove Condominium, as same may be amended from time to time, and including all attachments (hereinafter referred to as the "Declaration") shall have the same meaning in these Bylaws, unless the context shall otherwise prohibit.

ARTICLE 2

MEMBERSHIP AND VOTING

Section 2.1. Membership. The Owner or Owners automatically shall become members of the Association upon such Person's acquisition of an ownership interest in title to any Condominium Unit and its appurtenant undivided interest in Common Elements and may become a member in no other manner. No Person holding a lien, mortgage or other encumbrance upon any Condominium Unit shall be entitled, by virtue of such lien, mortgage, or encumbrance, to membership in the Association or to any of the rights or privileges of such membership. (The term "Bylaws" as used herein shall include any amendments made, from time to time, to the Bylaws.)

Section 2.2. Application for Membership. Application for membership shall consist of notice to the Association that the applicant has acquired title to a Condominium Unit.

Section 2.3. Transfer of Membership. Memberships are not transferable. Membership occurs only upon the occurrence of those events set out in this Article and the Declaration.

Section 2.4. Suspension or Termination of Membership. The membership rights of a member shall not be suspended so long as the Person continues to hold title to a Condominium Unit, is not in violation of any provision of the Declaration, these Bylaws and any rule or regulation adopted by the Association, and is not in arrears in the payment of any assessment. The membership of any Owner or Owners in the Association shall terminate automatically upon such Owner or Owners being divested of such Person's ownership interest in the title to a Condominium Unit, regardless of the means by which such ownership may be divested.

Section 2.5. Vote/Voting Rights. Each Owner(s) (collectively, if applicable) shall have the vote specified in Article 4 of the Declaration. Members shall be entitled to vote on all matters as to which members may be entitled to vote under the North Carolina Nonprofit Corporation Act, unless specifically provided otherwise in these Bylaws, the Articles of Incorporation, or the Declaration. In addition, members shall have any voting rights as may be specified in the Declaration. Except as specifically stated in Section 2.6 of these Bylaws, the voting rights of members of the Association shall be as set forth in N.C. Gen. Stat. §§ 47C-3-110.

Section 2.6. Additional Provisions Governing Voting.

(a) Association Votes. If the Association is an owner of a Condominium Unit, the Association shall not cast the vote appurtenant to such Condominium Unit, nor shall any such vote be counted for the purpose of establishing a quorum.

(b) Multiple-Person Owners. In the event that any Condominium Unit is owned by more than one Person, and if only one of such Person is present at a meeting of the Association, that Person so present shall be entitled to cast the vote for that Condominium Unit. If more than one of such Persons is present, the vote appurtenant to that Condominium Unit shall be cast only in accordance with unanimous agreement of such Persons who are present at the meeting and such agreement shall be conclusively presumed if any of them purports to cast the vote appurtenant to that Condominium Unit without protests being made forthwith to the individual presiding over the meeting by any of the other Persons having an ownership interest in the Condominium Unit.

(c) Voting Certificate. If a member is not a natural person, the vote by such member may be cast by any natural person authorized by such member. Such natural person must be named and a certificate signed by an authorized officer, partner, member, or trustee of such Person and filed with the Secretary; provided, however, that any vote cast by a natural person on behalf of such member shall be deemed valid unless successfully challenged prior to the adjournment of the meeting at which the vote is cast. Such certificate shall be valid until revoked by a subsequent certificate similarly executed and filed with the Secretary. Wherever the approval or disapproval of a member is required by the Association Documents, such approval or disapproval may be made by any person who would be entitled to cast the vote of such member at any meeting of the Association.

(d) Delinquency. No member may vote at any meeting of the Association or be elected to serve on the Executive Board or be appointed to serve on any committee if payment by such member of any financial obligation to the Association is delinquent more than sixty (60) days and the amount necessary to bring the account current has not been paid by the record date set pursuant to Section 3.7 hereof for the applicable members' meeting (in the case of a member voting or being elected to serve on

the Executive Board) or has not been paid by the date of appointment, in the case of appointment to serve on any committee.

Section 2.7. Manner of Voting. Voting by members at a meeting, except for the election of directors which shall be by written ballot, shall be by voice vote or a show of hands unless any member present at the meeting requests, and by an affirmative vote of a majority of the votes cast the members consent to, a vote by written ballots. Except for the election of directors as provided in Section 4.1 herein, if a quorum is present, action on a matter at a meeting of members shall be deemed approved if approved by the affirmative vote of a majority of the votes cast, unless a greater vote is required by the North Carolina Nonprofit Corporation Act, the Association's Articles of Incorporation, the Bylaws, or the Declaration.

Section 2.8. Proxies. Members may vote either in person or by an agent authorized by written proxy signed by the Unit Owner of a Condominium Unit. If a Condominium Unit is owned by more than one Person, each Unit Owner of the Condominium Unit may vote or register protest to the casting of votes by the other Unit Owners of the Condominium Unit through a duly executed proxy. A proxy is void if not dated. A proxy shall be valid for eleven (11) months unless a shorter term is provided therein. All proxies shall be filed with the Secretary of the Association. A proxy given by a member may be revoked by such member by giving actual notice of its revocation to the person presiding over a meeting of the Association in oral or written form.

ARTICLE 3

MEETING OF MEMBERS

Section 3.1. Place of Meeting. All meetings of members shall be held at the principal office of the Association or at such other place within or without the State of North Carolina as shall be designated in the notice of the meeting.

Section 3.2. Annual Meetings. The annual meetings of members of the Association shall be held at least once a year. The annual meeting of members shall be held at such date and time as may be determined on an annual basis by the Executive Board and stated in the notice of such members' meeting. The annual meeting of members shall be held for the purpose of electing directors of the Association, and for such other purposes as may be included in the notice of such meeting.

Section 3.3. Special Meetings. Special meetings of the members may be called at any time by (a) the President, or (b) the Executive Board of the Association, and shall be called by the Secretary of the Association within thirty (30) days upon receipt of a written request signed, dated, and delivered to the Secretary by the holders of at least ten percent (10%) of all the votes entitled to be cast on any issue proposed in such request to be considered at the meeting. The signatures on a petition requesting a special meeting shall be valid for a period of ninety (90) days after the date of the first signature. The call for a meeting shall: (1) specify the time and place at which the meeting is to be held,

which place must be in Dare County, North Carolina; (2) either specify a date on which the meeting is to be held which date will allow the Secretary to comply with all notice provisions of this Article or else specify that the Secretary shall designate the date of the meeting; (3) specify the purposes for which the meeting is to be held; and (4) be delivered to the Secretary in writing.

Section 3.4. Notice of Meetings. Notice of meetings of members shall be given by the President, Secretary, or other person calling the meeting by any means that is fair and reasonable, and for this purpose, written or printed notice stating the time, place, and date of the meeting shall be delivered by hand-delivery or by United States mail (postage prepaid) (a) not less than ten (10) nor more than fifty (50) days before the date thereof, or (b) not less than thirty (30) nor more than fifty (50) days before the date thereof, if such notice is mailed by other than first class, registered or certified mail, to each member of record entitled to vote at such meeting, unless the North Carolina Nonprofit Corporation Act or the Association's Articles of Incorporation require that such notice be given to all members with respect to such meeting. If mailed, such notice shall be deemed to be effective when deposited in the United States mail, correctly addressed to the member at the member's address as it appears on the current record of members of the Association, with postage thereon prepaid. For this purpose, a member's address shall be the mailing address of each Condominium Unit or to any other mailing address designated in writing by the Owner to the Secretary of the Association.

Notwithstanding the foregoing, if the notice provided for the above clearly would not be fair and reasonable under the circumstances then existing, then notice appropriate for the circumstances shall be given; PROVIDED, HOWEVER, THAT notice of a meeting where any of the following matters are to be voted on in all events shall be given as provided in the first paragraph of this Section: (i) director conflict of interest or indemnification, (ii) amendment to the Association's Articles of Incorporation, Bylaws, or Declaration, PROVIDED, HOWEVER, THAT the Declaration shall only be amended pursuant to the Declaration, (iii) plan of merger or dissolution, or (iv) a sale of assets other than in the regular course of the Association's activities; and PROVIDE, FURTHER, HOWEVER, THAT any special notice procedure set forth in the Declaration for any of the foregoing or any other matter shall be followed in addition to the notice provisions set forth herein.

The notice of any meeting shall state the items on the agenda, including a summary or copy of any proposed amendment to the Declaration, the Bylaws or Articles of Incorporation; any budget changes, and any proposal to remove a director or officer, and shall include any other matters and a copy or summary of any proposed action that expressly is required by the provisions of the North Carolina Nonprofit Corporation Act or the North Carolina Condominium Act. Only those matters which are stated in the notice may be acted upon at a meeting of members.

Also, notice of an annual, regular, or special meeting of members shall give notice of any matter a member intends to raise at the meeting if the Association receives a written request of any matter the members intends to raise by members entitled

to call a special meeting pursuant to Section 3.3 ("Special Meetings") of this Article, and such written request is received by the Secretary or President of the Association at least ten (10) days before the Association gives notice of such meeting.

If any meeting of members is adjourned by the vote of a majority of votes cast on the motion to adjourn to a different date, time, or place, notice need not be given of the new date, time, or place if the new date, time, or place is announced at the meeting before adjournment and if a new record date is not fixed for the adjourned meeting. If a new record date for the adjourned meeting is or must be fixed pursuant to North Carolina law, notice of the adjourned meeting must be given as provided in this Section to the members of record entitled to vote at the meeting as of the new record date.

Section 3.5. Waiver of Notice of Meetings. Any member may waive notice of any meeting before or after the meeting. The waiver must be in writing, signed by the member, and delivered to the Association for inclusion in the minutes or filing with the corporate records. A member's attendance, in person or by proxy, at a meeting (a) waives objection to lack of notice or defective notice of the meeting, unless the member or the member's proxy at the beginning of the meeting objects to holding the meeting or transacting business thereat, and (b) waives objection to consideration of a particular matter at the meeting that is not within the purpose or purposes described in the meeting notice, unless the member or the member's proxy objects to considering the matter before it is voted upon.

Section 3.6. Quorum. Unless provided otherwise by the Association's Articles of Incorporation or these Bylaws, ten percent (10%) of the votes entitled to be cast on a matter, represented in person or by proxy, shall constitute a quorum on that matter at the opening of a meeting of members. Once a member is present or represented by proxy for any purpose at a meeting, such member is deemed present for quorum purposes for the remainder of the meeting and for any adjournment of that meeting unless a new record date (set forth in Section 3.7 below) is or must be set for that adjourned meeting under the North Carolina Nonprofit Corporation Act.

Section 3.7. Record Date to Determine Members and List of Members. The record date for determining which Persons are members and therefore entitled to vote shall be the close of business on the seventieth (70th) day prior to the date of the meeting, unless the Executive Board shall determine a record date closer to the meeting date. The Executive Board is not permitted to set a record date retroactively. The membership list shall be current as of the record date. Before each meeting of members, the Association shall prepare an alphabetical list of the members entitled to notice of the meeting and entitled to vote at the meeting, showing each such member's address and the number of votes each such member is entitled to cast at the meeting. As a part of the aforementioned membership list and prepared on the same basis, the Association shall list, current through the time of the membership meeting, a list of members, if any, who are entitled to vote at the meeting, but not entitled to notice of the meeting. The list shall be kept on file at the principal office of the Association for the period beginning two (2) business days after notice of the meeting is given and continuing through the meeting,

and shall be available for inspection by any member, personally or by or with such member's representative, at any time prior to the meeting. A determination of members entitled to notice of, or to vote at, a membership meeting is effective for any adjournment of the meeting unless the Executive Board fixes a new date for determining the right to notice or the right to vote, which the Executive Board shall do if the meeting is adjourned to a date more than 120 days after the date fixed for the original meeting.

Section 3.8. Conduct of Meetings. The President shall preside over all meetings of the Association and the Secretary shall keep the minutes of the meetings and record all resolutions adopted at the meetings and proceedings occurring at such meetings. The President may appoint a parliamentarian at any meeting of the Association.

ARTICLE 4

EXECUTIVE BOARD

Section 4.1. Number, Election of Directors, and Terms of Office of Directors.

(a) Declarant Controlled Executive Board. The initial directors of the Association, who shall serve as directors until their successors shall be elected and qualify, are set forth in the Articles of Incorporation of the Association. Subsequent to the initial directors, and for the period of time the Declarant controls the Executive Board, pursuant to the provisions of these Bylaws, the number of directors of the Association shall be three (3). Except as otherwise provided in subparagraph (b) of this Section, all of the directors shall be appointed by the Declarant. The Declarant shall appoint the aforementioned directors by written notice sent to the Secretary of the Association. The Executive Board of the Association shall be referred to herein from time to time as the "Executive Board."

(b) Election of Directors by Members During Period of Declarant Controlled Executive Board. Not later than sixty (60) days after sale by the Declarant of at least twenty-five percent (25%) of the one hundred (100) Condominium Units to Owners other than the Declarant, at least one (1) member and not less than twenty-five (25%) of the members of the Executive Board shall be elected by Owners other than the Declarant. Not later than sixty (60) days after sale by the Declarant of at least fifty percent (50%) of the one hundred (100) Condominium Units to Owners other than the Declarant, not less than thirty-three percent (33%) of the members of the Executive Board shall be elected by Owners other than the Declarant. No later than the earlier of: (i) one hundred and twenty (120) days after the sale of at least seventy-five percent (75%) of the one hundred (100) Condominium Units to Owners other than the Declarant; (ii) two (2) years after all Declarants have ceased to offer Condominium Units for sale in the ordinary course of business; or (iii) two (2) years after the Development Right to add new Units was last exercised. The period of Declarant control over the Executive Board shall terminate and the Declarant shall have no right to appoint any

directors to the Executive Board pursuant to the provisions of subparagraph (a) above. After the period of Declarant control over the Executive Board has terminated pursuant to the foregoing, (i) the number of directors of the Association shall be not less than three (3) and not more than five (5), as from time to time may be fixed or changed within said minimum and maximum by the members or the Executive Board, and (ii) the entire Executive Board shall be elected, pursuant to the following sentence, by the members of the Association (including the Declarant as a member for any Condominium Units owned). Except as provided in subparagraph (a) of this Section and Section 4.4 hereof, the directors shall be elected at the annual meeting of members; those persons who receive the highest number of votes by the members entitled to vote in the election at a meeting at which a quorum is present shall be deemed to have been elected.

(c) Terms of Directors. The directors shall be divided into three (3) classes, as nearly equal in number as may be, to serve in the first instance for terms of one (1) year, two (2) years, and three (3) years, respectively, and until their successors shall be elected and shall qualify, and thereafter the successors in each class of directors shall be elected to serve for terms of three (3) years and until their successors shall be elected and shall qualify. In the event of any increase in the number of directors, the additional directors shall be so classified such that all classes of directors shall be increased equally, as nearly as may be, and, in the event of any decrease in the number of directors, all classes of directors shall be decreased equally, as nearly as may be. Except as specifically provided above, each director shall hold office for a term of three (3) years or until such director's death, resignation, retirement, removal or disqualification. Despite the expiration of a director's term, the director continues to serve as such until the director's successor is elected and qualifies, or there is a decrease in the number of directors.

Section 4.2. Election Procedures and Qualifications.

(a) Nominations Committee. Nominations for election to the Executive Board of the directors not appointed by the Declarant may be made by a Nominations Committee. If appointed by the Executive Board, the Nominations Committee shall develop election procedures and administer such procedures as are approved by the Executive Board providing for election of directors by members at the annual meetings, and, where appropriate, at special meetings. If appointed, the Nominations Committee shall serve from the date of their appointment through the close of the annual meeting or, where appropriate, the special meeting, at which the election for members of the Executive Board is to be held.

(b) Nominations. Persons qualified to be directors, who are not appointed by the Declarant, may be nominated for election by the Nominations Committee and the names of such persons nominated shall be submitted in writing to the President of the Association and the Executive Board sixty (60) days before the meeting at which the election is to be held. The Nominations Committee may make as many nominations for election to the Executive Board as it shall in its discretion determine but in no event less than the number of vacancies or terms to be filled. Any written nominations presented by the Nominations Committee shall be accompanied by a

statement signed by the nominees indicating the willingness of such nominees to serve as directors. Additional nominations may be made from the floor at the meeting at which the election is held for each vacancy on the Executive Board for which no more than one person has been nominated by the Nominations Committee. If no Nominations Committee is appointed, nominations for directors may be made by the Executive Board and may be made from the floor by any member at the meeting at which the election is held for any vacancy on the Executive Board. Any nominee must either be present at said meeting and consent to the nomination or have indicated in writing his or her willingness to serve as a director.

(c) Qualifications. No person shall be eligible for election by the members of the Association as a director unless such person is a Unit Owner or is the individual nominee of a Unit Owner which is other than an individual. No Owner or representative of such Owner shall be elected as a director or continue to serve as a director if such Owner is more than sixty (60) days delinquent in meeting any financial obligation owed to the Association, if such delinquency is not cured by the record date set pursuant to Section 3.7 hereof for such members' meeting in the case of an election of directors.

Section 4.3. Voting, Quorum, and Manner of Acting. Each director shall be entitled to one (1) vote on all matters that come before the Association. A majority of the directors in office immediately before a meeting begins shall constitute a quorum for the transaction of business at any meeting of the Executive Board. Unless a vote of greater percentage is required by the Association's Articles of Incorporation, these Bylaws, the North Carolina Nonprofit Corporation Act, or the Declaration, the act of the majority of the directors present at a meeting at which a quorum is present shall be the act of the Executive Board. A director who participates in a meeting by any means of communication by which all directors may simultaneously hear each other during the meeting shall be deemed present at a meeting for all purposes.

Section 4.4. Removal or Resignation of Directors and Filling of Vacancies.

(a) Any director not appointed by the Declarant may be removed from office at any time with or without cause by at least a sixty-seven (67%) vote of all members present and entitled to vote at any meeting of members at which a quorum is present. A director may not be removed by the members at a meeting unless the notice of the meeting states that the purpose, or one of the purposes, of the meeting is the removal of the director so removed. If any directors are so removed, new directors may be elected at the same meeting. In addition, any director not in attendance at three (3) consecutive regular meetings of the Executive Board shall be removed automatically. Any director appointed by the Declarant may be removed with or without cause by the Declarant by written notice of such removal to the Secretary of the Association.

(b) A vacancy in the Executive Board caused by a removal of a director by the members shall be filled by a vote of the members. A vacancy among the directors (not appointed by the Declarant) caused by any reason other than the removal of a director by the members shall be filled by the remaining directors at a meeting of the Executive Board held for such purpose promptly after the occurrence of such vacancy. If the directors remaining in office do not constitute a quorum of the Executive Board, the directors may fill the vacancy by the affirmative vote of a majority of the remaining directors, or by the sole remaining director, as the case may be. A vacancy of a directorship appointed by the Declarant shall be filled by the Declarant by written notice of such appointment to the Secretary of the Association. The term of a director elected to fill a vacancy in a directorship elected by members expires at the next election of directors by members, and the term of the director filling any other vacancy expires at the end of the unexpired term that such director is filling.

(c) A director may resign at any time by giving notice to the Executive Board, the President or the Secretary. Unless otherwise specified, such resignation shall take effect upon the receipt thereof and the acceptance of such resignation shall not be necessary to make it effective. A director shall be deemed conclusively to have resigned upon disposition by the Owner of the Unit which made such individual eligible to be a director or upon any other event of disqualification set forth in these Bylaws.

Section 4.5. Powers and Duties of the Executive Board. The business and affairs of the Association shall be managed and directed by the Executive Board. Except as provided below, the Executive Board shall have all of the powers and duties necessary for the administration of the affairs of the Association, including, but not by way of limitation, all powers as set forth in Article 3 of Chapter 55A of the North Carolina General Statutes (North Carolina Nonprofit Corporation Act) and Section 47C-3-102 of the North Carolina Condominium Act but may not do any such acts and things which are (a) required by the Declaration, the Bylaws, or the Articles to be exercised and done by the members, or (b) reserved in the Declaration to be done by the Declarant; provided, however, that all such powers, duties, acts, and things shall be exercised consistent with the provisions of the Declaration, the Bylaws, and Articles of Incorporation. Notwithstanding any other provision of these Bylaws, neither the Association, the members, nor the Executive Board may take any action which affects the Declarant's rights as reserved in the Declaration or amend these Bylaws in any manner so as to affect Declarant's rights set forth in the Declaration or these Bylaws. The Executive Board may delegate to one of its members or to a Person employed for such purpose the authority to act on behalf of the Board on such matters relating to the duties of the managing agent (as defined in Section 5.2 hereof), if any, which may arise between the meetings of the Executive Board as the Executive Board deems appropriate. In addition to the duties imposed by any other provision of the Declaration or by any resolution of the Association that hereafter may be adopted, the Executive Board shall perform the following duties and take the following actions on behalf of the Association, subject to any voting rights or the members provide by the Declaration, these Bylaws, and the Articles, or by law:

(a) Provide goods and services to the members in accordance with the Declaration, and shall administer the operation and management of the Condominium pursuant to the Declaration.

(b) Designate, hire, dismiss and, where appropriate, compensate the personnel necessary to operate and manage the Condominium as provided in the Declaration, and provide goods and services to the Owners, as provided for in the Declaration, as well as purchase equipment, supplies, and materials to be used by such personnel in the performance of their duties.

(c) Collect the assessments specified in the Declaration, deposit the proceeds thereof in depositories designated by the Executive Board and use the proceeds to administer the operation and management of the Condominium to the extent the Association is so authorized by the Declaration.

(d) Adopt, amend and repeal any reasonable rules and regulations not inconsistent with the Declaration and these Bylaws.

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

(f) Enforce by legal means the provisions of the Association Documents as are in effect from time to time.

(g) Act with respect to all matters arising out of any eminent domain proceeding affecting the Common Elements and the Condominium.

(h) Notify the members of any litigation against the Association involving a claim in excess of ten percent (10%) of the amount of the annual budget.

(i) Obtain and carry insurance pursuant to Article 21 of the Declaration and pay the premiums therefor and adjust and settle any claims thereunder.

(j) Pay the cost of all authorized goods and services rendered to the Association and not billed to Owners of individual Condominium Units or otherwise provided for in the Declaration.

(k) Acquire, hold and dispose of Condominium Units and mortgage the same without the prior approval of the Association if such expenditures and hypothecations are included in the budget.

(l) Suspend the right of any Owner or other user of a Condominium Unit, and the right of such Person's household, guests, employees, customers, tenants, agents and invitees to use the Condominium, pursuant to the hearing procedure provided in these Bylaws.

(m) In advance of each fiscal year, the Executive Board shall cause to be prepared and adopt a proposed budget in compliance with the Declaration. Within thirty (30) days after the adoption of any proposed budget for the Association, the Board shall provide a copy or summary of the budget to all Unit Owners, and shall set a date and give notice for a meeting of the Unit Owners to consider ratification of the budget. The date of the meeting of the Unit Owners to consider ratification of the budget shall be not less than fourteen (14) nor more than thirty (30) days after the mailing of the copy or summary and notice. There shall be no requirement that a quorum be present at the meeting. The budget is ratified unless at the meeting a majority of all of the Unit Owners of the Association reject the budget. In the event the proposed budget is rejected, the periodic budget last ratified by the Unit Owners shall be continued until such time as the Unit Owners ratify a subsequent budget proposed by the Board.

(n) Adopt an annual budget and make assessments (general or special) against the Owners to defray the Common Expenses of the Association pursuant to the Declaration, establish the means and methods of collecting such assessments from the Owners and establish the period of the installment payment, if any, of the assessments for Common Expenses.

(o) Borrow money on behalf of the Association when required for any valid purpose.

(p) Enter into contracts to carry out the business and activities of the Association.

(q) Grant easements, rights-of-ways or licenses over and through the Common Elements pursuant to N.C. Gen. Stat. §§ 47C-3-102(9).

Section 4.6. Meeting of Directors.

(a) Types of Meetings. The first (organizational) meeting of the Executive Board following an annual meeting of the Association shall be held within fifteen (15) days thereafter at such time and place as shall be determined by a majority of the directors to elect officers and establish the manner of operation of the Executive Board for the ensuing year. Regular meetings of the Executive Board may be held at such time and place as shall be determined from time to time by a majority of the directors; provided, however, such meetings shall be held at least quarterly during each fiscal year. Special meetings of the Executive Board may be called by the President, and shall be called by the President or Secretary upon the written request of at least two (2) directors. All meetings of the Executive Board shall be open to Owners as observers, except that the President or presiding officer may call the Executive Board into executive session on sensitive matters such as personnel, litigation strategy or hearings with respect to violations of the Declaration or Rules and Regulation. Any final action taken by the Executive Board in executive session shall be recorded in the minutes.

(b) Notice. Regular meetings of the Executive Board may be held without notice. The Chairperson, if any, the President, or any two (2) directors may call and call and give notice of a meeting of the Executive Board. The person or persons calling a special meeting of the Executive Board, at least two (2) days before the meeting, shall give notice thereof by any usual means of communication. Such notice need not specify the purpose for which the meeting is called. Any duly convened regular or special meeting may be adjourned by the directors to a later time without further notice.

(c) Waiver of Notice. Any director may waive notice of any meeting before or after the meeting. The waiver must be in writing, signed by the director entitled to the notice, and delivered to the Association for inclusion in the minutes or filing with the corporate records. The attendance by a director at, or the participation of a director in, a meeting shall constitute a waiver of any required notice of such meeting, unless the director, at the beginning of the meeting (or promptly upon the director's arrival thereat), objects to holding the meeting or to transacting any business at the meeting and does not thereafter vote for or assent to action taken at the meeting.

(d) Conduct of Meetings. The President shall preside over meetings of the Executive Board and the Secretary shall keep the minutes of the meeting and record all resolutions adopted at the meetings and proceedings occurring at the meetings.

Section 4.7. Action by Directors Without Meeting. Action required or permitted to be taken at a meeting of the Executive Board may be taken without a meeting if the action is taken by all members of the Executive Board and evidenced by one or more written consents signed by each director before or after such action, describing the action taken, and delivered to the Secretary of the Association for inclusion in the minutes or filing with the corporate records.

ARTICLE 5

MANAGING AGENT

Section 5.1. Compensation. The Executive Board may employ for the purpose of administering the Condominium a "managing agent" at a compensation to be established by the Executive Board. The managing agent shall be a bona fide business enterprise or individual which manages common interest communities. Otherwise, the managing agent may be a full-time employee of the Association who shall organize, staff, train and administer the in-house personnel solely to perform the managing agent duties set forth below. The Executive Board shall impose appropriate standards of performance upon the managing agent.

Section 5.2. Duties. The managing agent shall perform such duties and services as the Executive Board shall direct. Such duties and services may include, without limitation, the duties listed in Section 4.5(a), (b), (c), and (j). However, the

Executive Board may not delegate to the managing agent the powers set forth in Section 4.5(d), (e), (f), (g), (h), (i), (k), (l), (m), (n), (o), (p), and (q). In addition and generally, the managing agent shall perform the obligations, duties and services relating to the management of the Condominium in compliance with the provisions of these Bylaws, the Association's Articles of Incorporation, and the Declaration.

ARTICLE 6

OFFICERS

Section 6.1. Designation and Duties of Officers. The principal officers of the Association shall be the President (who shall also serve as Chairman of the Executive Board), the Vice President, the Secretary and the Treasurer, all of whom shall be elected by the Executive Board. The Executive Board may also elect an assistant treasurer, an assistant secretary and such other officers as in its judgment may be necessary. All officers shall be Unit Owners, officers of corporate Unit Owners, partners of partnership Unit Owners, or members of limited liability company Unit Owners and shall be members of the Executive Board. Each officer shall perform such duties as are normally associated with such office in parliamentary organizations, except to the extent, if any, inconsistent with the Declaration and these Bylaws, and shall perform such other duties as may be assigned to such office by resolution of the Executive Board. If any officer is unable for any reason to perform the duties of the office, the President (or the Executive Board if the President fails to do so) may appoint another qualified individual to act in such officer's stead on an interim basis.

Section 6.2. Election of Officers. The officers of the Association shall be elected annually by the Executive Board at the organizational meeting of each new Executive Board and shall hold office at the pleasure of the Executive Board. Any officer may hold more than one position; provided, however, that the offices of President, Vice President and Secretary shall be held by three different individuals. Each officer shall hold office for a term one (1) year or until such officer's death, resignation, retirement, removal or disqualification, or until the election and qualification of such officer's successor.

Section 6.3. Removal and Resignation. Any officer or agent may be removed by the Executive Board at any time with or without cause; but such removal shall be without prejudice to the contract rights, if any, of the person so removed. An officer may resign at any time by notifying the Association, orally or in writing, of such resignation. A resignation shall be effective upon receipt by the Association unless it specifies in writing a later effective date. In the event a resignation so specifies a later effective date, the Executive Board may fill the pending vacancy prior to such date; however, the successor to the resigning officer may not take office until the effective date. An officer's resignation does not affect the Association's contract rights, if any, with such officer.

Section 6.4. Vacancies. A vacancy in any office may be filled by appointment by the Executive Board. The individual appointed to fill a vacancy shall serve for the remainder of the term of the officer such individual replaces.

Section 6.5. President. The President shall be the principal executive officer of the Association and, subject to the control of the Executive Board, shall supervise and control the management of the Association in accordance with these Bylaws. The President, when present, shall preside at all meetings of members. The President, with any other proper officer, may sign any deeds, leases, mortgages, bonds, contracts or other instruments which lawfully may be executed on behalf of the Association, except where required or permitted by law otherwise to be signed and executed and except where the signing and execution thereof shall be delegated by the Executive Board to some other officer or agent. In addition, the President shall prepare, execute, certify, and record amendments to the Declaration on behalf of the Association. In general, the President shall perform all duties incident to the office of President and such other duties as from time to time may be assigned by the Executive Board.

Section 6.6. Vice President. In the absence of the President or in the event of the President's death, inability or refusal to act, the Vice Presidents in the order of their length of service as Vice Presidents, unless otherwise determined by the Executive Board, shall perform the duties of the President, and when so acting shall have all the powers of and be subject to all the restrictions upon the President. Any Vice President shall perform such other duties as from time to time may be assigned by the President or by the Executive Board.

Section 6.7. Secretary. The Secretary shall: keep the minutes of all meetings of the Association and of the Executive Board; have charge of such books and papers as the Executive Board may direct and as may be required by Article 16 of the North Carolina Nonprofit Corporation Act; give or cause to be given all notices required to be given by the Association; give each Owner notice of each assessment against such Owner's Unit as soon as practicable after assessment is made; provide for each Owner, upon request, a copy of the rules and regulations of the Association; maintain a register setting forth the place to which all notices to members and First Mortgagees hereunder shall be delivered; make it possible for any member to inspect and copy at reasonable times and by appointment the records of the Association in accordance with and as required by the North Carolina Nonprofit Corporation Act; and, in general, perform all the duties incident to the office of Secretary.

Section 6.8. Assistant Secretaries. In the absence of the Secretary or in the event of the Secretary's death, inability or refusal to act, the Assistant Secretaries in the order of their length of service as Assistant Secretaries, unless otherwise determined by the Executive Board, shall perform the duties of the Secretary, and when so acting shall have all the powers of and be subject to all the restrictions upon the Secretary. Assistant Secretaries shall perform such other duties as from time to time may be assigned by the Secretary, by the President, or by the Executive Board.

Section 6.9. Treasurer: The Treasurer shall have custody of all funds and securities belonging to the Association and shall receive, deposit or disburse the same under the direction of the Executive Board. The Treasurer shall maintain appropriate accounting records as may be required by law and, in general, perform all the duties incident to the office of Treasurer and such other duties as from time to time may be assigned by the President or by the Executive Board.

Section 6.10. Assistant Treasurers. In the absence of the Treasurer or in the event of the Treasurer's death, inability or refusal to act, the Assistant Treasurers in the order of their length of service as Assistant Treasurers, unless otherwise determined by the Executive Board, shall perform the duties of the Treasurer, and when so acting shall have all the powers of and be subject to all the restrictions upon the Treasurer. Assistant Treasurers shall perform such other duties as from time to time may be assigned by the Treasurer, by the President, or by the Executive Board.

ARTICLE 7

COMMITTEES

Section 7.1. Nominations Committee. The Executive Board may establish a Nominations Committee as set forth in Section 4.2(a) of these Bylaws.

Section 7.2. Committees of the Executive Board. The Executive Board, by resolution of a majority of the number of directors in office, may designate two or more directors to constitute an Executive Committee and such other committees as the Executive Board shall deem advisable, each of which, to the extent authorized by the North Carolina Nonprofit Corporation Act and provided in such resolution, shall have and may exercise all of the authority of the Executive Board in the management of the Association. Each committee member serves at the pleasure of the Executive Board. The provisions of these Bylaws governing meetings, action without meeting, notice and waiver of notice, and quorum and voting requirements of the Executive Board apply to any committees of the Executive Board established pursuant to this Section. The designation of any committee of the Executive Board and the delegation thereto of the Executive Board's authority shall not operate to relieve the Executive Board, or any member thereof, of any responsibility imposed upon him or her by law.

Section 7.2. Other Committees. Other committees not having and exercising the authority of the Executive Board in the management of the Association may be designated by resolution adopted by a majority of the directors present at a meeting at which a quorum is present. Such committee shall have such duties and responsibilities as may be set forth in the resolution designating the committee. For committees set up under this Section 7.3 to which decision making authority is delegated by the Executive Board or in any Association Documents, the provisions of these Bylaws governing meetings, action without meeting, notice and waiver of notice, quorum and voting requirements of the Executive Board shall apply to any such committees. Further, such committees shall keep a written record of actions taken by such committees. It is

provided, however, that the authority of any such committees shall not exceed the power granted to the Association in the Declaration.

ARTICLE 8

INDEMNIFICATION AND OTHER DIRECTOR AND OFFICER ISSUES

Section 8.1. Execution of Documents. Unless as may otherwise be provided in a resolution of the Executive Board, all agreements, contracts, deeds, leases, checks and other instruments of the Association for expenditures or obligations for Common Expenses and all checks drawn upon reserve accounts, shall be executed by any two (2) individuals designated by the Executive Board. Any officer of the Association may be designated by Executive Board resolution to sign a statement of Common Expenses on behalf of the Association.

Section 8.2. Indemnification. The Association shall indemnify, to the fullest extent permitted by law and this Article, any person who is or was a party or is threatened to be made a party to any threatened, pending, or completed action, suit, or proceeding (and any appeal therein), whether civil, criminal, administrative, arbitral, or investigative and whether or not brought by or on behalf of the Association, by reason of the fact that such person is or was a director or officer of the Association, or is or was serving at the request of the Association as a director, officer, partner, trustee, employee, or agent of another corporation, partnership, joint venture, trust, or other enterprise or as a trustee or administrator under an employee benefit plan, or arising out of such party's activities in any of the foregoing capacities, against all liability and litigation expense, including reasonable attorneys' fees; PROVIDED, HOWEVER, THAT the Association shall not indemnify any such person against liability or expense incurred on account of such person's activities which were at the time taken known or believed by such person to be clearly in conflict with the best interests of the Association or if such person received an improper personal benefit from such activities. The Association likewise shall indemnify any such person for all reasonable costs and expenses (including attorneys' fees) incurred by such person in connection with the enforcement of such person's right to indemnification granted herein.

The Association shall pay all expenses incurred by any claimant hereunder in defending a civil or criminal action, suit, or proceeding as set forth above in advance of the final disposition of such action, suit, or proceeding upon receipt of and undertaking by or on behalf of such claimant to repay such amount unless it ultimately shall be determined that such claimant is entitled to be indemnified by the Association against such expenses.

The Executive Board of the Association shall take all such action as may be necessary and appropriate to authorize the Association to pay the indemnification required by this Bylaw, including without limitation, (a) a determination by a majority vote of disinterested directors (i) that the activities giving rise to the liability or expense for which indemnification is requested were not, at the time taken, known or believed by

the person requesting indemnification to be clearly in conflict with the best interests of the Association and (ii) that the person requesting indemnification did not receive an improper personal benefit from the activities giving rise to the liability or expense for which indemnification is requested, and (b) to the extent needed, giving notice to the members of the Association.

Any person who at any time after the adoption of this Bylaw serves or has served in any of the aforesaid capacities for or on behalf of the Association shall be deemed to be doing or to have done so in reliance upon, and as consideration for, the right of indemnification provided herein. Such right shall inure to the benefit of the legal representatives of any such person and shall not be exclusive of any other rights to which such person may be entitled apart from the provision of this Bylaw.

Section 8.3. Compensation of Directors and Officers. No salary or other compensation shall be paid by the Association to any director or officer of the Association for serving or acting as such, but this shall not preclude the payment of salary or other compensation for the performance by any person serving as a director or officer for services provided to the Association in a capacity other than that of director or officer nor shall it preclude the reimbursement of reasonable, ordinary and necessary expenses incurred in serving or acting as a director or officer.

ARTICLE 9

BOOKS AND RECORDS

Section 9.1. Maintenance of Books and Records and Financial Review. The Association shall keep books and records as required by Article 16 of the North Carolina Nonprofit Corporation Act. The Association may cause to be adopted procedures for such level of financial review and compilation of the Association as the Executive Board may determine appropriate, which may include an audit or some lesser level of review. The cost of any such financial review shall be a Common Expense.

Section 9.2. Availability. The books and records of the Association shall be available for inspection by the members and their attorneys and accountants pursuant to the terms and conditions of Article 16 of the North Carolina Nonprofit Corporation Act.

Section 9.3. Accounting Report. Within one hundred twenty (120) days after the end of each fiscal year, the Executive Board shall make available to members an itemized accounting of the Common Expenses for such fiscal year actually incurred and paid, together with a tabulation of the amounts collected pursuant to the budget adopted by the Executive Board for such fiscal year, and showing the net amount over or short of the actual expenditures plus reserves.

In addition, the Executive Board, in its sole discretion, may authorize an audit of the Association or any other level of financial review of the books and records of the Association, and if authorized, such service shall be a Common Expense of the Association. In the event that a Unit Owner or Unit Owners request an audit of the Association and the Executive Board does not authorize an audit, an audit may be conducted and paid for by the requesting Unit Owner or Unit Owners.

Section 9.4. Fiscal Year. The fiscal year of the Association shall be fixed by the Executive Board.

Section 9.5. Seal. The corporate seal of the Association shall consist of two concentric circles between which is the name of the Association and in the center of which is inscribed "SEAL"; and such seal, in the form approved by the Executive Board, shall be adopted by the Board as the corporate seal of the Association.

ARTICLE 10

NOTICES

Except as specifically provided otherwise in the Declaration, these Bylaws, or the North Carolina Nonprofit Corporation Act, all notices, demands, bills, statements or other communications shall be in writing and shall be deemed to have been duly given if delivered personally or sent by United States mail, postage prepaid, or if notification is of a default or lien, sent by registered or certified United States mail, return receipt requested, postage prepaid: (a) if to an Owner, at the address which the Owner shall designate in writing and file with the Secretary or, if not such address is designated, at the address of the Condominium Unit of such Unit Owner; and (b) if to the managing agent, at the principal office of the managing agent or at such other address as shall be designated by notice in writing to the Association. If a Condominium Unit is owned by more than one Person, each such Person who so designates an address in writing to the Secretary shall be entitled to receive all notices hereunder, otherwise the Person receiving the notice shall have the responsibility for notifying the other Persons comprising the Unit Owner.

ARTICLE 11

AMENDMENTS TO BYLAWS

Except as hereinafter provided, these Bylaws may be amended or repealed and new Bylaws may be altered, amended, or repealed at any time by the members and by the Executive Board pursuant to the applicable provisions of the North Carolina Nonprofit Corporation Act.

Notwithstanding the foregoing, as is set forth in Article 13 of the Articles of Incorporation and in this Article, any amendment to these Bylaws must be approved in writing by the Declarant and shall not be effective until Declarant gives such approval in

writing. This requirement of written approval by the Declarant of any proposed changes to the Bylaws shall begin on the date of incorporation of the Association and shall end no later than the earlier of: (a) one hundred twenty (120) days after the conveyance of seventy-five percent (75%) of the Units, including Units which may be created pursuant to the Special Declarant Rights and the Declarant's Development Rights, to Owners other than a Declarant, (b) two (2) years after all declarants have ceased to offer Units for sale in the ordinary course of business; or (c) two (2) years after the Development Right to add new Units was last exercised. The Declarant may terminate the rights authorized by this Article and Article 13 of the Articles of Incorporation prior to the termination date provided in the previous sentence by recording, and effective as of the date of recording, an instrument in the Office of the Register of Deeds of Dare County, North Carolina terminating the approval rights set forth in this Article and Article 13 of the Articles of Incorporation.

ARTICLE 12

PRIORITY

In the event that any of the provisions of these Bylaws conflict with the provisions of the North Carolina Nonprofit Corporation Act, the provisions of the North Carolina Nonprofit Corporation Act shall control. In the event of any inconsistency between the Bylaws and the Declaration, the Declaration shall control; in the event of any inconsistency between the Bylaws and the Articles of Incorporation, the Articles shall control; and in the event of any inconsistency between the Articles and the Declaration the Declaration shall control.

ARTICLE 13

HEARING PROCEDURE

Except as authorized and permitted by the Declaration or these Bylaws, the Executive Board shall not impose a fine or penalty, undertake permitted remedial action, suspend voting or infringe upon other rights of a member or other user (a) for violations of the Declaration, the Bylaws, or the Association's rules and regulations, (b) during any period that assessments or other amounts due and owing to the Association remain unpaid for a period of thirty (30) days or longer, or (c) for damages to any of the Common Elements by a member pursuant to N.C. Gen. Stat. § 47C-3-107(d), unless and until the following procedure is followed:

(a) Demand. Written demand to cease and desist from an alleged violation shall be served upon the alleged violator specifying (i) the alleged violation; (ii) the action required to abate the violation; and (iii) a time period, not less than ten (10) days, during which the violation may be abated without further sanction, if such violation is a continuing one, or a statement that any further violation may result in the imposition of a sanction after notice and hearing if the violation is not continuing.

(b) Notice. At any time within twelve (12) months following such demand, if the violation continues past the period allowed in the demand for abatement without penalty or if the same rule is subsequently violated, the Executive Board or its delegate shall serve the violator with a written notice of a hearing to be held by the Executive Board of the Association in executive session. The notice shall contain: (i) the nature of the alleged violation; (ii) the time and place of the hearing, which shall not be less than ten (10) days from the giving of the notice; (iii) an invitation to attend the meeting and produce any statement, evidence and witness on his or her behalf; and (iv) the proposed sanction to be imposed. The notice prescribed herein may be served by mailing a copy of said notice to the alleged violator by placing said notice in the United States mail, postage prepaid, by any method as permitted for the service of summons as set forth in Rule 4 of the North Carolina Rules of Civil Procedure or by the delivery of said notice by an officer, director or agent of the Association to the alleged violator or to any person who may be served on the alleged violator's behalf as provided in said Rule 4.

(c) Hearing. The hearing shall be held in executive session of the Executive Board of the Association pursuant to the notice affording the member a reasonable opportunity to be heard. Prior to the effectiveness of any sanction hereunder, proof of notice and the invitation to be heard shall be placed in the minutes of the meeting. Such proof shall be deemed adequate if a copy of the notice, together with a statement of the date and manner of delivery, is entered by the officer, director or agent who delivered such notice. The notice requirement shall be deemed satisfied if the alleged violator appears at the meeting. The minutes of the meeting shall contain a written statement of the results of the hearing and the sanction, if any, imposed. In addition, a written statement of the results of the hearing and the sanction, if any, imposed shall be mailed by the United States mail, postage prepaid, by the Association to the violator.

(d) Sanction as Assessment. Pursuant to the provisions of this Article, a fine may be imposed by the Association in an amount not exceeding One Hundred Fifty and No/100 Dollars (\$150.00) per violation of the Declaration, the Bylaws, and the Association's rules and regulations and without further hearing, for each day after the decision to impose such fine that the violation occurs. In addition, and pursuant to the provisions of this Article, a fine may be imposed by the Association in an amount not exceeding Five Hundred and No/100 Dollars (\$500.00) for each damage incident if a Owner is responsible for damages to any Common Element. Any such fines shall be an assessment as set forth in N.C. Gen. Stat. § 47C-3-116. If it is decided pursuant to the provisions of this Section that a suspension of privileges or services should be imposed, the suspension may be continued without further hearing until the violation or delinquency is cured.