

BYLAWS OF THE SOUTH NAGS HEAD LOT OWNERS ASSOCIATION, INC.

A NON-PROFIT CORPORATION

1. IDENTITY. These are the Bylaws of the South Nags Head Lot Owners Association, Inc., hereinafter called the Association, a non-profit corporation organized under the laws of the State of North Carolina, the Articles of Incorporation of which were filed on the 27th day of January, 1987, in the Office of the Secretary of State of North Carolina. The Association has been organized for the purpose of enforcing the restrictive covenants and maintaining the private interest right of ways, the service roads and common areas, and upon consent of the majority of the members of the Association, the Board of Directors may assess for capital improvements of the common areas.

The office of the corporation shall be at Route 1, Box 510, S.R. 1243, Nags Head, Dare County, North Carolina 27959, and the registered office of the corporation shall be the same, or at such other places within the State of North Carolina, as may from time to time be fixed and determined by the Board of Directors.

The seal of the corporation shall bear the name of the corporation, the words "North Carolina" and the words "Non-Profit Corporation".

2. MEMBERS' MEETING.

A. The annual members' meeting shall be held at a place designated by the Directors at 11:30 A.M. on the second Saturday of October in each year for the purpose of electing directors and transacting any other business authorized to be transacted by the members. If that day is a legal holiday, the meeting shall be held at the same hour on the next secular day following.

B. Special members' meeting shall be held whenever called by the President or Vice President or by a majority of the Board of Directors, and must be called by such officers upon receipt of a written request from members entitled to cast one-sixth of the votes of the entire membership.

C. Notice of all members' meeting, stating the time and place and the objects for which the meeting is called, shall be given by the President or Vice President or Secretary unless waived in writing. Such notice shall be in writing to each member at his address as it appears on the books of the Association and shall be mailed not less than ten days nor more than sixty days prior to the date of the meeting. Proof of such mailing shall be given by the affidavit of the person giving the notice. Notice of meeting may be waived before or after meetings.

D. A quorum at members' meeting shall consist of persons entitled to cast a majority of the votes of the entire membership. If any meeting of the members cannot be organized because a quorum has not attended, the members who are present, either in person or by proxy, may adjourn the meeting for at least twelve days, and an adequate notice of the new date shall be given as described in Paragraph C of this section.

E. At any meeting the owner of a lot is entitled to cast one vote. If a lot is owned by one person, his right to vote shall be established by the record title to his lot. If a lot is owned by more than one person, the person entitled to cast the vote for the lot shall be designated by a certificate signed by all of the record owners of the lot and filed with the Secretary of the Association. If a lot is owned by a corporation, partnership, or an association, the person designated to cast the vote for the lot shall be designated by certificate of appointment by two officers of the corporation, association or partnership. Such certificate shall be valid until revoked, or superseded by a subsequent certificate, or until a change in the ownership of the lot concerned.

F. Votes may be cast by a person or by proxy. Proxies may be made by any person entitled to vote. They shall be valid for only the particular meeting designated and must be filed with the Secretary before the appointed time of the meeting.

G. The order of business at the annual members' meeting and as far as practicable at all other members' meetings shall be

- (1) the meeting shall be called to order by the Chairman of the Board of Directors;
- (2) calling of the roll and certification of the proxies;
- (3) proof of notice of meeting or waiver of notice;
- (4) reading and disposal of any unapproved minutes;
- (5) reports of officers;
- (6) reports of committees;
- (7) unfinished business
- (8) new business;
- (9) election of directors, if necessary;
- (10) adjournment.

3. DIRECTORS.

A. The affairs of the Association shall be managed by a Board of five directors. No compensation shall be paid to the Directors for their services as Directors.

B. Election of Directors shall be conducted at the annual members' meeting. A nominating committee of three members shall be appointed by the Board of Directors not less than 30 days prior to the annual members' meeting. The committee shall nominate one person for each Director vacancy. Additional nominations for Directorship and Directors may be made from the floor. The election shall be by ballot (unless dispensed with by unanimous consent) and by plurality of the votes cast, each person voting being entitled to cast his votes for each of as many nominees as there are vacancies to be filled. There shall be no cumulative voting.

C. Except as to vacancies provided by removal of Directors by members, vacancies in the Board of Directors occurring between annual meetings of members shall be filled by the remaining Directors.

D. Any Director may be removed by concurrence of two-thirds of the vote of the entire membership at a special meeting of the members called for that purpose. A vacancy in the Board of Directors so created shall be filled by the members of the Association at the same meeting.

E. Until the Developer has completed and sold all but 49% of the lots or until December 31, 1990, or until the Developer elects to terminate its control of the Association, whichever shall first occur, the first Directors of the Association named in the Charter shall serve, and in the event of vacancies, the remaining Directors shall fill the vacancies, and if there are no remaining Directors, the vacancies shall be filled by the Developer.

F. The term of each Director's service shall extend until the next annual meeting of the members and thereafter until his successor is duly elected and qualified or until he is removed in the manner elsewhere provided.

4. DIRECTOR'S MEETINGS.

A. The organization meeting of a newly-elected Board of Directors shall be held within ten days of its election at such place and time as shall be fixed by the Directors at the meeting at which they were elected, and no further notice of the organization meeting shall be necessary providing a quorum shall be present.

B. Regular meetings of the Board of Directors may be held at such time and place as shall be determined, from time to time, 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 three days prior to the day named for such meeting.

C. Special meetings of the Directors may be called by the Chairman, and must be called by the Secretary at the written request of one-third of the Directors. Notice of the meeting shall be given personally or by mail, telephone or telegraph at least three days prior to the day named for such meeting, which notice shall state the time, place and purpose of the meeting.

D. Any Director may waive notice of a meeting before or after the meeting and such waiver shall be deemed equivalent to the giving of notice.

E. A quorum at Directors' meetings shall consist of a majority of the entire Board of Directors. The acts approved by a majority of those present at a meeting at which a quorum is present shall constitute the acts of the Board of Directors. If at any meeting of the Board of Directors less than a quorum is present, the majority of those present may adjourn the meeting from time to time until a quorum is present. At any adjourned meeting any business which might have been transacted at the meeting as originally called may be transacted without further notice. The joinder of a Director in the action of a meeting by signing and concurring in the minutes thereof shall constitute the presence of such Director for the purpose of determining a quorum.

F. The presiding officer of the Directors' meeting shall be the Chairman. In the event of the absence of the presiding officer, the Vice Chairman shall preside.

G. The order of business at Directors' meetings shall be

- (1) calling of the roll;
- (2) proof of due notice of meeting, or waiver thereof;
- (3) reading and disposal of any unapproved minutes;
- (4) reports of officers and committees;
- (5) election of officers, if necessary;
- (6) unfinished business;
- (7) new business; and
- (8) adjournment.

5. POWERS AND DUTIES OF THE BOARD OF DIRECTORS.

A. The powers and duties to be executed by the Board of Directors shall include but shall not be limited to, the following:

- (1) Operation, care, unkeep and maintenance of the common properties, easements, ponds, and creek.
- (2) Determination of the amounts required for operation, maintenance and other affairs of the Association.
- (3) Collection of the common charges from the lot owners.
- (4) Employment, contracting, and dismissal thereof, as necessary for the efficient maintenance of the properties of the Association.
- (5) Adoption and amendment of rules and regulations covering the details of the maintenance and use of the common properties subject to the approval of the membership.
- (6) Opening of bank accounts on behalf of the Association and designating the signatories required therefor.
- (7) Obtaining insurance as directed by the members of the Association.
- (8) Presenting to the membership any suggestions for capital improvements on the common properties of the Association and if approved by the membership to assess charges for the same.

6. OFFICERS.

A. The executive officers of the Association shall be a Chairman, who shall be a Director, a Vice Chairman, who shall be a Director, a Treasurer, a Secretary, and an Assistant Secretary, all of whom shall be elected annually by the Board of Directors and who may be removed by vote of the Directors at any meeting. Any person may hold two or more offices except that the Chairman shall not also be the Secretary or Assistant Secretary.

B. The Chairman shall be the chief executive officer of the Association. he shall have all of the powers and duties which are usually vested in the office of the chairman of an association, including but not limited to the power to appoint committees from among the members from time to time, as he may in his discretion determine appropriate, to assist in the conduct of the affairs of the Association.

C. The Vice Chairman shall in the absence or disability of the Chairman exercise the powers and perform the duties of the Chairman. He shall also generally assist the Chairman and exercise such other powers and perform such other duties as shall be prescribed by the Directors.

D. The Secretary shall keep the minutes of all proceedings of the Directors and the members. He shall attend to the giving and serving of all notices to the members and Directors and other notices required by law. He shall have custody of the seal of the Association and affix the same to instruments requiring a seal when duly signed. He shall keep the records of the Association, except those of the Treasurer, and shall perform all other duties incident to the office of the secretary of an association and as may be required by the Directors or the Chairman. The Assistant Secretary shall perform the duties of the Secretary when the Secretary is absent.

E. The Treasurer shall have custody of all property of the Association, including funds, securities, and evidences of indebtedness. He shall keep the books of the Association in accordance with good accounting practices and shall perform all other duties incident to the office of treasurer.

7. ACCOUNTING. The funds and expenditures of the Association shall be credited and charged to accounts under the following classifications as shall be appropriate, all of which expenditures shall be common expenses:

A. "Current expenses", which shall include all funds and expenditures to be made within the year for which the funds are budgeted or upkeep and maintenance for mowing of the common properties, and other areas within the Association. The balance in this fund at the end of the year shall be applied to reduce the assessments for current expenses for the succeeding year.

B. "Reserve for deferred maintenance", which shall include funds for maintenance items which occur less frequently than annually.

C. "Reserve for replacement", which shall include funds for repair or replacement required because of damage, depreciation, or obsolescence.

D. "Capital improvements", assuming that the same are approved by a two-thirds majority membership for additional improvements or additional personal property which will be part of the common properties.

8. BUDGET. The Board of Directors shall adopt a budget for each calendar year which shall include the estimated funds required to defray common expenses and to provide funds for the accounts listed in Section 7 of these Bylaws. The budget shall take into account the following items:

A. "Current expense", the amount for which shall not exceed 110% of the budget for this account for the prior year.

B. "Reserve for deferred maintenance", the amount for which shall not exceed 110% of the budget for this account for the prior year.

C. "Reserve for replacement", the amount for which shall not exceed 110% of the budget of this account for the prior year.

D. "Additional improvements", the amount for which shall not exceed 110% of the budget of this account for the prior year; provided, however, that the maximum amount to be accumulated in this fund shall not exceed the sum of \$1,000.00 without the approval of the members of the Association.

E. "Operations", the amount of which may be to provide a working fund or to meet losses.

The amount for each budgeted item may be increased over the foregoing limitations when approved by lot owners entitled to cast not less than 60% of the votes of the entire membership of the Association. Copies of the budget and proposed assessments shall be transmitted to each lot owner on or before December 1st preceding the year for which the budget is made. If the budget is subsequently amended, a copy of the amended budget shall be furnished to each member.

9. ASSESSMENTS.

A. Assessments against the lot owners for their share of the items of the budget shall be made on or before the 1st day of January of each calendar year and such assessments shall be payable on or before the 15th day of February of each calendar year.

B. If a lot owner shall be in default in the payment of his annual assessment, the Board of Directors may institute collection by filing a lien against the property and proceed as required by law.

C. The depository of the Association shall be such bank or banks as shall be designated from time to time by the Directors and in which the moneys of the Association shall be deposited. Withdrawal of moneys from such accounts shall be only by checks signed by such persons as are authorized by the Directors.

D. The Board of Directors will audit the books of the corporation annually; no audit shall be made by a certified public accountant unless requested by 51% of the members of the Association.

10. INDEMNIFICATION. The Association may indemnify any Director or officer of the Association against liabilities and reasonable litigation expenses, including attorney's fees incurred by him or her in connection with any action, suit or proceeding in which he or she is made or threaten to be made a party by reason of having been such Director or officer, except in relation to matters as which he shall be adjudged in such action, suit or proceeding to have acted in bad faith or to have been liable or guilty by reason of willful misconduct in the performance of duty.

11. COMMITTEES. The Board of Directors shall appoint from time to time such committees that are needed. The Board of Directors must appoint an architectural control committee to review the plans for building on lots within the subdivision.

12. DUTIES OF THE ARCHITECTURAL CONTROL COMMITTEE.

A. No building or other structure, site work or clearing prepared towards construction shall be begun, altered, added to, maintained or reconstructed on any lot until the plans and specifications of such work have been received and approved by the architectural control committee.

B. A lot owner shall submit to the architectural control committee two complete sets of plans and specifications, included, but not limited to site plan, foundation plan, floor plan of plans, the four directional elevations, schedule of proposed exterior colors and materials.

C. No change shall be made from such plans submitted nor shall subsequent alteration because to the site of building without the written approval of the architectural control committee.

D. In the event that the committee does not deny approval of the plans within thirty days from the date of receipt of the same, the plans shall be and are deemed to be approved and construction may began by the owner. Such submission must be received by certified mail return receipt, or delivered in person to a committee member and a receipt issued to the owner.

E. If the architectural control committee denies approval, it must give the reasons for such denial to the lot owner prior to the expiration of the thirty day period after receipt of the plans.

13. PARLIAMENTARY RULES. Roberts' Rules of Order (latest edition) shall govern the conduct of Association meetings when not in conflict with the Articles of Incorporation or these Bylaws.

14. AMENDMENTS. These Bylaws may be amended in the following manner:

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

B. A resolution adopting a proposed amendment may be proposed by either the Board of Directors or by the members of the Association. Directors and members not present in person or by proxy at the meetings considering the amendment may express their approval in writing, providing such approval is delivered to the Secretary at or prior to the meeting. Except as elsewhere provided, such approvals must be made by at least 60% of the entire membership of the Board of Directors and by not less than 60% of the votes of the entire membership of the Association; or at least by 75% of the votes of the entire membership of the Association. Until the first election of Directors, all Directors must approve any amendment.

C. No amendment shall discriminate against any lot owner nor change the voting rights of members.

D. A copy of each amendment shall be certified by the President and Secretary of the Association as having been duly adopted and shall be effective when recorded in the Public Records of Dare County, North Carolina.

15. GENERAL PROVISIONS.

A. Members - All lot owners in the subdivision shall be members of the association.

B. Membership Certification - The association shall not issue membership certificates.

C. Membership Termination - Any member who ceases to own a lot in the subdivision shall no longer be a member of the association and upon a lot sale, the member has no further interest in the assets of the corporation.

D. Inspection of Books and Records - Any member, his or her authorized agent or attorney has the right to inspect all the books and records of the association for any proper purpose at any reasonable time.

E. This association is organized on a non-profit basis for the use and benefit of its members and consequently will not have profits from which to pay dividends. After all expenses of the association have been paid and a reasonable reserve as determined by the Board of Directors has been set aside, the net earnings of the association shall be accumulated in a surplus fund for the purpose of replacing, enlarging, and extending and repairing the recreational facilities easements and roads and the common properties of the association and for such purposes as the Board of Directors may determine to be for the best interest of the association. The surplus fund or any portion thereof may from time to time, at the discretion of the Board of Directors be distributed to the members as provided. No part of the net earnings of the corporation shall inure to the benefit of any officer, director, or any member of the corporation and upon dissolution of the corporation, the assets thereof shall after all of its liabilities and obligations have been discharged or adequate provisions made therefore, be distributed to any association or associations organized for purposes similar to those set forth in the Articles of Incorporation of South Nags Head Lot Owners Association, Inc.