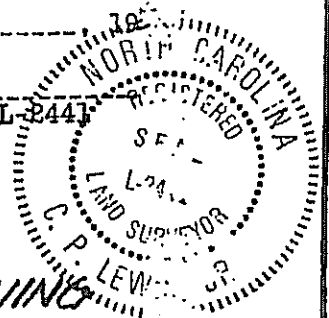


I, C. P. LEWIS, JR., CERTIFY THAT UNDER MY DIRECTION AND SUPERVISION THIS MAP WAS DRAWN FROM AN ACTUAL FIELD LANT SURVEY; THAT THE ERROR OF CLOSURE AS CALCULATED BY LATITUDES AND DEPARTURES IS 1:5000; THAT THIS MAP WAS PREPARED IN ACCORDANCE WITH GS 47-30 AS AMENDED.

WITNESS MY HAND AND SEAL THIS

20 DAY OF DEC.

C. P. LEWIS, JR., R. L. S., L-2441

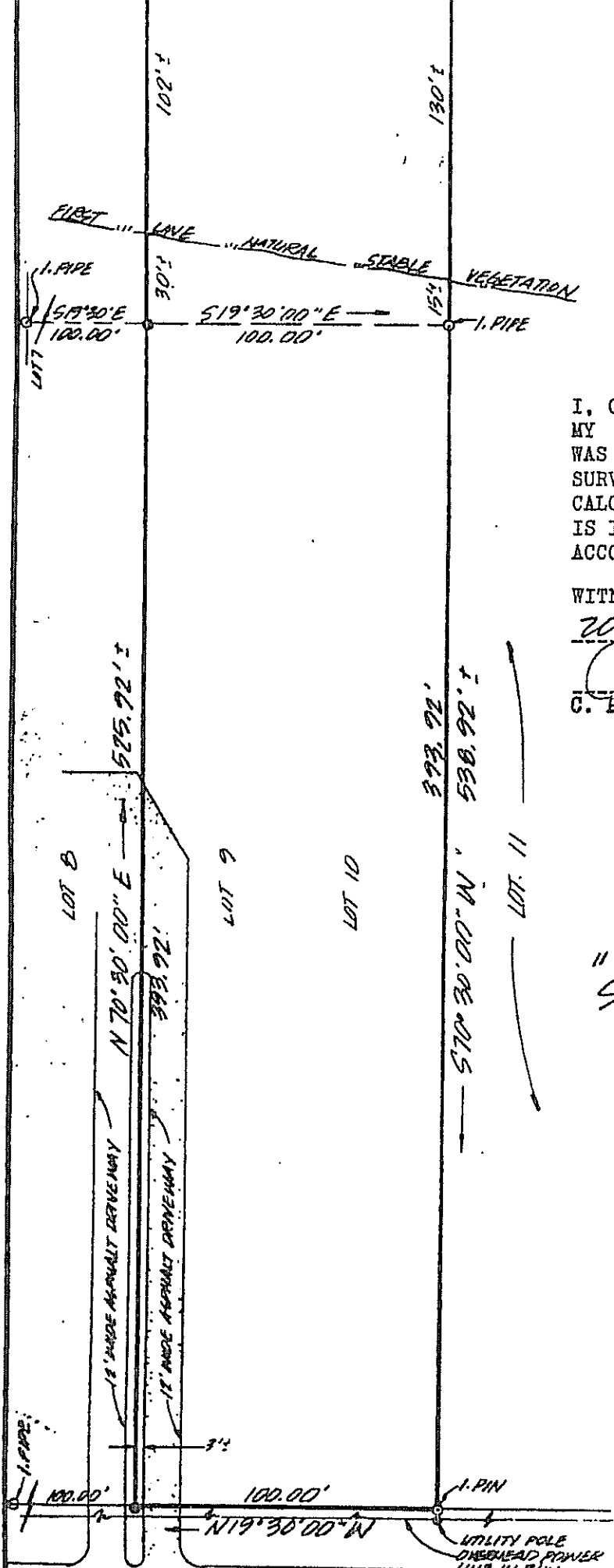


PLAT SHOWING "SCRIMSHAW CONDOMINIUMS EXHIBIT A"

1.19 ACRE PARCEL, BEING LOTS 7 & 8,
BLOCK B, CRANTON SHORES, TOWN
OF KILL DEVIL HILLS, ATLANTIC TWP.,
DARE COUNTY, N. C.
SURVEYED 11-7-83 ECH
UPDATED 12-19-84 ECH
DRAWN 12-20-84 LTC
REFERENCE: MBI, PG. 173



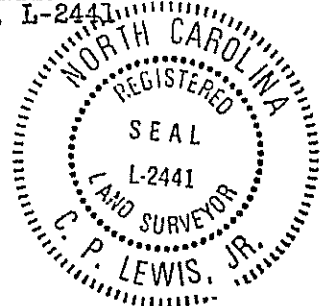
C. P. Lewis — SURVEYOR



I, C. P. LEWIS, JR., CERTIFY THAT UNDER MY DIRECTION AND SUPERVISION THIS MAP WAS DRAWN FROM AN ACTUAL FIELD LAND SURVEY; THAT THE ERROR OF CLOSURE AS CALCULATED BY LATITUDES AND DEPARTURES IS 1.500'; THAT THIS MAP WAS PREPARED IN ACCORDANCE WITH GS 47-30 AS AMENDED.

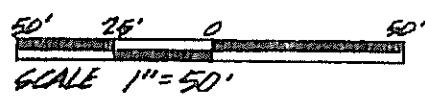
WITNESS MY HAND AND SEAL THIS
 20 DAY OF Dec., 1924.

C. P. LEWIS, JR., R. L. S., L-2441



PLAT SHOWING
 "SCRIMSHAW CONDOMINIUMS"
 EXHIBIT B"

1.22 ACRE PARCEL, BEING LOTS 8, 9, 10,
 BLOCK B, CRATON SHORES, T.
 OF KILL DEVIL HILLS, ATLANTIC
 DARE COUNTY, N. C.
 SURVEYED 11-7-83 ECH
 UPDATED 12-19-84 ECH
 DRAWN 12-20-84 LTL
 REFERENCE: MBI, PB. 173



VIRGINIA DARE TRAIL 160' R/W

C. P. Lewis — SURVEYOR

OF

SCRIMSHAW HOMEOWNERS ASSOCIATION, INC.

I, the undersigned, a natural person of the age of eighteen years or more do hereby make and acknowledge these Articles of Incorporation for the purpose of forming a business corporation under and by virtue of the Laws of the State of North Carolina, and 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

The name of the corporation is SCRIMSHAW HOMEOWNERS ASSOCIATION, INC.

ARTICLE II

The period of duration for which the corporation shall be perpetual.

ARTICLE III

The purposes for which the corporation is organized are:

A. The operation and management of condominium townhouse buildings known as SCRIMSHAW which may be established in accordance with Chapter 47A of the General Statutes of North Carolina Unit Ownership 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 SCRIMSHAW 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 the funds to pay for common expenses of the condominium as provided in the condominium documents and the Unit Ownership 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

the Association except those powers 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 the non-profit corporation which are not in conflict with the terms of the Declaration and the Condominium Association under and pursuant to the Unit Ownership Act, including all of the powers reasonably necessary to implement the purposes of the Association.

IV

MEMBERSHIP

A. The membership of SCRIMSHAW HOMEOWNERS ASSOCIATION, INC., shall consist of all of the owners of the condominium units in SCRIMSHAW. Membership shall be established by acquisition of fee title to a condominium unit in SCRIMSHAW, 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 of 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 SCRIMSHAW HOMEOWNERS ASSOCIATION, INC., which shall consist of members owning the condominium units in SCRIMSHAW.

V

DIRECTORS

A. The number of Directors and the method of election of the Director shall be fixed by the By-Laws; however, the number of Directors shall not be less than three (3).

B. The number of Directors constituting the initial Board of Directors shall be three (3), and the names and addresses of the persons who are to serve as the first Board of Directors are:

NAME	ADDRESS
Robert DeGabriell	SR Box 338, So. Croatan Hwy., Kitty Hawk, NC 2794
Ronald Pack	SR Box 338, So. Croatan Hwy., Kitty Hawk, NC 2794
Crystal Horsley	SR Box 338, So. Croatan Hwy., Kitty Hawk, NC 2794

VI

REGISTERED OFFICE AND REGISTERED AGENT

The address of the initial registered office of the corporation is 150 South Croatan Highway, Kill Devil Hills, Dare County, NC 2794. The name of the initial registered agent at such address is: Daniel D. Khoury.

VII

TAX AGENT

The corporation shall have all the powers granted non-profit corporations under the laws of the State of North Carolina.

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.

VIII

INCORPORATOR

The name and address of the incorporator is: Daniel D. Khoury, Post Office Box 1584, Kill Devil Hills, NC 27948.

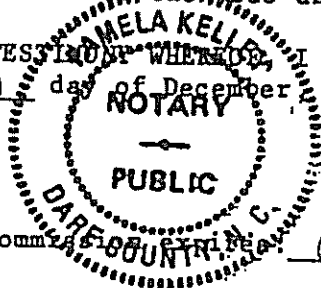
4/12 IN TESTIMONY WHEREOF, I have hereunto set my hand and seal this the day of December, 1984.


 (SEAL)
Daniel D. Khoury

NORTH CAROLINA
DARE COUNTY

This is to certify that on the 4th day of December, 1984, before me, the undersigned Notary Public, personally appeared DANIEL D. KHOURY, who I am satisfied is the person named in and who executed the foregoing Articles of Incorporation, and I have first made known to him the contents thereof, he did acknowledge that he signed and delivered the same as his voluntary act and deed for the uses and purposes therein expressed.

IN TESTIMONY WHEREOF, I have hereunto set my hand and notarial seal this the 4th day of December, 1984.




Notary Public

My commission expires 6/12/89

SCRIMSHAW HOMEOWNERS ASSOCIATION, INC.

ARTICLE I

NAME, PURPOSE AND APPLICABILITY

1.1. Name. The name of this non-profit, non-stock membership corporation shall be Scrimshaw Homeowners Association, Inc., hereinafter referred to as "Association".

1.2. Purpose. The purpose of the "Association" shall be to administer, manage, and operate the condominium property, in accordance with the Unit Ownership Act, the Non-profit Corporation Act of North Carolina, this Declaration, and the Articles of Incorporation and these By-Laws, as may be amended from time to time. The Association shall not engage in any activities other than those directly related to administration of the condominium property and the unit owners' responsibility with respect to the same.

1.3. Applicability. These By-Laws are applicable to the property known as Scrimshaw, as such property is described on EXHIBITS A and B attached to that certain Declaration Creating Unit Ownership and Establishing Restrictions, Covenants, and Conditions for Scrimshaw. These By-Laws are binding on all present or future owners, tenants, guests, residents, or other persons occupying or using the facilities of such condominium property. The mere acquisition, rental, or act of occupancy of any part of the condominium property will signify that these By-Laws are accepted, ratified, and will be complied with. The provisions of the Declaration Creating Unit Ownership and Establishing Restrictions, Covenants, and Conditions for Scrimshaw regarding the governing and administration of the "Association" are incorporated herein by reference.

ARTICLE II

DEFINITIONS

The definition of words contained in the DECLARATION, Article II shall apply to those words and terms as used in these By-Laws.

ARTICLE III

OFFICES, REGISTERED AGENT, SEAL, FISCAL YEAR

3.1. Principal Office, Registered Office. The principal office of the "Association" shall be located at Mile Post 9.5, U. S. 158 By-Pass, Town of Kill Devil Hills, North Carolina 27948, or such other places as the Board of Directors may designate from time to time.

3.2. Registered Agent. The initial Registered Agent for the unit owners for matters incident to the Condominium Property and the initial Registered Agent for the "Association" is Daniel D. Khoury, whose address is Post Office Box 1584, Kill Devil Hills, North Carolina 27948. The Registered Agent for the "Association" shall also be the Registered Agent for the unit owners. The individual serving as Registered Agent may be removed from office and replaced at any time by vote of the Board of Directors of the "Association".

3.3. Seal. The seal of the "Association" shall contain the name of the "Association", the word "Seal", and such other words and figures

3.4. Fiscal Year. The fiscal year of the "Association" shall be October 1 through September 30.

ARTICLE IV

MEMBERSHIP

4.1. Qualification. Membership in the "Association" shall be confined to and consist of the unit owners. Membership shall be appurtenant to and inseparable from unit ownership. No unit owner shall be required to pay any consideration whatsoever for his membership. Membership in the "Association" shall inure automatically to unit owners upon acquisition of the fee simple title, whether encumbered or not, to any one or more units. The date of registration of the conveyance in the Dare County Registry of the unit in question shall govern the date of ownership of each particular unit. However, in the case of death, the transfer of ownership shall occur on the date of death in the case of intestacy, or date of probate of the will in the case of testacy. Until a decedent's will is probated, the "Association" may rely on the presumption that a deceased owner died intestate.

4.2. Annual Meetings. The annual meetings of the Unit Owners Association shall be held at least seventy-five days before the beginning of each fiscal year on such date other than Sunday or legal holiday as may be established by the Board of Directors. At such annual meetings, members of the Board of Directors shall be elected by the Unit Owners in accordance with the requirements of Section 5.4 of these By-Laws. During the Declarant Control Period, the Declarant shall be entitled to designate members of the Board of Directors not elected pursuant to Section 4.4. If the special meeting held pursuant to Section 4.4 is held within six months of a scheduled annual meeting, the annual meeting shall not be held until the following year.

4.3. Place of Meetings. Meetings of the Unit Owners Association shall be held at the principal office of the Unit Owners Association or at such other suitable place convenient to the Unit Owners as may be designated by the Board of Directors.

4.4. Special Meetings.

(A) The President shall call a special meeting of the Unit Owners Association if so directed by resolution of the Board of Directors or, after the termination of the Declarant Control Period, upon a petition signed and presented to the Secretary by Unit Owners of not less than twenty-five percent of the aggregate Percentage Interests. The notice of any special meeting shall state the time, place and purpose thereof. No business shall be transacted at a special meeting except as stated in the notice.

(B) Not later than the termination of the Declarant Control Period, a special meeting of the Unit Owners Association shall be held at which a majority of the members of the Board of Directors shall be elected by the Unit Owners, including the Declarant if the Declarant owns one or more Units. If such election is held prior to the time required by this section, the members of the Board of Directors elected at such election shall not take office until the earlier of the time such election is required to be held or resignation of a director appointed by the Declarant without appointment of a replacement within

shall continue to serve until their terms expire; provided, however, that no more than two such directors may serve during the first year after the special meeting and no more than one such director may serve during the second year after the special meetings.

4.5. Notice of Meetings. The Secretary shall give to each Unit Owner a notice of each annual or regularly scheduled meeting of the Unit Owners at least twenty-one but not more than thirty days, and of each special meeting of the Unit Owners at least seven but not more than thirty days, prior to such meeting, stating the time, place and purpose thereof. The giving of notice in the manner provided in this Section and Section 11.2 of the By-Laws shall be considered service of notice.

4.6. Adjournment of Meetings. If at any meeting of the Unit Owners Association a quorum is not present, Unit Owners of a majority of the Percentage Interests who are present at such meeting, in person or by proxy, may adjourn the meeting to a time not less than forty-eight hours after the time the original meeting was called.

4.7. Order of Business. The order of business at all meetings of the "Association" shall be as follows:

- (A) roll call (proof of quorum);
- (B) proof of notice of meeting;
- (C) reading of minutes of preceding meeting;
- (D) reports of officers;
- (E) report of Board of Directors
- (F) reports of committees;
- (G) election or appointment of inspectors of election (when so required);
- (H) election of members of the Board of Directors (when so required);
- (I) unfinished business; and
- (J) new business.

4.8. Title to Units. Title to a Unit may be taken in the name of one or more Persons, in any manner permitted by law. The "Association" may acquire, hold and transfer full legal title to one or more Condominium Units in the Condominium in its own name.

4.9. Voting.

(A) Voting at all meetings of the "Association" shall be on a percentage basis and the percentages of the vote to which each Unit Owner is entitled shall be the percentage Interest assigned to his Unit in the Declaration. Otherwise, where the ownership of a Unit is in more than one Person, the Person who shall be entitled to cast the vote of such Unit shall be the Person named in a certificate executed by all of the owners of such Unit and filed with the Secretary or, in the absence of such named person from the meeting, the person who shall be entitled to cast the vote of such Unit shall be the person owning such Unit who is present. If more than one person owning such Unit is present, then such vote shall be cast only in accordance with their unanimous agreement.

(B) Except where a greater number is required by the Condominium Act, the Declaration or these By-Laws, a Majority of the Unit Owners is required to adopt decisions at any meeting of the "Association". If the Declarant owns or holds title to one or more Units, the Declarant shall

be elected to or serve on the Board of Directors if payment of the assessment on his Unit is delinquent more than thirty days and the amount necessary to bring his account current has not been paid at the time of such meeting or election. There shall be no cumulative voting.

4.10. Proxies. A vote may be cast in person or by proxy. Such proxy may be granted by any Unit Owner in favor of only another Unit Owner, the Secretary of the "Association", the Declarant or his Mortgagee, or in the case of a non-resident Unit Owner, the lessee of such Unit Owner's Unit, his attorney or management agent. Proxies shall be duly executed in writing, shall be witnessed, shall be valid only for the particular meeting designated therein and must be filed with the Secretary before the appointed time of the meeting. Such proxy shall be deemed revoked only upon actual receipt by the person presiding over the meeting of notice of revocation from any of the persons owning such Unit. Except with respect to proxies in favor of a Mortgagee, no proxy shall in any event be valid for a period in excess of one hundred eighty days after the execution thereof.

4.11. Quorum. Except as otherwise provided in these By-Laws, the presence in person or by proxy of fifty percent or more of the Unit Owners shall constitute a quorum at all meetings of the "Association".

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

ARTICLE V

BOARD OF DIRECTORS

5.1 Powers and Duties. The Board of Directors shall have all of the powers and duties necessary for the administration of the affairs of the "Association" and may do all such acts and things as are not by the Condominium Act, the Declaration or by these By-Laws required to be exercised and done by the "Association". The Board of Directors shall have the power from time to time to adopt any Rules and Regulations deemed necessary for the benefit and enjoyment of the Condominium; provided, however, that such Rules and Regulations shall not be in conflict with the Condominium Act, the Declaration or these By-Laws. The Board of Directors shall delegate to one of its member or to a person employed for such purpose the authority to act on behalf of the Board of Directors on such matters relating to the duties of the Managing Agent (as defined in Section 5.3 hereof), if any, which may arise between meetings of the Board of Directors as the Board of Directors deems appropriate. In addition to the duties imposed by these By-Laws or by any resolution of the "Association" that may hereafter be adopted, the Board of Directors shall on behalf of the "Association":

(A) Prepare and adopt an annual budget, in which there shall be expressed the assessments of each Unit Owners for the Common Expenses.

period or the installment payment of the annual assessment for Common Expenses.

(C) Provide for the operation, care, upkeep and maintenance of all of the Property and services of the Condominium.

(D) Designate; hire and dismiss the personnel necessary for the maintenance, operation, repair and replacement of the Common Elements and provide services for the Property and, where appropriate, provide for the compensation of such personnel and for the purchase of equipment, supplies and material to be used by such personnel in the performance of their duties, which supplies and equipment shall be deemed part of the Property.

(E) Collect the assessments against the Unit Owners, deposit the proceeds thereof in bank depositories designated by the Board of Directors and use the proceeds to carry out the administration of the Property.

(F) Make and amend the Rules and Regulations.

(G) Open bank accounts in behalf of the "Association" and designate the signatories thereon.

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

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

(J) Obtain and carry insurance against casualties and liabilities, as provided in Article VIII of these By-Laws, pay the premiums therefor and adjust and settle any claims thereunder.

(K) Pay the cost of all authorized services rendered to the "Association" and not billed to Unit Owners of individual Units or otherwise provided for in Sections 7.1 and 7.2 of these By-Laws.

(L) Keep books with detailed accounts in chronological order of the receipts and expenditures affecting the Property, and the administration of the Condominium, specifying the expenses of maintenance and repair of the Common Elements and any other expenses incurred. Such books and vouchers crediting the entries therein shall be available for examination by the Unit Owners, their attorneys, accountants and authorized agents during general business hours on business days at the times and in the manner set and announced by the Board of Directors for the general knowledge of the Unit Owners. All books and records shall be kept in accordance with generally accepted accounting principles, and the same shall be audited at least once each year by an independent auditor retained by the Board of Directors who shall not be a resident

of the Unit subject to such Mortgage, if such default continues for a period exceeding thirty days.

(N) Borrow money on behalf of the Condominium when required in connection with any one instance relating to the operation, care, upkeep, and maintenance of the Common Elements; provided, however, that the consent of at least two-thirds in number and in Percentage Interest of all Unit Owners, obtained either in writing or at a meeting duly called and held for such purpose in accordance with the provisions of these By-Laws, shall be required to borrow any sum in excess of Ten Thousand Dollars. If any sum borrowed by the Board of Directors on behalf of the Condominium pursuant to the authority contained in this subsection (N) is not paid by the "Association", a Unit Owner who pays to the creditor a percentage of the total amount due equal to his Percentage Interest in the Condominium shall be entitled to obtain from the creditor a release of any judgment or other lien which such creditor shall have filed, or shall have the right to file, against such Unit Owner's Condominium Unit, and the "Association" shall not be entitled to assess his Unit for payment of the remaining amount due such creditor.

(O) Acquire, hold and dispose of Condominium Units and mortgage the same if such expenditures and hypothecations are included in the budget adopted by the "Association".

(P) Do such other things and acts not inconsistent with the Condominium Act, the Declaration or these By-Laws which the Board of Directors may be authorized to do by a resolution of the "Association".

5.2. Managing Agent. The Board of Directors shall employ for the Condominium a "Managing Agent" at a compensation to be established by the Board of Directors.

(A) Requirements. The Managing Agent shall be a bona fide business enterprise, unaffiliated with the Declarant, which manages common interest residential communities. Such firm shall have experience in real estate community management; and shall employ personnel possessing a high level of competence in the technical skills necessary to property management of the Condominium. The Managing Agent must be able to advise the Board of Directors regarding the administrative operation of the Condominium and shall employ personnel knowledgeable in the areas of condominium insurance, accounting, contract negotiation, and condominium regulation.

(B) Duties. The Managing Agent shall perform such duties and services as the Board of Directors shall direct. Such duties and services may include, without limitation, the duties listed in subsections 5.1(A), (C), (D), (E), (H), (I), (J), (K), (L), (M), and (P). The Board of Directors may delegate to the Managing Agent all of the powers granted to the Board of Directors by these By-Laws other than the set forth in subsections 5.1(B), (F), (G), (N), and (O). The Managing Agent shall perform the obligations, duties and services relating to the management of the property, the rights of Mortgages and the maintenance of reserve funds in compliance with the provisions of these By-Laws.

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

all Unit Owners shall be accounted for separately;

(2) two or more persons shall be responsible for handling cash to maintain adequate financial control procedures;

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

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

(5) any financial or other interest which the Managing Agent may have in any firm providing goods or services to the "Association" shall be disclosed promptly to the Board of Directors; and

(6) a semi-annual financial report shall be prepared for the "Association" containing: (i) an Income Statement reflecting all income and expense activity for the preceding six months on an accrual basis; (ii) an Account Activity Statement reflecting all receipt and disbursement activity for the preceding six months on a cash basis; (iii) an Account Status Report reflecting the status of all accounts in an "actual" versus "projected" (budget) format; (iv) a Balance Sheet reflecting the financial condition of the "Association" on an unaudited basis; (v) a Budget Report reflecting any actual or pending obligations which are in excess of budgeted amounts by an amount exceeding the operating reserves or ten percent of a major budget category (as distinct from a specific line item in an expanded chart of accounts); and (vi) a Delinquency Report listing all Unit Owners who are delinquent in paying condominium assessments and describing the status of any actions to collect such assessments.

(D) Limitations. The Board of Directors may employ a Managing Agent for a term not to exceed one year. The "Association" and the Board of Directors shall not undertake "self-management" or fail to employ a Managing Agent without the consent of a Majority of the Unit Owners and the consent of Mortgagees together holding seventy-five percent of the Mortgages on the Condominium Units. Any contract with the Managing Agent must provide that it may be terminated, without payment of a termination fee, without cause on no more than ninety days written notice and with cause on no more than thirty days written notice.

5.3. Number and Term of Office.

(A) Designated Members. The initial Board of Directors shall consist of not less than three nor more than nine persons, all of whom shall be designated by the Declarant. The term of office of at least two of such persons shall expire at the third annual meeting; the term of office of up to three additional persons shall expire at the second annual meeting; and the term of office of any other persons shall expire at the first annual meeting. The term of each designee shall be fixed by the Declarant. At the special meeting required by subsection 4.4(B), number of the persons designated by the Declarant shall resign if necessary so that a majority of the members of the Board of Directors shall have been elected in accordance with subsection 4.4(B). The persons elected shall serve for the remainder of the terms of office of the resigning members of the Board of Directors who such persons

their election. The persons receiving the greatest vote shall be elected for the longest available terms. At the expiration of the term of office of all members of the Board of Directors designated by the Declarant or elected at the special meeting held pursuant to subsection 4.4(B), all successor directors shall be elected to serve for a term of three years.

(B) Elected Members. No later than the first annual meeting of the "Association", the Board of Directors shall be composed of at least three persons or that number qualified to serve, whichever is greater, all of whom shall be Unit Owners, Mortgagees (or designees of Mortgagees) or designees of the Declarant. Except for resignation or removal, the members of the Board of Directors shall hold office until their respective successors shall have been elected by the "Association".

5.4. Election of Directors.

(A) Elections Committee. At least ninety days prior to the special meeting required by Section 4.4(B) of these By-Laws and each annual meeting of the "Association", the Board of Directors shall appoint an Elections Committee consisting of a member of the Board of Directors whose term is not then expiring and at least three other Unit Owners. The Elections Committee shall develop election procedures and administer such procedures as are approved by the Board of Directors.

(B) Nominations. Persons qualified to be directors may be nominated for election only by a nominating petition submitted to the Chairman of the Elections Committee at least thirty-five days before the meeting at which the election is to be held signed by Unit Owners representing at least ten percent of the voting rights and either signed by the nominee or accompanied by a document signed by the nominee indicating the willingness to serve as a member of the Board of Directors; provided, however, that additional nominations may be made from the floor at the meeting at which the election is held for each vacancy on the Board of Directors for which no more than one person has been nominated by petition. The nominee must either be present and consent to the nomination or have indicated in writing the willingness to serve. This subsection (B) does not apply to Persons appointed to the Board of Directors by the Declarant.

(C) Qualifications. No Person shall be eligible for election as a member of the Board of Directors unless he is (alone or together with one or more other Persons) a Unit Owner. No Person shall be elected as a member of the Board or shall continue to serve as a member of the Board if he is more than sixty days delinquent in his financial obligations to the "Association" and a lien has been filed against his Unit.

5.5. Removal or Resignation of Directors. Except with respect to directors designated by Declarant, at any regular or special meeting duly called, any one or more of the members of the Board of Directors may be removed with or without cause by a Majority of the Unit Owners and a successor may then and there be elected to fill the vacancy thus created. Any director whose removal has been proposed by the Unit Owners shall be given at least seven days notice of the time, place and purpose of the meeting and shall be given an opportunity to be heard at the meeting. A member of the Board of Directors may resign at any time and, except for a director designated by the Declarant, shall be deemed

elect consent to such absence.

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

5.7. Organization Meeting. The first meeting of the Board of Directors following the annual meeting of the "Association" shall be held within thirty days thereafter at such time and place as shall be fixed by the Board at the meeting at which such Board of Directors shall have elected, and no notice shall be necessary to newly elected members of the Board of Directors in order legally to constitute such meeting, providing a majority of the whole Board of Directors is present at the meeting.

5.8. Regular Meetings. 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, but such meetings shall be held at least once every six months during each fiscal year. Notice of regular meetings of the Board of Directors shall be given in writing to each director, by hand delivery, mail or telegraph, at least five business days prior to the day named for such meeting.

5.9. Special Meetings. Special meetings of the Board of Directors may be called by the President on three business days notice to each director, given in writing by hand delivery, mail or telegraph, which notice shall state the time, place and purpose of the meeting. Special meetings of the Board of Directors shall be called by the President or Secretary in like manner and on like notice on the written request of at least three directors.

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

5.11. Quorum of Board of Directors. At all meetings of the Board of Directors a majority of the directors shall constitute a quorum for the transaction of business, and the votes of a majority of the directors present at a meeting at which a quorum is present shall constitute the decision of the Board of Directors. If at any meeting of the Board of Directors there shall be less than a quorum is present, a majority of those present may adjourn the meeting from time to time. At any such adjourned meeting at which a quorum is present, any business which might have been transacted at the meeting originally called may be transacted without further notice. A member of the Board of Directors who participates in a meeting by means of telephone communication shall be deemed present at the meeting for all purposes.

5.13. Conduct of Meetings. The president shall preside over all meetings of the Board of Directors and the Secretary shall keep a minute book of the Board of Directors recording therein all resolutions adopted by the Board of Directors and a record of all transactions and proceedings occurring at such meetings. The then current edition of Robert's Rules of Order shall govern the conduct of the meetings of the Board of Directors when not in conflict with the Declaration, these By-Laws or the Condominium Act.

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

5.15. Liability of the Board of Directors, Officers, Unit Owners and Unit Owners Association.

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

(B) The "Association" shall not be liable for any failure of water supply or other services to be obtained by the "Association" or paid for as a Common Expense, or for injury or damage to Person or property caused by the elements or by the Unit Owner of any Condominium Unit, or any other Person, or resulting from electricity, water, or ice which may leak or flow from or over any portion of the Common Elements or from any pipe, drain, conduit, appliance, or equipment. The "Association" shall not be liable to any Unit Owner for loss or damage, by theft or otherwise, of articles which may be stored upon any of the Common Elements. No diminution or abatement of any assessments, as herein elsewhere provided, shall be claimed or allowed for inconvenience or discomfort arising from the making of repairs or improvements to the Common Elements or from any action by the "Association" to comply with any law, ordinance or with the order or directive of any municipal or other governmental authority.

5.16. Common or Interested Directors. Each member of the Board of Directors shall exercise his powers and duties in good faith and in view to the interests of the Condominium. No contract or other transaction between the "Association" and any of its directors, or between the "Association" and any corporation, firm, or association (including the Declarant) in which any of the directors of the "Association" are directors or officers or are pecuniarily or otherwise interested, is either void or voidable because any such director is present at the meeting of the Board of Directors or any committee thereof which authorizes or approves the contract or transaction, or because his vote is counted for such purpose, if any of the conditions specified in any of the following subsections exists:

(A) The fact of the common directorate or interest is disclosed or known to the Board of Directors or a majority thereof or noted in the minutes, and the Board of Directors authorizes, approves or ratifies such contract or transaction in good faith by a vote sufficient for the purpose; or

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

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

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

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

releases upon the payment of claims. The Board of Directors may grant and accept easements and licenses pursuant to the Declaration.

5.18. Covenants Committee.

(A) Purpose. The Board of Directors shall establish a Covenants Committee, consisting of three to five members appointed by the Board of Directors, each to serve for a term of one year, in order to assure that the Condominium shall always be maintained in a manner:

- (1) providing for visual harmony and soundness of repair;
- (2) avoiding activities deleterious to the esthetic or property values of the Condominium;
- (3) furthering the comfort of the Unit Owners, their guests and tenants; and
- (4) promoting the general welfare and safety of the Condominium community.

(B) Powers. The Covenants Committee shall regulate the external design, appearance, use and maintenance of the Common Elements. The Covenants Committee shall have the power to impose reasonable fines upon and issue a cease and desist request to a Unit Owner, his guests, invitees, or lessees whose actions are inconsistent with the provisions of the Condominium Act, the Condominium Instruments, the Rules and Regulations or resolutions of the Board of Directors (upon petition of any Unit Owner or upon its own motion). The Covenants Committee shall from time to time, as required, provide interpretations of the Condominium Instruments, Rules and Regulations and resolutions pursuant to the intents, provisions and qualifications thereof when requested to do so by a Unit Owner or the Board of Directors. Any action, ruling or decision of the Covenants Committee may be appealed to the Board of Directors by any party deemed by the Board of Directors to have standing as an aggrieved party and the Board of Directors may modify or reverse any such action, ruling or decision.

(C) Authority. The Covenants Committee shall have such additional duties, power and authority as the Board of Directors may from time to time provide by resolution. The Board of Directors may relieve the Covenants Committee of any of its duties, powers and authority either generally or on a case by case basis. The Covenants Committee shall carry out its duties and exercise its powers and authority in the manner provided for in the Rules and Regulations or by resolution of the Board of Directors.

ARTICLE VI

OFFICERS

6.1. Designation. The principal officers of the "Association" shall be the President, the Vice President, the Secretary and the Treasurer, all of whom shall be elected by the Board of Directors. The Board of Directors may appoint an assistant treasurer, an assistant secretary and such other officers as in its judgment may be necessary.

6.2. Election of Officers. The officers of the "Association" shall be elected annually by the Board of Directors at the organization

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

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

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

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

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

6.8. Execution of Documents. All agreements, contracts, deeds, leases, checks and other instruments of the "Association" for expenditures or obligations in excess of Two Thousand Dollars, and all checks drawn upon reserve accounts, shall be executed by any two persons designated by the Board of Directors. All such instruments for expenditures or obligations of Two Thousand Dollars or less, except from reserve accounts, may be executed by any one person designated by the Board of Directors.

6.9. Compensation of Officers. No officer shall receive any compensation from the "Association" for acting as such officer.

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

(A) Fiscal Year. The fiscal year of the "Association" shall be October 1 through September 30 unless otherwise determined by the Board of Directors.

(B) Preparation and Approval of Budget.

(1) At least ninety days before the beginning of each fiscal year, the Board of Directors shall adopt a budget for the "Association" containing an estimate of the total amount considered necessary to pay the cost of maintenance, management, operation, repair and replacement of the Common Elements and those parts of the Units which are the responsibility of the Board of Directors to maintain, repair and replace, and the cost of wages, materials, insurance premiums, services, supplies and other expenses that may be declared to be Common Expenses by the "Act", the Declaration, these By-Laws or a resolution of the "Association" and which will be required during the ensuing fiscal year for the administration, operation, maintenance and repair of the Property and the rendering to the Unit owners of all related services. The budget shall reflect the separate assessment of Limited Common Expenses.

(2) Such budget shall also include such reasonable amounts as the Board of Directors considers necessary to provide working capital, a general operating reserve and reserves for contingencies and replacements. At least sixty days before the beginning of each fiscal year, the Board of Directors shall send to each Unit Owner a copy of the budget in a reasonable itemized form which sets forth the amount of the Common Expenses and any special assessment payable by each Unit Owner. Such budget shall constitute the basis for determining each Unit Owner's assessment for the Common Expenses of the "Association".

(C) Purpose of Assessments. Assessments levied by the Association shall be used exclusively to promote health, safety, welfare and recreation of the residents of Scrimshaw, in particular for the total improvement and maintenance of the Common Element and Limited Common Elements and for services and facilities related to the use and enjoyment of the Property, including, but not limited to the following:

- (1) cost of taxes and insurance;
- (2) repair, replacement, and additions to the Common Elements and Limited Common Elements;
- (3) costs of labor, equipment, materials, management and supervision thereof;
- (4) cost for maintaining the shrubbery, trees, flowers, and other landscaping, including mowing of any grass;
- (5) cost of maintaining and repairing all recreational facilities;
- (6) cost of utilities and fuel used in operating facilities on the Property;
- (7) maintenance and upkeep of all streets and roads within Scrimshaw;
- (8) payment of reasonable charges for water and sewage disposal used by the residents of the Properties;