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EXHIBIT "C" FOR THE BLUFF'S CONDOMINIUMS

BY LAWS

OF

THE BLUFF'S CONDOMINIUM ASSOCIATION, INC.

ARTICLE I

PLAN OF UNIT OWNERSHIP

SECTION 1. Unit Ownership. The Bluff's Condominiums hereinafter referred to as Condominium, located in Atlantic Township, Dare County, North Carolina, is submitted to the provisions of Chapter 47A of the General Statutes of North Carolina, "Unit Ownership Act". The Administration thereof shall be by the Board of Directors herein described, subject to the powers of the owners as herein specified.

SECTION 2. By-Laws Applicability. The provisions of these By-Laws are applicable to the Condominium. The term "Condominium" as used herein shall mean The Condominium Buildings and shall include the land directly beneath as well as the improvements thereon. In construing these By-Laws, and the government of the Condominium thereto, the provisions of Chapter 55A of the North Carolina General Statutes pertaining to the government of nonprofit business corporations, shall be considered as governing to the extent not inconsistent with the provisions of Chapter 47A of the North Carolina General Statutes, the Declaration of Unit Ownership and these By-Laws, the condominium being considered the corporation and the owners being considered the members.

SECTION 3. Personal Application. All present and future owners, tenants and future tenants, and their employees, and any other person that may at any time use the facilities of the Condominium in any manner are subject to the regulations set forth in these By-Laws and to the declarations set forth in the Declaration of Unit Ownership (hereinafter referred to as Declaration), to which these By-Laws are attached.

The mere acquisition or rental of any of the Condominium Units (hereinafter referred to as "Units") or the mere act of occupancy of any of said units will signify that these By-Laws as they may be amended from time to time, are accepted, ratified, and will be complied with.

ARTICLE II

THE OWNERS

SECTION 1. Owners. The Condominiums are owned by the owners of the units, each of whom shall be entitled to a percentage vote for each unit owned by him. The vote to be determined by the percentage of ownership of the General Common elements as specified in Section 5 of the Declaration. No leasee, lienholder, mortgagee, pledge or contract purchaser shall have any voting rights with respect to the affairs of the Condominium except as set forth in the Declaration.

SECTION 2. Annual Meetings. The Condominium shall hold each year, commencing with the year 1987, an annual meeting of the owners for the election of directors and the transaction of any business within the powers of the Condominium, at 12:00 Noon on the first Saturday in May, in each year if not a legal holiday, and if a legal holiday, then on the first day following which is not a Sunday or holiday. Any business of the Condominium may be transacted at an annual meeting without being specifically required by statute, by the Declaration or these By-Laws to be

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stated in the notice. Failure to hold an annual meeting at the designated time shall not, however, invalidate the Condominium's existence or affect its otherwise valid acts.

SECTION 3. Special Meetings. At any time in the interval between annual meetings, special meetings of the Condominium may be called by the President or by a majority of the Board of Directors by vote at a meeting or in writing with or without a meeting, or by one third (1/3) of the record owners of Condominium Units.

SECTION 4. Place of Meeting. All meetings of owners shall be held at the principal office of the Condominium in Dare County, North Carolina, except in cases in which the notice thereof designates some other place, but all such meetings shall be held within the State of North Carolina.

SECTION 5. Notice of Meetings. Not less than ten days nor more than ninety days before the date of every owners' meeting, the secretary shall give to each owner entitled to vote at such meeting, written or printed notice stating the time and place of the meeting and, in the case of a special meeting, the purpose or purposes for which the meeting is called, either by mail or by presenting it to him personally or by leaving it at his residence or usual place of business. If mailed, such notice shall be deemed to be given when deposited in the United States mail addressed to the owner at his post office address as it appears on the records of the Condominium, with postage thereon prepaid. Notwithstanding the foregoing provision, a waiver of notice in writing signed by the person or persons entitled to such notice and filed with the records of the meeting, whether before or after the holding thereof, or actual attendance at the meeting in person or by proxy, shall be deemed equivalent to the giving of such notice to such persons. Any meeting of owners, annual or special, may adjourn from time to time to reconvene at the same or some other permitted place, and no notice need be given of any such adjourned meeting other than by announcement.

SECTION 6. Quorum. At any meeting of owners, the presence in person or by proxy of owners entitled to cast a majority of the votes there at shall constitute a quorum; but this section shall not affect any requirement under statute or under the Declaration of the Condominium for the vote necessary for the adoption of any measure. In the absence of a quorum the owners present in person or by proxy, by majority vote and without notice other than by announcement, may adjourn the meeting from time to time until a quorum shall attend. At any such adjourned meeting at which a quorum shall be present, any business may be transacted which might have been transacted at the meeting as originally notified.

SECTION 7. Votes Required. A majority of the votes cast at a meeting of owners, duly called and at which a quorum is present, shall be sufficient to take or authorize action upon any matter which may properly come before the meeting, unless more than a majority of votes cast is required by statute or by the Declaration.

SECTION 8. Proxies. An owner may vote either in person or by proxy executed in writing by the owner or by his duly authorized attorney-in-fact. No proxy shall be valid after eleven months from its date, unless otherwise provided in the proxy. Every proxy shall be in writing, subscribed by the owner or his duly authorized attorney, and dated, but need not be sealed, witnessed or acknowledged.

SECTION 9. List of Owners. At each meeting of owners, a full, true and complete list in alphabetical order of all owners entitled to vote at such meeting shall be furnished by the Secretary.

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SECTION 10. Voting. In all elections for directors every owner shall have the right to vote, in person or by proxy, for as many persons as there are directors to be elected. At all meetings of owners, the proxies and ballots shall be received, and all questions touching the qualification of voters and the validity of proxies and the acceptance or rejection of votes shall be decided by the chairman of the meeting. Unless demanded or ordered by a majority of owners present, no vote need be by ballot, and voting need not be conducted by inspectors.

SECTION 11. Informal Action by Owners. Any action required or permitted to be taken at any meeting of owners may be taken without a meeting, if a consent in writing, setting forth such action, is signed by all the owners entitled to vote on the subject matter thereof, provided said consent is filed with the records of the Condominium.

ARTICLE III

BOARD OF DIRECTORS

SECTION 1. Powers. The business and affairs of the Condominium shall be managed by its Board of Directors. The Board of Directors may exercise all powers of the Condominium Association except such as are by statute or the Declaration or the By-Laws conferred upon or reserved to the owners. In particular, but not by way of limitation, the Board of Directors shall be responsible for, and have all necessary powers in connection with the care, upkeep, and surveillance of the building and other facilities of the Condominium, including its general and limited common elements, services, and Association owned property, designation, hiring and dismissal of the personnel necessary for the good working order of the buildings and to provide services for the buildings. The Board of Directors may delegate any of such responsibilities or all, and the expenses therefore shall be a common expense. The Board of Directors, or any officer or officers to whom such power may be delegated, shall have power to take any action necessary or appropriate to enforce payments of all sums, including assessments against others, due the Condominium, including the power to enforce any lien for the same. Such Board shall not undertake to provide luxury services, such as maid services, common telephone switchboard service and the like, to the condominium units without the unanimous vote of all owners.

SECTION 2. Number of Directors. The number of directors of the Condominium shall be three (3), until such number be changed as herein provided. By vote of majority of the entire Board of Directors, the number of directors may be increased or decreased, from time to time, to not exceed seven nor less than three directors, but the tenure of office of a director shall not be affected by any decrease in the number of directors so made by the Board.

SECTION 3. Election of Directors. Until the successors are duly elected and qualified the Board shall consist of William D. Emmert, Kenneth A. Simpler and Charles R. Smith. At such time as three years following conveyance of the first unit has elapsed or ninety days after three-fourths (3/4) of the units are conveyed in the Association's building, whichever shall occur first the Developer shall turnover and deliver control of the Condominium Association Board of Directors to the duly elected officers and directors at a special meeting called pursuant to these By-Laws. At the first annual meeting of owners after control of the Association is delivered to the Unit Owners, the owners shall elect directors, one-third to serve for one year, one-third to serve for two years, and one-third to serve for three years. Thereafter, directors shall be elected for three year terms or until their successors are elected and quality (or for a shorter

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term to fill a vacancy arising for an uncompleted term), one-third of the directors being elected at each annual meeting to succeed the directors whose terms are expiring. At any meeting of owners, duly called and at which a quorum is present, the owners may, by the affirmative vote of the holders of a majority of the votes entitled to be cast thereon, remove any director or directors from office and elect a successor or successors to fill any resulting vacancies for the unexpired terms of removed directors.

SECTION 4. Vacancies. Any vacancy occurring in the Board of Directors for any cause other than by reason of an increase in the number of directors may be filled by a majority of the remaining members of the Board of Directors, although such majority is less than a quorum. Any vacancy occurring by reason of an increase in the number of directors may be filled by action of a majority of the entire Board of Directors. A director elected by the Board of Directors to fill a vacancy shall be elected to hold office until the next annual meeting of owners or until his successor is elected and qualifies.

SECTION 5. Regular Meeting. After each meeting of owners at which a Board of Directors shall have been elected, the Board of Directors so elected shall meet as soon as practicable for the purpose of organization and the transaction of other business, at such time as may be designated by the owners at such meeting; and in the event that no other time is designated by the owners, the Board of Directors shall meet at 1:00 P.M. on the day of such meeting of the owners, if not a legal holiday, and if a legal holiday, then on the first day following which is not a Sunday or a legal holiday. Such first meeting shall be held at such place within or without the State of North Carolina as may be designated by the owners, or in default of such designation at the place designated by the Board of Directors for such first regular meeting, or in default of such designation at the office of the Condominium in Dare County, North Carolina. No notice of such first meeting shall be necessary if held as hereinabove provided. Other regular meetings of the Board of Directors shall be held on such dates and at such places within or without the State of North Carolina as may be designated from time to time by the Board of Directors.

SECTION 6. Special Meetings. Special meetings of the Board of Directors may be called at any time by the President or by the Board of Directors by vote at a meeting, or by a majority of the directors in writing with or without a meeting. Such special meetings shall be held at such place or places within or without the State of North Carolina as may be designated from time to time by the Board of Directors. In the absence of such designation, such meetings shall be held at such places as may be designated in the call.

SECTION 7. Notice of Meeting. Except as provided in Section 5 of this Article, notice of the place, day and hour of every regular and special meeting shall be given to each director two days (or more) before the meeting, by delivering the same to him personally, or by sending the same to him by telegraph, or by leaving the same at his residence or usual place of business, or, in the alternative, by mailing such notice five days (or more) before the meeting, postage prepaid, and addressed to him at his last known post office address, according to the records of the Condominium. Unless required by these By-Laws or by resolution of the Board of Directors, no notice of any meeting of the Board of Directors, need state the business to be transacted thereat. No notice of any meeting of the Board of Directors need be given to any director who attends, or to any director who, in writing, executed and filed with the records of the meeting either before or after the holding thereof, waives such notice. Any meeting of the Board of Directors, regular or special, may adjourn from time to time to reconvene at the same or some other place, and no notice need be given of any such adjourned meeting other than by

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announcement.

SECTION 8. Quorum. At all meetings of the Board of Directors, one-half of the entire Board of Directors, but in no case less than two directors, shall constitute a quorum for the transaction of business. Except in cases in which it is by statute, by the Declaration or by the By-Laws otherwise provided, the vote of a majority of such quorum at a duly constituted meeting shall be sufficient to elect and pass any measure. In the absence of a quorum, the directors present by majority vote and without notice other than by announcement may adjourn the meeting to another time and/or place. At any such adjourned meeting at which a quorum shall be present, any business may be transacted which might have been transacted at the meeting as originally notified.

SECTION 9. Compensation. By resolution of the Board of Directors expenses of attendance, if any, may be allowed to directors for attendance at each regular or special meeting of the Board of Director or of committees thereof, but directors as such shall not receive any compensation for their services except such as may be authorized or permitted by vote of the unit owners. A director who serves the Condominium in any other capacity, however, may receive compensation therefor without such vote of the owners.

SECTION 10. Informal Action by Directors. Any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting, if a written consent to such action is signed by all members of the Board of such committee, as the case may be, and such written consent is filed with the minutes of proceedings of the Board or committee.

SECTION 11. Committees. The Board of Directors may by resolution provide for such standing or special committees as it deems desirable, and discontinue the same at pleasure. Each such committee shall have such powers and perform such duties, not inconsistent with law, as may be assigned to it by the Board of Directors.

SECTION 12. Indemnification. Every Director and every officer of the Association shall be indemnified by the Association against all expenses and liabilities, including counsel fees, reasonably incurred by or imposed upon him in connection with a Court proceeding to which he may become involved, by reason of his being or having been a director or officer of the Association, whether or not he is a Director or officer at the time such expenses are incurred, except in such cases wherein the Director or officer is adjudged guilty of malfeasance or negligence in the performance of his duties; provided, that in the event of a settlement, the indemnification herein shall apply only when the Board of Directors approves such settlement and reimbursement as being in the best interest of the Association. The foregoing right of indemnification shall be in addition to and not exclusive all rights of indemnification to which such Director or officer may be entitled.

SECTION 13. Budget.

A. The Board of Directors shall adopt a budget for each calendar year which shall contain estimates of the costs of performing the functions of the Association including but not limited to:

1. COMMON EXPENSES OF THE CONDOMINIUM

(a) maintenance and upkeep of common areas and elements

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(b) maintenance and upkeep of association owned real and personal property

(c) staff payroll, supplies and office expenses

(d) managers' salary or fees

(e) insurance

(f) common utilities, waste water treatment and disposal system maintenance and upkeep, which shall receive first priority of common expense funds

(g) service contracts

(h) fees and permits

2. CAPITAL IMPROVEMENTS RESERVE

3. ANTICIPATED SPECIAL ASSESSMENTS

B. Copies of the proposed budget shall be transmitted to each member or unit owners on or before January 1 of the year for which the budget is made. If the budget is subsequently amended, then a copy of the amended budget shall be furnished immediately to each unit owner.

C. Accounting shall be on a cash basis and conform to generally acceptable accounting standards.

SECTION 14. Management Contract. The Board of Directors shall be authorized to enter into a contractual agreement with a management firm to manage The Bluff's Condominiums. However, any such management agreement may not be for a period greater than five years and shall contain a provision allowing either party to the agreement to terminate the agreement upon ninety days notice to the other party, without penalty.

ARTICLE IV

OFFICERS

SECTION 1. Executive Officers. The Board of Directors shall choose a President and a Vice President from among the directors, and a Secretary and a Treasurer who need not be directors. The Board of Directors may also choose an Assistant Secretary and an Assistant Treasurer, none of whom need be a director. Any two of the above-mentioned officers, except that of President and Vice President, may be held by the same person, but no officer shall execute, acknowledge or verify any instrument in more than one capacity if such instrument be required by statute, by the By-Laws or by resolution of the Board of Directors to be executed, acknowledged or verified by any two or more officers. Each such officer shall hold office until the first meeting of the Board of Directors after the annual meeting of owners next succeeding his election, and until his successors shall have been duly chosen and qualified, or until he shall have resigned or shall have been removed. Any vacancy in any of the above officers may be filled for the unexpired portion of the term by the Board of Directors at any regular or special meeting.

SECTION 2. President. The President shall preside at all meetings of the owners and of the Board of Directors at which he shall be present; he shall have general charge and supervision of the business of the Condominium; he may sign and execute, in the name of the Condominium, all authorized deeds, mortgages, bonds, contracts or other instruments, except in cases in which the signing and execution thereof shall have been expressly delegated in some other officer or agent of the Condominium; and, in

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general, he shall perform all duties incident to the office of President, and such other duties as, from time to time, may be assigned to him by the Board of Directors.

SECTION 3. Vice President. The Vice President, at the request of the President or in his absence or during his inability to act, shall perform the duties and exercise the functions of the President, and when so acting, shall have the powers of the President. The Vice President shall have such other powers and perform such other duties as may be assigned to him by the Board of Directors or the President.

SECTION 4. Secretary. The Secretary shall keep the minutes of the meetings of the owners and of the Board of Directors in books provided for the purpose; he shall see that all notices are duly given in accordance with the provisions of the By-Laws or as required by law; he shall be custodian of the records of the Condominium; and in general he shall perform all duties incident to the office of Secretary, and such other duties as, from time to time, may be assigned to him by the Board of Directors or the President.

SECTION 5. Treasurer. The Treasurer shall have charge of and be responsible for all funds, securities, receipts and disbursements of the Condominium, and shall deposit, or cause to be deposited, in the name of the Condominium, all monies or other valuable effects in such banks, trust companies or other depositories as shall from time to time be selected by the Board of Directors; he shall render to the President and to the Board of Directors, whenever, requested, an account of the financial condition of the Condominium, and; in general, he shall perform all duties as may be assigned to him by the Board of Directors or the President.

SECTION 6. Assistant Officers. The Assistant Secretary, if any, shall have such duties as may from time to time be assigned to him by the Board of Directors or the Secretary. The Assistant Treasurer, if any, shall have such duties as may from time to time be assigned to him by the Board of Directors or the Treasurer.

SECTION 7. Compensation. The Board of Directors shall have power to fix the compensation of all officers of the Condominium Association.

SECTION 8. Removal. Any officer or agent of the Association may be removed by the Board of Directors whenever, in its judgment, the best interests of the Association will be served thereby, but such removal shall be without prejudice to the contractual rights, if any, of the person so removed.

SECTION 9. Loans to Directors and Officers. No loans shall be made by the Association to any of its Directors or Officers. The Directors who vote or assent to the making of such loans, shall be jointly and severally liable to the Association for the amount of such loan until the repayment thereof.

ARTICLE V

OBLIGATIONS OF THE OWNERS

SECTION 1. Assessments. Each owner is obligated to pay the assessments imposed upon him by the Association to meet general common expenses as delineated in the Declaration, which shall include a liability insurance policy premium and shall include a fire and other hazard premium, including flood insurance. The assessments shall be made prorata according to the percentage interest owned as stipulated in the Declaration. Such assessments may include payments to a general operating reserve. Any such assessments levied upon the owner of a unit shall become a lien on said unit at the time assessed and until paid in full. Each

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regular assessment levied shall be due and payable monthly, ten (10) days after assessed. Any special assessment, designated as such by the Board of Directors shall be due and payable when assessed. There will be no declaration in trust for enforcement of said lien.

SECTION 2. Maintenance and Repair.

(a) Every owner must perform promptly all maintenance and repair work within his own unit which, if omitted, would affect the general or limited common elements, or any other unit, such owner being expressly responsible for the damages and liabilities his failure to do so may engender.

(b) All the repair of internal installations of the unit such as water, light, power, telephones, cable television, doors, windows, lamps and all other accessories belonging to the unit area shall be at the owner's expense.

(c) An owner shall reimburse the Condominium for any expenditures incurred in repairing or replacing any general or limited common element damaged through his fault, or the fault of his family, guests, renters, invitees, or others using these areas at his bequest or on his behalf, other than damage arising from an insured casualty.

SECTION 3. Use of Condominium Units-Internal Changes. An owner shall not make structural modifications or alterations in his unit or installations located therein unless he has previously notified the Condominium in writing through the President or the Board of Directors and received no objection thereto. The Condominium shall have the obligation to answer within thirty (30) days, and failure to do so within the time shall mean that there is no objection to the proposed modification or alteration.

SECTION 4. Use of General Common Elements. The rules pertaining to the use of common elements shall also pertain to those properties conveyed to or owned by the Association which, for the purposes of these By-Laws and for the determination of common expenses are treated as common elements. An owner shall not place or cause to be placed in the general common elements any furniture, packages or objects of any kind, except that he may temporarily place chairs, umbrellas or other beach paraphernalia in open areas. The remaining general common elements shall be used for no other purposes than for normal transit through them, or for such other restricted uses as may be designated by the Board of Directors.

SECTION 5. Right of Entry. An owner shall grant right of entry to any person authorized by the Board of Directors of the Condominium in the case of any emergency originating in or threatening his Unit or necessary for the proper maintenance and operation of the project, whether the owner is present at the time or not.

SECTION 6. Rules of Conduct.

(a) No resident of the Condominium shall post any advertisements or posters of any kind on the exterior of the Condominium or on common elements.

(b) Residents shall exercise care about making noises or in the use of musical instruments, radios, televisions and amplifiers that may disturb other residents.

(c) Clothing, towels and other items of personal property shall not be hung on exterior railings or on any other exterior part of the building.

(8)

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ARTICLE VIInsurance, Authority to Purchase.

Insurance policies upon the Common and limited Common property (other than title insurance) may be purchased by the Corporation in the name of the managing agent or board of directors of the Corporation, as Trustees for the condominium unit Owners and their respective mortgagees as their interest may appear, and if the companies writing such policies will agree, the policies shall provide that the insurer waives its rights of subrogation as to any claims against condominium unit owners, the Corporation and their respective servants, agents and guests. Each condominium unit owner may obtain insurance, at his own expense, affording coverage upon his condominium unit, his personal property and for his personal liability and as may be permitted or required by law, but all such insurance shall contain the same waiver of subrogation as that referred to above if the same is available.

Insurance Coverage to Be Maintained: Use and Distribution of Insurance Proceeds.

A. The following insurance coverage shall be maintained in full force and effect by the Corporation covering the operation and management of the Condominium, to wit:

(1) Casualty insurance covering the buildings (and any other improvements upon the common area and designated to be insured by the board of directors and all personal property included within the property described in Exhibit "A" (except such personal property as may be owned by the condominium unit owners and the Owner's Condominium Unit) shall be procured in an amount equal to the maximum insurable replacement value thereof (exclusive of excavation, foundations, walkways, streets, driveways, and parking facilities) as determined annually by the insurance company affording such coverage or other method approved by the board; and provided that such policies may be written on a co-insurance basis of not less than ninety (90%) percent. Such coverage shall afford protections against: (a) loss or damage by fire and other hazards covered by the standard extended coverage endorsement; (b) such other risks as from time to time customarily shall be covered with respect to buildings similar in construction, location and use, including, but not limited to, vandalism and malicious mischief, (c) and coverage against risk as the board of directors deems necessary.

(2) Public liability and property damage insurance in such amounts and in such forms as shall be required by the Corporation, including but not limiting the same to legal liability, hired automobile, non-owned automobile and off-premises employee coverages.

(3) Flood insurance on insurable improvements and property described in sub-paragraph (1) above in an amount determined annually by the board of directors of the Corporation.

B. Premiums upon insurance policies purchased by the Corporation shall be paid by the Corporation as common expenses to be assessed and collected from all of the owners of condominium units.

C. All insurance policies purchased by the Corporation shall be for the benefit of the Corporation and the condominium unit owners and their mortgagees, as their respective interests may appear, and shall provide that all proceeds payable as a result of casualty losses shall be paid to the Corporation. The Corporation shall hold such proceeds in trust for the benefit of the Corporation, the condominium unit owners and their respective

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mortgagees in undivided shares for each condominium unit owner and his mortgagee, if any, which shares as to each condominium unit are shown on Exhibit "C" attached hereto.

D. In the event a mortgagee endorsement has been issued as to a condominium unit, the share of the condominium unit owner shall be held for the mortgagee and the condominium unit owner as their interest may appear, but nothing herein contained shall be construed so as to give any mortgagee the right to determine or participate in the determination of reconstruction or repair.

E. Proceeds of insurance policies received by the Corporation shall be distributed to or for the benefit of the beneficial condominium unit owners in the following manner:

(1) if damage for which the proceeds were paid is to be repaired or reconstructed, the proceeds shall be paid to defray the costs thereof as elsewhere provided. Any proceeds remaining after defraying such costs shall be distributed to the beneficial condominium unit owners or paid as provided under the terms of the policy. This is a covenant for the benefit of any mortgagee of a condominium unit and may be enforced by him.

(2) if it is determined in the manner elsewhere provided that the damage for which the proceeds are paid shall not be reconstructed or repaired, the proceeds shall be distributed to the beneficial condominium unit owners, remittances to condominium unit owners and their mortgagees being payable jointly to them. This is a covenant for the benefit of any mortgagee of a condominium unit and may be enforced by him.

ARTICLE VIIFINANCE

SECTION 1. Checks, Drafts, etc. All checks, drafts and orders for the payment of money, notes and other evidences of indebtedness, issued in the name of the Condominium, shall be signed by officers, agents or manager of the Condominium, as determined by the Board of Directors.

SECTION 2. Annual Reports. There shall be prepared annually a full and correct statement of the affairs of the Condominium, including a balance sheet and a financial statement of operations for the proceeding fiscal year, which shall be audited by an independent public accountant and submitted at the annual meeting of the owners and filed within twenty (20) days thereafter at the principal office of the Condominium.

SECTION 3. Fiscal Year. The fiscal year of the Condominium shall be the calendar year, unless otherwise provided by the Board of Directors.

ARTICLE VIIIAMENDMENTS

SECTION 1. By-Laws. These By-Laws may be amended by the Condominium Association at any duly constituted meeting, provided the notice thereof shall specify the amendment to be voted on, and provided the same is approved by at least two-thirds (2/3) of the owners; subject, however, to the restrictions set forth in Article II, Section 1 of the By-Laws. All Unit Owners shall be bound by an amendment upon the same being duly passed and set forth in an Amended Declaration duly recorded in the Dare County Registry.

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ARTICLE IXMORTGAGES

SECTION 1. Notice to Association. Any owner who mortgages his unit shall notify the President of the Board of Directors of the name and address of his mortgagee; and the Condominium shall maintain such information in a book entitled "Mortgagees of Units". Provided further, each Condominium Unit is subject to alienation, mortgage or transfer as is any other real property located within the State of North Carolina, however, no Condominium Unit owner may mortgage or convey by deed of trust his apartment or Condominium Unit or convey the same as collateral, to any person, firm or corporation except as said conveyance, mortgage is a purchase money mortgage or deed of trust on the Condominium Unit, unless prior approval is obtained from the Association.

SECTION 2. Mortgage Holders.

A. The Bluff's Condominium Association, Inc. is required to make available to unit estate owners and lenders, and to holders, insurers or guarantors of any first mortgage, current copies of the Declaration, By-Laws, other rules concerning the project and books, records and financial statements of the Association or the Associations. Said availability shall be upon request during normal business hours or under reasonable circumstances. Any holder, insurer or guarantor of a first mortgage shall be entitled, upon written request, to an audited financial statement for the immediately preceding fiscal year, free of charge to the party so requesting. Said financial statement shall be furnished within a reasonable time following such request.

B. Upon written request to The Bluff's Condominium Association, Inc. identifying the name and address of the holder, insurer or guarantor and the unit estate number or address, such mortgage holder, insurer or guarantor shall be entitled to timely written notice of:

1. Any condemnation loss or any casualty loss which affects the material portion of the project or any unit estate on which there is a first mortgage held, insured, or guaranteed by such eligible mortgage holder, or eligible insurer or guarantor, as applicable;
2. Any delinquency in the payment of assessments or charges owed by any owner of a unit estate subject to a first mortgage held, insured or guaranteed by such eligible holder or eligible insurer or guarantor, which remains uncured for a period of sixty days;
3. Any lapse, cancelation or material modification of any insurance policy or fidelity bond maintained by the Association or Associations;
4. Any proposed action which would require the consent of a specified percentage of eligible mortgage holders, as specified below.

C. To the extent permitted by applicable law, and notwithstanding anything else herein contained, eligible mortgage holders shall also be afforded the following rights:

1. Any restoration or repair of the project, after a partial condemnation or damage due to an insurable hazard, shall be performed substantially and in accordance with the Declaration and the original plans and specifications, unless other action is approved by eligible holders holding mortgages on unit estates

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which have at least 51% of the votes of unit estates subject to eligible holder mortgages.

2. Any election to terminate the legal status of the project after substantial destruction or a substantial taking in condemnation of the project property must require the approval of eligible holders holding mortgages on unit estates which have at least 51% of the votes of unit estates subject to eligible holder mortgages.

3. No reallocation of interest in the common areas resulting from a partial condemnation or partial destruction of such project may be affected without the prior approval of eligible holders holding mortgages on all remaining unit estates whether existing in whole or in part, and which have at least 51% of the votes of such remaining unit estates subject to eligible holder mortgages.

4. The approval of eligible holders holding mortgages on unit estates which have at least 67% of the votes of unit estates subject to eligible holder mortgages, shall be required to terminate the legal status of the project as a condominium.

5. The approval of eligible holders holding mortgages on unit estates which have at least 51% of the votes of unit estates subject to eligible holder mortgages, shall be required to add or amend any material provisions of the constituent documents of the project which establish, provide for, govern or regulate any of the following:

- a. voting;
- b. assessments, assessment liens or subordination of such liens;
- c. reserves for maintenance, repair and replacement of common areas (or units if applicable);
- d. insurance or fidelity bonds;
- e. rights to use the common areas;
- f. responsibility for maintenance and repair of the several portions of the project;
- g. expansion or contraction of the project or the addition, annexation or withdrawal of the property to or from the project;
- h. boundaries of any unit;
- i. the interest in the general or limited common areas;
- j. the convertibility of units into common areas or of common areas into units;
- k. imposition of any right of first refusal or similar restriction on the right of a unit estate owner to sell, transfer, or otherwise convey his or her unit estate;
- l. any provisions which are for the express benefit of mortgage holders, eligible mortgage holders or eligible insurers or guarantors of first mortgage on unit estates.

ARTICLE X

RESIDENT AGENT

SECTION 1. Resident Agent. The resident agent heretofore

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named in the Declaration shall be authorized to accept service of process in any action relating to two (2) or more Units or to the common elements as authorized in Chapter 47A of the General Statutes of North Carolina, or any amendments thereof. The Board of Directors may, at its discretion, substitute another Resident Agent for the purpose of accepting such service of process as set forth above, provided that proper notification of such change be promptly filed with the Secretary of State of North Carolina.

ARTICLE XI

COMPLIANCE

SECTION 1. Compliance. These By-Laws are set forth to comply with the requirements of Chapter 47A of the General Statutes of North Carolina. In case any of these By-Laws conflict with the provisions of said statute, it is hereby agreed and accepted that the provisions of the statute will apply.

ARTICLE XII

MISCELLANEOUS

SECTION 1. Invalidity. The invalidity of any part of these By-Laws shall not impair or affect in any manner the validity, enforceability, or effect of the balance of these By-Laws.

SECTION 2. Captions. The captions herein are inserted only as a matter of convenience and for reference, and in no way define, limit, or describe the scope of these By-Laws, or the intent of any provision thereof.

SECTION 3. Gender. The use of the masculine gender in these By-Laws shall be deemed to include the feminine gender and the use of the singular shall be deemed to include the plural, whenever the context so requires.

SECTION 4. Waiver. No restriction, condition, obligation, or provision contained in these By-Laws shall be deemed to be an abrogated or waived by reason of any failure to enforce the same, irrespective of the number of violations or the breaches thereof which may occur.

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EXHIBIT "H" FOR THE BLUFF'S CONDOMINIUMS

SEE SHEETS SHOWING THE UNITS AS BUILT AS SET FORTH IN THE UNIT
BOOK 3. SHEETS 110 THROUGH 124.