

**BYLAWS
OF
CROATAN SURF CLUB CONDOMINIUM ASSOCIATION, INC.**

**ARTICLE I
Identity**

These are the Bylaws of Croatan Surf Club Condominium Association, Inc., a North Carolina Nonprofit Corporation, (the "Association"). The Articles of Incorporation (the "Articles") of the Association have been filed in the Office of the North Carolina Secretary of State. The Association shall serve the Owners of Croatan Surf Club Condominium, a North Carolina Condominium established pursuant to the North Carolina Condominium Act, Chapter 47C of the North Carolina General Statutes (the "Act").

**ARTICLE II
Purposes and Powers**

The purposes and powers of the Association are those established in Article 3 of the Act.

**ARTICLE III
Membership; Members' Meetings and Voting**

3.1. Members. Each Owner shall be a member of the Association, and shall remain a member until such Owner ceases to be an Owner. Membership shall be established by acquisition of fee title to a Unit. 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 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.

3.2. Registration. It shall be the duty of each Owner to register such Owner's name and the number of such Owner's Unit with the Secretary of the Association. If an Owner does not so register, the Association shall be under no obligation to recognize such Owner's membership.

3.3. Prohibition of Assignment. The interest of an Owner in the Association's assets cannot be transferred or encumbered except as an appurtenance to such Owner's Unit.

3.4. Meetings of Members. Meetings of members shall be governed by Section 47C-3-108 of the Act.

3.5. Voting and Proxies. Voting and proxies of Members shall be governed by Section 47C-3-110 of the Act.

3.6. Action by Members Without Meeting. Any action that may be taken at a meeting of the members, may be taken without a meeting if such action is authorized in writing setting forth the

action taken and is signed by all members, or if such action is taken in any other manner permitted by law.

ARTICLE IV
Executive Board

4.1. Initial Directors. The number of Directors constituting the initial Executive Board shall be three (3) and the names of the persons who are to serve as the first Executive Board are as follows:

Ken Termini
Robert Coburn
KellyAnn Dean

4.2. First Election. The first election of Directors by the members of the corporation shall not be held until after Turnover as defined in the Declaration. Thereafter, the election of Directors shall take place at the annual meeting of the membership as provided in these Bylaws.

4.3. First Executive Board. The first Executive Board shall consist of the three (3) persons elected by the Declarant, whose names are set forth in these Bylaws, and successors to any thereof elected by the Declarant. Except as provided by Sections 47C-3-103(e) and (f) of the Act, the Declarant shall have the right to appoint Directors until Turnover. The Declarant may voluntarily surrender the right to appoint and remove officers and members of the Executive Board before Turnover, but in that event, the Declarant may require, for the duration of the period of Declarant control, that specified actions of the Association or Executive Board, as described in a recorded instrument executed by the Declarant, be approved by the Declarant before they become effective. Except as provided by Sections 47C-3-103(e) and (f) of the Act, Declarant shall have the unilateral right to remove any person or persons selected by it to act and serve on the Executive Board and to replace such person or persons with another person or person to act and serve in the place of any director or directors so removed. Any director designated and selected by the Declarant need not be an Owner. Any representative of the Declarant serving on the Board shall not be required to disqualify himself from any vote upon contract or matter between Declarant and the Association where Declarant may have a pecuniary or other interest.

4.4. Number and Qualification of Directors. After Turnover, the Executive Board shall consist of three (3) natural persons, as determined at any annual meeting by the members. Each Director shall be an Owner or the individual nominee of an Owner which is other than an individual.

4.5. Election of Directors. After Turnover, the members shall elect the Directors by a majority of the votes cast in the election at the annual meeting of the members.

4.6. Term. The terms of the Directors shall be staggered so that at least one (1) but not more than two (2) Directors are elected at any one meeting and so that no Director's term is less than one (1) year nor more than three (3) years. The Directors shall establish rules to implement the provision of this section. Once elected, a Director shall hold office until such Director's successor has been duly elected.

4.7. Removal. Any member of the Executive Board, other than Directors appointed by the Declarant, may be removed by agreement of Unit Owners of Units to which at least sixty-seven percent (67%) of the votes in the Association are allocated, with or without cause. The successor may then be elected by the members to serve for the balance of the removed Director's term.

4.8. Directors Must be Members in Good Standing. Each member of the Executive Board shall, at the time of his or her election to the Board and at all times during his or her term of office on the Board, shall be a Member in Good Standing of the Association, or shall be a principal in a legal entity that is a Member in Good Standing of the Association. If at any time a member of the Executive Board is no longer a Member in Good Standing of the Association, such member of the Board shall resign his or her position on the Executive Board. If he or she fails to either (1) resign as a member of the Executive Board within ten (10) days after a request to do so by any member of the Executive Board, or (2) take such action as is required to return to the status as a Member in Good Standing of the Association within ten (10) days after a request to do so by any member of the Executive Board, the remaining members of the Executive Board shall remove such member from his or her position on the Executive Board. "Member in Good Standing" shall mean a member who (1) has paid all of the Assessments levied on such Member's Unit, and (2) is in compliance with all Rules of the Association and all provisions of the Association Documents.

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

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

4.11. Special Meetings.

4.11.1. Special meetings of the Board may be called by the President.

4.11.2. Special meetings of the Board may be called by the President or the Secretary and held within ten (10) days after written request for such special meeting signed by at least two (2) Directors is delivered to any other Director or the President or the Secretary.

4.11.3. Not less than seventy-two (72) hours notice of a special meeting of the Board shall be given personally or by mail, telephone, e-mail or fax to each Director; provided that in case the President or any Director determines that an emergency exists, a special meeting of the Board may be called by giving such notice as is possible under the circumstances. All notice of a special meeting of the Board shall state the time, place and purpose for such meeting. No business shall be transacted at a special meeting of the Board except that which is stated in the notice of the special meeting.

4.12. Quorum: Adjournment if No Quorum. A majority of the Board shall constitute a quorum for the transaction of business at any meeting of the Board. If a quorum is not present, the

meeting shall be adjourned from time to time until a quorum is present. The signing by a Director of the minutes of a meeting shall constitute the presence of such Director at that meeting for the purpose of determining a quorum.

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

4.14. Board Action Without Meeting.

4.15. Board Meeting by Conference Call and Other Means. Pursuant to Section 55A-8-20(b) of the North Carolina Nonprofit Corporation Act, the Executive Board may permit any or all Directors to participate in a regular or special meeting of the Executive Board by, or conduct the meeting through the use of, any means of communication by which all Directors participating may simultaneously hear each other during the meeting. A Director participating in a meeting by this means is deemed to be present in person at the meeting.

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

ARTICLE V Officers

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

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

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

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

5.5. Officers Must be a Members in Good Standing. Each officer shall, at the time of his or her election and at all times during his or her term of office, shall be a Member in Good Standing of the Association, or shall be a principal in a legal entity that is a Member in Good Standing of the Association. If at any time an officer is no longer a Member in Good Standing of the Association, such officer shall resign his or her office. If he or she fails to either (1) resign his or her office within

ten (10) days after a request to do so by any other officer or member of the Executive Board, or (2) take such action as is required to return to the status as a Member in Good Standing of the Association within ten (10) days after a request to do so by any other officer or member of the Executive Board, the members of the Executive Board (without the participation of the officer in question if such officer is a member of the Executive Board) shall remove such officer from his or her office. "Member in Good Standing" shall mean a member who (1) has paid all of the Assessments levied on such Member's Unit, and (2) is in compliance with all Rules of the Association and all provisions of the Association Documents.

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

5.7. Powers and Duties of Officers.

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

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

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

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

5.8. Execution of Agreements, etc. All agreements, deeds, mortgages, and amendments to the Declaration or Bylaws, or other such instruments shall be executed by the President or by the Vice President, or by such other person or persons as may be designated by the Executive Board.

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

ARTICLE VI
Indemnification of Directors and Officers

The Association shall indemnify such persons, for such expenses and liabilities, in such manner, under such circumstances, and to such extent as permitted by Chapter 55A, Article 8 of the North Carolina General Statutes as now enacted or hereafter amended.

ARTICLE VII
Fiscal Management

7.1. Depository. The Executive Board shall designate a depository for the funds of the Association, and may change such depository. Withdrawal of funds from such depository shall be only by checks signed by such officer or officers authorized by the Executive Board.

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

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

7.4. Annual Audit. A compilation and review and/or audit of the accounts of the Association shall be made annually by a certified public accountant, and a copy of the report will be made available upon request.

7.5. Fiscal Year. The fiscal year of the Association shall be the calendar year, January 1 to December 31. The fiscal year shall be subject to change by the Executive Board in its discretion.

7.6. Books and Accounts. Books and accounts of the Association shall be the responsibility of the Treasurer and shall be kept under the direction of the Treasurer. The books, records, and papers of the Association shall be subject to inspection by any Member upon fifteen (15) days prior written notice. The Declaration, the Articles, the Bylaws, and the Rules of the Association shall be available for inspection by any Member at the principal office of the Association, where copies shall be made available for sale at a reasonable price.

7.7. Reserve Fund. The reserve fund for repairs and replacement shall be established by the Executive Board and shall be funded thereafter by regular installments rather than by extraordinary special assessments if at all possible. The reserve funds shall be maintained only in such amounts as deemed necessary or desirable by the Executive Board, subject, however, to the preceding sentence. To the extent maintained, funds therein shall be held in such accounts, and with such depositories as the Executive Board, in its discretion, selects.

ARTICLE VIII
Amendment

These Bylaws may be amended. The proposed amendment shall be submitted by the Executive Board to the members. The members may amend the Bylaws by a vote of **fifty one (51%) per cent** or more of the total votes of the Association.

ARTICLE IX
General Provisions

9.1. Rules and Regulations.

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

(b) Uniform Application. All Rules shall be equally and uniformly applicable to all members, occupants and units, but need not be equally and uniformly applicable if it is determined that such unequal and nonuniform application is in the best interest of the Association or if equal and uniform application is not practicable.

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

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

9.3. Compliance with the Act; Conflict; Severability. These Bylaws are established in compliance with the Act, as amended. Should any of the terms, conditions, provision, paragraphs, or clauses of these Bylaws conflict with any of the provisions of said Act, the provision of said Act shall control unless the Act permits these Bylaws to override the Act, in which event these Bylaws shall control. In the case of any conflict between the provision of these Bylaws and the Declaration, the Declaration shall control. If any term, provision, limitation, paragraph, or clause of these

Bylaws, or the application thereof to any person or circumstance, is judicially held to be invalid, such determination shall not affect the enforceability, validity, or effect of the remainder of these Bylaws, or the application thereof to any other person or circumstance.

9.4. Compliance with Declaration. The Association shall be responsible and shall comply with all terms of the Declaration filed for the Condominium including but not limited thereto those provisions dealing with the maintenance of insurance, repairs and maintenance of the Common Elements, assessments and rights of entry.

These Bylaws were ratified by the membership on _____, 20__.

Secretary of the Association